

The **PRS REIT** plc

## Prospectus

MAY 2017





**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000 (as amended) immediately.**

This document comprises a prospectus relating to The PRS REIT plc (the “**Company**”) prepared in accordance with the Prospectus Rules and approved by the FCA in accordance with section 85 of the FSMA. This prospectus has been filed with the FCA in accordance with Rule 3.2 of the Prospectus Rules and will be made available to the public in accordance with the Prospectus Rules at [www.theprsreit.com](http://www.theprsreit.com).

Securities admitted to trading on the Specialist Fund Segment are not admitted to the Official List of the Financial Conduct Authority. Therefore the Company has not been required to satisfy the eligibility criteria for admission to listing on the Official List and is not required to comply with the Financial Conduct Authority's Listing Rules. The London Stock Exchange has not examined or approved the contents of this Prospectus.

The Specialist Fund Segment is intended for institutional, professional, professionally advised and knowledgeable investors who understand, or who have been advised of, the potential risk of investing in companies admitted to the Specialist Fund Segment. Further, the Ordinary Shares are only suitable for investors: (i) who understand and are willing to assume the potential risks of capital loss and understand that there may be limited liquidity in the underlying investments of the Company; (ii) for whom an investment in the Ordinary Shares is part of a diversified investment programme; and (iii) who fully understand and are willing to assume the risks involved in such an investment. If you are in any doubt about the contents of this Prospectus, you should consult your accountant, legal or professional adviser or financial adviser.

The Directors of the Company, whose names appear on page 40 of this document, and the Company each accept responsibility for the information contained in this document. Having taken all reasonable care to ensure that such is the case, the information contained in this document is, to the best of the knowledge of the Directors and the Company, in accordance with the facts and does not omit anything likely to affect the import of such information.

Prospective investors should read this document in its entirety and, in particular, the section headed “Risk Factors” when considering an investment in the Company.

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## **The PRS REIT plc**

*(a company incorporated and registered in England and Wales with registered number 10638461 and registered as an investment company under section 833 of the Companies Act 2006)*

**Issue of up to 250 million Ordinary Shares pursuant to  
a Placing, Offer for Subscription and Intermediaries Offer  
at an Issue Price of 100 pence per Ordinary Share**

**and**

**Placing Programme of up to 250 million Ordinary Shares**

**and**

**Admission of Ordinary Shares to trading on the Specialist Fund Segment of the London  
Stock Exchange's main market for listed securities**

*Financial Adviser  
and Joint Bookrunner*

**Nplus1 Singer Advisory LLP**

*Joint Bookrunner*

**Stifel Nicolaus Europe Limited**

*AIFM*

**G10 Capital Limited**

*Investment Adviser*

**Sigma PRS Management Limited**

*Intermediaries Offer Adviser*

**Solid Solutions Associates  
(UK) Limited**

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Application will be made to the London Stock Exchange for the Ordinary Shares to be issued in connection with the Issue and each Subsequent Placing under the Placing Programme to be admitted to trading on the Specialist Fund Segment of the main market for listed securities of the London Stock Exchange. It is expected that First Admission will become effective and that dealings for normal settlement in the Ordinary Shares will commence at 8:00 a.m. on 31 May 2017. It is expected that any Subsequent Admission pursuant to Subsequent Placings under the Placing Programme will become effective and dealings will commence between 4 May 2017 and 3 May 2018. The Ordinary Shares will not be dealt in on any other recognised investment exchange and no other such applications have been made or are currently expected.



Neither the Issue nor the Placing Programme is being made, directly or indirectly, in or into, or by the use of the mails, or by any means or instrumentality (including, without limitation, facsimile transmission, telex and telephone) of interstate or foreign commerce, or of any facility of a national securities exchange, of the United States, Canada, Australia, Japan or any other Restricted Jurisdiction. Accordingly, copies of this document are not being, and must not be, directly or indirectly, mailed or otherwise forwarded, distributed or sent in, into or from the United States, Canada, Australia, Japan or any other Restricted Jurisdiction or to, or for the account or benefit of, any resident of the United States, Canada, Australia or Japan or any other Restricted Jurisdiction and persons receiving this document (including custodians, nominees and trustees) must not mail or otherwise distribute or send it in, into or from such jurisdictions. The Ordinary Shares have not been and will not be registered under the US Securities Act or under any of the relevant securities laws of any state of the United States or of Canada, Australia or Japan. Accordingly, unless an exemption under such act or laws is applicable, the Ordinary Shares may not be offered, sold or delivered directly or indirectly in or into the United States, Canada, Australia or Japan. In addition, the Company has not been, and will not be, registered under the United States Investment Company Act of 1940, as amended (the U.S. Investment Company Act), and investors will not be entitled to the benefits of the U.S. Investment Company Act. This Prospectus does not constitute, and may not be used for the purposes of, an offer or solicitation to anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation. Prospective investors should consider carefully (to the extent relevant to them) the notices to residents of various countries set out on pages 33 to 34 of this Prospectus.

N+1 Singer, which is authorised and regulated in the United Kingdom by the Financial Conduct Authority is acting exclusively for the Company and for no-one else in relation to each Admission, the Issue, the Placing Programme or the matters referred to in this document. Apart from the responsibilities and liabilities, if any, which may be imposed on N+1 Singer by the FSMA or the regulatory regime established thereunder, N+1 Singer does not make any representation, express or implied in relation to, nor accepts any responsibility whatsoever for, the contents of this document or any other statement made or purported to be made by it or on its behalf in connection with the Company, the Ordinary Shares, the Issue or the Placing Programme. N+1 Singer accordingly, to the fullest extent permissible by law, disclaims all and any responsibility or liability whether arising in tort, contract or otherwise which it might have in respect of this document or any other statement. N+1 Singer will not regard any other person (whether or not a recipient of this document) as its client in relation to any Admission, the Issue or the Placing Programme and will not be responsible to anyone other than the Company for providing the protections afforded to clients of N+1 Singer nor for advising any other person in relation to any Admission, the Issue, the Placing Programme or any transaction or arrangement contemplated in or by this document.

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

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

**Potential investors should consult their stockbroker, bank manager, solicitor, accountant or other independent financial adviser before investing in the Company. Potential investors should also consider the Risk Factors relating to the Company set out on pages 19 to 29 of this document.**

**Dated 4 May 2017**

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## SUMMARY

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

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

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

Section A – Introduction and warnings		
<i>Element</i>	<i>Disclosure Requirement</i>	<i>Disclosure</i>
A.1.	Warning	This summary should be read as an introduction to this document. Any decision to invest in the Ordinary Shares should be based on consideration of this document as a whole by the investor. Where a claim relating to the information contained in this document is brought before a court, the plaintiff investor might, under the national legislation of the EEA States, have to bear the costs of translating this document before the legal proceedings are initiated. Civil liability attaches only to those persons who are responsible for this summary, including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of this document or it does not provide, when read together with other parts of this document key information in order to aid investors when considering whether to invest in such securities.
A.2.	Subsequent resale or final placement of securities through financial intermediaries	<p>The Company consents to the use of this document by financial intermediaries in connection with the subsequent resale or final placement of securities by financial intermediaries.</p> <p>The offer period within which any subsequent resale or final placement of securities by Intermediaries can be made and for which consent to use this document is given commences on 4 May 2017 and closes on 23 May 2017, unless closed prior to that date.</p> <p>Any financial intermediary that uses this document must state on its website that it uses this document in accordance with the Company's consent. Intermediaries are required to provide the terms and conditions of the Intermediaries Offer to any prospective investor who has expressed an interest in participating in the Intermediaries Offer to such Intermediary.</p> <p><b>Information on the terms and conditions of any subsequent resale or final placement of securities by any financial intermediary is to be provided at the time of the offer by the financial intermediary.</b></p>
Section B – Issuer		
<i>Element</i>	<i>Disclosure Requirement</i>	<i>Disclosure</i>
B.1.	Legal and commercial name	The PRS REIT plc (the " <b>Company</b> ").

B.2.	Domicile and legal form	<p>The Company was incorporated in England and Wales under the Act as a public company limited by shares on 24 February 2017 with registration number 10638461 and is a closed-ended investment company.</p> <p>The principal legislation under which the Company operates is the Act.</p>						
B.5.	Group description	The Company is the ultimate holding company of the REIT Group. It is anticipated that wholly owned subsidiaries of the Company will hold the Company's assets.						
B.6.	Major shareholders	<p>As at 3 May 2017 (being the latest practicable date prior to the publication of this document) the only person known to the Company who, following First Admission, will be directly or indirectly interested in 3 per cent. or more of the Company's issued share capital are:</p> <table> <tr> <th></th><th><i>Number of Ordinary Shares<sup>1</sup></i></th><th><i>Percentage of issued Ordinary Shares following First Admission<sup>1</sup></i></th></tr> <tr> <td>HCA</td><td>24,999,999</td><td>9.99</td></tr> </table> <p>The HCA has committed to support the Issue with a direct investment in the Company of 9.99 per cent. of the Gross Issue Proceeds up to £25 million at the Issue Price as part of the First Placing.</p> <p>All Shareholders have the same voting rights in respect of the share capital of the Company.</p> <p>Pending the allotment of Ordinary Shares pursuant to the Issue, one Ordinary Share has been issued to the subscriber to the Company's memorandum of association and will be transferred as part of the Issue. The Company and the Directors are not aware of any other person who directly or indirectly, jointly or severally exercises or could exercise control over the Company.</p>		<i>Number of Ordinary Shares<sup>1</sup></i>	<i>Percentage of issued Ordinary Shares following First Admission<sup>1</sup></i>	HCA	24,999,999	9.99
	<i>Number of Ordinary Shares<sup>1</sup></i>	<i>Percentage of issued Ordinary Shares following First Admission<sup>1</sup></i>						
HCA	24,999,999	9.99						
B.7.	Key financial information	Not applicable. The Company has not commenced operations since its incorporation on 24 February 2017 and no financial statements of the Company have been made as at the date of this document.						
B.8.	Key pro forma financial information	Not applicable. No pro forma financial information is included in this document.						
B.9.	Profit forecast	Not applicable. No profit forecast or estimate is made in this document.						
B.10.	Description of the nature of any qualifications in the audit report on the historical financial information	Not applicable. The Company has been newly incorporated and has no historical financial information.						
B.11.	Working capital insufficiency	Not applicable. The Company is of the opinion, taking into account the Minimum Net Proceeds, that the working capital available to the REIT Group is sufficient for its present requirements, that is, for at least the next 12 months from the date of this document.						

1 The number of Ordinary Shares and percentage shown above is calculated on the assumption that 250 million Ordinary Shares are issued pursuant to the Issue.

B.34.	Investment policy	<p><b>Investment objective</b></p> <p>The PRS REIT plc (the “Company”) will seek to provide investors with an attractive level of income together with the prospect of income and capital growth through investment in a portfolio of newly constructed residential private rented sector sites of multiple units (“PRS Units”) comprising mainly family homes, to be let on Assured Shorthold Tenancies (as defined in the Housing Act 1988) to qualifying tenants.</p> <p><b>Investment policy</b></p> <p><b>Asset allocation</b></p> <p>The Company will pursue its investment objective by investing in PRS Units in cities and towns in the UK.</p> <p>The Company will invest predominantly in housing, with the addition of some apartments, in the main conurbations, and largest employment centres in England, outside of London. The locations closely follow the main rail and road infrastructure, including the proposed HS2 and HS3 rail network. The assets will be new build and come with the benefit of 10 year National House Building Council or equivalent warranties with a consequently low level of capital expenditure allied to a predictable and low cost maintenance regime.</p> <p>Sigma PRS Management Limited (the “Investment Adviser”) will source investments on behalf of the Company in two ways:</p> <ol style="list-style-type: none"> <li>1. The Company and its subsidiaries (together the “REIT Group”) will acquire development opportunities (“PRS Development Sites”) sourced by the Investment Adviser, for development by the REIT Group managed by the Investment Adviser or another member of the Sigma Group appointed as development manager with the intention of letting new completed PRS Units (“Completed PRS Sites”) developed on PRS Development Sites by the REIT Group to individual qualifying tenants under Assured Shorthold Tenancies.</li> <li>2. The REIT Group will acquire Completed PRS Sites from the Sigma Group pursuant to a forward purchase agreement between the Sigma Group and the REIT Group. The REIT Group may, should the opportunity arise, acquire newly built PRS Units from third party vendors, which fulfil the Company’s investment objective.</li> </ol> <p><b>Investment restrictions</b></p> <p>The REIT Group’s portfolio of Completed PRS Sites and PRS Development Sites (the “PRS Portfolio”) will be invested and managed with the objective of delivering a high quality, diversified portfolio through the following investment restrictions:</p> <ol style="list-style-type: none"> <li>1. the REIT Group will only invest in private rented homes and apartments located in the UK (predominately in England);</li> <li>2. no investment by the REIT Group in any single Completed PRS Site or PRS Development Site shall exceed 20 per cent. of the aggregate value of the total assets of the REIT Group at the time of commitment as determined in accordance with the accounting principles adopted by the REIT Group from time to time (the “Gross Asset Value”); and</li> <li>3. the REIT Group will not invest in other alternative investment funds or closed-end investment companies.</li> </ol>
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		<p><b>Cash management</b></p> <p>Until the REIT Group is fully invested, and pending re-investment or distribution of cash receipts, the REIT Group will invest in cash, cash equivalents, near cash instruments and money market instruments.</p> <p><b>REIT status</b></p> <p>The Company will at all times conduct its affairs so as to enable it to remain qualified as a REIT for the purposes of Part 12 of the Corporation Tax Act 2010 (and the regulations made thereunder).</p> <p><b>Ground Rent</b></p> <p>The REIT Group may in future create a separate ground rent portfolio from the PRS Portfolio to enhance value and returns over the entire PRS Portfolio.</p> <p>Any material change to the investment policy will require the prior approval of Shareholders, by way of an Ordinary resolution at a general meeting.</p>
B.35.	Borrowing limits	<p><b>Gearing Limit</b></p> <p>The REIT Group will seek to use gearing to enhance equity returns. The level of borrowing will be on a prudent basis for the asset class, whilst maintaining flexibility in the underlying security requirements and the structure of both the PRS Portfolio and the REIT Group. The REIT Group may raise debt from banks, the HCA and/or the capital markets and the aggregate borrowings of the REIT Group will always be subject to an absolute maximum, calculated at the time of drawdown of the relevant borrowings, of not more than 45 per cent. of the Gross Asset Value (although the Investment Adviser expects actual gearing to be around 35 per cent. to 40 per cent. following stabilisation of the PRS Portfolio).</p> <p>Debt will be secured at asset level, whether over particular Completed PRS Sites or PRS Development Sites or holding entities for any Completed PRS Sites or PRS Development Sites, without recourse to the Company, depending on the optimal structure for the REIT Group and having consideration to key metrics including lender diversity, cost of debt, debt type and maturity profiles.</p> <p><b>Use of derivatives</b></p> <p>The REIT Group may utilise derivatives for efficient portfolio management. In particular, the Company may engage in full or partial interest rate hedging or otherwise seek to mitigate the risk of interest rate increases on borrowings incurred in accordance with the gearing limits as part of the management of the PRS Portfolio.</p> <p>The Company shall ensure that the income profits of the REIT Group's property rental business (fulfilling the conditions in section 529 of the CTA 2010) are sufficient to cover its financing costs by not less than 1.25 times to avoid any adverse tax charge in accordance with section 543 of the CTA 2010.</p>
B.36.	Regulatory status	<p>The Company is not authorised or regulated as a collective investment scheme by the FCA but will, following First Admission, be subject to the Disclosure Guidance and Transparency Rules and the Prospectus Rules as applicable to closed-ended investment companies. The Company will also voluntarily comply with certain provisions of the Listing Rules. It will also be subject</p>

		to the EU's Market Abuse Regulation and the Admission and Disclosure Standards of the London Stock Exchange. It will also be an EU alternative investment fund for the purposes of the AIFMD. As a REIT, the Ordinary Shares will be "excluded securities" under the FCA's rules on non-mainstream pooled investments. Accordingly, the promotion of the Ordinary Shares will not be subject to the FCA's restriction on the promotion of non-mainstream pooled investments. As the Company is being established so as to enable it to qualify as a UK REIT, the Company will need to comply with certain ongoing regulations and conditions, including conditions relating to the distribution of its profits.
B.37.	Typical investor	The Ordinary Shares are designed to be suitable for institutional investors and professionally-advised private investors. The Ordinary Shares may also be suitable for investors who are financially sophisticated, non-advised private investors who are capable of evaluating the risks and merits of such an investment and who have sufficient resources to bear any loss which may result from such an investment.
B.38.	Investment of 20 per cent. or more in single underlying asset or investment company.	Not applicable. The Company does not at the date of this document and will not at First Admission have any such investments.
B.39.	Investment of 40 per cent. or more in single underlying asset or investment company.	Not applicable. The Company does not at the date of this document and will not at First Admission have any such investments.
B.40.	Applicant's service providers	<p><b>AIFM</b></p> <p>G10 Capital Limited has been appointed as alternative investment fund manager pursuant to the AIFM Agreement under which it is responsible for overall portfolio management and compliance with the Company's investment policy providing alternative investment fund manager services, ensuring compliance with the requirements of the AIFMD that apply to the Company, and undertaking all risk management. The AIFM has appointed the Investment Adviser to manage the assets of the Company and advise the Company on a day-to-day basis in accordance with the investment policy of the Company pursuant to the Investment Advisory Agreement.</p> <p>The AIFM has, and shall maintain, the necessary expertise and resource to supervise the delegated tasks effectively.</p> <p>The AIFM Agreement provides that the Company will pay to the AIFM a fee as follows: (a) an initial one off fee of £12,000; (b) a monthly fee of £6,000; and (c) £1,000 per investment committee meeting.</p> <p><b>Investment Adviser</b></p> <p>Sigma PRS Management Limited has been appointed by the Company and the AIFM as Investment Adviser pursuant to the Investment Advisory Agreement. The Investment Adviser may transact on the Company's behalf in relation to the Completed</p>

		<p>PRS Sites and the PRS Development Sites, in accordance with the Company's investment objective and investment policy.</p> <p>The Investment Advisory Agreement provides that the Company will pay to the Investment Adviser a fee (payable monthly in arrears) calculated at the rate of:</p> <ul style="list-style-type: none"> <li>(a) 1 per cent. per annum of the Adjusted Net Asset Value up to, and including, £250 million;</li> <li>(b) 0.90 per cent. per annum of the Adjusted Net Asset Value in excess of £250 million and up to and including £500 million;</li> <li>(c) 0.80 per cent. per annum of the Adjusted Net Asset Value in excess of £500 million and up to, and including, £1 billion; and</li> <li>(d) 0.70 per cent. per annum of the Adjusted Net Asset Value in excess of £1 billion.</li> </ul> <p>The Investment Advisory Agreement also provides that where the Investment Adviser considers that a PRS Development Site meets the Company's investment objective in accordance with the investment policy and the site is under strict legal control of the Investment Adviser or Approved Contractor and the construction cost has been agreed with the Approved Contractor, it shall provide to the Company a Site Assessment Report and desktop valuation.</p> <p>Pursuant to the terms of the Right of First Refusal Agreement between the REIT Group and the Investment Adviser, the REIT Group has a right of first refusal in any financial year of the Company to acquire and develop PRS Development Sites with a Total Cost of not less than two-thirds of the Total Cost of all PRS Development Sites sourced by the Investment Adviser during that financial year that meet the investment objective and investment policy. The remaining PRS Development Sites will be available to be developed by the Sigma Group and acquired by the REIT Group pursuant to the Forward Purchase Agreement. The REIT Group has first choice over the PRS Development Sites comprising its allocation.</p> <p>Where the REIT Group has contracted to acquire and build a PRS Development Site by entering into Framework Agreements conditional upon satisfying certain conditions, the Investment Adviser shall reimburse all pre-development costs incurred by the REIT Group in the event that the REIT Group does not acquire the PRS Development Site in accordance with the Framework Agreement by failure to satisfy those conditions.</p> <p><b>Development Manager</b></p> <p>The Investment Adviser or another member of the Sigma Group has been appointed by the REIT Group as Development Manager pursuant to a Development Management Agreement entered into between REIT Group, the Investment Adviser and the relevant member of the Sigma Group. The Development Manager will carry out certain development and construction related services under the Development Management Agreement relating to the overall project delivery, management and monitoring of the work required to satisfy the conditions under the Framework Agreements and work carried out by the Approved Contractor under a fixed price Design and Build Contract.</p>
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		<p>In respect of each PRS Development Site to be developed by the REIT Group, a management fee equal to 4 per cent. of the Total Development Cost shall be payable to the Development Manager monthly in arrears pro rata to the Development Cost incurred under the Design and Build Contract for the construction of that PRS Development Site. The Development Manager shall apply an aggregate of 50 per cent. of this fee in subscribing for new Ordinary Shares such amounts to be subscribed bi-annually in arrears at the prevailing share price at the time of subscription (provided not less than the prevailing Net Asset Value), failing which it shall use its reasonable endeavours to purchase Ordinary Shares in the market. In order to ensure an orderly market in the Company's Ordinary Shares issued to the Development Manager pursuant to the Development Management Agreement, the Development Manager has agreed to certain restrictions on the disposal of any such Ordinary Shares in accordance with the terms of the Lock-up Deed.</p> <p><b>Depositary</b></p> <p>Kingfisher Property Partnerships Limited has been appointed as the Company's depositary for the purposes of the AIFMD. Under the terms of the Depositary Agreement, the Depositary is entitled to be paid an initial one off fee of £5,000 and an annual fee up to £40,000.</p> <p><b>Financial Adviser and Joint Bookrunner</b></p> <p>N+1 Singer has agreed to act as Financial Adviser and Joint Bookrunner to the Issue and the Placing Programme. Stifel has agreed to act as Joint Bookrunner.</p> <p>N+1 Singer and Stifel have agreed to use their reasonable endeavours to procure subscribers under the First Placing and any Subsequent Placings. Conditional upon completion of the Issue, N+1 Singer and Stifel will be paid a commission by the Company in consideration for their services in relation to the Issue.</p> <p>Conditional upon completion of each Subsequent Placing, N+1 Singer and Stifel are also entitled to receive a commission in consideration for their services in relation to each Subsequent Placing.</p>
B.41.	Regulatory status of AIFM, Investment Adviser and Depositary	<p>The AIFM is authorised and regulated by the FCA.</p> <p>The Investment Adviser is not currently authorised or regulated by the FCA but is an appointed representative of the AIFM.</p> <p>The Depositary is authorised and regulated by the FCA.</p>
B.42.	Calculation of Net Asset Value	<p>The Completed PRS Sites and PRS Development Sites will be valued by the Valuer at Market Value. Full annual valuations together with bi-annual desk-top valuations will be prepared all in accordance with the Red Book.</p> <p>The Net Asset Value attributable to the Ordinary Shares will be published bi-annually based on the most recent valuation of the REIT Group's PRS Portfolio and in accordance with IFRS and EPRA. The Net Asset Value per Ordinary Share will be calculated by the Company based on information provided by the Investment Adviser and published through a Regulatory Information Service as soon as practicable after the end of the relevant period and will be available on the Company's website as soon as practicable after the end of the relevant period. In</p>



		<p>addition, the calculations will be reported to Shareholders in the Company's annual report and interim financial statements.</p> <p>The calculation of the Net Asset Value per Ordinary Share will only be suspended in circumstances where the underlying data necessary to value the investments of the Company cannot readily, or without undue expenditure, be obtained. Details of any suspension in making such calculations will be announced through a Regulatory Information Service.</p>
B.43.	Cross liability	Not applicable. The Company is not an umbrella collective investment undertaking and as such there is no cross liability between classes or investment in another collective investment undertaking.
B.44.	No financial statements have been made up	The Company has not commenced operations since its incorporation on 24 February 2017 and no financial statements of the Company have been made as at the date of this document.
B.45.	Portfolio	<p>On First Admission, the REIT Group will have contractual commitments under the Forward Purchase Agreement to acquire (subject to funding) the First Acquisition Portfolio comprising 496 PRS Units across eight Completed PRS Sites. Certain of the PRS Units comprising the First Acquisition Portfolio are completed, with the majority currently under construction.</p> <p>In addition, the REIT Group has entered into Framework Agreements with Approved Contractors to acquire (subject to funding) PRS Development Sites comprising the Initial Development Portfolio which together with the Baytree Site and the Sheffield Sites comprises approximately 1,070 PRS Units across 14 PRS sites with a Total Development Cost in the region of £156 million. The pre-development conditions in respect of the Baytree Site have been satisfied and the Baytree Site has been acquired by the Sigma Group to allow certain ground remediation works to be undertaken prior to First Admission. The Sigma Group has entered into Framework Agreements in respect of the Sheffield Sites and has commenced with the pre-development works. Sheffield Housing Company has agreed in principle to include the site known as Sheffield Site 3, as described on page 104 of Part 7 of this document, in the existing Framework Agreement. The Investment Adviser expects this to be done prior to First Admission. The Sigma Group shall assign and/or novate the Framework Agreements to the REIT Group following First Admission.</p> <p>Furthermore, the REIT Group and the Investment Adviser have entered into Framework Agreements with Approved Contractors to acquire PRS Development Sites comprising the Further Development Portfolio subject to the sites being under the legal control of the Investment Adviser and/or the Approved Contractor and to agreeing the construction cost with the Approved Contractor, and also subject to funding. The Further Development Portfolio comprises up to approximately 970 PRS Units with a Total Cost of around £146 million. PRS Development Sites in the Further Development Portfolio will be allocated between the REIT Group and the Sigma Group to maintain the two-third : one-third split.</p> <p>The First Acquisition Portfolio, Initial Development Portfolio and the Further Development Portfolio comprise approximately 2,535 PRS Units across 37 sites located in several different towns and</p>

		<p>districts. Each PRS Unit will be available to let by a single tenant or family. The Investment Adviser believes this multi-asset, multi-tenant approach across multiple geographical locations offers good risk diversification and intends to follow this strategy when identifying further PRS Development Sites.</p> <p>In addition to the Initial Development Portfolio, the First Acquisition Portfolio and the Further Development Portfolio, the Investment Adviser has access to a current pipeline of PRS Development Sites with an estimated Total Cost of £800 million. These will be appraised by the Investment Adviser and those meeting the Company's investment objective and investment policy will be put forward to the AIFM for approval in accordance with the Investment Advisory Agreement.</p>
B.46.	Net Asset Value	Not applicable. The Company has not commenced operations and so has no Net Asset Value as at the date of this document.

Section C – Securities											
<i>Element</i>	<i>Disclosure Requirement</i>	<i>Disclosure</i>									
C.1.	Type and class of securities	<p>The Company intends to issue Ordinary Shares of nominal value £0.01 each pursuant to the Issue and the Placing Programme. The ISIN of the Ordinary Shares is GB00BF01NH51. The SEDOL of the Ordinary Shares is BF01NH5. The ticker for the Ordinary Shares is PRSR.</p>									
C.2.	Currency	The Company will issue Ordinary Shares denominated in sterling.									
C.3.	Number of securities in issue	<p>Set out below is the issued share capital of the Company as at the date of this document:</p> <table> <tr> <th></th><th><i>Nominal Value (£)</i></th><th><i>Number</i></th></tr> <tr> <td>Redeemable Preference Shares</td><td>50,000</td><td>50,000</td></tr> <tr> <td>Ordinary Shares</td><td>0.01</td><td>1</td></tr> </table> <p>The Redeemable Preference Shares are paid up as to their nominal value and will be redeemed immediately following First Admission out of the proceeds of the Issue. The Ordinary Share is fully paid up.</p>		<i>Nominal Value (£)</i>	<i>Number</i>	Redeemable Preference Shares	50,000	50,000	Ordinary Shares	0.01	1
	<i>Nominal Value (£)</i>	<i>Number</i>									
Redeemable Preference Shares	50,000	50,000									
Ordinary Shares	0.01	1									
C.4.	Description of the rights attaching to the securities	<p><b>Voting Rights</b></p> <p>Subject to any special rights, restrictions or prohibitions as regards voting for the time being attached to any Ordinary Shares, Ordinary Shareholders shall have the right to receive notice of and to attend and vote at general meetings of the Company.</p> <p>Each Ordinary Shareholder being present in person or by proxy or by a duly authorised representative (if a company) at a general meeting shall upon a show of hands have one vote and upon a poll all Ordinary Shareholders shall have one vote for every Ordinary Share held.</p> <p><b>Dividend rights</b></p> <p>Shareholders will be entitled to receive such dividends as the Directors may resolve to pay to them out of the assets attributable to their Ordinary Shares.</p>									

		<p><b>Return of capital</b></p> <p>Ordinary Shareholders are entitled to participate (in accordance with the rights specified in the Articles) in the assets of the Company attributable to their Ordinary Shares in a winding up of the Company or a winding up of the business of the Company.</p>
C.5.	Restrictions on the free transferability of the securities	<p>Subject to the Articles and to compliance with applicable securities regulations, a Shareholder may freely transfer all or any of his Ordinary Shares in any manner which is permitted by the Act or in any other lawful manner which is from time to time approved by the Board.</p>
C.6.	Admission	<p>Application will be made to the London Stock Exchange for all of the Ordinary Shares to be issued pursuant to the Issue to be admitted to trading on the Specialist Fund Segment of the London Stock Exchange's main market for listed securities.</p> <p>It is expected that First Admission will become effective and dealings will commence on 31 May 2017.</p> <p>Applications will also be made to the London Stock Exchange for all of the Ordinary Shares to be issued pursuant to each Subsequent Placing under the Placing Programme to be admitted to trading on the Specialist Fund Segment of the London Stock Exchange's main market for listed securities. It is expected that any Subsequent Admission will become effective and dealings will commence between 4 May 2017 and 3 May 2018.</p> <p>The Ordinary Shares will not be dealt on any other recognised investment exchange and no applications for Ordinary Shares to be traded on such other exchanges have been made or are currently expected.</p>
C.7.	Dividend policy	<p>There are no assurances that the Company will pay any dividends.</p> <p>Subject to market conditions and the Company's level of net income, it is the Directors' intention to pay dividends to Shareholders on a quarterly basis and in accordance with the REIT Regime. Upon full investment of the capital and associated gearing the Company is targeting a dividend yield of 6 per cent. or more per annum based on the Issue Price, which the Company expects to increase broadly in line with inflation. The Directors will seek to maintain the dividend over the long term. In addition, the Company is targeting a net total Shareholder return of 10 per cent. or more per annum based on the Issue Price at stabilisation of the PRS Portfolio. It is anticipated that the Company will reach stabilisation by the third anniversary of First Admission.</p> <p>Following First Admission, the Company is targeting a dividend of 5 per cent. for the period from First Admission to 30 June 2018 and the Directors expect to declare the first dividend in relation to the period ending 31 December 2017. The dividend and return targets stated above are targets only and not a profit forecast. There can be no assurance that these targets will be met and they should not be taken as an indication of the Company's expected future results. Accordingly, potential investors should not place any reliance on these targets in deciding whether or not to invest in the Company and should decide for themselves whether or not the target dividend yield and target net total Shareholder return are reasonable or achievable. Subject to cash</p>

		<p>not being required for ongoing operations or organic investment, the Board will consider returning excess cash to Shareholders over time, for example by way of special dividends which would supplement ordinary dividends.</p> <p>As a REIT, the Company is required to meet a minimum distribution test for each accounting period that it is a REIT. This minimum distribution test requires the Company to distribute 100 per cent. of the income profits of the REIT Group derived from distributions of profits or gains of the Qualifying Property Rental Business of another UK REIT and a minimum of 90 per cent. of the income profits of the REIT Group's Qualifying Property Rental Business derived from other sources for each accounting period, as adjusted for tax purposes. Further details of the tax treatment of an investment in the Company are set out in Part 10 of this document.</p> <p>In order to increase the distributable reserves available to facilitate the payment of future dividends, the Company has resolved that, conditional upon First Admission and the approval of the Court, the amount standing to the credit of the share premium account of the Company immediately following completion of the Issue be cancelled and transferred to a special distributable reserve. The Company may, at the discretion of the Board, pay all or any part of any future dividends out of this special distributable reserve, taking into account the Company's investment objective. However, it is intended that during the period up to stabilisation any dividend will nonetheless be supported by income profit and capital gains in the value of the Company's assets. No dividend will be paid out of capital to the extent it results in the Net Asset Value falling below the opening Net Asset Value (expected to be £0.98 per Share).</p>
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Section D – Risks		
<i>Element</i>	<i>Disclosure Requirement</i>	<i>Disclosure</i>
D.1.	Key information on the key risks that are specific to the Company or its industry	<p>(a) The Company cannot be sure that it will be successful in obtaining suitable investments in Completed PRS Sites and PRS Development Sites on financially attractive terms.</p> <p>(b) The Company cannot be sure that the conditions set out in the Framework Agreements will be satisfied in relation to all PRS Development Sites.</p> <p>(c) The Company will be reliant on the skills of the Investment Adviser and its key personnel and may be adversely affected if it underperforms, does not devote sufficient time to the Company's investments, or its services cease to be available to the Company.</p> <p>(d) If the Investment Advisory Agreement is terminated it is likely that the Company will cease to have access to the Sigma PRS platform and related contractual frameworks and relationships.</p> <p>(e) There are several further risks associated with developing the PRS Development Sites, including delays, voids, bad debt and obligations under environmental regulations that may adversely affect the value of the Company's investments or the Company's ability to execute its investment policy.</p>



		<p>(f) The generation of profits for distribution by the REIT Group will depend on the successful management of the Company's investments, the yields on existing and new properties, interest costs, taxes and the sale of properties. Until the proceeds of the Issue are invested in Completed PRS Sites and PRS Development Sites, the Board expects the income generated by the proceeds of the Issue to be significantly lower than the income generated from funds invested by the REIT Group in Completed PRS Sites and PRS Development Sites.</p> <p>(g) The levels of, and reliefs from, taxation may change. Any change in the Company's tax status or in taxation legislation in the United Kingdom or any other tax jurisdiction affecting Shareholders or investors could affect the value of the investments held by the Company, or affect the Company's ability to achieve its investment objective for the Ordinary Shares or alter the post-tax returns to Shareholders.</p> <p>(h) Any changes to laws and regulations enacted by national, regional and local governments and institutions could affect the market value of the Company's PRS Portfolio and/or the rental income of the PRS Portfolio. Any future regulatory changes arising from the implementation of AIFMD that impair the ability of the alternative investment fund manager to manage the investments of the Company, or limit the ability of the Company to market future issues of its Ordinary Shares, the ability of the Company to carry out its investment policy and strategy and achieve its investment objective could be adversely affected.</p> <p>(i) There is no certainty that borrowings will be made available to the REIT Group. To the extent that borrowings are made available, in the event that the rental income of the Company's PRS Portfolio falls for whatever reason, the use of borrowings will increase the impact of such a fall on the net revenue of the Company and accordingly will have an adverse effect on the Company's ability to pay dividends to Shareholders.</p>
D.3.	Key information on the key risks specific to the securities	<p>(a) There can be no guarantee that the Company will achieve its investment objective or its return objectives, that any dividends will be paid in respect of any financial year or period or that investors will get back the full value of their investment. The Company's ability to pay dividends will depend principally upon its rental income received from the Completed PRS Sites.</p> <p>(b) While the Investment Adviser will seek to spread risk relating to tenant concentration, there is the risk, from time to time and in particular in respect of the early stages of the Company immediately after launch that the Company has a concentrated number of tenants and material exposure to the financial strength and the operational performance of those tenants.</p> <p>(c) The Company intends to use borrowings to acquire further Completed PRS Sites and PRS Development Sites and those borrowings may not be available at the appropriate time or on suitable terms. If borrowings are not available on suitable terms or at all this will have a material adverse</p>

		<p>impact on the returns to Shareholders and in particular the level of dividends paid.</p> <p>(d) To the extent that the Development Manager's fee is satisfied by the issuance of new Ordinary Shares, this will be dilutive to existing Shareholders.</p>
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Section E – Offer		
<i>Element</i>	<i>Disclosure Requirement</i>	<i>Disclosure</i>
E.1.	Net proceeds and costs of the Issue	<p>The costs and expenses of the Issue include the costs of incorporation of the Company, the fees payable in relation to Admission, fees payable to the London Stock Exchange, as well as the fees due under the Placing and Offer Agreement, the fees payable to other professional advisers and other related expenses. These costs will be met by the Company and are capped at 2 per cent. of the Gross Issue Proceeds.</p> <p>The Net Issue Proceeds are expected to be £245,000,000 (on the assumption that 250 million Ordinary Shares are issued pursuant to the Issue) and they will be used by the Company to invest in and acquire Completed PRS Sites and PRS Development Sites in order to build the PRS Portfolio, including the First Acquisition Portfolio and the Initial Development Portfolio.</p> <p>The costs and expenses of each issue of Ordinary Shares under the Placing Programme will depend on subscriptions received. It is expected that the costs of issuing Ordinary Shares pursuant to any Subsequent Placings under the Placing Programme will be covered by issuing such Ordinary Shares at a premium to the prevailing cum-income Net Asset Value per Ordinary Share.</p>
E.2A.	Reason for offer and use of proceeds	<p>The Issue and the Placing Programme are being made in order to raise funds for the purpose of investment in accordance with the investment objective and investment policy of the Company. The Net Issue Proceeds and the net proceeds of any Subsequent Placings under the Placing Programme will be used by the Company to fund the acquisition of Completed PRS Sites and PRS Development Sites in order to build the PRS Portfolio, including the First Acquisition Portfolio and the Initial Development Portfolio.</p>
E.3.	Terms and conditions of the offer	<p>Ordinary Shares are being made available under the Issue at the Issue Price. The Issue comprises the First Placing, the Offer for Subscription and the Intermediaries Offer.</p> <p>N+1 Singer and Stifel have agreed to use their reasonable endeavours to procure subscribers pursuant to the First Placing for the Ordinary Shares. The First Placing will close at 1.00 p.m. on 24 May 2017 (or such later date as the Company, N+1 Singer and Stifel may agree). If the Issue is extended, the revised timetable will be notified through a Regulatory Information Service.</p> <p>The Offer for Subscription is being made in the United Kingdom only. Applications under the Offer for Subscription must be for a minimum subscription of 1,000 Ordinary Shares and then in multiples of 1,000 Ordinary Shares thereafter. Completed Application Forms and the accompanying payment in relation to</p>

		<p>the Offer for Subscription must be posted to the Receiving Agent so as to be received by no later than 11.00 a.m. on 23 May 2017. Under the Intermediaries Offer, the Ordinary Shares are being offered to Intermediaries in the United Kingdom only who will facilitate the participation of certain of their retail investor clients, being highly knowledgeable private and advised investors who understand or have been advised of, the potential risk from investing in companies admitted to trading on the Specialist Fund segment, located in the United Kingdom. A minimum application of 1,000 Ordinary Shares per Underlying Applicant will apply. Completed Applications from Intermediaries must be received by the Receiving Agent no later than 5.00 p.m. on 23 May 2017.</p> <p>The Issue is conditional upon:</p> <ul style="list-style-type: none"> <li>(a) the Placing and Offer Agreement becoming unconditional as to the Issue (save as to First Admission) and not having been terminated in accordance with its terms prior to First Admission;</li> <li>(b) First Admission occurring by 8.00 a.m. on 31 May 2017 (or such later date, not being later than 30 June 2017, as the Company, N+1 Singer and Stifel may agree); and</li> <li>(c) the Minimum Net Proceeds being raised.</li> </ul> <p>Following the Issue, Ordinary Shares which may be made available pursuant to a Subsequent Placing under the Placing Programme will be issued at the Placing Programme Price. The Placing Programme will open on 4 May 2017 and will close on 3 May 2018 (or such earlier date as agreed between the Company, N+1 Singer and Stifel). Each allotment and issue of Ordinary Shares pursuant to a Subsequent Placing under the Placing Programme is conditional, <i>inter alia</i>, on:</p> <ul style="list-style-type: none"> <li>(a) any Admission of Ordinary Shares occurring not later than 8.00 a.m. on such dates as may be agreed between the Company, N+1 Singer and Stifel prior to the closing of each Subsequent Placing, not being later than 3 May 2018;</li> <li>(b) the Placing and Offer Agreement becoming otherwise unconditional in all respects and not having been terminated on or before the date of such Admission;</li> <li>(c) the relevant Placing Programme Price of Ordinary Shares being determined by the Directors; and</li> <li>(d) a valid supplementary prospectus being published by the Company if such is required by the Prospectus Rules.</li> </ul>
E.4.	Material interests	Not applicable. No interest is material to the Issue.
E.5.	Name of person selling securities	Not applicable. No person or entity is offering to sell Ordinary Shares as part of the Issue.
E.6.	Dilution	<p>No dilution will result from the Issue.</p> <p>The Company may seek to issue new equity:</p> <ul style="list-style-type: none"> <li>(a) pursuant to any Subsequent Placing under the Placing Programme; or</li> <li>(b) to the Development Manager pursuant to the Development Management Agreement.</li> </ul> <p>While the Act contains statutory pre-emption rights for Shareholders in relation to issues of shares in consideration for cash, the Company currently has authority to issue:</p>

		<p>(a) up to 250 million Ordinary Shares in connection with the Placing Programme; and</p> <p>(b) Up to 4 million Ordinary Shares to the Development Manager in connection with that part of its management fee settled by the issue of Ordinary Shares in accordance with the Development Management Agreement, in each case on a non-pre-emptive basis following completion of the Issue. Where statutory pre-emption rights are dis-applied, any additional equity financing will be dilutive to those Shareholders who cannot, or choose not to, participate in such financing.</p> <p>The Development Manager has agreed to reinvest 50 per cent. of its management fee under the Development Management Agreement in exchange for the issue of new Ordinary Shares or where that is not possible by purchase in the market. To the extent this is satisfied by the issuance of new Ordinary Shares, this will be dilutive to existing Shareholders.</p>
E.7.	Expenses charged to the investor	<p>The costs and expenses of the First Admission and Issue include costs of incorporation of the Company, the fees payable in relation to Admission, fees payable to the London Stock Exchange, as well as the fees due under the Placing and Offer Agreement, the fees payable to other professional advisers and other related expenses. The amount of the costs of the First Admission and Issue which will be borne by the Company is limited to 2 per cent. of the Gross Issue Proceeds.</p> <p>All expenses incurred by any Intermediary are for its own account. Investors should confirm separately with any Intermediary whether there are any commissions, fees or expenses that will be applied by such Intermediary in connection with any application made through that Intermediary pursuant to the Intermediaries Offer.</p> <p>The costs and expenses of each issue of Ordinary Shares pursuant to the Placing Programme will depend on subscriptions received but it is expected that these costs will be covered by issuing Ordinary Shares at a premium to the prevailing Net Asset Value (cum-income) per Ordinary Share.</p>



## **RISK FACTORS**

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

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

### **Risks relating to the Ordinary Shares**

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

If the Company's assets do not grow at a rate sufficient to cover the costs of establishing and operating the Company, Shareholders may not recover the amount initially invested.

The market value of, and the income derived from, the Ordinary Shares can fluctuate. The market value of an Ordinary Share, as well as being affected by its Net Asset Value and prospective Net Asset Value, also takes into account its dividend yield and prevailing interest rates. As such, the market value of an Ordinary Share may vary considerably from its underlying Net Asset Value and investors may not get back the full value of their investment.

Fluctuations could also result from a change in national and/or global economic and financial conditions, the actions of governments in relation to changes in the national and global financial climate or taxation and various other factors and events, including rental yields, variations in the Company's operating results, business developments of the Company and/or its competitors. Stock markets have experienced significant price and volume fluctuations in the past that have affected market prices for securities.

The price of an Ordinary Share may also be affected by speculation in the press or investment community regarding the business or investments of the Company or factors or events that may directly or indirectly affect its investments.

#### ***Risks relating to dividends and returns***

There is no guarantee that any dividend in respect of any period will be paid. There is no guarantee that the Company will achieve the stated target net total Shareholder return referred to in this document and therefore achieve its return objective.

The Company's ability to pay dividends will be dependent principally upon the rental income generated from Completed PRS Sites.

Dividend growth on the Ordinary Shares will depend principally on growth in rental and other income returns on the underlying assets (which may fluctuate) and the extent to which the Company is invested. The Net Issue Proceeds and the net proceeds of any Subsequent Placings under the Placing Programme will be used by the Company to make investments in Completed PRS Sites and PRS Development Sites, including the First Acquisition Portfolio, the Initial Development Portfolio and the Further Development Portfolio, in accordance with the Company's investment policy. The Company will have committed a significant part of the proceeds of Issue to the acquisition of the First Acquisition Portfolio, the Initial Development Portfolio and the Further Development Portfolio. However, until the proceeds of the Issue are invested in the First Acquisition Portfolio, a significant amount of income is not expected to be generated.

If the Company obtains REIT status, it will not be able to pursue asset growth through acquisitions solely from cash provided from its operating activities because of its obligation to distribute at least

90 per cent. of the income profits as calculated for tax purposes arising from the REIT Group's Qualifying Property Rental Business each year (either in cash or by way of stock dividend) to Shareholders in order to continue to enjoy the full exemption from tax on rental income afforded by the UK REIT Regime.

As a REIT the Company would be required to pay tax at regular corporate rates on any shortfall to the extent that it distributes as a PID less than the amount required to meet the 90 per cent. distribution condition each year. Consequently, the Company may be forced to rely on the availability of debt or equity capital to fund future acquisitions. In addition, differences in timing between the receipt of cash and the recognition of income for the purposes of the REIT Regime and the effect of any potential debt amortisation payments could require the Company to borrow funds to meet the distribution requirements that are necessary to achieve the full tax benefits associated with qualifying as a REIT, even if the then-prevailing market conditions are not favourable for these borrowings. As a result of these factors, the constraints of maintaining REIT status could limit the Company's flexibility to make certain investments.

## **Risks relating to admission of the Ordinary Shares to the Specialist Fund Segment**

### ***Risks relating to the Company not being subject to the Listing Rules***

The Specialist Fund Segment is a peer group market for closed-ended investment companies employing more sophisticated structures and investment management remits and which are seeking professional, institutional and highly knowledgeable investors. Specialist Fund Segment securities are not admitted to the Official List and accordingly the rights and protections set out in the Listing Rules (such as those relating to significant transactions and related party transactions) will not be afforded to holders of a security traded on the Specialist Fund Segment. Although the Company intends, so far as appropriate, to voluntarily comply with certain of the Listing Rules that apply to closed-ended investment companies listed on the premium segment of the Official List, the UKLA will not monitor the Company's compliance with the Listing Rules, nor will it impose any sanctions in respect of any breach of such requirements by the Company.

### ***Risks relating to a liquid market for the Ordinary Shares failing to develop***

No assurance can be given that, at any time, a liquid market for the Ordinary Shares will develop or, if developed, that any such market will be sustained. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser authorised under FSMA who specialises in advising on the acquisition of shares and other securities. The value of Ordinary Shares may go down as well as up. Investors may therefore realise less than the original amount of their investment and could lose their entire investment. The market value of the Ordinary Shares may not necessarily reflect the underlying Net Asset Value.

If an active trading market is not developed or maintained, the liquidity and trading price of the Ordinary Shares may be adversely affected. Even if an active trading market develops, the market price of the Ordinary Shares may not reflect the value of the underlying investments of the Company.

### ***Dilution risk***

Following the Issue, the Company is seeking to issue new equity in the future pursuant to the Placing Programme. While the Act contains statutory pre-emption rights for Shareholders in relation to issues of shares in consideration for cash, the Company currently has authority to issue up to 250 million Ordinary Shares on a non-pre-emptive basis following First Admission. Where statutory pre-emption rights are dis-applied, any additional equity financing will be dilutive to those Shareholders who cannot, or choose not to, participate in such financing. The Development Manager has also agreed to reinvest 50 per cent. of its fee under the Development Management Agreement in exchange for the issue of new Ordinary Shares or where that is not possible, by purchase in the market. To the extent this is satisfied by the issuance of new Ordinary Shares, this will also be dilutive to existing Shareholders.

### **Risks relating to the Company**

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

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

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

### ***The Company's targeted returns are based on estimates and assumptions that are inherently subject to significant uncertainties and contingencies, and the actual rate of return may be materially lower than the targeted returns***

The Company's targeted returns set out in this document are targets only and are based on estimates and assumptions about a variety of factors including, without limitation, purchase price, yield and performance of the Company's investments, which are inherently subject to significant business, economic and market uncertainties and contingencies, all of which are beyond the Company's control and which may adversely affect the Company's ability to achieve its targeted returns. The Company may not be able to implement its investment objective and investment policy in a manner that generates returns in line with the targets. Furthermore, the targeted returns are based on the market conditions and the economic environment at the time of assessing the targeted returns, and are therefore subject to change. In particular, the targeted returns assume no material changes occur in Government regulations or other policies, or in law and taxation, and that the Company is not affected by natural disasters, terrorism, social unrest or civil disturbances or the occurrence of risks described elsewhere in this document. There is no guarantee that actual (or any) returns can be achieved at or near the levels set out in this document. Accordingly, the actual rate of return achieved may be materially lower than the targeted returns, or may result in a partial or total loss, which could have a material adverse effect on the Company's profitability, the Net Asset Value and the price of the Ordinary Shares.

### ***Risks relating to amount of monies raised at First Admission***

The REIT Group is not legally obliged to acquire sites under the Forward Purchase Agreement or the Framework Agreement unless it has sufficient funding available.

If the Company only raises the Minimum Net Proceeds at First Admission, it will not have the funding available to acquire the whole of the First Acquisition Portfolio and acquire and develop the whole of the Initial Development Portfolio, and would require further funding, whether through the Placing Programme or otherwise, to take advantage of the opportunity served under the Forward Purchase Agreement and the Framework Agreements related to the remaining assets in those portfolios.

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

The Company cannot guarantee that the REIT Group will obtain REIT status nor can it guarantee that it will maintain continued compliance with all of the REIT conditions. There is a risk that the REIT Regime may cease to apply in some circumstances. HMRC may require the REIT Group to exit the REIT Regime if:

- it regards a breach of the conditions or failure to satisfy the conditions relating to the REIT Regime, or an attempt to avoid tax, as sufficiently serious;

- the Company or members of the REIT Group have committed a certain number of minor or inadvertent breaches in a specified period; or
- HMRC has given the Company or members of the REIT Group at least two notices in relation to the avoidance of tax within a 10 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 tax resident, becomes dual tax resident or an open-ended investment company, the REIT Group will automatically lose REIT status. The REIT Group could therefore lose its status as a REIT as a result of actions by third parties, for example, in the event of a successful takeover by a company that is not a REIT or due to a breach of the close company condition if it is unable to remedy the breach within a specified timeframe. If the REIT Group were to be required to leave the REIT Regime within 10 years of joining, HMRC has wide powers to direct how it would be taxed, including in relation to the date on which the REIT Group would be treated as exiting the REIT Regime which could have a material impact on the financial condition of the Company and, as a result, Shareholder returns.

A REIT may become subject to an additional tax charge if it pays a dividend to 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 4.13 of Part 12 of this document. These provisions provide the Directors with powers to identify Substantial Shareholders and to prohibit the payment of dividends on Ordinary Shares that form part of a Substantial Shareholding, unless certain conditions are met. The Articles also allow the Board to require the disposal of Ordinary Shares forming part of a Substantial Shareholding in certain circumstances where the Substantial Shareholder has failed to comply with the above provisions.

### ***Risks relating to the taxation of the Company***

The levels of, and reliefs from, taxation may change. The tax reliefs referred to in this document are those currently available and their value depends on the individual circumstances of investors. Any change in the Company's tax status or in taxation legislation in the United Kingdom or any other tax jurisdiction affecting Shareholders or investors could affect the value of the investments held by the Company, or affect the Company's ability to achieve its investment objective for the Ordinary Shares or alter the post-tax returns to Shareholders. If you are in any doubt as to your tax position, you should consult your own professional adviser without delay.

Any change (including a change in interpretation) in tax legislation, in the United Kingdom, could have a material adverse effect on the Company's business, financial condition, results of operations, future prospects or the price of the Ordinary Shares. Changes to tax legislation could include the imposition of new taxes or increases in tax rates in the United Kingdom. In particular, an increase in the rates of SDLT could have a material impact on the price at which UK land and property can be sold, and therefore on asset values.

### ***Risks related to appointed representatives***

There is a risk that the AIFM may revoke its appointment of the Investment Adviser as its representative for regulated activities, which will result in the Investment Adviser having to seek appointment as a representative of another FCA authorised or regulated organisation, or restrict certain regulated activities that it would otherwise perform on behalf of the Company.

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

The Company and the Investment Adviser are both subject to laws and regulations enacted by national, regional and local governments and institutions. In particular, the Company will be required to comply with certain statutory requirements under English law applicable to a company



incorporated in England and Wales. Compliance with and the monitoring of applicable regulations may be difficult, time consuming and costly. Any changes to such regulation could affect the market value of the Company's PRS Portfolio and/or the rental income of the Completed PRS Sites. In such event, the investment returns of the Company may be materially adversely affected.

The EU Directive on Alternative Investment Fund Managers ("**AIFMD**"), came into force on 22 July 2013 and regulates alternative investment fund managers and prohibits such alternative investment fund managers from managing any alternative investment fund ("**AIF**") or marketing shares in such AIFs to investors in the EU unless, in respect of alternative investment fund managers based in the EU, authorisation under the AIFMD is granted to the alternative investment fund manager. The alternative investment fund manager of the Company will need to comply with various obligations in relation to itself and the Company. In the event that any future regulatory changes arise from the implementation of the AIFMD that impair the ability of the alternative investment fund manager to manage the investments of the Company, or limit the ability of the Company to market future issues of its Shares, the ability of the Company to carry out its investment policy and strategy and achieve its investment objective could be adversely affected.

The US-UK Agreement to Improve International Tax Compliance and to Implement FATCA (the "**US-UK IGA**") was entered into with the intention of enabling the UK implementation of FATCA, which imposes a new reporting regime and potentially a 30 per cent. withholding tax on certain payments made from (or attributable to) US sources or in respect of US assets to certain categories of recipient including a non-US financial institution (an "**FFI**") that does not comply with the terms of FATCA and is not otherwise exempt. Certain financial institutions ("**reporting financial institutions**") are required to provide certain information about their US accountholders to HMRC (which information will in turn be provided to the US tax authority) pursuant to UK regulations implementing the US-UK IGA.

It is expected that the Company will constitute a reporting financial institution for these purposes. The Company will not, however generally need to report any information in respect of US Shareholders on the basis that the Ordinary Shares are expected to be treated as being regularly traded on an established securities market and should not, therefore, constitute financial accounts for FATCA purposes for so long as the Ordinary Shares are admitted to trading on the Main Market. It is the intention of the Company, the AIFM and the Investment Adviser to procure that the Company is treated as complying with the terms of FATCA by complying with the terms of the reporting system contemplated by the US-UK IGA. No assurance can, however, be provided that the Company will be able to comply with FATCA and, in the event that it is unable to do so, a 30 per cent. withholding tax may be imposed on payments the Company receives from (or which are attributable to) US sources or in respect of US assets, which may reduce the amounts available to the Company to make payments to Shareholders.

### ***Risks relating to the UK's proposed exit from the European Union***

On 23 June 2016, the United Kingdom held a referendum on the United Kingdom's continued membership of the European Union. This resulted in a vote for the United Kingdom to exit the European Union ("**Brexit**"). There are significant uncertainties in relation to the terms and time frame within which such an exit will be effected, and there are significant uncertainties as to what the impact will be on the fiscal, monetary, legal and regulatory landscape in the UK. The extent of the impact on the Company will depend in large part on the nature of the arrangements that are put in place between the United Kingdom and the European Union following Brexit. Although it is not possible to predict fully the effects of the exit of the United Kingdom from the European Union, any of these risks, taken singularly or in the aggregate, could have a material adverse effect on the Company and its opportunities for investments. In addition, it could potentially make it more difficult for the Company to raise capital.

### ***Risks relating to gearing***

It is intended that the REIT Group will utilise gearing to fund the acquisition of further, as yet unidentified, Completed PRS Sites and PRS Development Sites in addition to the First Acquisition Portfolio, the Initial Development Portfolio and the Further Development Portfolio. There is no certainty that such borrowings will be made available to the REIT Group either at all or on acceptable terms, which may adversely affect the ability of the REIT Group to grow in the future and acquire further properties which could, as a consequence, have a material adverse impact on the level of dividends paid to Shareholders.

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

Under the UK REIT legislation, a UK tax charge will arise in the Company if in respect of an accounting period the REIT Group's ratio of income profits (before capital allowances) to financing costs (in respect of its Qualifying Property Rental Business) is less than 1.25:1.

### ***Risks relating to conflicts of interest***

The services of the Investment Adviser, its respective associates and their respective officers and employees, are not exclusive to the Company. The group of companies to which the Investment Adviser belongs has some historic relationships as a result of being one of the leading PRS property providers in the UK. In particular, the Investment Adviser (or its associates) provides investment management, investment advice or other services to other funds having similar investment policies to that of the Company. The Investment Adviser however has in place an asset allocation policy which provides that the REIT Group will have a right of first refusal pursuant to the Right of First Refusal Agreement on every investment opportunity which is in accordance with the Company's investment policy and deemed suitable for the REIT Group with the exception of:

- (a) those additional sites which the Sigma Group will be constructing which are identified in Part 7 and form part of the First Acquisition Portfolio; and
- (b) additional PRS Development Sites to be developed by the Sigma Group (including those forming part of the Further Development Portfolio allocated to the Sigma Group) equal to one-third of the Total Cost of all PRS Development Sites sourced by the Investment Adviser during each financial year of the Company and which will be acquired by the REIT Group from the Sigma Group pursuant to the Forward Purchase Agreement.

The Investment Adviser has other relationships with third parties to whom it also owes duties or in whom it has an interest. In fulfilling its role for the Company the Investment Adviser will ensure that it does not breach any restrictions that arise from those relationships.

### ***Risks relating to third party service providers***

The Company has no employees and the Directors have all been appointed on a non-executive basis. Whilst the Company has taken all reasonable steps to establish and maintain adequate procedures, systems and controls to enable it to comply with its obligations, the Company is reliant upon the performance of third party service providers for certain of its executive functions. In particular, the Investment Adviser, the AIFM, the Administrator and the Registrar will be performing services which are integral to the operation of the Company. Failure by any service provider to carry out its obligations to the Company in accordance with the terms of its appointment could have a materially detrimental impact on the operation of the Company.

The past performance of other investments managed or advised by the Investment Adviser or Investment Adviser's investment professionals cannot be relied upon as an indicator of the future

performance of the Company. Investor returns will be dependent upon the Company successfully pursuing its investment objective and investment policy. The success of the Company will depend, inter alia, on the Investment Adviser's ability to identify, acquire, and develop Completed PRS Sites and PRS Development Sites in accordance with the Company's investment objective and investment policy. This, in turn, will depend on the ability of the Investment Adviser to apply its investment analysis processes in a way which is capable of identifying suitable Completed PRS Sites and PRS Development Sites for the Company to invest in. There can be no assurance that the Investment Adviser will be able to do so or that the Company will be able to generate any investment returns for Shareholders or indeed avoid investment losses.

***Risks relating to the Company's reliance on the Investment Adviser***

The Company has the benefit of access to the Sigma PRS platform (described in more detail in Part 2 of this document) through the Investment Adviser. If the Investment Advisory Agreement is terminated it is likely that the Company will cease to have access to the platform and to the relationships and contractual frameworks with Approved Contractors, Local Authorities and the Approved Letting Agent and favourable terms and economies of scale that have taken years to establish. The Company would also need to identify replacement sources of PRS Development Sites and Completed PRS Sites.

In accordance with the Investment Advisory Agreement, the Investment Adviser is responsible for providing certain management and investment advisory services to the Company. Accordingly, the Company will be reliant upon, and its success will depend on, the Investment Adviser and its key personnel, services and resources.

Consequently, the future ability of the Company to successfully pursue its investment objective and investment policy may, among other things, depend on the ability of the Investment Adviser to retain its existing staff and/or to recruit individuals of similar experience and calibre. Whilst the Investment Adviser has endeavoured to ensure that the principal members of its management team are suitably incentivised, the retention of key members of the team cannot be guaranteed. Furthermore, in the event of a departure of a key employee of the Investment Adviser, there is no guarantee that the Investment Adviser would be able to recruit a suitable replacement or that any delay in doing so would not adversely affect the performance of the Company. Events impacting but not entirely within the Investment Adviser's control, such as its financial performance, it being acquired or making acquisitions or changes to its internal policies and structures, could in turn affect its ability to retain key personnel.

Under the terms of the Investment Advisory Agreement, the Investment Adviser is required to devote such time and have all necessary competent personnel and equipment as may be required to enable the Investment Adviser to carry out its obligations properly and efficiently. However, if the Investment Adviser fails to allocate the appropriate time or resources to the Company's investments, the Company may be unable to achieve its investment objectives. In addition, although the Investment Advisory Agreement requires the Investment Adviser to dedicate competent personnel to the Company's business they may not be able to do so.

The Company is also subject to the risk that the Investment Advisory Agreement may be terminated and that no suitable replacement will be found. If the Investment Advisory Agreement is terminated and a suitable replacement is not secured in a timely manner or key personnel of the Investment Adviser are not available to the Company with an appropriate time commitment, the ability of the Company to execute its investment objective and investment policy may be adversely affected.

The obligations of the Investment Adviser under the Investment Advisory Agreement are not guaranteed by any other person.

***Risks relating to the economic environment***

Global market uncertainty and, in particular, the restricted availability of credit, may reduce the value of the Company's portfolio once it has been acquired, and may reduce liquidity in the real estate market. The performance of the Company would be adversely affected by a downturn in the property market in terms of market value or a weakening of rental yields.

***Risks relating to the Company's investments******Risks associated with pre-development works***

The Company cannot be sure that the conditions set out in the Framework Agreements will be satisfied in relation to all PRS Development Sites. While the Investment Adviser will take care appraising each PRS Development Site, there are a number of risks associated with satisfying the conditions in relation to the site e.g. the Investment Adviser or Approved Contractor may not be able to secure control of a site where it is not already under control or ownership or reach agreement on a construction price where the price has not already been agreed, that is acceptable to the Company, it may not be possible to secure acceptable planning or site investigation works or legal diligence may uncover issues that delay construction or makes the PRS Development Site uneconomical. These could lead to PRS Development Sites being dropped from the Framework Agreement entirely or to delays and/or additional costs which could have a negative impact on expected returns for the Company.

***Risks relating to reliance on Approved Contractors***

Although the Company benefits from parent company guarantees, performance bonds, price retentions, monthly payments in arrears and step-in rights, if an Approved Contractor was to become insolvent, the Company would be required to utilise this security to retender any incomplete work which could lead to delays and additional costs which could have a negative impact on returns. The loss of an Approved Contractor could also mean a loss in a source of new PRS Development Sites which would need to be replaced with other sources of land.

***Risks relating to the acquisition of Completed PRS Sites from the Investment Adviser (or associated companies)***

The Company has entered into the Forward Purchase Agreement to acquire the First Acquisition Portfolio (subject to funding).

It is intended that the Forward Purchase Agreement will be extended to provide for the REIT Group to acquire additional Completed PRS Sites from Sigma.

Under the Forward Purchase Agreement, the Company will have the benefit of various warranties. Such warranties, in accordance with normal market practice, are typically limited in extent and subject to disclosure, time limitations, materiality thresholds and liability caps. To the extent that the Company were to suffer any loss in connection with the acquisition of Completed PRS Sites pursuant to the Forward Purchase Agreement as a result of an issue not covered by the warranties or excluded by such limitations or where the loss exceeds such liability caps, the Company would have no recourse against the seller. Even if the Company were to have a right of action in respect of a breach of warranty, there would be no guarantee that the outcome to any claim would be successful, or that the Company would be able to recover all or part of any loss.

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

The Company cannot be sure that it will be successful in obtaining suitable investments in Completed PRS Sites and PRS Development Sites on financially attractive terms.

The risks of developing the PRS Development Sites include, but are not limited to, delays in timely completion of the project, poor quality workmanship, voids, bad debts or inability to rent at a rental level sufficient to generate profits.

The Company will incur certain fixed costs on the acquisition of Completed PRS Sites and PRS Development Sites, including any stamp duty or SDLT which may reduce the Net Asset Value per Ordinary Share immediately following the acquisition. There is no guarantee that the value of the Completed PRS Sites and PRS Development Sites will increase to an amount in excess of these costs.

The Company will not be managed with any direct correlation to any property index and consequently may have returns that differ from the performance of UK residential property markets as a whole.

Investments in property are relatively illiquid. Such illiquidity may affect the Company's ability to vary its PRS Portfolio or dispose of or liquidate part of its PRS Portfolio in a timely fashion and at satisfactory prices in response to changes in economic, real estate market or other conditions. This could have an adverse effect on the Company's financial condition and results of operations.

Returns from an investment in property depend largely upon the amount of rental income generated from the property and the expenses incurred in the development and management of the property, as well as upon changes in its market value.

The Company's ability to pay dividends will be dependent principally upon its rental income from Completed PRS Sites. Rental income and the market value of properties are generally affected by overall conditions in the relevant local economy, such as growth in gross domestic product, employment trends, inflation and changes in interest rates. Both rental income and market values may also be affected by other factors specific to the residential property market, such as the perceptions of prospective tenants of the attractiveness, convenience and safety of properties, the periodic need to renovate and repair and the costs thereof, the costs of maintenance and insurance, and increased operating costs. In addition, certain significant expenditures, including operating expenses, must be met by the owner even when the property is vacant.

Any change to the laws and regulations relating to the UK residential property market may have an adverse effect on the market value and/or the rental income of the Company's PRS Portfolio.

The Company may face competition from UK or other foreign property companies or funds. Competition in the property market may lead to prices for existing properties or land for development being driven up through competing bids by potential purchasers. Accordingly, the existence of such competition may have a material adverse impact on the Company's ability to acquire properties or develop land at satisfactory prices.

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

### ***Risks relating to valuations***

The value of property and property related assets is inherently subjective due to the individual nature of each property. As a result, valuations are subject to substantial uncertainty. There is no assurance that the valuations of any properties will reflect the actual realisable sale price even where such sales occur shortly after the relevant valuation date.

The First Acquisition Portfolio has been valued by the Valuer as at 4 May 2017 with a Market Value of £72.6 million. In determining Market Value, the Valuer has made certain assumptions including that the development of properties within the First Acquisition Portfolio has been completed. Such assumptions may prove to be inaccurate.



***Risks relating to tenant default***

Dividends payable by the Company will be dependent on the income from the Completed PRS Sites it owns. Failure by tenants to comply with their rental obligations could affect the ability of the Company to pay dividends to Shareholders.

While the Company will seek to spread risk relating to tenant concentration, there is the risk, from time to time and in particular in respect of the early stages of the Company immediately after launch, that the Company will have a concentrated number of tenants and material exposure to the financial strength and the operational performance of those tenants.

***Risks relating to portfolio concentration***

Although the Company will seek to build a diverse PRS Portfolio, all of the Company's assets will, once the Company is fully invested, be invested in PRS Units in the United Kingdom. Consequently, any downturn in the UK and its economy or regulatory changes in the UK could have a material adverse effect on the Company's results of operations or financial condition. While the Company will seek to maintain a prudent spread of risk, any concentration of investments may lead to greater volatility in the value of the Company's investments and the Net Asset Value and may materially and adversely affect the performance of the Company and returns to Shareholders.

***Shareholder returns will be dependent upon the performance of the Company's PRS Portfolio and the Company may experience fluctuations in its operating results***

Returns achieved are reliant primarily upon the performance of the Company's PRS Portfolio. No assurance is given, express or implied, that Shareholders will be able to realise the amount of their original investment in the Ordinary Shares. The Company may experience fluctuations in its operating results due to a number of factors, including changes in the values of PRS Units in the Company's PRS Portfolio from time to time, changes in its rental income, operating expenses, occupancy rates, the degree to which it encounters competition and general economic and market conditions. Such variability may be reflected in dividends, may lead to volatility in the trading price of the Ordinary Shares and may cause the Company's results for a particular period not to be indicative of its performance in a future period.

***Risks relating to insurance***

There are certain types of losses, generally of a catastrophic nature, that may be uninsurable or are not economically insurable. Inflation, changes in building codes and ordinances, environmental considerations and other factors might also result in insurance proceeds being insufficient to repair or replace a property. Should an uninsured loss or a loss in excess of insured limits occur, the Company may lose capital invested in the affected property as well as anticipated future revenue from that property. The Company might also remain liable for any debt or other financial obligations related to that property. Any material uninsured losses may have a material adverse effect on the Company's business prospects, results of operations and financial condition.

***Risks relating to derivative instruments***

The Company may utilise derivative instruments for efficient portfolio management purposes. Where the Company utilises derivative instruments, it is likely to take a credit risk with regard to the parties with whom it trades and may also bear the risk of settlement default. These risks may differ materially from those entailed in exchange-traded transactions that generally are backed by clearing organisation guarantees, daily marking-to-market and settlement, and segregation and minimum capital requirements applicable to intermediaries. Transactions entered into directly between counterparties generally do not benefit from such protections and expose the parties to the risk of counterparty default. Accordingly, the Company's use of derivative instruments may expose the Company to greater risk and have a material adverse effect on the Company's performance.

The Company may seek to mitigate interest rate risk using derivative instruments. However, there can be no assurances or guarantees that the Company will successfully hedge against such risks or that adequate hedging arrangements will be available on an economically viable basis. Hedging arrangements may result in additional costs being incurred or losses being greater than if hedging had not been used.

***Risks relating to due diligence***

Prior to acquiring a Completed PRS Sites or a PRS Development Site, due diligence will be carried out. In doing so, the Company would typically rely on third parties to conduct a significant portion of this due diligence (including legal reports on title and property valuations). To the extent that such third parties underestimate or fail to identify risks and liabilities (including any environmental liabilities), the Company may be affected by defects in title, or exposed to environmental, structural or operational defects requiring remediation, or may be unable to obtain necessary permits or permissions which may have a material adverse effect on the Company's profitability, the Net Asset Value and the price of the Ordinary Shares.

A due diligence failure may also result in the PRS Portfolio failing to perform in accordance with projections, particularly as to rent and occupancy, which may have a material adverse effect on the Company's profitability, the Net Asset Value and the price of the Ordinary Shares.

***Shortfall of income until proceeds invested***

The Net Issue Proceeds and the net issue proceeds of any Subsequent Placing under the Placing Programme will be used to acquire Completed PRS Sites (including the First Acquisition Portfolio) and PRS Development Sites (including the Initial Development Portfolio and sites allocated to the Company from the Further Development Portfolio) in accordance with the Company's investment policy. The generation of profits for distribution by the REIT Group will depend on the successful management of the Company's investments, the yields on existing and new properties, interest costs, taxes and the sale of properties. The Board expects the income returns to the REIT Group will take time to build up to their full potential in line with the time taken to fully invest the proceeds of the Issue in Completed PRS Sites and PRS Development Sites and for these to become income producing.

**If potential investors are in any doubt as to the consequences of their acquiring, holding or disposing of Ordinary Shares, they should consult their stockbroker, bank manager, solicitor, accountant or other independent financial adviser.**

## IMPORTANT INFORMATION

This document should be read in its entirety before making any application for Ordinary Shares. Prospective Shareholders should rely only on the information contained in this document. No person has been authorised to give any information or make any representations other than as contained in this document and, if given or made, such information or representations must not be relied on as having been authorised by the Company, the AIFM, the Investment Adviser, N+1 Singer or Stifel or any of their respective affiliates, officers, directors, members, employees or agents. Without prejudice to the Company's obligations under the Prospectus Rules, the Disclosure Guidance and Transparency Rules, the Market Abuse Regulation and the Admission and Disclosure Standards neither the delivery of this document nor any subscription made under this document shall, under any circumstances, create any implication that there has been no change in the affairs of the Company since the date of this document or that the information contained herein is correct as at any time subsequent to its date.

Prospective Shareholders must not treat the contents of the document or any subsequent communications from the Company, the AIFM, the Investment Adviser, N+1 Singer or Stifel or any of their respective affiliates, officers, directors, members, employees or agents as advice relating to legal, taxation, accounting, regulatory, investment or any other matters.

Apart from the liabilities and responsibilities (if any) which may be imposed on N+1 Singer and/or Stifel by FSMA or the regulatory regime established thereunder, N+1 Singer and Stifel do not make any representations, express or implied, or accept any responsibility whatsoever for the contents of this document nor for any other statement made or purported to be made by it or by any of them or on its or their behalf in connection with the Company, the Ordinary Shares, the Issue or the Placing Programme. N+1 Singer and Stifel (and their affiliates) accordingly disclaims all and any liability (save for any statutory liability) whether arising in tort or contract or otherwise which it might otherwise have in respect of this document or any such statement.

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

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

Under the Intermediaries Offer, the Ordinary Shares are being offered to Intermediaries who will facilitate the participation of certain of their retail investor clients, being highly knowledgeable private and advised investors who understand or have been advised of, the potential risk from investing in companies admitted to trading on the Specialist Fund Segment, located in the United Kingdom. The Company consents to the use of this document in connection with any subsequent resale or final placement of securities by financial intermediaries in the United Kingdom on the following terms:

- (a) in respect of Intermediaries who are appointed after the date of this document, a list of which appears on the Company's website, from the date on which they are appointed to participate in connection with any subsequent resale or final placement of securities and, in each case, until the closing of the period for the subsequent resale or final placement of securities by financial intermediaries at 5.00 p.m. on 23 May 2017, unless closed prior to that date.

The offer period within which any subsequent resale or final placement of securities by financial intermediaries can be made and for which consent to use this document is given commences on 4 May 2017 and closes on 23 May 2017, unless closed prior to that date (any such prior closure to be announced via a Regulatory Information Service).

**Any Intermediary that uses this document must state on its website that it uses this document in accordance with the Company's consent and the conditions attached thereto. Intermediaries are required to provide the terms and conditions of the Intermediaries Offer to any prospective investor who has expressed an interest in participating in the Intermediaries Offer to such Intermediary. Information on the terms and conditions of any subsequent resale or final placement of securities by any financial intermediary is to be provided at the time of the offer by the financial intermediary.**

The Company consents to the use of this document and accepts responsibility for the information contained in this document with respect to subsequent resale or final placement of securities by any financial intermediary given consent to use this document.

Any new information with respect to financial intermediaries unknown at the time of approval of this document will be available on the Company's website.

### **Website**

The contents of the Company's website at [www.theprsreit.com](http://www.theprsreit.com) do not form part of this document. Investors should base their decision whether or not to invest in the Ordinary Shares on the contents of this document alone.

### **Data protection**

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

- verifying the identity of the prospective investor to comply with statutory and regulatory requirements in relation to anti-money laundering procedures;
- contacting the prospective investor with information about other products and services provided by the AIFM, or its affiliates, which may be of interest to the prospective investor;
- carrying out the business of the Company and the administering of interests in the Company;
- meeting the legal, regulatory, reporting and/or financial obligations of the Company in the UK or elsewhere; and
- disclosing personal data to other functionaries of, or advisers to, the Company to operate and/or administer the Company.

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

- disclose personal data to third party service providers, agents or functionaries appointed by the Company or its agents to provide services to prospective investors; and

- transfer personal data outside of the EEA to countries or territories which do not offer the same level of protection for the rights and freedoms of prospective investors as the United Kingdom (as applicable).

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

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

### **Regulatory information**

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

Prospective investors should consider (to the extent relevant to them) the section headed “**Overseas Persons**” as set out in Parts 5 and 6 of this document as well as the sections below providing notice to prospective investors in particular jurisdictions.

As a REIT pursuant to Part 12 of the CTA 2010, the FCA rules in relation to non-mainstream pooled investments will not apply to the Company.

The AIFM is authorised and regulated by the FCA.

### **Investment considerations**

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

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

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

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

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

This document should be read in its entirety before making any investment in the Ordinary Shares. All Shareholders are entitled to the benefit of, are bound by, and are deemed to have notice of, the provisions of the Company’s memorandum of association and the Articles which investors should review. A summary of the Articles is contained in Part 12 of this document under the section headed “**Summary of the Articles**”.



### ***Notice to prospective investors in the European Economic Area***

In relation to Relevant Member State, an offer to the public of the Ordinary Shares may only be made once a prospectus has been passported in accordance with the Prospectus Directive as implemented by the Relevant Member State. This document has not been passported into any Relevant Member State and, therefore, an offer of the Ordinary Shares to the public in a Relevant Member State may only be made pursuant to the following exemptions under the Prospectus Directive, if they have been implemented in that Relevant Member State:

- (i) to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (ii) to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors (as defined in the Prospectus Directive)) in such Relevant Member State, subject to obtaining the prior consent of N+1 Singer and Stifel for any such offer; or
- (iii) in any other circumstances falling within Article 3(2) of the Prospectus Directive;

provided that no such offer of Ordinary Shares shall result in a requirement for the publication by the Company of a prospectus pursuant to Article 3 of the Prospectus Directive. Each person who initially acquires Ordinary Shares pursuant to the Issue or the Placing Programme or to whom any offer of Ordinary Shares is made pursuant to the Issue or the Placing Programme will be deemed to have represented, warranted and agreed with the Company and N+1 Singer and Stifel that it is a qualified investor (within the meaning of the law of the Relevant Member State implementing Article 2(1)(e) of the Prospectus Directive).

For the purposes of this section headed “Notice to prospective investors in the European Economic Area”, the expression an “**offer to the public**” in relation to any offer of shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and any shares to be offered so as to enable an investor to decide to purchase or subscribe for the shares, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State.

In the case of any Ordinary Shares acquired by a financial intermediary (as that term is used in Article 3(2) of the Prospectus Directive) pursuant to the Issue or the Placing Programme, such financial intermediary will be deemed to have represented, warranted and agreed with the Company, N+1 Singer and Stifel that such Ordinary Shares acquired by it have not been acquired on a non-discretionary basis on behalf of, and have not been acquired with a view to their offer or resale to, persons in circumstances which may give rise to an offer of any Ordinary Shares to the public other than their offer or resale in a Relevant Member State to qualified investors (as defined in the Prospectus Directive) or in circumstances in which the prior consent of N+1 Singer and Stifel has been obtained to each such proposed offer or resale. The Company, N+1 Singer, Stifel, their respective affiliates and others will rely on the truth and accuracy of such deemed representation, warranty and agreement. Notwithstanding the above, a person who is not a qualified investor and who has notified N+1 Singer and Stifel of such fact in writing may, with the consent of N+1 Singer and Stifel, be permitted to subscribe for or purchase Ordinary Shares pursuant to the Issue or the Placing Programme.

During the period up to but excluding the date on which the Prospectus Directive is implemented in Member States, this document may not be used for, or in connection with, and does not constitute, any offer of Ordinary Shares or an invitation to subscribe for or purchase any Ordinary Shares in any Member State in which such offer or invitation would be unlawful.

### ***For the attention of prospective investors in the United States***

Persons receiving this document may not distribute or send it to any US Person or in or into the United States or any other jurisdiction where to do so would or might contravene local securities laws or regulations. In particular, investors should note that the Company has not, and will not be,

registered under the US Investment Company Act and the offer, issue and sale of the Ordinary Shares have not been, and will not be, registered under the US Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States. Accordingly, the Ordinary Shares are being offered and sold outside the United States to non-US Persons in reliance on the exemption from the registration requirements of the US Securities Act provided by Regulation S thereunder. The Ordinary Shares may not be offered, sold, pledged or otherwise transferred or delivered, directly or indirectly, within the United States or to, or for the account or benefit of, any US Person, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction in the United States. The Ordinary Shares have not been approved or disapproved by the US Securities and Exchange Commission, any states securities commission in the United States or any other US regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering or the issue of the Ordinary Shares or the accuracy or adequacy of this document. Any representation to the contrary is a criminal offence in the United States and the offer or resale of any of the Ordinary Shares in the United States may constitute a violation of US law.

### **Forward-looking statements**

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

Given these uncertainties, prospective Shareholders are cautioned not to place any undue reliance on such forward-looking statements. These forward-looking statements speak only as at the date of this document. Subject to its compliance with its legal and regulatory obligations (including under Disclosure Guidance and Transparency Rules, the Market Abuse Regulation and Prospectus Rules), the Company undertakes no obligation to update or revise any forward-looking statement contained herein to reflect any change in expectations with regard thereto or any change in events, conditions or circumstances on which any statement is based.

The actual number of Ordinary Shares to be issued will be determined by the Directors, the Investment Adviser, N+1 Singer and Stifel. Accordingly, the information in this document should be read in light of the actual number of Ordinary Shares to be issued in the Placing and Offer for Subscription.

Nothing in this section seeks to limit or qualify, in any way, the working capital statement in paragraph 9.4 of Part 12 of this document.

### **Definitions**

A glossary of certain words and expressions and a list of defined terms used in this document is set out before Part 1 of this document.

### **Performance Data**

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

## VOLUNTARY COMPLIANCE WITH THE LISTING RULES OF THE UKLA

Application will be made for the Ordinary Shares to be admitted to the Specialist Fund Segment of the Main Market of the London Stock Exchange pursuant to the Admission and Disclosure Standards, which sets out the requirements for admission to the Specialist Fund Segment. Admission of securities to the Specialist Fund Segment of the Main Market of the London Stock Exchange affords Shareholders a lower level of regulatory protection than that afforded to investors in securities that are admitted to the Official List. The Company will be subject to the Market Abuse Regulation, the Admission and Disclosure Standards and certain provisions of the Disclosure Guidance and Transparency Rules whilst traded on the Specialist Fund Segment. Moreover, the Directors have resolved that, as a matter of good corporate governance, the Company will voluntarily comply with the following provisions of the Listing Rules should Admission be granted:

- The Company is not required to comply with the Listing Principles and/or the Premium Listing Principles set out at Chapter 7 of the Listing Rules. Nonetheless, it is the intention of the Company to comply with the Listing Principles and the Premium Listing Principles from Admission.
- The Company is not required to appoint a listing sponsor under Chapter 8 of the Listing Rules. It has appointed N+1 Singer as financial adviser and joint bookrunner and Stifel as joint bookrunner to guide the Company in understanding and meeting its responsibilities in connection with Admission and also for compliance with Chapter 10 of the Listing Rules (as and when applicable) relating to significant transactions, with which the Company intends to voluntarily comply.
- The Company is not required to comply with the provisions of Chapter 9 of the Listing Rules regarding continuing obligations. The Company intends however to comply with the following provisions of Chapter 9 of the Listing Rules from Admission: (i) Listing Rule 9.3 (Continuing obligations: holders); (ii) Listing Rule 9.5 (Transactions); (iii) Listing Rule 9.6.4 to Listing Rule 9.6.21 other than Listing Rule 9.6.19(2) and Listing Rule 9.6.19(3) (which are not relevant) (Notifications); (iv) Listing Rule 9.7A (Preliminary statement of annual results and statement of dividends); and (v) Listing Rule 9.8 (Annual financial report).
- The Company is not required to comply with the provisions of Chapter 11 of the Listing Rules regarding related party transactions. Nonetheless, the Company has adopted the following related party policy (in relation to which the Company's independent advisers will guide the Company). The policy shall apply to any transaction which the Company may enter into with:
  - (i) any "substantial shareholder" (as defined in Listing Rule 11.1.4A) (other than: (a) related party transactions with "substantial shareholders" under Listing Rule 11.1.5(2) regarding coinvestments or joint provision of finance; (b) the provision of debt finance on arm's-length terms to the REIT Group; or (c) issues of new securities in, or a sale of treasury shares of, the Company to "substantial shareholders" on terms which are more widely available, for example as part of an offer to the public or a placing to institutional investors);
  - (ii) any Director;
  - (iii) the Investment Adviser; and
  - (iv) any associate (as defined in the Listing Rules) of such persons,

which would constitute a "related party transaction" as defined in, and to which would apply, Chapter 11 of the Listing Rules.

In accordance with its related party policy, the Company shall not enter into any such related party transaction without first obtaining a fairness opinion in respect of such related party transaction from an appropriately qualified independent adviser. This policy may only be modified with Shareholder approval. It should be noted that these requirements do not apply to a related party transaction if it is a transaction or arrangement in the ordinary course of business. To this end, it should be noted that any acquisitions by the Company of the Completed PRS Sites and PRS Development Sites from the Investment Adviser shall not be treated as related party transactions.

- The Company is not required to comply with the provisions of Chapter 12 of the Listing Rules regarding market repurchases by the Company of its Ordinary Shares. Nonetheless, the Company has adopted a policy consistent with the provisions of Listing Rules 12.4.1 and 12.4.2.
- The Company is not required to comply with the provisions of Chapter 13 of the Listing Rules regarding contents of circulars. The Company intends however to comply with the following provisions of Chapter 13 of the Listing Rules from Admission: (i) Listing Rule 13.3 (Contents of all circulars); (ii) Listing Rule 13.4 (Class 1 circulars); (iii) Listing Rule 13.5 (Financial information in class 1 circulars); (iv) Listing Rule 13.7 (Circulars about purchase of own equity shares); and (v) Listing Rule 13.8 (Other circulars).
- The Company is not required to comply with the provisions of Chapter 15 of the Listing Rules (Closed-Ended Investment Funds: Premium listing). Nonetheless, the Company intends to comply with the following provisions of Chapter 15 of the Listing Rules from Admission: (i) Listing Rule 15.4.2 to Listing Rule 15.4.11 (Continuing obligations); (ii) Listing Rule 15.5 (Transactions); and (iii) Listing Rule 15.6 (Notifications and periodic financial information).

**It should be noted that the UKLA will not have the authority to monitor the Company's voluntary compliance with the Listing Rules applicable to closed-ended investment companies which are listed on the premium listing segment of the Official List of the UKLA nor will it impose sanctions in respect of any breach of such requirements by the Company.**

**FCA authorised firms conducting designated investment business with retail customers under COB Rules are reminded that securities admitted to trading on the Specialist Fund Market will be securities that may have characteristics such as: (i) variable levels of secondary market liquidity; (ii) sophisticated corporate structures; (iii) highly leveraged structures; and (iv) sophisticated investment propositions with concentrated risks and are therefore intended for institutional, professional and highly knowledgeable investors. The Company and its advisers not subject to the COB Rules are responsible for compliance with equivalent conduct of business or point of sale rules in the jurisdiction in which they are based or in which they are marketing the securities concerned (if applicable).**

**The Directors' intention in the medium term is to move the Company to the Official List should the Directors consider that such a move would be in the best interests of the Company and Shareholders as a whole. Admission to the Official List of the Company's Ordinary Shares would be subject to an eligibility review by the UKLA at that time.**

## EXPECTED ISSUE TIMETABLE

	<i>2017</i>
Publication of this document	4 May
Issue opens	4 May
Latest time and date for receipt of completed Application Forms in respect of the Offer for Subscription	11.00 a.m. on 23 May
Latest time and date for receipt of completed applications from the Intermediaries in respect of the Intermediaries Offer	5.00 p.m. on 23 May
Latest time and date for commitments under the First Placing	1.00 p.m. on 24 May
Publication of results of the Issue	25 May
First Admission and dealings in Ordinary Shares commence	8.00 a.m. on 31 May
CREST accounts credited with uncertificated Ordinary Shares	31 May
Where applicable, definitive share certificates despatched by post in the week commencing*	5 June

\* Underlying Applicants who apply to Intermediaries for Ordinary Shares under the Intermediaries Offer will not receive share certificates.

The dates and times specified are subject to change without further notice. All references to times in this document are to London time unless otherwise stated. Any changes to the expected Issue timetable will be notified by the Company through a Regulatory Information Service.



## EXPECTED PLACING PROGRAMME TIMETABLE

Placing Programme opens	4 May 2017
Publication of Placing Programme Price in respect of each Subsequent Placing	as soon as practicable after the announcement of each Subsequent Placing
Announcement of the results of each Subsequent Placing	as soon as practicable after the closing of each Subsequent Placing
Admission and crediting of CREST accounts in respect of each Subsequent Placing	as soon as practicable following the allotment of Ordinary Shares pursuant to each Subsequent Placing
Definitive share certificates in respect of the Ordinary Shares issued pursuant to each Subsequent Placing despatched by post	approximately one week from the Admission of Ordinary Shares pursuant to each Subsequent Placing
Placing Programme closes	3 May 2018

The dates specified are subject to change without further notice. Any changes to the expected timetable will be notified by the Company through a Regulatory Information Service.

## ISSUE STATISTICS

Issue Price	100 pence per Ordinary Share
Target number of Ordinary Shares to be issued pursuant to the Issue	250 million
Target Gross Issue Proceeds	250 million
Net Issue Proceeds*	245 million
Unaudited Net Asset Value per Ordinary Share at First Admission**	98 pence

\* Assuming Gross Issue Proceeds of £250 million. The number of Ordinary Shares to be issued pursuant to the Issue, and therefore the Gross Issue Proceeds, is not known as at the date of this document but will be notified by the Company via a Regulatory Information Service prior to First Admission.

\*\* After issuance costs

## PLACING PROGRAMME STATISTICS

Maximum size of the Placing Programme	250 million Ordinary Shares
Placing Programme Price	not less than the prevailing Net Asset Value (cum-income) per Ordinary Share at the time of issue plus a premium to cover the expenses of such issue

## DEALING CODES

ISIN	GB00BF01NH51
SEDOL	BF01NH5
Ticker	PRSR

## DIRECTORS, AIFM, INVESTMENT ADVISER AND OTHER ADVISERS

<b>Directors</b>	Stephen Smith ( <i>Chairman</i> ) David Steffan Francis Roderick MacRae  all non-executive and of 3rd Floor, 1 St Ann Street, Manchester, M2 7LR
<b>Investment Adviser</b>	Sigma PRS Management Limited 3rd Floor 1 St Ann Street Manchester M2 7LR
<b>AIFM</b>	G10 Capital Limited 136 Buckingham Palace Road London SW1W 9SA
<b>Financial Adviser and Joint Bookrunner</b>	Nplus1 Singer Advisory LLP 1 Bartholomew Lane London EC2N 2AX
<b>Joint Bookrunner</b>	Stifel Nicolaus Europe Limited 150 Cheapside London EC2V 6ET
<b>Legal and Tax Adviser to the Company</b>	Maclay Murray & Spens LLP One London Wall London EC2Y 5AB
<b>Administrator and Company Secretary</b>	Sigma Capital Property Limited 18 Alva Street Edinburgh EH2 4QG
<b>Valuers</b>	Savills Advisory Services Limited 33 Margaret Street London W1G 0JD
<b>Reporting Accountants</b>	RSM Corporate Finance LLP 25 Farringdon Street London EC4A 4AB
<b>Auditors</b>	RSM UK Audit LLP 25 Farringdon Street London EC4A 4AB
<b>Intermediaries Offer Adviser</b>	Solid Solutions Associates (UK) Limited 5 St John's Lane Clerkenwell London EC1M 4BH
<b>Registrars</b>	Capita Asset Services The Registry 34 Beckenham Road Beckenham Kent BR3 4TU

**Receiving Agent**

Capita Asset Services  
Corporate Actions  
The Registry  
34 Beckenham Road  
Beckenham  
Kent BR3 4TU

**Legal Adviser to the Financial  
Adviser and Joint  
Bookrunners**

Stephenson Harwood LLP  
1 Finsbury Circus  
London EC2M 7SH

**Depository**

Kingfisher Property Partnership Limited  
41-43 Maddox Street  
London W1S 2PD

## DEFINITIONS

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

<b>“Acquisition”</b>	the acquisition of the First Acquisition Portfolio as more fully described in Part 7 of this document, conditional on First Admission
<b>“Act”</b>	Companies Act 2006 (as amended)
<b>“Adjusted Net Asset Value”</b>	the Net Asset Value, less an amount equal to the Development Cost incurred in relation to the PRS Development Sites under construction at the relevant time by the REIT Group, calculated in accordance with the Investment Advisory Agreement
<b>“Administration and Secretarial Agreement”</b>	the administration and secretarial agreement between the Company and the Administrator, a summary of which is set out in paragraph 7.8 of Part 12 of this document
<b>“Administrator”</b>	Sigma Capital Property Limited or such other member of the Sigma Group as may be appointed by the Investment Adviser
<b>“Admission”</b>	admission of the Ordinary Shares to be issued pursuant to the Issue or a Subsequent Placing to trading on the Specialist Fund Segment of the London Stock Exchange’s main market becoming effective in accordance with the Admission and Disclosure Standards
<b>“Admission and Disclosure Standards”</b>	the London Stock Exchange Admission and Disclosure Standards effective from 3 July 2016, as amended from time to time
<b>“AIFM”</b>	G10 Capital Limited a company incorporated in England and Wales with registered number 09224491, the alternative investment fund manager to the Company for the purposes of AIFMD
<b>“AIFM Agreement”</b>	the management agreement between the Company and the AIFM, a summary of which is set out in paragraph 7.6 of Part 12 of this document
<b>“AIFMD”</b>	the Directive 2011/61/EU of the European Parliament and of the Council of 8 June 2011 on Alternative Investment Fund Managers and amending Directives 2003/41/EC and 2009/65/EC and Regulations (EC) No 1060/2009 and (EU) No. 1095/2010; the Commission Delegated Regulation (EU) No 231/2013 of 19 December 2012 supplementing Directive 2011/61/EU of the European Parliament and of the Council with regard to exemptions, general operating conditions, depositaries, leverage, transparency and supervision; the UK AIFM Regulations and any other applicable national implementing measures, including FCA Rules
<b>“Application Form” or “Offer for Subscription Application Form”</b>	the application form attached as Appendix 1 to this document for use in connection with the Offer for Subscription



<b>“Approved Contractor”</b>	Countryside, Keepmoat Regen and/or Keepmoat Homes, or any Connected Company of either of them and/or such replacement or additional contractor the Investment Adviser considers to have the requisite skills, qualifications and relevant experience to carry out development of any PRS Development Sites
<b>“Approved Lettings Agent”</b>	Central Lettings Solutions or such other replacement or additional letting agent which the Investment Adviser considers to have the requisite skills, qualifications and relevant experience to manage and let the Completed PRS Sites
<b>“Articles”</b>	the articles of association of the Company, a summary of which is set out in paragraph 4 of Part 12 of this document
<b>“Assured Shorthold Tenancies”</b>	has the meaning ascribed to that term in the Housing Act 1988
<b>“Baytree Site”</b>	the PRS Development Site at Baytree Lane, Middleton owned by Sigma through its wholly owned subsidiary, Sigma PRS Investments (Baytree) Limited
<b>“Board” or “Directors”</b>	the directors of the Company
<b>“CDM”</b>	the Construction (Design & Management) Regulations 2015 for the management of health, safety and welfare on all construction work, in accordance with which the Company must appoint a principal designer and principal contractor
<b>“Central Lettings Solutions”</b>	Central Lettings Solutions Limited, incorporated and registered in England and Wales with company number 7471745 whose registered office is at 3-4 Regan Way, Chetwynd Business Park, Chilwell, Nottingham, Nottinghamshire NG9 6RZ
<b>“COB Rules”</b>	the conduct of business sourcebook rules of the FCA for regulating the conduct of the business of authorised persons carrying on designated investment business
<b>“Code”</b>	the UK Corporate Governance Code as published by the Financial Reporting Council from time to time
<b>“Company”</b>	The PRS REIT plc, a company incorporated in England and Wales with registered number 10638461
<b>“Completed PRS Sites”</b>	new PRS Units: <ul style="list-style-type: none"> <li>(a) developed on PRS Development Sites by the REIT Group from time to time; or</li> <li>(b) acquired by the REIT Group from the Sigma Group from time to time</li> </ul>
<b>“Connected Company”</b>	any undertaking which is for the time being: <ul style="list-style-type: none"> <li>(a) a subsidiary undertaking of the relevant party; or</li> <li>(b) the parent company of that party; or</li> <li>(c) another subsidiary undertaking of the parent undertaking,</li> </ul>

	in each case within the meaning of Section 1162 of the Act
<b>“Countryside”</b>	Countryside Properties plc, a company incorporated in England and Wales with registered number 09878920
<b>“CPs”</b>	conditions precedent contained in the Framework Agreements
<b>“CREST”</b>	the system for the paperless settlement of trades in securities and the holding of uncertificated securities operated by Euroclear UK & Ireland Limited in accordance with the Uncertificated Securities Regulations 2001 (SI 2001/3755) (as amended)
<b>“CTA 2010”</b>	Corporation Tax Act 2010
<b>“Depository”</b>	Kingfisher Property Partnerships Limited a company incorporated in England and Wales with registered number 04109242
<b>“Depository Agreement”</b>	the depository agreement between the Company, the AIFM and the Depository, a summary of which is set out in paragraph 7.10 of Part 12 of this document
<b>“Design and Build Contract”</b>	any of the fixed price design and build contracts entered into with an Approved Contractor in relation to the development of a PRS Development Site
<b>“Development Cost”</b>	<p>in relation to a PRS Development Site, the aggregate cost (excluding VAT) incurred at the relevant time to acquire and develop the PRS Development Site including (to the extent incurred):</p> <ul style="list-style-type: none"> <li>(a) the land price and proper fees and expenses associated with acquisition of the PRS Development Site (including the costs of valuation and title indemnity insurance);</li> <li>(b) any SDLT;</li> <li>(c) the total construction costs (including pre-development costs, set up costs, fees and expenses, retentions or contingencies) incurred in relation to such PRS Development Site;</li> <li>(d) the costs of the Employer’s Agent and CDM compliance; and</li> <li>(e) the costs of any construction bond put in place in relation to the relevant PRS Development Site</li> </ul>
<b>“Development Management Agreement”</b>	the agreement between the relevant member of the REIT Group, the Investment Adviser and the Development Manager pursuant to which, inter alia, the Development Manager agrees to manage the development of PRS Development Sites and as more fully described in paragraph 7.4 of Part 12 of this document

<b>“Development Manager”</b>	the Investment Adviser or another member of the Sigma Group appointed as Development Manager pursuant to the terms of the Development Management Agreement
<b>“Disclosure Guidance and Transparency Rules”</b>	the disclosure guidance and transparency rules contained within the FCA Handbook
<b>“Distribution”</b>	any dividend or other distribution by the Company (“distribution” being construed in accordance with Part 23 of the CTA 2010)
<b>“EEA States”</b>	the member states of the European Economic Area
<b>“Employer’s Agent”</b>	the party designated as such under a Design and Build Contract
<b>“EPRA”</b>	European Public Real Estate Association, the Industry body for European REITs
<b>“ERISA”</b>	US Employee Retirement Income Security Act of 1976, as amended
<b>“ERV”</b>	the estimated rental value
<b>“EU”</b>	the member states of the European Union
<b>“Excess Charge”</b>	in relation to a Distribution which is paid or payable to a person, all tax or other amounts which the Board considers may become payable by the Company or any other member of its group under section 551 CTA 2010 (as amended) and any interest, penalties, fines or surcharge attributable to such tax as a result of such Distribution
<b>“FATCA”</b>	the US Foreign Account Tax Compliance Act
<b>“FCA”</b>	the UK Financial Conduct Authority
<b>“First Acquisition Portfolio”</b>	the portfolio of special purpose vehicles each holding Completed PRS Sites in respect of which the REIT Group has agreed, conditional on First Admission, to acquire from the Sigma Group pursuant to the Forward Purchase Agreement and as more fully described in Part 7 of this document
<b>“First Admission”</b>	Admission of the Ordinary Shares issued pursuant to the Issue
<b>“First Placing”</b>	the conditional placing of Ordinary Shares by the Joint Bookrunners at the Issue Price as described in this document
<b>“Forward Purchase Agreement”</b>	<p>an agreement between Sigma PRS General Partner LLP as general partner of Sigma PRS Property Investments LP and the REIT Group to acquire (on a debt free, cash free basis) Completed PRS Sites (including the First Acquisition Portfolio) conditional upon First Admission and (where applicable):</p> <ul style="list-style-type: none"> <li>(a) Practical Completion of all PRS Units on the PRS Development Site;</li> <li>(b) confirmation of good and marketable title;</li> </ul>

	(c) Rent Stabilisation; and
	(d) funding
	at a price equal to the Market Value (capped at the Vacant Possession Value) and subject to Sigma's right to withdraw in the event that the price is less than the Total Development Cost of the Completed PRS Sites as more fully described in paragraph 7.1 of Part 12 of this document
<b>"Framework Agreement"</b>	a tripartite agreement or agreements amongst the REIT Group, the Sigma Group and an Approved Contractor to acquire and develop PRS Development Sites at a fixed price subject to the satisfaction of certain conditions (including title, ground conditions and planning) all as more fully described in paragraph 7.2 of Part 12 of this document
<b>"FSMA"</b>	the UK Financial Services and Markets Act 2000 (as amended), as amended from time to time
<b>"Further Development Portfolio"</b>	PRS Development Sites to be acquired by the REIT Group or the Sigma Group pursuant to the terms of a Framework Agreement and as more fully described in Part 7 of this document
<b>"GDV"</b>	gross development value
<b>"Gross Asset Value"</b>	the aggregate value of the total assets of the REIT Group as determined in accordance with the accounting principles adopted by the REIT Group from time to time
<b>"Gross Issue Proceeds"</b>	the gross proceeds of the Issue
<b>"HCA"</b>	Homes and Communities Agency, part of the Department for Communities and Local Government
<b>"HS2"</b>	the planned high-speed railway in England, connecting London, Birmingham, the East Midlands, Leeds, Sheffield and Manchester
<b>"HS3"</b>	the conceptual high-speed railway in England, connecting Liverpool, Manchester, Leeds, Sheffield and Hull
<b>"HMRC"</b>	HM Revenue & Customs
<b>"IFRS"</b>	International Financial Reporting Standards as adopted by the European Union
<b>"Initial Development Portfolio"</b>	PRS Development Sites to be acquired by the REIT Group pursuant to the terms of a Framework Agreement and as more fully described in Part 7 of this document
<b>"Intermediaries"</b>	any intermediary that is appointed by the Company in connection with the Intermediaries Offer after the date of this document and <b>"Intermediary"</b> shall mean any one of them
<b>"Intermediaries Booklet"</b>	the booklet entitled "The PRS REIT plc: Information for Intermediaries" and containing, among other things, the Intermediaries Terms and Conditions

<b>“Intermediaries Offer”</b>	the offer of Ordinary Shares by the Intermediaries to certain of their retail investor clients, being highly knowledgeable private and advised investors who understand or have been advised of, the potential risk from investing in companies admitted to trading on the Specialist Fund Segment
<b>“Intermediaries Offer Adviser”</b>	Solid Solutions Associates Limited, a company incorporated in England and Wales with registration number 06577618
<b>“Intermediaries Terms and Conditions”</b>	the terms and conditions agreed between the Intermediaries Offer Adviser, the Company, the AIFM, the Investment Adviser and the Intermediaries in relation to the Intermediaries Offer and contained in the Intermediaries Booklet
<b>“Investment Adviser”</b>	Sigma PRS Management Limited, a company incorporated in England and Wales with registered number 10615738
<b>“Investment Advisory Agreement”</b>	the investment advisory agreement between the Company, the AIFM and the Investment Adviser pursuant to which, inter alia, the Investment Adviser shall act as the investment adviser to the Company and the AIFM; manage the assets of the Company and advise the Company on a day-to-day basis in accordance with the Company’s investment policy; recommend and give advice to the Company and AIFM in relation to the investments of the Company, and in particular transact on the Company’s behalf in relation to the PRS Development Sites and Completed PRS Sites, in accordance with the Company’s investment objective and investment policy, a summary of which agreement is set out in paragraph 7.7 of Part 12 of this document
<b>“ISA”</b>	Individual Savings Account for the purposes of section 694 Income Tax (Trading and Other Income) Act 2005
<b>“Issue”</b>	together the First Placing, the Offer for Subscription and the Intermediaries Offer
<b>“Issue Price”</b>	£1.00 per Ordinary Share
<b>“Joint Bookrunners” and each a “Joint Bookrunner”</b>	N+1 Singer and Stifel
<b>“Keepmoat Homes”</b>	Keepmoat Homes Limited, a company incorporated in England and Wales with registered number 02207338
<b>“Keepmoat Regen”</b>	Keepmoat Regeneration Limited, a company incorporated in England and Wales with registered number 01738371
<b>“Lettings Management Agreement”</b>	a lettings management agreement between the REIT Group, the Investment Adviser and an Approved Lettings Agent pursuant to which, inter alia, an Approved Lettings Agent lets Completed PRS Sites, a summary of which is set out in paragraph 7.3 of Part 12 of this document
<b>“Listing Principles”</b>	the listing principles set out at Chapter 7 of the Listing Rules
<b>“Listing Rules”</b>	the listing rules made by the Financial Conduct Authority under Part VI of FSMA, as amended from time to time



<b>“Lock-up Deed”</b>	the agreement between the Company, the Development Manager and N+1 Singer pursuant to which the Development Manager has agreed: (i) not to dispose of any Ordinary Shares issued to, or purchased by, it, in accordance with the Development Management Agreement, for a period of 12 months from the date of each issue or purchase; and (ii) for a period of a further 12 months thereafter, only dispose of such Ordinary Shares after prior consultation with N+1 Singer and then through N+1 Singer in such manner as N+1 Singer may reasonably require, a summary of which is set out in paragraph 7.13 of Part 12 of this document
<b>“London Stock Exchange”</b>	London Stock Exchange plc
<b>“LSE Admission Standards”</b>	the admission and disclosure standards published by the London Stock Exchange
<b>“Main Market”</b>	the main market of the London Stock Exchange
<b>“Market Abuse Regulation”</b>	regulation (EU) No. 596/2014 of the European Parliament and of the council of 16 April 2014 on market abuse
<b>“Market Value”</b>	<p>in relation to a Completed PRS Site or assumed to be Completed PRS Site or PRS Development Site, the estimated amount for which such asset should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion on the following special assumptions:</p> <ul style="list-style-type: none"> <li>(a) all PRS Units to be treated as forming part of a larger investment portfolio (in excess of £50m);</li> <li>(b) deduction from gross rental income to net income of 22.5 per cent. for housing assets; and</li> <li>(c) an indirect purchase of the special purpose vehicle holding title to the asset</li> </ul>
<b>“Minimum Issue Proceeds”</b>	the minimum gross proceeds of the Issue being £100 million (or such lesser amount as the Company, N+1 Singer and Stifel may determine and notify to investors via an RIS announcement and a supplementary prospectus)
<b>“Minimum Net Proceeds”</b>	the minimum net proceeds of the Issue, being £98 million (or such lesser amount as the Company, N+1 Singer and Stifel may determine and notify to investors via an RIS announcement and a supplementary prospectus)
<b>“Net Asset Value”</b>	the net asset value of the Company calculated in accordance with the Company’s normal accounting policies, and, where the context requires, the Net Asset Value per Share
<b>“Net Issue Proceeds”</b>	the Gross Issue Proceeds less applicable fees and expenses of the Issue
<b>“N+1 Singer”</b>	Nplus1 Singer Advisory LLP, a limited liability partnership incorporated in England and Wales with registered number

	OC364131, the Company's financial adviser and joint bookrunner
<b>"Offer" or "Offer for Subscription"</b>	the offer for subscription of Ordinary Shares at the Issue Price as described in this document
<b>"Official List"</b>	the official list of the UK Listing Authority
<b>"Ordinary Shareholders" or "Shareholders"</b>	holders of the Ordinary Shares
<b>"Ordinary Shares"</b>	ordinary shares of £0.01 each in the capital of the Company designated as such and having the rights and being subject to the restrictions specified in the Articles
<b>"Placee"</b>	a person subscribing for Ordinary Shares under the First Placing and/or a Subsequent Placing
<b>"Placing"</b>	the placing of Ordinary Shares at the Issue Price as described in this document
<b>"Placing and Offer Agreement"</b>	the placing and offer agreement between the Company, the Investment Adviser, N+1 Singer, Stifel and Sigma Capital Group plc a summary of which is set out in paragraph 7.5 of Part 12 of this document
<b>"Placing Programme"</b>	the proposed programme of Subsequent Placings as described in this document, in particular Part 6 of this document
<b>"Placing Programme Price"</b>	the price at which Ordinary Shares will be issued pursuant to a Subsequent Placing under the Placing Programme as described in Part 6 of this document
<b>"Practical Completion"</b>	the point at which all necessary construction work in respect of a PRS Unit or a PRS Development Site is completed in accordance with the Design and Build Contract
<b>"Premium Listing Principles"</b>	the premium listing principles set out at Chapter 7 of the Listing Rules
<b>"Property Income Distribution" or "PID"</b>	a distribution referred to in section 548(1) or 548(3) of the CTA 2010, being a dividend or distribution paid by a company relating to profits or gains derived from its Qualifying Property Rental Business in the UK and elsewhere
<b>"Prospectus"</b>	this document
<b>"Prospectus Rules"</b>	the prospectus rules made by the Financial Conduct Authority under Part VI of FSMA, as amended from time to time
<b>"PRS"</b>	private rented sector
<b>"PRS Development Sites"</b>	undeveloped land sites identified by the Investment Adviser as suitable for the development of PRS Units in accordance with the Company's investment objective
<b>"PRS Portfolio"</b>	the Company's portfolio of Completed PRS Sites and PRS Development Sites from time to time
<b>"PRS Units"</b>	individual units on a Completed PRS Site

<b>“Qualifying Property Rental Business”</b>	a property rental business within the meaning of section 519 of the CTA 2010 which fulfils the conditions in section 529 of the CTA 2010
<b>“Receiving Agent”</b>	Capita Asset Services, a trading name of Capita Registrars Limited with company number 2605568
<b>“Receiving Agent Agreement”</b>	the receiving agent agreement between the Company and the Receiving Agent, a summary of which is set out in paragraph 7.11 of Part 12 of this Agreement
<b>“Red Book”</b>	RICS Valuation - Professional Standards (January 2014)
<b>“Redeemable Preference Shares”</b>	redeemable preference shares of £1.00 each in the capital of the Company held, at the date of this document, by Sigma
<b>“Registrar”</b>	Capita Asset Services, a trading name of Capita Registrars Limited with company number 2605568
<b>“Registrar Agreement”</b>	the registrar agreement between the Company and the Registrar a summary of which is set out in paragraph 7.9 of Part 12 of this document
<b>“Regulatory Information Service”</b>	a regulatory information service that is on the list of regulatory information services maintained by the Financial Conduct Authority
<b>“REIT”</b>	a company or group of companies qualifying as a real estate investment trust under Part 12 of the CTA 2010
<b>“REIT Group”</b>	the Company and its subsidiaries from time to time or any one or more of them, as the context may require
<b>“REIT Regime”</b>	Part 12 of the CTA 2010, together with all secondary legislation made thereunder
<b>“Relevant Registered Shareholder”</b>	a Shareholder who holds all or some of the Ordinary Shares that comprise a Substantial Shareholding (whether or not a Substantial Shareholder)
<b>“Rent Stabilisation”</b>	in relation to a Completed PRS Site, the earliest time at which the annualised rental income from that Completed PRS Site (including projected rental income from committed tenants that have paid a deposit) is not less than 90 per cent. of the aggregate target annual income for that Completed PRS Site
<b>“Reporting Accountants”</b>	RSM Corporate Finance LLP, a limited liability partnership incorporated in England and Wales with registered number OC325347
<b>“Residual Business”</b>	the business of the Company which is not Qualifying Property Rental Business
<b>“Restricted Jurisdiction”</b>	any jurisdiction where local law or regulations may result in a risk of civil, regulatory or criminal exposure or prosecution if information or documentation concerning the Issue or this document is sent or made available to a person in that jurisdiction

<b>“Right of First Refusal Agreement”</b>	an agreement between the Investment Adviser and the Company under which the Company is granted a right of first refusal in relation to the acquisition and development of PRS Development Sites, a summary of which agreement is set out in paragraph 7.12 of Part 12 of this document
<b>“Savills”</b>	Savills Advisory Services Limited, a company incorporated in England and Wales with registered number 06215875
<b>“Savills Report”</b>	The UK housing marketing commentary produced by Savills at the request of the Company and reproduced at Part 3 of this document
<b>“SDLT”</b>	Stamp Duty Land Tax
<b>“SDRT”</b>	Stamp Duty Reserve Tax
<b>“Sheffield Sites”</b>	the PRS Development Sites forming part of the Initial Development Portfolio and described as “Sheffield – Site 1, Site 2 and Site 3” on page 104 of this document
<b>“Sigma”</b>	Sigma Capital Group plc, a company incorporated in England and Wales with registered number 03942129
<b>“Sigma Group”</b>	Sigma and its subsidiaries from time to time or any one or more of them, as the context may require
<b>“Site Assessment Report”</b>	has the meaning given on page 67 of this document
<b>“Special Assumptions”</b>	the special assumptions set out at paragraphs 2 and 12 of the Valuation Report
<b>“Specialist Fund Segment”</b>	the specialist fund segment of the main market of the London Stock Exchange
<b>“Stifel”</b>	Stifel Nicolaus Europe Limited, a company incorporated in England and Wales with registered number 03719559
<b>“Subsequent Admission”</b>	Admission in respect of any Ordinary Shares issued pursuant to a Subsequent Placing
<b>“Subsequent Placing”</b>	any placing of Ordinary Shares pursuant to the Placing Programme described in this document
<b>“Substantial Shareholder”</b>	a company or body corporate that is beneficially entitled, directly or indirectly, to 10 per cent. or more of the distributions paid by the Company and/or share capital of the Company, or which controls, directly or indirectly, 10 per cent. or more of the voting rights of the Company (referred to in section 553 of the CTA 2010 as a <b>“holder of excessive rights”</b> )
<b>“Substantial Shareholding”</b>	Ordinary Shares in relation to or by virtue of which (in whole or in part) a person is a Substantial Shareholder
<b>“Takeover Code”</b>	the City Code on Takeovers and Mergers
<b>“Total Cost”</b>	either the Total Development Cost that would be incurred by the REIT Group to acquire and develop a PRS Development Site; or where such PRS Development Site is to be developed by the Sigma Group and sold to the REIT Group

	under the Forward Purchase Agreement, Market Value capped at the aggregate Vacant Possession Value of the PRS Units comprising the PRS Development Site
<b>“Total Development Cost”</b>	<p>in relation to any Completed PRS Site or PRS Development Site, the sum which is the aggregate of the costs (excluding value added tax) to acquire and develop such site including:</p> <ul style="list-style-type: none"> <li>(a) the land price and proper fees and expenses associated with acquisition of the Completed PRS Site or PRS Development Site (including the costs of valuation and title indemnity insurance);</li> <li>(b) any SDLT;</li> <li>(c) the total construction costs (including pre-development costs, set up costs, fees payable to the Development Manager under the Development Management Agreement, fees and expenses, retentions or contingencies) incurred or to be incurred in relation to such PRS Development Site;</li> <li>(d) the costs of the Employer’s Agent and CDM compliance; and</li> <li>(e) the costs of any construction bond put in place in relation to the relevant Completed PRS Site or PRS Development Site</li> </ul>
<b>“UK” or “United Kingdom”</b>	the United Kingdom of Great Britain and Northern Ireland
<b>“UKLA” or “UK Listing Authority”</b>	the Financial Conduct Authority, acting in its capacity as the competent authority for the purposes of Part VI of FSMA, as amended from time to time
<b>“Underlying Applicants”</b>	investors who wish to acquire Ordinary Shares under the Intermediaries Offer who are clients of any Intermediary
<b>“United States” or “US”</b>	the United States of America (including the District of Columbia), its territories and possessions, any state of the United States of America and all other areas subject to its jurisdiction or any political sub-division thereof
<b>“US Code”</b>	US Internal Revenue Code, as amended
<b>“US Investment Company Act”</b>	US Investment Company Act of 1940, as amended
<b>“US Person”</b>	any person who is a US person within the meaning of Regulation S adopted under the US Securities Act
<b>“US Securities Act”</b>	the United States Securities Act of 1933 (as amended)
<b>“Vacant Possession Value”</b>	in relation to the PRS Units that form part of a Completed PRS Site or PRS Development Site, the aggregate estimated amount for which such assets should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion on the special assumption of vacant possession and no allowance for all the PRS Units coming to the market at once



**“Valuation Report”**

the valuation report on the First Acquisition Portfolio produced by Savills at the request of the Company and reproduced at Part 8 of this document

**“Valuer” or “Independent Valuer”**

Savills and/or such replacement or additional valuer the Investment Adviser considers to have the requisite skills, qualifications and relevant experience to carry out valuations of the PRS Portfolio

## PART 1

### INVESTMENT HIGHLIGHTS

#### **Attractive investment fundamentals**

Upon full investment of the capital and associated gearing, the Company is targeting a dividend yield of 6 per cent. or more per annum based on the Issue Price and net total Shareholder returns of 10 per cent. or more per annum based on the Issue Price post stabilisation. These returns are driven by the following investment fundamentals: predictable revenues and costs, solid rental growth, forward funding profit, and capital appreciation. The Investment Adviser believes that the undersupply of homes and changing attitudes to long-term rent will continue to support these investment fundamentals.

The dividend and return targets above are targets only and not profit forecasts. There can be no assurance that these targets will be met.

#### **Unprecedented levels of demand**

England has some of the highest rate of house price inflation and worst affordability in the OECD. The average house now costs almost 8 times average earnings and in nearly 30 per cent. of Local Authorities that multiplier is 10 times, pushing more would-be buyers into rented accommodation. Allied to a generally fragmented, privately managed, pipeline of £17 billion of rented stock in an environment that forecasts a requirement of £300 billion over the next five years, the investment opportunity is compelling. The Investment Adviser believes the rental market for family houses (rather than apartments) is particularly under supplied.<sup>2</sup>

#### **Identified and secure pipeline of delivery and future expansion**

A pipeline of approximately 2,535 new homes with a Total Cost of around £375 million identified and contracted through a Forward Purchase Agreement and existing Framework Agreements to ensure a proportion of capital is committed at First Admission. The First Acquisition Portfolio of 496 PRS Units already under construction with the first site complete and let with the balance of assets expected to commence construction during the first 12 months from First Admission. These portfolios have been assembled and secured via the Investment Adviser's existing PRS property platform that provides access to a professional and secure supply chain for the acquisition, construction and management of houses under fixed price design and build construction contracts. The pipeline is further enhanced by the relationships between the Investment Adviser and the HCA as well as strategic partnerships with key Local Authorities identified by the Investment Adviser. The current pipeline of visible assets in excess of the First Acquisition Portfolio, the Initial Development Portfolio and the Further Development Portfolio currently has a value of approximately £800 million of gross development costs.

#### **Diversified assets mitigate risk**

The REIT Group will acquire, build and hold new housing stock over targeted, yet geographically diverse locations thereby mitigating localised risk factors. The assets are assessed to be convenient for key drivers of demand including employment, services, transport, retail and medical as well as a strong focus on the proximity and quality of primary and secondary education. Delivering sites against these criteria encourages long term tenancies and therefore predictable income streams. From existing renewal rates, the Investment Adviser is predicting average tenancies in excess of three years underpinned by the Vacant Possession Value of the underlying assets.

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2 Fixing Our Broken Housing Market, DCLG 2017; Unlocking the Benefits and Potential of BTR, BPF 2017

### **Cost certainty and low planning/pre-development risk**

The PRS Units comprise new family homes built to standard specifications, resulting in a lower construction risk compared to construction of bespoke PRS apartments, and benefitting from NHBC and manufacturers warranties and economies of scale from utilising standard goods and suppliers, resulting in predictable capex requirements, contributing to low deductions from gross rental income. The development of family focussed housing in urban locations, typically brownfield sites zoned for residential use, mitigates planning risk. Local Authorities have significant housing delivery targets and the speed of delivery generated by PRS homes helps them meet their objectives.

Any pre-development costs spent under a Framework Agreement will be fully reimbursed by the Investment Adviser in the event a PRS Development Site aborts prior to development.

### **Strong track record of performance**

The Sigma Group has to date successfully built and let PRS projects in excess of £138 million with around a further £130 million of developments currently on site. This has been achieved in 30 months over 30 sites and without any cost overruns. The Sigma Group's professional and experienced asset management platform let an average of 63 properties per month in 2016 and sites were generally pre-let with Rent Stabilisation achieved within one month of Practical Completion. Stabilised sites have occupancy of around 99 per cent. and approximately 80 per cent. of existing tenants go on to renew their tenancies. The platform is recognised as being at the forefront of the PRS market with over 1,100 PRS Units currently built, let and under management, producing an annualised gross rent of over £10.5 million.

### **At the centre of Government policy**

In the Government's recent housing White Paper published in February 2017, the Government stated it will actively seek to encourage institutional investment into the PRS market to accelerate much needed housing supply. In addition the Government identifies that purpose built PRS homes have the potential to provide secure rental accommodation for families with dependent children. As a proportion of the rental market this has grown from 29 per cent. in 2003/4 to 37 per cent. in 2014/5. The Investment Adviser has identified the under-provision of professionally managed homes for economically active young couples and families. 76 per cent. of the Sigma Group's existing tenancies are for two or more people and 38 per cent. of tenants have dependants.

### **The PRS market**

The Company commissioned a research report, published on 4 May 2017, on the PRS market from Savills, the key findings of which are summarised below.

There is a severe housing delivery shortfall in the UK, in the last 2 years alone the deficit was in excess of 150,000 homes. Long term chronic undersupply has driven up house prices and the ratio of median house prices to median earnings reached a record high of 7.6 in 2016.

### ***The PRS market***

The PRS market has grown substantially since the 1990s and is now the second largest housing tenure at 19 per cent. of the market. By 2020, the PRS market is projected to grow further to c. 25 per cent. of all households. Growth in the PRS market has been fuelled by restricted access to other tenures, with affordability and mortgage availability limiting owner occupation and social rented funding constraining development and supply. The PRS market is also benefitting from occupiers opting to rent as a lifestyle choice with the advantages of flexibility and cash liquidity. Further market growth, created by both population and household growth, is expected as the average household size decreases. On the supply side, constraints on the buy-to-let market through Government tax initiatives and mortgage restrictions have led to a fall of 13 per cent. in transactions in 2016 with this trend expected to continue.

### ***The political environment***

Housing provision is a top priority for all major political parties – the Government is targeting one million new homes by 2020.

Government support for Build to Rent (BTR) has been demonstrated through the £3.5 billion PRS Housing Guarantee Scheme, the £1 billion Build to Rent Fund and proposals to change national planning policy so that local authorities can proactively plan for BTR.

### ***Regional markets***

Regional markets are benefiting from support for the “Northern Powerhouse”, local devolution and HS2, as well as from strong local economies driven by excellent higher education establishments, established growing industries and competitive commercial property costs.

Family housing comprises 63 per cent. of all households in the Midlands and North of England and 51 per cent. of PRS households with the number of families in PRS accommodation increasing by 86 per cent. between 2001 and 2011. Families in the PRS market are willing to pay higher rents for proximity to good local schools, nursery and childcare as well as gardens and larger houses. Despite this the supply of new housing stock to rent in the North and Midlands is dominated by apartments (93 per cent. of the BTR market) further exacerbating the dearth of PRS family housing.

### ***Investment in the PRS market***

The PRS market is still dominated by small individual investors (98 per cent.) with a lack of aggregated investment stock available to institutional investors. BTR offers an opportunity to create institutional grade assets driven by the strong underlying supply and demand fundamentals in the housing market, with returns linked to earnings and the potential to meet demand for professionally managed rental housing.

Institutional investment is expected to grow substantially as the PRS market matures but it is still a relatively small proportion of predicted demand. PRS opportunities of scale are still in short supply and barriers to entry further restrict investment with few investors having the expertise or supply chain to successfully invest on their own.

### ***Homes and Communities Agency Support***

The Investment Adviser believes the construction of PRS housing (at scale) will be a key part of any measures taken to address the perceived shortage of housing in the UK. It accelerates the delivery of new homes which is in line with central Government and Local Authority targets for new housing. As a result, the HCA has already supported the Sigma Group and has committed to support the Issue with a direct investment in the Company of 9.99 per cent. of the Gross Issue Proceeds up to £25 million at the Issue Price as part of the First Placing.

The HCA currently provides the Sigma Group with a £45 million revolving credit facility that are being utilised to develop the First Acquisition Portfolio and, following its acquisition by the REIT Group, will be redeployed to develop further PRS Development Sites to be acquired pursuant to the Forward Purchase Agreement.

## **PART 2**

### **THE COMPANY**

#### **Introduction**

The Company is a newly incorporated investment company with an indefinite life. The Company intends to qualify as a REIT for the purposes of UK taxation. The Company will invest in Completed PRS Sites and PRS Development Sites to achieve its objective of providing Shareholders with an attractive level of income together with the potential for capital and income growth. Following the redemption of the Redeemable Preference Shares on or around First Admission, the Company will have a single class of Ordinary Shares in issue, which will be traded on the Specialist Fund Segment of the Main Market of the London Stock Exchange.

The Company is not regulated by the FCA or any other regulatory authority but will, following Admission, be subject to the Market Abuse Regulation, the Admission and Disclosure Standards and certain of the Disclosure Guidance and Transparency Rules. The Company has also resolved to voluntarily comply with certain of the Listing Rules, as described in the section entitled “Voluntary Compliance with the Listing Rules of the UKLA” on pages 35 to 36.

G10 Capital Limited has been appointed as alternative investment fund manager pursuant to the AIFM Agreement under which it is responsible for overall portfolio management and compliance with the Company’s investment policy providing alternative investment fund manager services, ensuring compliance with the requirements of the AIFMD that apply to the Company and undertaking all risk management. The Company and the AIFM have appointed the Investment Adviser to manage the assets of the Company and to advise the Company on a day-to-day basis in accordance with the investment policy. Under the terms of the Investment Advisory Agreement, the Investment Adviser may transact on the Company’s behalf in relation to the Completed PRS Sites and PRS Development Sites, in accordance with the Company’s investment objective and investment policy.

The AIFM has, and shall maintain, necessary expertise and resource to supervise the tasks the Investment Adviser has been appointed to perform, effectively provide the services set out in the AIFM Agreement and to take advice from the Investment Adviser.

The Investment Adviser is not currently authorised or regulated by the FCA. It is the Investment Adviser’s (or another member of the Investment Adviser’s group) intention to become authorised by the FCA as a full-scope alternative investment fund manager and then be directly appointed as alternative investment fund manager of the Company within 12 months following First Admission. There is no guarantee that the Investment Adviser (or another member of the Investment Adviser’s group) will become authorised by the FCA as a full-scope alternative investment fund manager. Prior to obtaining its own authorisation, the Investment Adviser has been appointed to act as an appointed representative of the AIFM.

#### **The Investment Adviser**

The Sigma Group is one of the leading providers of PRS properties in the UK, having already successfully delivered and let over 1,100 homes in the last 30 months. The Investment Adviser is a wholly owned subsidiary of Sigma and will benefit from the extensive experience and expertise of the Sigma Group.

Currently operating in the northwest of England, South Yorkshire and the East and West Midlands, the Sigma Group is focused on the delivery of large scale residential development for the PRS market. Unlike most, the Sigma Group has concentrated on the delivery of traditional housing which it believes has a broader spectrum of demand and a lower level of letting risk, with differing



house types for different life stages, providing smaller houses for young couples and families but also providing larger house types as families grow and mature.

The houses are constructed by Countryside, Keepmoat Regen and Keepmoat Homes, the former originally concentrating on the North West of England and the Midlands and Keepmoat Regen and Keepmoat Homes concentrating on Yorkshire, but not exclusively so. Sigma has established long standing framework relationships with both and has worked with Countryside for over 12 years, engendering understanding and a collective approach to the housing delivery process. Alongside Sigma's longstanding relationships with the public sector, in particular, the HCA, both of Sigma's construction partners are strong sources of land and development sites.

The marketing and lettings of the PRS Units is managed by Central Lettings Solutions Limited, supported by Sigma's in-house marketing team which provides a consistency of message and representation. The marketing process starts three months prior to the first homes becoming available to enable the platform to build a pipeline of prospective tenants, who are qualified and are moved in as the PRS Units complete. So successful is this approach that on average Completed PRS Sites are fully let and stabilized within one month of Practical Completion. Over 2016 the platform let on average 63 units per month and achieved rents 5 per cent. in excess of forecast. Once let the PRS Units are closely managed with a focus on tenant satisfaction, but with a keen eye to tenant behaviour with regular inspections and rigorous arrears procedures. Approximately 80 per cent. of Sigma's tenants go on to renew their tenancies.

The Sigma Group has to date delivered three PRS property initiatives. The first initiative was for Gatehouse Bank plc, a Kuwaiti backed Investment Bank, with debt provided by Barclays Bank plc. This is now complete and successfully delivered 918 new homes across Greater Manchester and Merseyside with a combined development cost of £106 million. The second, UK PRS Properties Fund, financed principally by the Kuwait Investment Authority with institutional shareholders from the State of Kuwait, when complete will comprise a further 684 homes with rent spread across eight sites with a combined development cost in excess of £90 million. Currently the initial sites are nearing completion and PRS Units are already let and under management. The most recent Sigma PRS property initiative is the building of Sigma's own PRS property assets using its own equity and debt facilities from the HCA across eight sites. In total Sigma has completed 1,186 new PRS Units and has 961 in the process of construction with a total development cost equal to approximately £270 million.

Sigma's own PRS property assets will form the First Acquisition Portfolio for acquisition by the REIT Group, details of which can be found in Part 7 of this document.

These developments together with Sigma's own PRS property assets makes the Sigma Group one of the leading players in the delivery of new PRS family homes in the UK (predominantly England). Sigma has built and let in excess of 1,100 new homes since commencing construction in December 2014. Sigma has a long heritage in housing led development. In 2004 Sigma Inpartnership, the regeneration division of the business, formed the UK's first asset backed delivery partnership with a Local Authority, namely Salford City Council. Sigma Inpartnership went on to form two additional partnerships with Liverpool City Council and Solihull Metropolitan Borough Council with great success. Over the lives of these partnerships they have developed in excess of 3,000 new homes across the varied tenures of open market sale, social and affordable housing; delivered eight new schools, alongside medical facilities, commercial premises, leisure and retail. The local social and economic impact is no less impressive with these projects using local supply chain, providing apprentice opportunities, increased educational performance at Key Stage 4 and even, in Norris Green, a 15 per cent. fall in child poverty.

Working in tandem with its Local Authority partners, Sigma has focused on housing delivery within its partnerships and in association with its partners has created financial models for the roll out of large scale PRS property portfolios. These partnerships have given Sigma a solid reputation for delivery, something fundamentally important to Local Authorities, all of whom, irrespective of political bias, have genuine housing shortages. It is this track record and the ability to demonstrate

a strong track record of housing delivery is proving invaluable in securing new sites and in developing new relationships in target areas.

In all the Sigma Group has now built housing over 12 different Local Authorities and has been appointed as preferred PRS property funding partner with Sheffield City Council, where the first PRS Development Site is now under construction. Whilst the historical focus has been on the northern regions of England and more recently the expansion south to the Midlands, Sigma is currently actively appraising sites in the South and South East of England. Their locations closely follow the main rail and road infrastructure, the proposed HS2 and HS3 rail network and cover England's largest employment centres outside of London. They also reflect the locations where their delivery partners are strongest and within Local Authority areas well known to them.

## **Investment objective and policy**

### ***Investment objective***

The PRS REIT plc (the "Company") will seek to provide investors with an attractive level of income together with the prospect of income and capital growth through investment in a portfolio of newly constructed residential private rented sector sites of multiple individual units ("PRS Units") comprising mainly family homes, to be let on Assured Shorthold Tenancies (as defined in the Housing Act 1988) to qualifying tenants.

### ***Investment policy***

#### *Asset allocation*

The Company will pursue its investment objective by investing in PRS Units in cities and towns in the UK.

The Company will invest predominantly in housing, with the addition of some apartments, in the main conurbations, and largest employment centres in England, outside of London. The locations closely follow the main rail and road infrastructure, including the proposed HS2 and HS3 rail network. The assets will be new build which will come with the benefit of 10 year National House Building Council ("NHBC") or equivalent warranties and the consequent low level of capital expenditure allied to a predictable and low cost maintenance regime.

Sigma PRS Management Limited (the "Investment Adviser") will source investments on behalf of the Company in two ways:

1. The Company and its subsidiaries (together the "REIT Group") will acquire undeveloped sites ("PRS Development Sites") sourced by the Investment Adviser, for development by the REIT Group managed by the Investment Adviser or another member of the Sigma Group appointed as development manager with the intention of letting new completed PRS Units ("Completed PRS Sites") developed on PRS Development Sites by the REIT Group to individual qualifying tenants under Assured Shorthold Tenancies.
2. The REIT Group will acquire Completed PRS Sites from the Sigma Group pursuant to a forward purchase agreement between Sigma Capital Group plc and the REIT Group (the "Forward Purchase Agreement"). The REIT Group may, should the opportunity arise, acquire newly built PRS Units from third party vendors, which fulfil the Company's investment objective.

#### *Investment restrictions*

The REIT Group's portfolio of Completed PRS Sites and PRS Development Sites (the "PRS Portfolio") will be invested and managed with the objective of delivering a high quality, diversified portfolio through the following investment restrictions:

1. the REIT Group will only invest in private rented homes and apartments located in the UK (predominately in England);

2. no investment by the REIT Group in any single Completed PRS Site or PRS Development Site shall exceed 20 per cent. of aggregate value of the total assets of the REIT Group at the time of commitment as determined in accordance with the accounting principles adopted by the REIT Group from time to time (the “Gross Asset Value”); and
3. the REIT Group will not invest in other alternative investment funds or closed-end investment companies.

#### *Cash management*

Until the REIT Group is fully invested, and pending re-investment or distribution of cash receipts, the REIT Group will invest in cash, cash equivalents, near cash instruments and money market instruments.

#### *REIT status*

The Company will at all times conduct its affairs so as to enable it to remain qualified as a REIT for the purposes of Part 12 of the Corporation Tax Act 2010 (and the regulations made thereunder).

#### *Gearing*

The REIT Group will seek to use gearing to enhance equity returns. The level of borrowing will be on a prudent basis for the asset class, whilst maintaining flexibility in the underlying security requirements and the structure of both the PRS Portfolio and the REIT Group. The REIT Group may raise debt from banks, the HCA and/or the capital markets and the aggregate borrowings of the REIT Group will always be subject to an absolute maximum, calculated at the time of drawdown of the relevant borrowings, of not more than 45 per cent. of the Gross Asset Value (although the Investment Adviser expects actual gearing to be around 35 per cent. to 40 per cent. following stabilisation of the PRS Portfolio). Debt will be secured at asset level, whether over particular Completed PRS Sites or PRS Development Sites or holding entities for any Completed PRS Sites or PRS Development Sites, without recourse to the Company, depending on the optimal structure for the REIT Group and having consideration to key metrics including lender diversity, cost of debt, debt type and maturity profiles.

#### *Derivatives*

The REIT Group may utilise derivatives for efficient portfolio management. In particular, the Company may engage in full or partial interest rate hedging or otherwise seek to mitigate the risk of interest rate increases on borrowings incurred in accordance with the gearing limits as part of the management of the PRS Portfolio.

#### *Ground Rent*

The REIT Group may in future create a separate ground rent portfolio from the PRS Portfolio to enhance value and returns over the entire PRS Portfolio.

Pursuant to the Articles, any material change to the investment policy will require the prior approval of Shareholders, by way of an ordinary resolution at a general meeting.

#### ***Regulatory status of the Ordinary Shares***

As a REIT, the Ordinary Shares will be “excluded securities” under the FCA’s rules on non-mainstream pooled investments. Accordingly, the promotion of the Ordinary Shares will not be subject to the FCA’s restriction on the promotion of non-mainstream pooled investments.

#### **REIT opportunity**

It is intended that the Company will qualify as a REIT shortly following First Admission. Unless and until REIT status is obtained, the Company will be subject to UK corporation tax on its profits and gains.

Following its intended qualification as a REIT the Company will have a tax efficient corporate structure for UK tax purposes on the basis that a REIT does not suffer UK corporation tax on the profits (income and capital gains) derived from its Qualifying Property Rental Business, provided that certain conditions are satisfied. Additionally the Company may, once it has become a REIT, be able to offer vendors of property in corporate structures with unrealised capital gains a higher price than other potential purchasers may be prepared to pay for the corporate entity which owns the underlying property. This is because those unrealised gains will be extinguished following the acquisition of the relevant corporate entity by the Company.

### **Dividend policy and targeted returns**

Subject to market conditions and the Company's level of net income, it is the Directors' intention to pay dividends to Shareholders on a quarterly basis and in accordance with the REIT Regime. Upon full investment of Net Issue Proceeds and the net issue proceeds of any Subsequent Placings under the Placing Programme and associated gearing, the Company is targeting a dividend yield of 6 per cent. or more per annum based on the Issue Price, which the Company expects to increase broadly in line with inflation. In addition, the Company is targeting a net total Shareholder return of 10 per cent. or more per annum post stabilisation of the PRS Portfolio. It is anticipated that the Company will reach stabilisation by the third anniversary of First Admission.

Following First Admission, the Company is targeting a dividend of 5 per cent. based on the Issue Price for the period from Admission to 30 June 2018 and the Directors expect to declare the first dividend in relation to the period ending 31 December 2017. The Directors will seek to maintain the dividend over the long term.

The dividend and return targets stated above are targets only and not a profit forecast. There can be no assurance that these targets will be met and they should not be taken as an indication of the Company's expected future results. Accordingly, potential investors should not place any reliance on these targets in deciding whether or not to invest in the Company and should decide for themselves whether or not the target dividend yield and target net total Shareholder return are reasonable or achievable. Subject to cash not being required for ongoing operations or organic investment, the Board will consider returning excess cash to Shareholders over time, for example by way of special dividends which would supplement ordinary dividends.

As a REIT, the Company is required to meet a minimum distribution test for each accounting period that it is a REIT. This minimum distribution test requires the Company to distribute 100 per cent. of the income profits of the REIT Group which are derived from distributions of profits or gains of the Qualifying Property Rental Business of another UK REIT and a minimum of 90 per cent. of the income profits of the REIT Group's Qualifying Property Rental Business derived from other sources as Property Income Distributions. In the medium to long term it is expected that a significant proportion of dividends will be paid in the form of Property Income Distributions. The actual split of dividends declared will vary between Property Income Distributions and non-Property Income Distributions over time. Further details of the tax treatment of an investment in the Company are set out in Part 10 of this document.

In order to increase the distributable reserves available to facilitate the payment of future dividends, the Company has resolved that, conditional upon First Admission and the approval of the Court, the amount standing to the credit of the share premium account of the Company immediately following completion of the Issue be cancelled and transferred to a special distributable reserve. The Company may, at the discretion of the Board, pay all or any part of any future dividends out of this special distributable reserve, taking into account the Company's investment objective. However, it is intended that during the period up to stabilisation any dividend will nonetheless be supported by income profit and capital gains in the value of the Company's assets. No dividend will be paid out of capital to the extent that it results in the Net Asset Value falling below the opening Net Asset Value (expected to £0.98 per share).

## **Capital structure**

### ***Share capital***

On incorporation, one Ordinary Share was issued (fully paid) for the purposes of incorporation to Sigma as subscriber to the Company's memorandum of association. On 24 April 2017, 50,000 Redeemable Preference Shares were issued fully paid up to their nominal value to Sigma. The Redeemable Preference Shares will be redeemed in full on or around First Admission.

At any general meeting of the Company each Shareholder has on a show of hands one vote and on a poll one vote in respect of each Ordinary Share held.

### ***Duration***

As the Company is a long-term investment vehicle it does not have a fixed life.

### ***The Issue and Placing Programme***

The Company is seeking to issue 250 million Ordinary Shares and is targeting Gross Issue Proceeds of £250 million, before expenses, by way of the Issue.

The maximum number of Ordinary Shares available under the Issue is 250 million. The actual number of Ordinary Shares to be issued pursuant to the Issue, and therefore the Gross Issue Proceeds, are not known as at the date of this document but will be notified by the Company via a Regulatory Information Service announcement prior to their First Admission.

N+1 Singer and Stifel have agreed to use their reasonable endeavours to procure subscribers pursuant to the First Placing for Ordinary Shares on the terms and subject to the conditions set out in the Placing and Offer Agreement.

The Company has agreed to make an offer of Ordinary Shares pursuant to the Offer for Subscription at the Issue Price, subject to the terms and conditions of application. The terms and conditions of application should be read carefully before an application is made. Investors should consult their independent financial adviser if they are in any doubt about the contents of this document or the acquisition of Ordinary Shares.

Investors may also subscribe for Ordinary Shares pursuant to the Intermediaries Offer.

The HCA has committed to support the Issue with a direct investment in the Company of 9.99 per cent. of Gross Issue Proceeds up to £25 million at the Issue Price as part of the First Placing.

In addition the Company is proposing to undertake a Placing Programme to enable it to raise additional capital by the issue of up to 250 million Ordinary Shares in the period from 4 May 2017 to 3 May 2018. Further details of the Placing Programme are set out in Part 6 of this document.

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

It is the Board's current intention that, once the proceeds of the Issue and Placing Programme are largely committed to new investments, it will explore opportunities to increase the size of the Company through further equity issues. The Board may consider issuing further Ordinary Shares to fund any such further acquisitions of Completed PRS Sites or PRS Development Sites or when the Directors consider it to be in the best interests of the Shareholders to do so. The Directors shall only allot and issue Ordinary Shares at a price which is not less than the Net Asset Value per Ordinary Share plus a premium to cover the expenses of such issue. Furthermore, the Directors will only exercise this authority if they believe it is advantageous and in the best interests of the Company to do so, and will in no circumstances issue Ordinary Shares if to do so would result in a dilution to the Net Asset Value per Share.



The Act confers rights of pre-emption in respect of the allotment and issue of the Ordinary Shares. Pursuant to special resolutions passed at a general meeting of the Company held on 2 May 2017 by Sigma, being the only Shareholder of the Company at the time, it was resolved to disapply the pre-emption rights in relation to: (i) the issue of up to 250 million Ordinary Shares in connection with the Issue (such power to expire immediately following First Admission); and (ii) up to 250 million Ordinary Shares in connection with the Placing Programme and up to 4 million Ordinary Shares for issue to the Development Manager in respect of its obligation to apply 50 per cent. of its management fee in subscribing for new Ordinary Shares (such power to expire on the earlier of the conclusion of the first annual general meeting of the Company and 18 months after the resolutions granting such authority were passed). The Directors intend to seek shareholder authority to allot and issue Ordinary Shares on a non pre-emptive basis.

### **Share buybacks**

During the initial investment phase of the Company it is highly unlikely that the Directors will buy back any Ordinary Shares. Thereafter any buyback of Ordinary Shares will be made subject to the Act and within guidelines established from time to time by the Board (which will take into account the income and cash flow requirements of the Company) and the making and timing of any buybacks will be at the absolute discretion of the Board.

The Directors have authority, conditional upon First Admission, to buy back up to 14.99 per cent. of the number of Ordinary Shares in issue following First Admission. The Directors intend to seek annual renewal of this authority from Shareholders.

The maximum price (exclusive of expenses) which may be paid for an Ordinary Share must not be more than the higher of: (i) 5 per cent. above the average of the mid-market value of the Ordinary Shares for the five Business Days before the purchase is made; or (ii) that stipulated by the regulatory technical standards adopted by the EU pursuant to the Market Abuse Regulation from time to time. Ordinary Shares will be repurchased only at prices below the prevailing Net Asset Value per Ordinary Share, which should have the effect of increasing the Net Asset Value per Ordinary Share for remaining Shareholders.

The Company may retain Ordinary Shares which have been bought back as treasury shares for future sale and may cancel any such Shares. It is the intention of the Board that any Ordinary Shares that might be held in treasury from time to time would only be sold at a price equal to or above the Net Asset Value per Ordinary Share (as determined by the Directors at or shortly before such sale). During the period when the Company holds Ordinary Shares as treasury shares, the rights and obligations in respect of those Ordinary Shares may not be exercised or enforced by or against the Company. The Company may not vote any Ordinary Shares whilst they are held as treasury shares. No dividends (excluding the allotment of any bonus shares) can be declared and no other distribution of the Company's assets (including on a winding-up) can be made on Ordinary Shares whilst they are held as treasury shares.

### **Group structure**

The Company is a newly formed UK investment company without a fixed life. It is anticipated that wholly-owned subsidiaries of the Company will hold the Company's assets. The Company will control the investment policy of the subsidiaries of the Company to ensure that they comply with the Company's investment policy and investment restrictions.

### ***Subsidiaries and investment structures***

The structure to be used for any future acquisition of Completed PRS Sites or PRS Development Sites will be reviewed at the time of the relevant acquisition and the REIT Group may invest in property assets by means of any structure which is considered to be appropriate in the circumstances of the proposed acquisition. Accordingly, the REIT Group may, without limit, incorporate subsidiaries to hold property assets or may acquire the share capital of companies,



partnership interests in partnerships or units in unit trusts (or similar vehicles) which own one or more properties, all of which would be wholly owned by the REIT Group.

### **Net Asset Value publication and calculation**

The Completed PRS Sites and PRS Development Sites acquired by the REIT Group will be valued by the Independent Valuer. Full annual valuations together with bi-annual desk-top valuations will be prepared in accordance with the Red Book. The Net Asset Value attributable to the Ordinary Shares will be published bi-annually based on the most recent valuation of the REIT Group's PRS Portfolio and in accordance with IFRS and EPRA.

The Net Asset Value per Ordinary Share will be calculated by the Company based on information provided by the Investment Adviser and published through a Regulatory Information Service as soon as practicable after the end of the relevant period and will be available on the Company's website as soon as practicable after the end of the relevant period. In addition, the calculations will be reported to Shareholders in the Company's annual report and interim financial statements.

The calculation of the Net Asset Value per Ordinary Share will only be suspended in circumstances where the underlying data necessary to value the investments of the Company cannot readily, or without undue expenditure, be obtained. Details of any suspension in making such calculations will be announced through a Regulatory Information Service.

### **Shareholder meetings, reports and accounts of the Company**

The Company will hold an annual general meeting each year with the first annual general meeting to be held in 2018 and no more than 18 months after the date of incorporation of the Company.

The Company's annual report and accounts will be prepared up to 30 June each year, commencing in 2018, and it is expected that copies will be sent to Shareholders by the following October. Shareholders will also have access to an unaudited half yearly report covering the six months to 31 December each year, expected to be published in the following February.

### **Accounting policy**

The audited accounts of the Company will be prepared under IFRS which the Directors believe is an acceptable body of generally accepted accounting practice. Financial statements prepared by the Company in accordance with IFRS will include a statement of comprehensive income, a balance sheet, a statement of changes in equity and cash flow statement.

Within the statement of comprehensive income there is no requirement to differentiate between revenue and capital items. Gains/losses on investments within the statement of comprehensive income will show the movement in fair value of the investment properties and any gains/losses on disposals of investment properties.

The Company's management and administration fees, finance costs and all other expenses will be charged through the statement of comprehensive income. Costs directly relating to the issue of new Ordinary Shares will be charged to the Company's special reserve.

## PART 3

### BACKGROUND AND INVESTMENT PROPOSITION

The Board believes that an investment in the Company offers investors an opportunity to achieve attractive investment returns through exposure to the increasing demand for PRS homes.

#### Investment Process

##### *Site locations*

###### *The macro position*

There is no single source for new PRS Development Sites but the majority will come through Sigma's existing house building partners (Countryside, Keepmoat Regen and Keepmoat Homes) or through Sigma's direct relationships with the HCA and Local Authorities.

Sigma is focused on the main conurbations through central England, from Liverpool to Greater Manchester down the western Pennines to the West Midlands, South Yorkshire, down the eastern Pennines to the East Midlands, and down towards the South East. Their locations closely follow the main rail and road infrastructure, the proposed HS2 and HS3 rail network and cover England's largest employment centres outside of London. They also reflect the locations where their delivery partners are strongest and within Local Authority areas well known to them.

The roll out strategy covers key economic centres in England, where significant employers are located. These centres are all main transport hubs and thus well served for road, rail and air links. By covering Merseyside, Greater Manchester, the Midlands, Yorkshire and the South East, Sigma is serving approximately 50 per cent. of the population of England outside London.

###### *The customer base*

Sigma's existing data shows that approximately 70 per cent. of its customers are 26-45 years of age and within the UK's average household income band. The Company is not targeting the wealthy, nor the poor or disadvantaged, but the average working man and woman; the largest demographic in the UK and one the Investment Adviser believes is very poorly served within the UK rental market.

Currently the average family that cannot afford to buy has little choice and is increasingly exposed to the private landlord market. Much of this stock is of poor quality, is poorly managed and in some cases offers no security of tenure.

From an asset management perspective the First Acquisition Portfolio, Initial Development Portfolio and Further Development Portfolio, being down the central spine of England, provide an efficient management structure allowing multiple sites to be managed effectively and efficiently.

The Investment Adviser believes that building PRS homes on the proposed high speed rail network provides long term potential for significant capital growth as new infrastructure and communities develop.

###### *The local position*

Significant care is given to the selection of sites within the regional context. The following selection criteria are considered in each case:

1. Local transport  
All of Sigma's sites are located on or within easy access to the local transport infrastructure, be it road, rail and, in locations like Greater Manchester, the extensive new train and tram network.

2. Local employment  
Having good access to transport provides good access to the local employers.
3. Schools  
Significant care will be taken in selecting sites in relation to the quality of local primary and secondary school provision. Sigma's completed PRS homes are predominantly located within walking distance of primary and secondary schools rated 'Good to Outstanding' by Ofsted. This is of fundamental importance to Sigma's customer base and forms one of the main selection criteria. By locating good new homes adjacent to good primary and secondary schools Sigma aims to establish a long and stable customer base.
4. Health facilities  
The proximity of good local healthcare is also of great importance to tenants and is a further aspect assessed as part of the selection process.

A large proportion of PRS Development Sites will be part of larger mixed tenure sites, in particular market for sale properties. The combination of PRS Units and market for sale units on a single site is a significant accelerator of the delivery of the site. On a 'typical' market for sale site, a house-builder will seek to sell between 4 and 6 units per month. In a typical PRS site, the Investment Adviser expects to be taking delivery of between 10 and 14 units per month. The combination of tenures can therefore generate up to 20 new houses per month from a single site. With up to 20 families moving in every month, a sense of place is created far quicker than the Investment Adviser believes creates real momentum in the marketing campaign. The Company will benefit directly from the market for sale marketing spend – in the form of show homes and all direct marketing carried out by the Approved Contractors.

All Local Authorities are under pressure to deliver new houses, and the added speed of the delivery that PRS development brings is therefore politically attractive to them. Financially the Local Authority also benefits from the new homes bonus and increased Council Tax receipts. It is a delivery model that is attractive to investors, house builders and Local Authorities alike, all of which gives the Investment Adviser confidence that the public sector will continue to deliver a supply of sites suitable for PRS development.

#### *The Sigma PRS property platform*

The Investment Adviser has access to Sigma's existing PRS property platform to source opportunities for the REIT Group to acquire and develop a PRS property portfolio of scale. A flowchart demonstrating how the Sigma PRS property platform operates is included on page 71.

The principal legal documentation that forms the foundation of the integrated PRS property platform will help to generate good operational efficiencies for the Company. These legal documents have been agreed with Sigma's preferred partners and have been used successfully in the delivery of over £250 million of PRS properties across 32 sites to date.

#### **Site identification and appraisal**

The Investment Adviser will source new PRS Development Sites from a combination of:

1. existing Approved Contractors;
2. third party vendors via Approved Contractors securing sites under purchase options arrangements; and
3. the Investment Adviser's relationships with Local Authorities and the HCA.

In each case, the land price will be the price agreed with the relevant vendor (Approved Contractor, Local Authority or third party land owner) as part of an arm's length negotiation.

The Investment Adviser has a well-established site assessment process. This includes an initial review of the specific site characteristics and its suitability for development as well as a thorough review of the surrounding area as identified above. The site is inspected by one of the Investment Adviser's site evaluation team and by its Approved Lettings Agent. The focus of the initial assessment is on the availability of transport infrastructure, education and a range of community facilities. Analysis of the local demographic and rental market, carried out by the Approved Lettings Agent, informs the proposed housing mix based on a range of standard house types. The financial assessment is based upon the rental figures provided by the Approved Lettings Agent.

The Investment Adviser will prepare for consideration by the AIFM a "Site Assessment Report" for those PRS Development Sites meeting the Company's investment policy and deemed suitable for the Company. The Site Assessment Report shall include:

1. a delivery schedule agreed with the Approved Contractor;
2. a development appraisal setting out GDV and expected ERV (as agreed with the Approved Lettings Agent); and
3. site location and layout plans, house type and mix, delivery costs agreed with Approved Contractor, pre-development costs and Approved Lettings Agent report on uptake/rentals.

If the PRS Development Site is not yet under the direct legal control of the Company or the Approved Contractor or if it has not yet been possible to agree the construction cost with the Approved Contractor, the PRS Development Site can be included in a Framework Agreement to take a contractual priority over the site. In this case, pre-development works will be limited to securing control and agreeing the construction cost. Further pre-development works to satisfy the conditions under the Framework Agreement will be subject to approval of a Site Assessment Report by the AIFM set out below.

Once a site has been approved on the basis of the Site Assessment Report, the Independent Valuer shall be instructed to carry out a desktop valuation to validate/support the rental and capital values contained within the appraisal.

The AIFM has responsibility for ensuring that all investments are in accordance with the Company's investment policy.

### ***Site selection and approval***

In connection with a PRS Development Site sourced by the Investment Adviser, the following items are submitted to the AIFM for review:

1. a Site Assessment Report; and
2. a desk-top valuation prepared by the Valuer and addressed to the Company.

If required by the AIFM, representatives of the Investment Adviser shall present the details of the relevant PRS Development Sites and the AIFM shall approve the sites where it is satisfied the opportunities meet the Company's investment objectives and are in accordance with the Company's investment policy. Approved Sites will be allocated to the REIT Group or to the Sigma Group (subject to the right of the REIT Group to acquire the PRS Development Sites allocated to the Sigma Group under the Forward Purchase Agreement) in accordance with the Right of First Refusal Agreement as described below.

It is intended that as a target the REIT Group will develop PRS Development Sites with a Total Cost equal to not less than two-thirds of the Total Cost of all PRS Development Sites sourced by the Investment Adviser during each financial year of the Company. The remaining one-third of opportunities will be available to be developed by the Sigma Group and acquired by the REIT Group pursuant to the Forward Purchase Agreement. When determining the allocation of PRS Development Sites between the REIT Group and the Sigma Group, the REIT Group shall have first

choice over the PRS Development Sites comprising its allocation in accordance with the terms of the Right of First Refusal Agreement. If the REIT Group does not have sufficient funding to meet the Total Development Costs associated with a PRS Development Site, the Investment Adviser shall allow the REIT Group 60 days from the date on which the Site Assessment Report and desk-top valuation is submitted to the Company to raise sufficient funds in order to commit to the PRS Development Site after which time the REIT Group's right to develop that PRS Development Site shall lapse unless otherwise agreed by the Company and the Investment Adviser (acting reasonably). When the Company is determining whether it has sufficient funding to make the commitment to a PRS Development Site, it will have regard to its future working capital requirements.

Any PRS Development Sites allocated to the Sigma Group (as described above) shall be acquired on a debt free/cash free basis and developed within a special purpose vehicle. The REIT Group will acquire that special purpose vehicle at a price equal to the Market Value of the Completed PRS Site capped at Vacant Possession Value under the Forward Purchase Agreement, provided always that the Sigma Group will not be required to sell at a price that is less than the Total Development Cost incurred in relation to the Completed PRS Site held by such special purpose vehicle. Each acquisition pursuant to the Forward Purchase Agreement shall be conditional upon:

1. a valuation prepared by the Valuer addressed to the Company and certifying the Market Value and Vacant Possession Value;
2. a certificate of title addressed to the Company confirming good and marketable title;
3. Practical Completion of all PRS Units in accordance with the relevant construction contract;
4. Rent Stabilisation; and
5. funding, provided that the Company shall have a period of 60 days from the date on which the last of the other conditions has been satisfied to raise sufficient funding.

When the Investment Adviser or AIFM (as applicable) is determining whether the funding condition under the Forward Purchase Agreement is met, it will have regard to the future working capital requirements of the Company.

The strength of the Investment Adviser's existing partner relationships combined with its expertise and familiarity with the process and the requirements of the PRS property platform has resulted in a robust and efficient assessment process. To date the construction costs associated with all projects utilising the platform have not been exceeded and rents have outperformed the estimated rent-roll in all Site Assessment Reports.

#### ***Pre-development works and site acquisition***

Once a PRS Development Site has been approved, the site and development works are legally secured for the REIT Group (subject to agreeing land price and fixed price construction cost, planning, site investigation and title diligence) by entering into Framework Agreements.

The Framework Agreements provide for the following conditions:

1. agreement of the land price and/or construction cost where these have not been determined (as above);
2. the acquisition of the PRS Development Site and entry into a fixed price Design and Build Contract with the Approved Contractor conditional upon the following conditions precedent:
  - (a) obtaining relevant consents (including satisfactory planning consent);
  - (b) a satisfactory site investigation report;
  - (c) confirmation of good and marketable title;
  - (d) confirmation of the fixed price contract sum for development works;
  - (e) availability of funding; and

3. completion of pre-development works by the Approved Contractor to satisfy the conditions precedent above, the cost of which is initially borne by the Approved Contractor and reimbursed monthly in arrears subject to approval by the Employer's Agent (acting on behalf of the Company) based on a pre-agreed budget. The value of the pre-development costs form part of the fixed Design and Build Contract sum.

PRS Development Sites are purchased upon receipt of a detailed planning consent, acceptable site investigation report, a certificate of title confirming good and marketable title and availability of funding so that there is no financial exposure for the Company prior to satisfaction of the conditions precedent other than the cost of pre-development works. Where the Company does not acquire a PRS Development Site as a result of failure to satisfy the conditions in the Framework Agreements, the Investment Adviser shall reimburse the abortive pre-development costs and expenses to the Company. The Approved Contractor is appointed under the Framework Agreements to undertake the pre-development works, its obligations supported by a parent company guarantee. Prior to the acquisition of any PRS Development Site, the Valuer will be instructed to carry out a valuation to confirm Market Value.

During the pre-development phase (prior to acquiring the PRS Development Site and entering into a Design and Build Contract), the Development Manager has the following responsibilities in accordance with the Development Management Agreement:

1. agreement of pre-development cashflow with Approved Contractor;
2. where applicable reaching agreement on the land price and/or fixed price construction cost;
3. management of the Approved Contractor during the pre-development phase, including management of the pre-development spend and the provision of monthly updates and cash reconciliations;
4. liaising with legal advisers in relation to the certificate of title and arranging title indemnity insurance where necessary;
5. agreeing the construction programme/cashflow with the Approved Contractor;
6. preparing the final form Design and Build Contract and populating the relevant appendices;
7. preparing the employer's agent appointment document; and
8. appointing the Approved Lettings Agents and Approved Contractors and entering into Design and Build Contracts, long leases, purchase contracts and Lettings Management Agreements.

### ***Development works***

Following completion of the pre-completion works and satisfaction of the CPs, the PRS Development Site is acquired and a fixed price Design and Build Contract is entered into with the Approved Contractor to procure the development of the site in compliance with the detailed planning consent.

In terms of the Design and Build Contract, the Approved Contractor meets the costs of the development and is reimbursed monthly in arrears based on monthly valuations (subject to certification by the independent Employer's Agent acting on behalf of the Company). Approved Contractor performance is secured by parent company guarantees, performance bonds for a proportion of the contract sum, typically for an amount equal to 10 per cent. of the total construction price and sub-contractor collateral warranties. A retention of 3 per cent. is withheld from each monthly payment. 50 per cent. of this retention is released on Practical Completion of the works with the balance held for a period of one year post the date of Practical Completion until any defects in works which are the responsibility of the Approved Contractor under the Design and Build Contract are made good.



Individual PRS Units, being primarily single family homes, will be available to be let following their Practical Completion which allows for lettings income during the construction phase and ahead of completion of the Completed PRS Site.

The Development Manager's role during the development phase as set out in the Development Management Agreement includes:

1. project management of the development to secure delivery of PRS Units in accordance with the Design and Build Contract;
2. overseeing the handover of completed PRS Units and liaising with employers agent;
3. reporting on progress against budget and programme, number of PRS Units reaching Practical Completion and any rental income during the construction phase; and
4. procuring and collating all associated contractual documents, appointments and warranties, handover materials and health and safety paperwork.

### **Lettings**

The Approved Lettings Agent has responsibility for marketing the Completed PRS Sites under the Investment Adviser's direction and letting these on Assured Shorthold Tenancies. A lettings agreement with the Approved Lettings Agent provides for the management of leases and collection of rental income. The Approved Lettings Agent charges a fee to the REIT Group based on a percentage of gross rental income received/collected. The Approved Lettings Agent charges fees equal to 7.5 per cent. (plus VAT) of all rents received from PRS Units together with a fee for managing the service charge budget equal to 10 per cent of such budget. No other fees are payable by the REIT Group to the Approved Lettings Agent.

The risk of non-payment of rent is managed through vetting all new tenant applicants, a lettings management fee that directly incentivises the Approved Lettings Agent to collect rents and minimise bad debts, and insurance policies to cover non-payment of rent that all tenants are required to take out.

The Investment Adviser liaises with the Approved Lettings Agent throughout the development phase with PRS Units being marketed three months prior to Practical Completion. This ensures maximum advertising/promotion without invalidating reference checks, typically resulting in the majority (if not all) PRS Units being pre-let prior to Practical Completion.

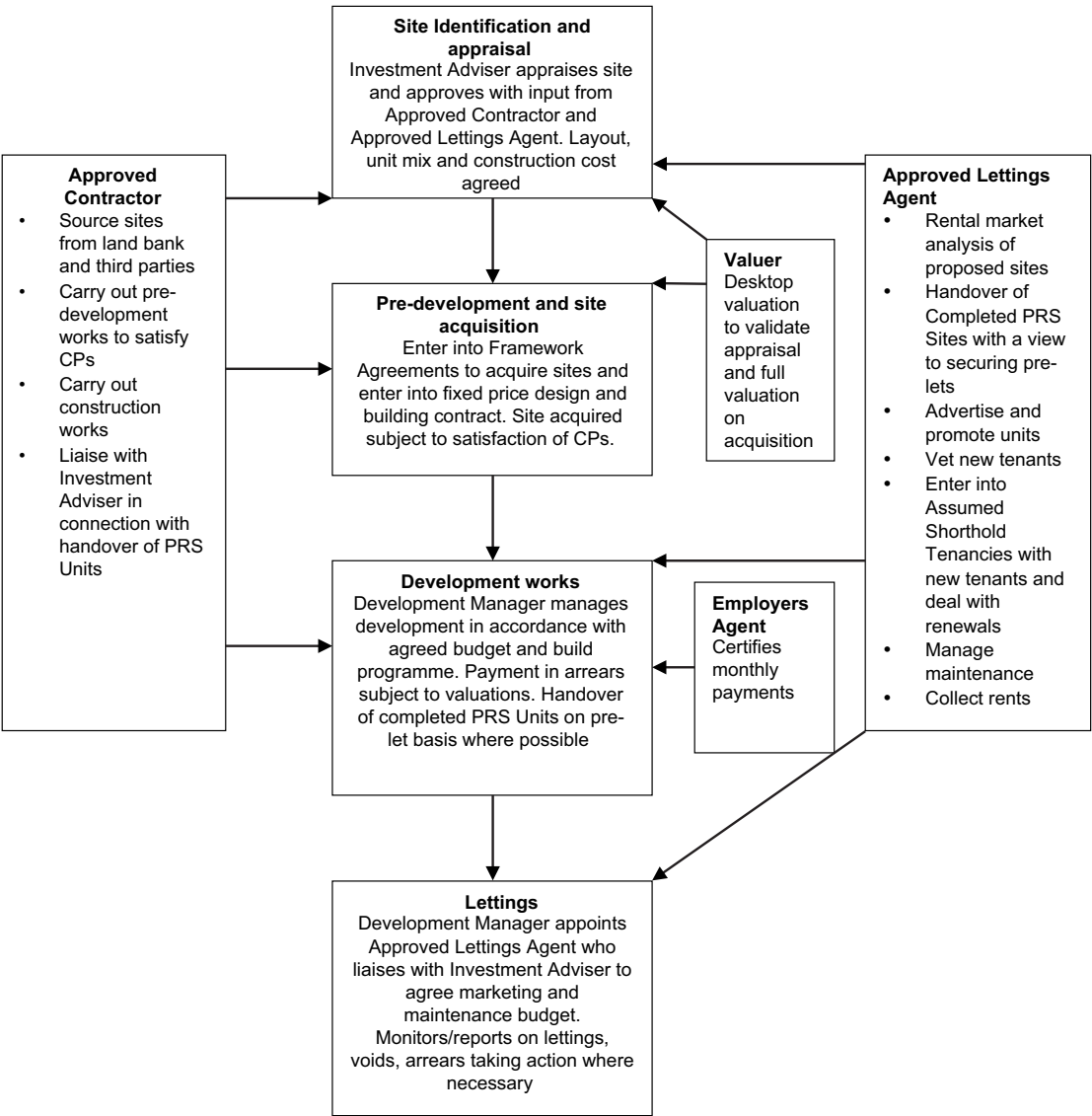
The Investment Adviser's role during the lettings phase includes:

1. monitoring and managing the agreed marketing budget;
2. control of branding and communications with customers and press;
3. management of the Approved Lettings Agent to ensure compliance with its obligations under the Lettings Management Agreement to ensure the PRS Units are properly and professionally presented and marketed at all times;
4. monitoring and controlling required maintenance works and costs against budget;
5. monitoring the sign-up process to ensure that units are let to suitable tenants; and
6. monitoring and reporting on lettings, voids, income, receipts, arrears and maintenance expenditure against budget, highlighting issues and making appropriate recommendations.

A summary of the terms of the Lettings Management Agreement is set out in paragraph 7.3 of Part 12 of this document.

The Development Manager under the direction of the Investment Adviser is responsible for appointing and contracting on behalf of the Company or REIT Group with the Approved Contractors and the Approved Lettings Agent.

Flowchart



### Target investments

The Company has entered into the Forward Purchase Agreement to acquire (subject to funding) the First Acquisition Portfolio comprising 496 PRS Units across eight Completed PRS Sites. The PRS Units comprising the First Acquisition Portfolio will be acquired by the REIT Group conditional on First Admission and the terms of the Forward Purchase Agreement.

The REIT Group has also entered into Framework Agreements with Approved Contractors to acquire (subject to funding) PRS Development Sites comprising the Initial Development Portfolio (other than the Baytree Site and the Sheffield Sites). Following the assignment/novation of the Framework Agreements in respect of the Sheffield Sites and the acquisition of the Baytree Site (as described below and in more detail in Part 7) the REIT Group will have Framework Agreements and/or Design and Build Contracts, in respect of approximately 1,070 PRS Units across 14 PRS sites with a Total Cost of approximately £156 million.

The pre-development conditions in respect of the Baytree Site have been satisfied and the Baytree Site has been acquired by the Sigma Group as described in more detail in Part 7.

The Sigma Group has entered into Framework Agreements in respect of two of the Sheffield Sites (and expects to enter into a Framework Agreement in respect of the third Sheffield Site, described as “Sheffield – Site 3” in Part 7 of this document on or before First Admission) and has commenced with the pre-development works. The Sigma Group shall assign and/or novate the Framework Agreements in respect of the Sheffield Sites to the REIT Group following First Admission.

The First Acquisition Portfolio, the Initial Development Portfolio, and the Further Development Portfolio comprise approximately 2,535 PRS Units across 37 sites located in several different towns and districts. Each PRS Unit will be available to let by a single tenant or family. The Investment Adviser believes this multi-asset, multi-tenant approach across multiple geographical locations offers good risk diversification and intends to follow this strategy when identifying further PRS Development Sites.

The PRS Development Sites comprising the Further Development Portfolio will be allocated to the REIT Group and the Sigma Group with the intention of achieving an annual split (with reference to Total Cost) of not less than two-thirds to the REIT Group.

The Further Development Portfolio comprising approximately 970 PRS Units with an estimated Total Cost of around £146 million has been secured under a Framework Agreement and will be allocated between the Company and the Sigma Group in accordance with the site selection policy described above.

The Investment Adviser also has access to a current pipeline of PRS Development Sites with an estimated Total Cost of £800 million. These will be appraised by the Investment Adviser and those meeting the Company’s investment objective and investment policy will be incorporated into a Framework Agreement subject to approval in accordance with the investment process outlined above.

In addition to PRS Development Sites that are secured subject to funding, planning consent, site investigation and confirmation of title, the Framework Agreements will also include PRS Development Properties that are not under the legal control of the Investment Adviser or an Approved Contractor; and/or PRS Development Properties where the construction cost remains to be agreed with the Approved Contractor. In relation to these sites, pre-development works are initially limited to securing control and reaching agreement on construction cost before incurring further pre-development costs to satisfy the remaining CPs. This allows the Investment Adviser to secure an early priority over PRS Development Sites meeting the investment objective in line with the investment policy of the Company. The Initial Development Portfolio and the Further Development Portfolio include PRS Development Sites that fall into this category as more particularly described in Part 7.

If the target Gross Issue Proceeds are raised, the Investment Adviser expects the REIT Group to have entered into contractual commitments (under Design and Build Contracts and the Forward Purchase Agreement) for the full amount raised (after fees and expenses) to develop PRS Development Sites and acquire Completed PRS Sites within twelve months of First Admission. The Investment Adviser expects this amount to be fully invested pursuant to those contractual commitments within 15 months of First Admission. At the point the Issue Proceeds are fully committed, the Investment Adviser intends to arrange further debt and/or equity finance to allow the REIT Group to continue to take advantage of available PRS Development Sites.

### **Management of risk**

The analysis and management of risk is integrated within the Sigma Group’s investment approach. The analytical approach to appraising assets and considering risk within the property business plans will seek to highlight key risks. These key risks will be monitored on a quarterly basis along with levels of gearing.

**Savills Report**

Savills has (a) given and not withdrawn its written consent both to the inclusion in this Prospectus of the Savills Report and to references to the Savills Report in the form and context in which it appears, and (b) authorised and accepts responsibility for the Savills Report. With the exception of the Savills Report and the Valuation Report, Savills does not accept any liability in relation to the information contained in this Prospectus or any other information provided by the Company or any other party in connection with the Issue or the Placing Programme.

Save for any responsibility arising under Prospectus Rule 5.5.3R(2)(f) to any person as and to the extent there provided, to the fullest extent permitted by law Savills does not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such person as a result of, arising out of, or in accordance with this report or our statement, required by and given solely for the purposes of complying with Annex I item 23.1 of the Prospectus Directive Regulations, consenting to its inclusion in the Prospectus.

For the purposes of Prospectus Rule 5.5.3R(2)(f), Savills accepts responsibility for the information within this report and declares that it has taken all reasonable care to ensure that the information contained in this report is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Prospectus in compliance with Annex I item 1.2 of the Prospectus Directive Regulations.

The Directors  
The PRS REIT plc  
1 St Ann Street  
Manchester  
M2 7RL  
For the attention of: Stephen Smith

Jacqui Daly  
E: [jdaly@savills.com](mailto:jdaly@savills.com)  
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The Members  
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EC2N 2AX  
For the attention of: James Maxwell

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T: +44 (0) 20 7499 8644  
[savills.com](http://savills.com)

The Directors  
Stifel Nicolaus Europe Limited  
150 Cheapside  
London  
EC2V 6ET  
For the attention of: Mark Young

Dear Sirs,

## **UK HOUSING MARKET COMMENTARY RESEARCH AS AT 4 MAY 2017**

The PRS REIT plc, N+1 Singer and Stifel have instructed Savills Advisory Services Limited to provide market commentary in relation to the UK Housing Market for inclusion in the Prospectus to be issued in connection with the admission of the Company's Ordinary Shares to trading on the Specialist Fund Segment of the Main Market of the London Stock Exchange (the "Savills Report"). In accordance with this instruction, we have provided independent market commentary on the supply and demand dynamics impacting on the UK housing market, focusing on the private rented sector.

We confirm that we are not aware of any conflict of interest that may prevent us from providing you with this information.

### **Introduction**

This commentary concerns the UK housing market and the private rented sector (PRS). The PRS comprises dwellings owned by landlords and let to tenants on the open market, typically using Assured Shorthold Tenancy contracts. This is distinct from the social rented sector, where registered providers or local government let dwellings at subsidised rents; we have excluded the social rented sector from our analysis for this report.

According to the Department for Communities and Local Government (DCLG), there were 23.5 million dwellings in England as at 1 April 2015 of which 4.3 million, or 19 per cent., were privately rented. We estimate that the total value of residential property in England is £6.8 trillion of which £1.4 trillion or 21 per cent. is tied up in the PRS (Savills, January 2017).

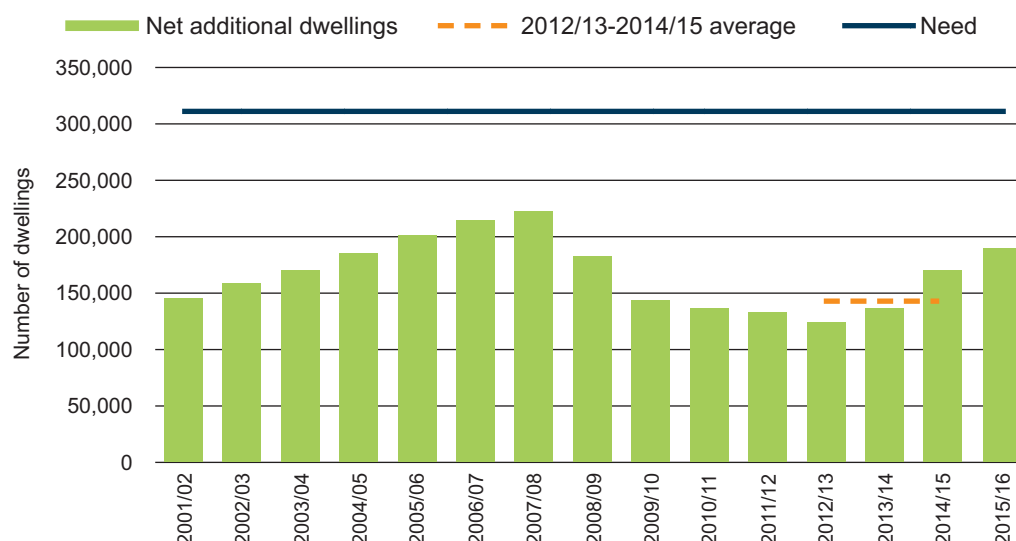
## National Housing Market

England faces a long-term structural undersupply of housing. The Town and Country Planning Association (TCPA) estimates that England needs an additional 312,000 dwellings per year to meet need and address historic undersupply. Actual housing delivery is much lower: there were 144,000 net additional dwellings each year on average between 2012/13 and 2014/15, indicating a shortfall of 156,000 homes.

This shortfall and rising pressures on the housing market means that housing has risen up the political agenda. The Government has announced a housing delivery target of one million homes by 2020. When this target was announced it corresponded to annual target delivery of 200,000 homes per year. However, delivery since then has been below this level so housing development will have to accelerate to meet the Government's manifesto commitment. PRS is increasingly recognised as a mechanism to accelerate housing delivery.

The recent publication of the Housing White Paper, *Fixing Our Broken Housing Market*, is part of the Government's efforts to accelerate housing supply. It includes the encouragement of institutional money into the PRS to assist in accelerated delivery and further professionalise the rented sector.

## Housing Supply and Need, England



Source: TCPA, DCLG, Savills

## The Private Rented Sector

Private renting was the majority tenure in the UK until after the Second World War with institutions and corporates owning most of the stock. The sector declined through most of the 1900s due to tightening rent regulation and legislation (rent control and security of tenure) which made it difficult for landlords to repair and maintain their investments. As stock became old and in need of repair, there was a mass exodus from the market.

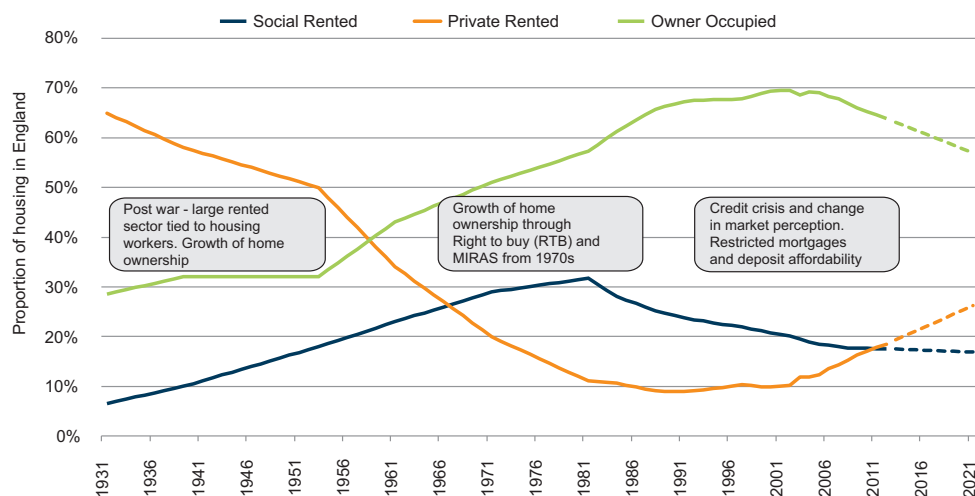
At the same time, Government support of home ownership through mortgage interest tax relief (MIRAS) in the private sector and Right to Buy in the social sector led to very strong and rapid growth in owner occupation.

During the 1990s, the Government eased the regulation of rents and reduced tenants' rights of occupation. Both of these measures improved the attractiveness of the sector to investors and landlords. The subsequent introduction of buy-to-let mortgage lending broadened the market to a wider range of investors who typically invested in small scale, sub 10 unit portfolios, allowing the sector to grow.



Since then the PRS market has grown substantially. In 1991 just 9 per cent. of households were renting privately; this has more than doubled to 19 per cent.. We expect the proportion of households renting privately to continue growing, as shown by the following chart which predicts the market will expand to 25 per cent. of households by 2020.

### Long Term Tenure Trends, England



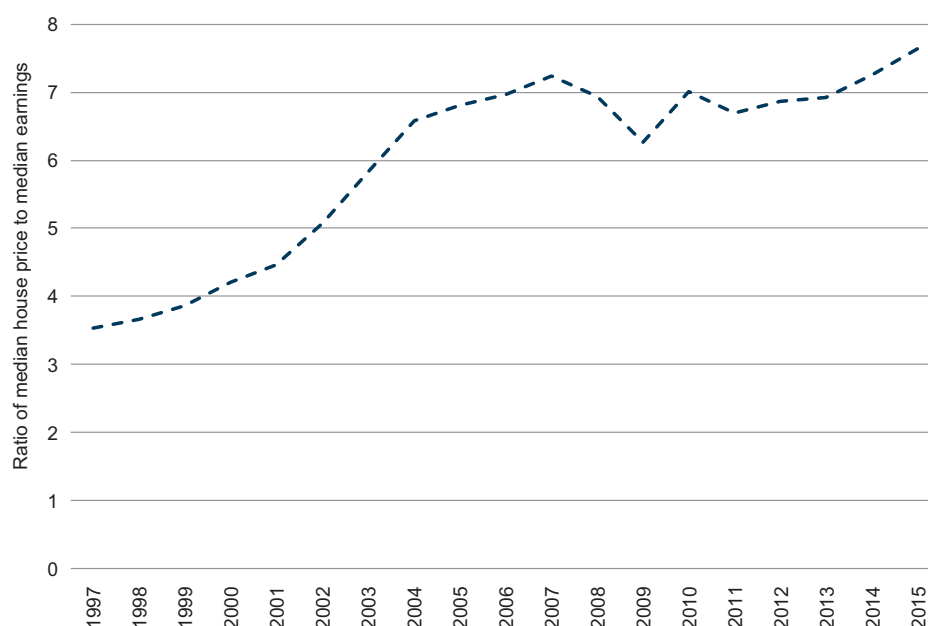
Source: DCLG, Savills

A key reason why the PRS market is growing is restricted access to other tenures. Access to owner occupation is particularly limited due to high house prices and low mortgage availability. Since 1998 the ratio of house prices to earnings has more than doubled. As shown below the ratio of median house prices to median earnings reached 7.6 in 2016, the highest it has ever been. Affordability is increasingly constrained making it more difficult for households to buy a home which is directly increasing the demand for privately rented housing.

Before the Global Financial Crisis in 2007/08, households could buy homes despite rapid house price growth because mortgage finance was widely available. Interest only mortgages were common place as was self-certification.

Since then, mortgage lenders have had to restrict their lending and interest only mortgages have all but disappeared. In 2014 the Financial Conduct Authority (FCA) introduced the Mortgage Market Review (MMR). The review obligates lenders to make sure their borrowers can afford to service and repay the loans and are required to use a series of stress tests. This means that lenders face a cap on lending to households at loan to household income ratios over 4.5. With the ratio of median house prices to median earnings in England at 7.6, this restricts the number of households able to secure mortgage finance.

## Ratio of Median House Prices to Median Earnings, England



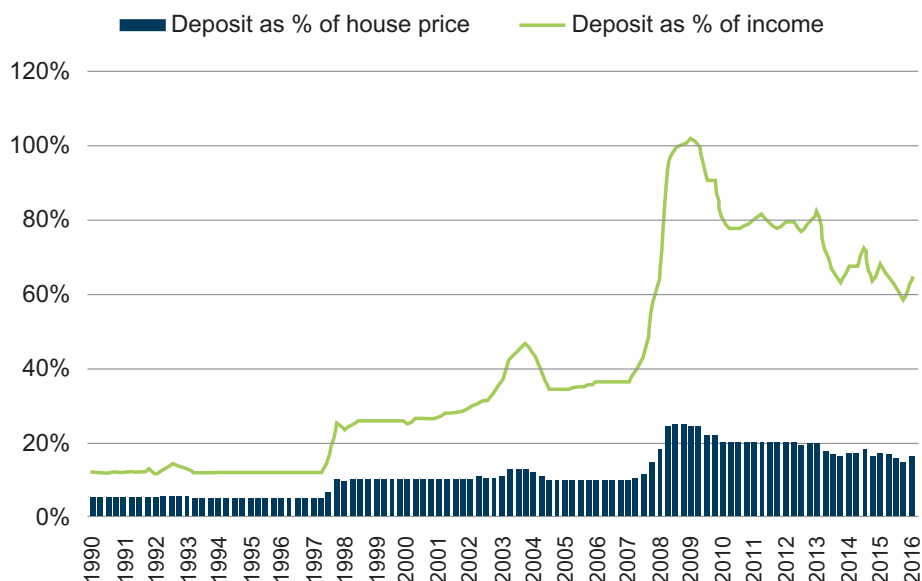
Source: DCLG

The largest barrier to home ownership is the size of the deposit required to purchase a property. This is one of the key reasons why more and more people are turning to the rented sector. During the 1990s, first time buyers needed approximately 5 per cent. of the total value of their property as a deposit, representing around 12 per cent. of their annual household income. In 2016 the average first time buyer had to pay 16 per cent. of the property value as a deposit, or 62 per cent. of their annual income. This large, up-front payment acts as a significant barrier to home ownership, creating even greater demand for PRS housing.

In addition to affordability constraints, Savills survey of What Tenants Want in 2014 highlighted the key reasons for households renting. While many tenants cited affordability and mortgage availability as primary reasons for renting, lifestyle choice also emerged as a big driver of demand – 24 per cent. of tenants stated that they rent because they liked the flexibility of being able to move home quickly when circumstances change.

The survey also highlighted that the physical nature of the property and its neighbourhood are important to tenants. Tenants value proximity to main transport links, ease of access to their place of work or study, access to a private garden, a larger property and a new property. New PRS landlords that run a professionally managed business offering better quality stock suited to the broad range of tenants that rent will help to push up the proportion of renters over time and tap into the growing tenure base.

## First Time Buyer Deposit Trends, UK



Source: CML

## Future Demand

The population of the UK was 65.7 million in 2016 and is forecast to grow by 5.4 per cent. over the next ten years. In terms of households, there were 27.8 million households which is projected to grow by 8.1 per cent. over the same period. This equates to an additional 3.5 million people and an extra 2.0 million households (OE, DCLG). The rate of household growth is higher than population because the average household size has been decreasing, a function of both increased rates of divorce and couples delaying starting a family.

In terms of the new forming households, we expect the vast majority to enter the PRS. The latest data from the English Housing Survey shows that 196,000 new households formed within the sector in 2015-16. This clearly demonstrates that both population and household growth is directly impacting on the demand for rental property.

The most likely demographic group to live in the PRS are those under the age of 35. According to the ONS in 2015, there were 15.6 million people aged 18-35, or 23.9 per cent. of the population. Given the constraints and barriers of entry into the private for-sale market we would expect a large proportion of this young population to live in the PRS.

## Constraints on the Buy to Let Market

The 1988 Housing Act and the introduction of Buy to Let mortgages paved the way for small investors to acquire vast amounts of residential stock. The Government has since withdrawn support for the sector in favour of supporting first time buyers. Investor buyers now face a 3 per cent. stamp duty surcharge if they are buying a property not for use as a primary residence. Buy to Let mortgages, previously available on an interest only basis, can now only be issued with a repayment plan and enough rental income to cover 140 per cent. of the mortgage payments. Mortgaged Buy to Let investors also receive less tax relief on their mortgage interest payments, making many investments marginal or even loss-making.

As a result, we have observed falling numbers of mortgaged Buy to Let transactions. The number of Buy to Let mortgages for new purchases issued in 2016 was down 13 per cent. on 2015, reflecting these tax changes. We expect new rental supply from Buy to Let investors to continue falling. The slack will be picked up by large scale Build to Rent (BTR) investors that the Government is now actively encouraging and can structure their investment in such a way as to avoid punitive taxation. We expect that as the institutional BTR sector matures, more tenants will prefer the quality, security and professional nature of the stock offered by the Build to Rent sector.

## **Government Support for Build to Rent**

The Housing White Paper set out the Government's support for new housing development across a range of tenures, and particularly Build to Rent (BTR): "we will encourage more institutional investors into housing, including for building more homes for private rent".

Government has already shown support for BTR through its £3.5 billion PRS Housing Guarantee Scheme and the £1 billion Build to Rent Fund. The Housing White Paper includes proposals to change national planning policy so that local authorities must proactively plan for BTR. Certainty and speed of housing delivery makes BTR attractive to local authorities searching for ways to meet their housing need locally.

Unlike the new build 'for-sale' market that is constrained by monthly sales rates, developers of BTR can deliver faster, as they are motivated to create their income stream as soon as possible rather than maximising potential unit values.

As well as schemes directly targeted at BTR, the Government is also supporting residential development through the £3 billion Home Building Fund, which provides development and infrastructure finance, and the £2 billion Accelerated Construction Fund, which guarantees to buy unsold new build homes. This accelerated development could provide additional supply for BTR investors.

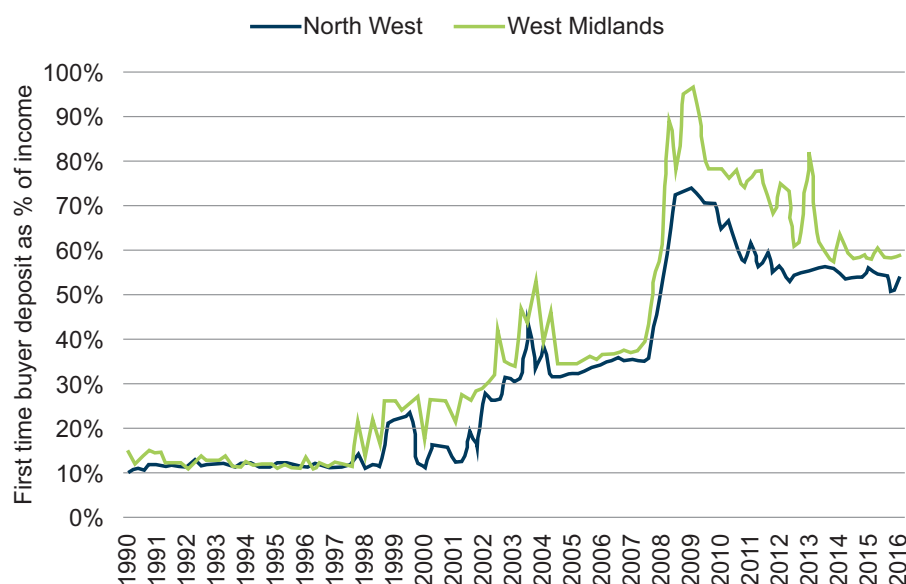
## **Regional Market Dynamics**

House prices are lower in the North and Midlands than the national average. For example, average values in Greater Manchester were £154,000 and £180,000 in Manchester city centre in the year to December 2016, 32 per cent. lower than the England & Wales average at £231,000.

Although house prices are lower and appear more affordable than those in the South, average incomes are also lower. The median full-time worker in Manchester earned £24,000 in 2016, 12 per cent. lower than the median for England & Wales at £28,353. Both house prices and incomes are lower, which means that the North and Midlands regions suffer the same affordability barriers to home ownership as the rest of the country.

This means that the relatively high house prices and housing deposits act as a barrier to home ownership in the Midlands and the North. The chart below demonstrates how the ratio of first time buyer deposits to incomes has evolved in the North West and the West Midlands – households currently need to raise a deposit of 55 per cent. to 60 per cent. of their income to secure a mortgage. These affordability issues increase demand for rented housing in many parts of the country and especially in the high demand regional employment centres.

## First Time Buyer Deposit Trends, Regional



Source: CML

The cities of the North and Midlands are home to some of the best universities in the country, including the University of Liverpool, University of Manchester, University of Leeds, and the University of Birmingham. These academic institutions provide these cities with a pipeline of highly skilled workforce. Manchester, for example, reportedly retains 60 per cent. of its graduates in the local economy.

Attracted by this demographic and lower commercial property costs than in London, many businesses have relocated jobs from expensive markets in London and the South. Significant examples include the BBC moving 24 departments to Salford and HSBC moving over 1,000 jobs to Birmingham.

With the continued strength of the North and Midlands' universities, and the imbalance in office costs between London and the rest of the country, we expect this trend to continue. This means employment prospects for the North and Midlands are strong.

The North and Midlands also benefit from a high proportion of public sector jobs. A broad base of employers offers some level of resilience during periods of economic downturn that tend to have a more immediate effect on the private sector. In 2016, the public sector employed 20 per cent. of workers in the North East and 18 per cent. of workers in the North West, compared to the UK average of 17 per cent.. This reflects the Government's attempts to cut public spending by moving employees to cheaper office markets. Continued efforts from the Government's Property Unit to create regional office hubs means this trend is likely to continue, supporting further employment growth.

## The Northern Powerhouse

The current and previous Governments have committed support to developing "The Northern Powerhouse", an agglomeration of urban areas across the North of England. The proposal includes infrastructure improvements, devolution of power to urban areas in 'City Deals', and investment in businesses and innovation.

Cities of the North and Midlands will therefore have more power to control their own development as a result of these City Deals. Directly elected Mayors will have power over policy including planning, housing and transport. The City of Liverpool has had a directly elected Mayor since 2012. The first elections for the Mayor of Greater Manchester and the Mayor of West Midlands (Birmingham and Coventry) are due on the 4th May 2017. There are also proposals for elected Mayors for Sheffield and other markets in the North East, with elections planned for later in 2017.

These Mayors will have control of spatial planning and housing in their regions, which should speed up the planning and development process and make it easier to develop homes across these areas.

HS2 is a £50 billion national rail infrastructure project likely to have significant positive effects on regional economies. Work on the first phase is scheduled to commence this year, with services to Birmingham running by 2026, and full completion to Manchester and Leeds expected by 2033. These infrastructure improvements are aimed at rebalancing the national economy. They will attract investment to cities in the North and Midlands, improve the competitiveness of regional economies and help to create more jobs. HS2 Ltd predicts that additional commercial development brought forward surrounding HS2 stations could support up to 100,000 jobs. This employment growth will clearly drive up demand for housing in these areas.

Government has also committed £60 million development funding to plan for the Northern Powerhouse Rail. This is a proposed rail line between Manchester and Leeds, with the aim of reducing journey times from 50 minutes to under 30. This will also help drive economic growth in the regions, pushing up wages and demand for housing.

### **Family Housing Demand and Scarcity of Product since 2008**

Families make up a large proportion of the 10.6 million households living in the Midlands and North of England (Census 2011). 6.6 million (63 per cent.) are households with children, couples, or pensioners.

Families face competition on a number of fronts when trying to find suitable housing. Young families looking to buy compete directly with Buy to Let investors for the best value housing stock. Despite measures from Government to limit Buy to Let landlords, it is still difficult for equity-poor families to outbid equity-rich investors, who can often purchase properties more quickly without mortgage finance. Families also face a decreasing pool of housing stock: in 2015/16, 4,760 houses were converted into flats across England.

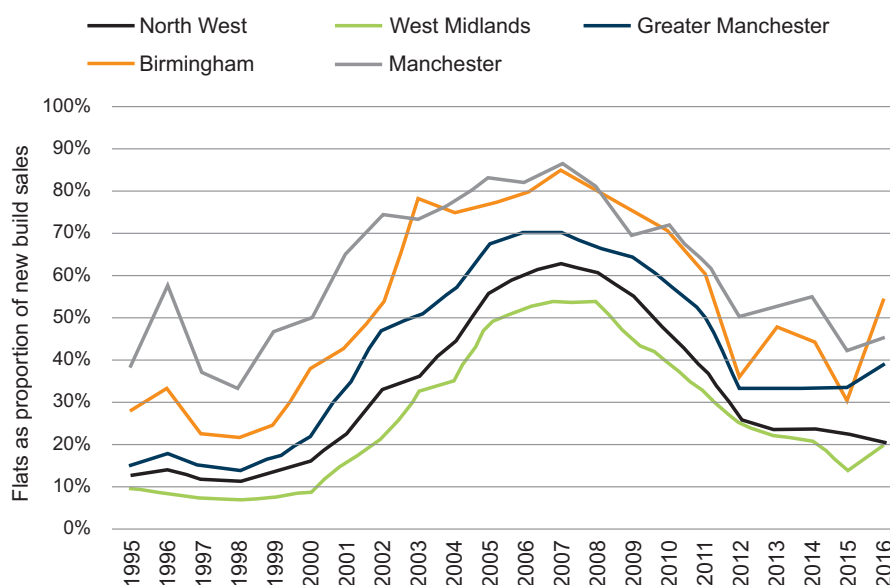
There is also a mismatch of supply and demand in new housing completions. An increasing proportion of residential stock available to buy is made up of flats, particularly in urban areas. In 2016 in Birmingham, over 50 per cent. of new home sales were flats; in Manchester around 45 per cent. of new home sales were flats. This suggests that the supply of housing suitable for families in these locations is limited. As a lot of this for-sale product ends up in the rental market though buy to let, there is a limited supply of family housing in both the owner occupied and rental markets.

Looking just at PRS households in the North and Midlands, 873,000 (51 per cent.) of renters comprise families. The number of families in PRS increased by 86 per cent. between the 2001 and 2011 Censuses: from 470,000 in 2001 to 873,000 in 2011. Despite this, there is relatively scarce supply of family-sized rental properties. In 2016 just a third of rental listings across these regions had three or more bedrooms. Going forward, our analysis of the new build for rent stock shows that in the North and Midlands flats comprise 93 per cent. of the pipeline.

Our What Tenants Want survey highlighted that families in the private rented sector have very specific needs and requirements that are not necessarily serviced by existing rental stock. 42 per cent. of respondents with children identified that they would pay a higher rent to be located near to a good school. Access to childcare is also important: 36 per cent. of families rated access to a nursery or childcare as important and 23 per cent. would pay more rent just to be near those facilities. Families also rated private gardens and larger properties as important, with 45 per cent. and 39 per cent. of respondents willing to pay a higher rent for these attributes, respectively.



## New Build Residential Sales by Dwelling Type



Source: Land Registry

## Build to Rent Supply

In total across the UK there are currently c.70,000 new PRS units completed, under construction, or with planning permission as at Q1 2017. 22,000 of these are in the North and Midlands. Most of this pipeline has yet to complete: in the North and Midlands there are just 2,600 completed PRS units, mostly located in the urban conurbations of the North West. The vast majority of the BTR pipeline in these regions comprises flats: 93 per cent. of the pipeline is on schemes composed entirely of flats. This leaves a large gap in the market for BTR investors and developers offering rental product targeting the needs of families.

Planning portals such as Glenigan include descriptions of the type of residential stock delivered. In terms of PRS, there are four commonly used typologies including:

- Stock retained by the deliverer for the private rented sector (PRS);
- Stock purchased for the PRS;
- Stock built using the Homes and Communities Agency (HCA) Build to Rent Funding; and
- Stock designed and purpose built for the rented sector, often using a forward funding approach.

Many commentators on the market refer to all this new PRS stock as BTR. This is mainly attributed to the fact that the stock is owned by a single entity, operated as a single investment and professionally managed. Therefore, BTR is not just related to the physical form or the type of stock, it also refers to an operational model.

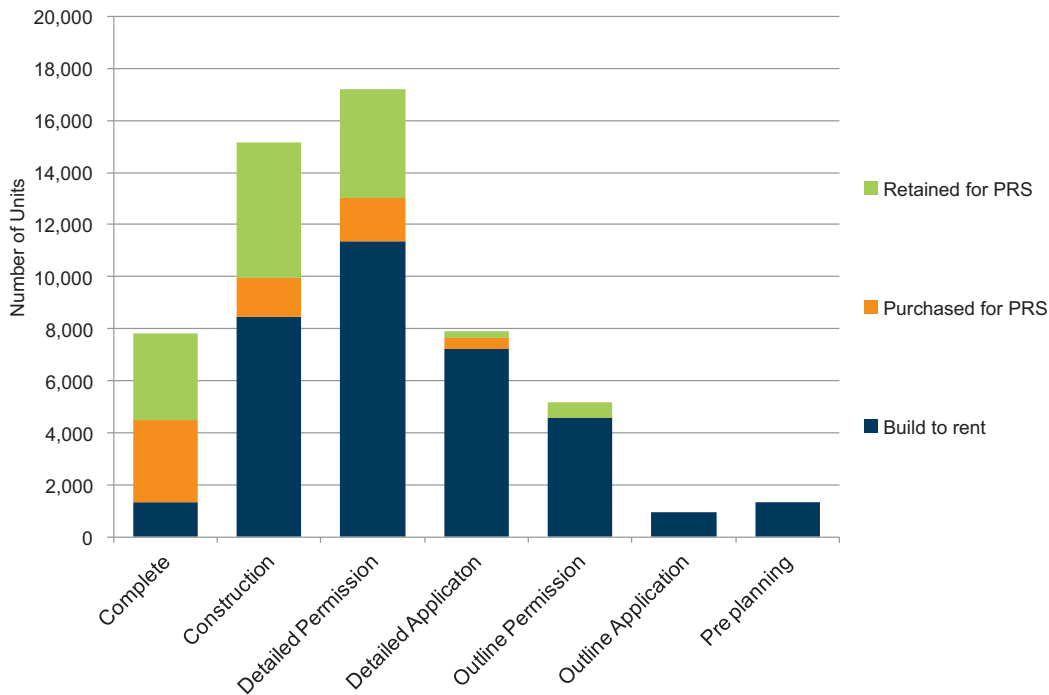
At this point in the market, more traditional approaches to PRS are still the most prevalent forms of PRS delivery. In terms of completed PRS units, of the c.7,800 units completed across the country approximately 40 per cent. have been retained for PRS by the deliverer (not BTR) and 40 per cent. have been purchased for PRS or forward purchased by the investor. Schemes purchased for PRS are considered BTR because of the funding structure or source of funding used. Many of these schemes have not been designed specifically for the rental market and in most cases they are schemes that were originally intended for the build for sale market.

There have been just c.1,300 units (20 per cent.) delivered using a BTR approach (i.e. purpose built and intended for PRS use) including those funded by the HCA Build to Rent Funds. This demonstrates that rental stock aggregated into a build to rent portfolio or business model is still a

relatively new concept in the UK. As a result there are limited opportunities to invest in build to rent portfolios that are income producing and designed to maximise income by being purpose built and designed for the rental market.

Going forward, there are many more schemes that have been identified as pursuing a BTR approach. In terms of stock under construction, BTR units make up c.9,900 of the c.15,100 units coming forward. Longer term, BTR makes up c.27,500 of c.32,500 units being delivered. This is clear evidence that BTR, as an operational model, is becoming a more accepted form of delivery in the UK housing market.

**PRS Units by Development Status and PRS Type, England and Wales**



Source: Molior, Glenigan, BPF, Savills

**Market Prospects**

The private rented sector (PRS) in the UK is worth over £1.4 trillion. The vast majority of this (98 per cent.) is reportedly tied up in the hands of small individual and small corporate landlords (IPF, 2015). As a result, there is a lack of aggregated investment stock available for institutional investors. Many new investors therefore have a strong focus on the development of new BTR assets. This gives them the opportunity to influence the design, mix and specification to enhance investment returns from completed stock.

BTR is a new product for the UK and takes many of its principles from the US multi-family rental market. In essence, the UK market is creating institutional grade assets in the residential space driven by the strong underlying supply/demand fundamentals in the housing market and the desire by institutions to access income returns linked to earnings.

Coupled with these drivers is the rising demand for professionally managed, purpose-built rental housing. This is due to the higher quality of service provided by purpose-built and managed schemes, the opportunity to live in a newly constructed property, and access to amenities and concierge services. It is also because there is a perception that small-scale landlords manage their properties less professionally, maintaining them reactively or to a lower standard.

According to recent research by the Investment Property Forum (IPF), institutional investors hold c.£17 billion of market rented assets (excluding student halls). Given the rising number of investors

seeking exposure to the market we expect this to grow substantially over the next 10 to 15 years as the market starts to gather momentum.

In terms of the future potential of the market, the supply data shows that there is potentially £13 billion of assets in the pipeline in London and £4 billion across the rest of the UK. Compare this value to the potential requirement to accommodate future growth in the rented sector (1.1 million households across the UK over next 5 years), this produces a potential for the delivery of c. £300 billion of residential assets based on the average values across the UK. The very large gap between supply and demand is a key reason why investors are seeking to invest in residential property.

The BTR market in the UK is still immature: the US equivalent took over 20 years to become established, whereas the UK sector is only in its seventh year. There is limited stock available for investors to acquire, which makes it difficult to achieve sufficient scale in the market at the speed at which investment capital is available.

Lack of scale means the BTR sector has become more innovative. Investors use alternative routes to market, including forward purchase, forward funding, and direct development. However, there are still substantial barriers to entry with access to stock, funding and finance key issues. Most investors do not have the supply chain and expertise required to develop BTR units successfully on their own. These barriers to entry present an opportunity to the few companies able to overcome them.

## **Conclusions**

This market commentary demonstrates the strong supply and demand fundamentals underpinning PRS investment. Lack of new housing supply, strong population growth and rising household formation have all contributed to pushing up the price of housing beyond the reach of many working people.

As well as high house prices, mortgage rationing restricts the number of people that can take their first step onto the housing ladder. Limits on loan to value ratios and high housing deposit requirements mean that many more people cannot afford the costs of home ownership. These affordability constraints directly contribute to the rising demand for PRS housing, a sector that has doubled in size over the past 20 years.

The growth of the rental market has been enabled by the buy to let lending market. Buy to let mortgage products paved the way for a whole new class of investor – individuals and small property companies investing in residential property. This market has been instrumental in housing the additional 2.4 million households that have been added to the PRS in the past 20 years. However, like the mainstream mortgage market, this market is also being regulated and restricted by Government policy and tax regime in a bid to level the playing field with first time buyers.

Recent changes to stamp duty land tax (SDLT) introduced an additional 3 per cent. surcharge for investor buyers over and above what a first time buyer would pay. Tax relief on the income received by buy to let investors was also changed which has reduced the overall attractiveness for these investors. This is evident from the lower numbers of buy to let mortgage transactions since the changes.

At the same time as discouraging buy to let investors, the Government is showing support for large scale investment in recognition of their ability to accelerate housing delivery and introduce alternative sources of capital to fund housing delivery. Many of these large investors have a strong focus on the development of new build to rent assets. By funding new build development, the onerous taxation that applies to buy to let investors can be mitigated. Developing new assets also presents investors with the opportunity to influence design, mix and specification to maximise investment returns.

In the current market, there are limited opportunities to invest in income producing portfolios in the UK rented sector. Aggregators of stock that can offer investors an entry route into the market are attractive given the weight of capital targeting the sector. The vast majority of the pipeline of stock coming forward is comprised of flats, while there are clearly high demand from young families. This creates a major opportunity for investors offering rental product targeting the needs of families in appropriate locations.

Yours faithfully,

A handwritten signature in black ink, reading 'Jacqui Daly'. The signature is fluid and cursive, with the first name 'Jacqui' and the last name 'Daly' clearly legible.

For and on behalf of Savills Advisory Services Limited

**Jacqui Daly**

*Director*

Residential Investment Research and Strategy

## PART 4

### DIRECTORS, MANAGEMENT AND ADMINISTRATION OF THE COMPANY

#### Directors

The Board comprises three Directors, all of whom are non-executive and independent of the AIFM and the Investment Adviser. The Directors are responsible for ensuring compliance with the Company's investment policy and the overall supervision of the Company. The Directors will meet at least four times per year. The Directors are as follows:

#### **Stephen Smith (aged 63)**

##### *Non-Executive Chairman*

Stephen Smith has over 40 years of experience in the real estate industry. Stephen is currently non-executive Chairman of Starwood European Real Estate Finance Limited and non-executive director of Gatehouse Bank Plc and of Tritax Big Box REIT Plc. Previously, he was the Chief Investment Officer of British Land Company PLC, the FTSE 100 real estate investment trust from January 2010 to March 2013 with responsibility for the group's property and investment strategy. He was formerly Global Head of Asset Management and Transactions at AXA Real Estate Investment Managers, where he was responsible for the asset management of a portfolio of more than €40 billion on behalf of life funds, listed property vehicles, unit linked and closed end funds. Prior to joining AXA in 1999 he was Managing Director at Sun Life Properties for five years.

#### **David Steffan Francis (aged 62)**

##### *Non-Executive Director*

Steffan Francis has almost 40 years of experience in the real estate industry and is a Fellow of the Royal Institution of Chartered Surveyors. Until early 2016, Steffan was a Director at M&G Real Estate where he was responsible for the £6 billion "Long Income" business. He was also involved in creating and ensuring the long term success of a number of real estate funds, including the M&G Secured Property Income Fund, which within 10 years of being launched, became the largest property fund on the AREF/IPD UK Quarterly Property Fund Index.

Currently Steffan acts as a consultant to M&G Real Estate and advises the investment committee of the British Steel Pension Fund.

#### **Roderick MacRae (aged 53)**

##### *Non-Executive Director and Chairman of Audit Committee*

Rod has over 20 years' experience in the financial services sector and is currently an Executive Director at Aberdeen Asset Management PLC as the Group Head of Risk with responsibility for UK and Global operational risk and regulatory compliance. He is also chairman of the Aberdeen group executive risk management committee, the senior risk oversight function of the group. He has extensive involvement in corporate activity including transformational acquisitions and defence strategies.

Previously he was Chief Operating Officer at Edinburgh Fund Managers, which he joined in 1991 and was acquired by Aberdeen in 2003. Rod is a member of the Institute of Chartered Accountants of Scotland having qualified with Coopers & Lybrand and will be Chairman of the Audit Committee.

#### **Corporate Governance**

Although the Company is not to be listed on the premium segment of the Official List, it intends, from Admission, to comply with all of the provisions of the UK Corporate Governance Code issued

by the Financial Reporting Council in April 2016 (the “Code”) to which a similar premium-listed company would be subject.

The Board has considered the principles and recommendations of the Association of Investment Companies Code of Corporate Governance (the “AIC Code”) by reference to the AIC Corporate Governance Guide for Investment Companies (the “AIC Guide”). The AIC Code, as explained by the AIC Guide, addresses all the principles set out in the UK Corporate Governance Code, as well as setting out additional principles and recommendations on issues that are of specific relevance to the Company as an investment company. It is the intention of the Directors that the Company will become a member of the Association of Investment Companies and will comply with the recommendations of the AIC Code which it considers will provide better information to Shareholders.

The Financial Reporting Council (the “**FRC**”) the UK’s independent regulator for corporate reporting and governance responsible for the UK Corporate Governance Code, has endorsed the AIC Code and the AIC Guide. The terms of the FRC’s endorsement mean that AIC members who report against the AIC Code and the AIC Guide meet fully their obligations under the UK Corporate Governance Code.

With effect from First Admission, the Company intends to comply with the recommendations of the AIC Code and the relevant provisions of the UK Corporate Governance Code other than those relating to:

1. the role of the chief executive;
2. executive directors’ remuneration; and
3. the need for an internal audit function.

For the reasons set out in the AIC Guide the Board considers these provisions are not relevant to the position of the Company being an externally managed investment company.

### ***Independence***

The Board consists solely of non-executive Directors with Stephen Smith as Chairman. All of the Directors are considered by the Board to be independent of the AIFM and the Investment Adviser. The Board’s policy on tenure is that continuity and experience are considered to add significantly to the strength of the Board and, as such, no limit on the overall length of service of any of the Company’s Directors, including the Chairman, has been imposed. New Directors will receive an induction from the AIFM and the Administrator on joining the Board, and all Directors will receive other relevant training as necessary.

### ***Senior independent director***

In view of its non-executive nature and the requirement of the Articles that all Directors retire periodically at least every three years, the Board considers that it is not appropriate for a senior independent director to be appointed.

### ***Appointment, re-election and remuneration of Directors***

Directors are selected and appointed by the Board as a whole. There is no separate nomination committee as the Board is considered small relative to listed trading companies. The Directors are therefore responsible for reviewing the size, structure and skills of the Board and considering whether any changes are required or new appointments are necessary to meet the requirements of the Company’s business or to maintain a balanced Board.

The Articles require that Directors submit themselves for re-election at least every three years. In addition, the Board has agreed that any Director with more than nine years’ service will be required to stand for re-election at each annual general meeting. Further details are given at paragraph 4 of this Part 12 of this document.



The Company does not have a separate remuneration committee as the Board as a whole fulfils the function of a remuneration committee.

### ***Board and Directors' performance appraisal***

The performance of the Board committees and individual Directors will be evaluated through an assessment process, led by the Chairman. The performance of the Chairman will be evaluated by the other Directors.

### ***The audit committee***

Roderick MacRae is the chairman of the Company's audit committee which comprises the full Board. In discharging its responsibilities the audit committee will review the annual and half yearly accounts, the system of internal controls, and the terms of appointment and remuneration of the auditor. It is also the forum through which the auditor reports to the Board. The audit committee is expected to meet at least twice a year. The objectivity of the auditor will be reviewed by the audit committee, which will also review the terms under which the external auditor is appointed to perform non-audit services. The audit committee will review the scope and results of the audit, its cost effectiveness and the independence and objectivity of the auditor, with particular regard to non-audit fees.

### ***The management engagement committee***

Stephen Smith is the chairman of the Company's management engagement committee which comprises the full Board. The management engagement committee will review the appropriateness of the AIFM's continuing appointment, together with the terms and conditions thereof on a regular basis.

## **The Investment Management Arrangements**

### ***AIFM***

The Company has appointed the AIFM as its alternative investment fund manager pursuant to the AIFM Agreement, the terms of which are set out in more detail below and in Part 12 of this document.

The AIFM's duties under the AIFM Agreement with regard to portfolio management include, inter alia, complying with the Company's investment policy and keeping the REIT Group's assets under review and generally providing investment advice to the REIT Group in connection with treasury management and money market funds.

Under the terms of the AIFM Agreement, the AIFM is also responsible for obtaining and maintaining from the FCA all approvals necessary for the AIFM to be appointed and continue to act as alternative investment fund manager of the Company in accordance with the AIFMD; and is required to provide all such risk management services to the Company as are required by the AIFMD, including, inter alia, (i) the implementation of adequate risk management systems to identify, measure, manage and monitor appropriately all risks relevant to the Company's investment strategy and to which the Company is or may be exposed, (ii) the implementation of an appropriate, documented and regularly updated due diligence process when the REIT Group makes investments, (iii) ensuring that the risks associated with each investment position of the Company and their overall effect upon the Company's portfolio can be properly identified, measured, managed and monitored on an ongoing basis, including through the use of appropriate stress testing procedures, (iv) the establishment and implementation of quantitative and qualitative risk limits for the Company, taking into account all relevant risks and (v) reviewing the risk management systems at least annually and adapting them where necessary.

The AIFM is a private limited company and was incorporated in England and Wales with registered number 648953. The AIFM is an alternative investment fund manager and is authorised and regulated by the FCA (firm reference number 09224491).

### ***Investment Adviser***

The Investment Adviser will be responsible for the management of the assets of the Company and will advise the Company on a day-to-day basis in accordance with the Company's investment policy.

It is the Investment Adviser's intention to become authorised by the FCA as a full-scope alternative investment fund manager and then be directly appointed as alternative investment fund manager of the Company within 12 months following First Admission and the Investment Adviser (or another member of its group) may be appointed alternative investment fund manager of the Company and the AIFM shall resign as the alternative investment fund manager of the Company in such circumstances. There is no guarantee that the Investment Adviser (or another member of its group) will become authorised by the FCA as a full-scope alternative investment fund manager.

The Investment Adviser may transact on the Company's behalf in relation to the PRS Development Sites and Completed PRS Sites, in accordance with the Company's investment objective and investment policy.

The Investment Adviser is not currently authorised or regulated by the FCA but is an appointed representative of the alternative investment fund manager.

The Investment Adviser's team comprises around 20 property professionals. The key personnel who will be responsible for managing the portfolio are:

#### *Graham Barnet, CEO and Founder*

Architect of the Sigma PRS model and co-founded and created Winchburgh development, one of the largest single housing delivery sites in Scotland for the delivery of 3,500 new homes. Qualified corporate lawyer with significant merchant banking experience in Noble Grossart Limited and Edinburgh Financial Trust before founding Sigma in 1996.

#### *Graeme Hogg, Chief Operating Officer*

28 years' experience in property development and finance. Seven years overseas experience managing private equity funds for Nomura Bank in Moscow in the 1990's. Founded Sigma's partnership business in 2001 and formed three nationally recognised regeneration partnerships in Liverpool, Salford and Solihull which went on to develop 3,500 new homes, eight new schools and 150,000 sq ft of commercial and leisure space. Became COO in 2012 and is responsible for the physical delivery of the PRS assets.

#### *Rob Sumner, Residential Investment Director*

A Chartered Surveyor and previously a Director of Investment and Development at Savills for 10 years where he specialised in residential investment agency selling and acquiring investments on behalf of institutions, private equity and family offices. Over 20 years' experience in the regional residential marketplace.

#### *Gwynn Thomson, Investment Director*

A Chartered Surveyor with 25 years' experience in residential and commercial property investment markets. Director of Investment and Valuation at DTZ before joining Sigma in 2010 where he has been integral to the formation and running of the Sigma PRS model.

#### *Duncan Sutherland, Regeneration Director*

With 40 years of public sector experience Duncan works closely with the UK Government promoting Sigma's innovative approach to achieving regeneration. Duncan is also the Property Non-Executive Director of HS2 appointed by the Secretary of State for Transport and a Director of a Regeneration Investment Authority working with the DTI and as such has significant Public Sector experience and access.

*Malcolm Briselden, Finance Director*

Malcolm is a Chartered Management Accountant ensuring the financial governance of the Group. He joined the company in 2012 as Group Financial Controller having specific responsibility for the Property division. Prior to joining Sigma, he worked for a substantial privately held property company for nine years working on various investment and development opportunities encompassing office, industrial and retail sectors. During this time Malcolm was involved in the acquisition, on-going management, development and disposal of a number of property schemes ranging in value from £1 million to in excess of £100 million.

*Mike Scott, Corporate Development Director and Group Legal Counsel*

Mike has significant experience providing corporate finance and structuring advice both as a lawyer and for several years as a partner of Newgate Partners, a corporate finance boutique he co-founded in 2003.

Mike joined Sigma Capital in 2015 as Group Legal Counsel from UK law firm, HBJ Gateley where he was a partner in the firm's corporate department specialising in equity funds. Mike previously advised Sigma in connection with its successful PRS joint venture with Gatehouse Bank in 2014.

*Jamie Perry, Associate Director Investment*

Jamie joined Sigma in March 2015 having previously worked in the commercial property sector for seven years for Advisers Ryden and King Sturge and a local property company, City Wall Properties. Most recently he worked in the oil and gas sector for Cairn Energy as an analyst. He possesses excellent financial modelling skills. His primary role is to undertake cash flow modelling and market research for PRS projects along with assisting the management function of PRS stock.

Jamie has an honours degree in property having studied at Aberdeen University, a post graduate Diploma in Property Investment from Reading University, qualifications in Reservoir and Drilling Engineering from Heriot-Watt University, a CISI Level 4 Investment Advice Diploma qualification and is a member of the Royal Institution of Chartered Surveyors and Investment Property Forum.

*Matthew Townson, Development Director*

Matthew joined Sigma Inpartnership in 2006 and was involved with the implementation and delivery of large scale regeneration programmes supporting all our local authority partners, project managing a wide variety of infrastructure and construction projects. His main focus now is managing the contractual and construction phases of all of the various PRS programmes that Sigma is currently developing. Matthew is a Chartered Surveyor and has over 20 years' experience of the construction and development industry.

*William Kyle, Development Director*

Will joined Sigma in July 2014 and is a planning & development surveyor and member of the Royal Institution of Chartered Surveyors. He is experienced in all aspects of land acquisition and planning for residential and mixed use development. Prior to joining Sigma, Will was involved in asset management of a portfolio of development assets throughout Scotland and the North of England for a major UK bank. This role involved asset acquisition, developing and securing the appropriate planning for proposed developments and the development or sale of assets. This role also involved managing a portfolio of residential investment properties. Prior to that he spent time working for both national volume and luxury regional house-builders with a focus on the acquisition and planning process for short term and strategic land.

*Peter Young, Director Residential Asset Management*

Peter's primary role is to take day to day control of the ongoing commercial property asset and development management activities undertaken by Sigma's funds and to work with the other senior members of the team to source and appraise new investment/development opportunities.

He works closely with our advisors to ensure that assets are managed efficiently so as to maximise values going forward.

Peter is a qualified Chartered Surveyor with over 18 years experience in the property industry. Before joining Sigma Capital Property, Peter was Property Director with a substantial private property company in Edinburgh dealing with all aspects of the acquisition, disposal and asset management of the companies property assets. Prior to that he had spent the previous 13 years working in the property consultancy profession. During this time Peter worked with a wide range of clients on investment and development projects as well as advising occupiers on the acquisition and disposal of their premises.

#### ***AIFM Agreement, Investment Advisory Agreement and Development Management Agreement***

The Company has entered into the AIFM Agreement with the AIFM under which the AIFM has been appointed to act as the Company's alternative investment fund manager with overall responsibility for the portfolio management and providing alternative investment fund manager services, ensuring compliance with requirements of AIFMD, risk management of the REIT Group's investments subject to the overall supervision of the Directors. The AIFM manages the REIT Group's investments in accordance with the policies laid down by the Board and in accordance with the investment restrictions referred to in the AIFM Agreement.

The AIFM Agreement provides that the Company will pay to the AIFM an asset management fee as follows:

- (a) an initial one off fee of £12,000;
- (b) a monthly fee of £6,000; and
- (c) £1,000 per investment committee meeting.

The AIFM Agreement is terminable by any of the parties to them on six months' written notice. The AIFM Agreement may be terminated by the Company immediately if the AIFM ceases to maintain its alternative investment fund manager permission or fails to notify the Company of a regulatory investigation which is relevant to the AIFM's ongoing appointment as alternative investment fund manager, is in material breach of the agreement or is the subject of insolvency proceedings. The AIFM Agreement may be terminated immediately if a member of the Sigma Group is directly appointed as alternative investment fund manager of the Company.

Pursuant to the terms of the Investment Advisory Agreement, the Company and the AIFM have appointed the Investment Adviser to manage the assets of the Company and to advise the Company on a day-to-day basis in accordance with the investment policy of the Company. The Investment Adviser may transact on the Company's behalf in relation to the PRS Development Sites and Completed PRS Sites, in accordance with the Company's investment objective and investment policy. The AIFM has, and shall maintain, the necessary expertise and resource to supervise the Investment Adviser's tasks effectively and shall ensure compliance with the AIFMD and other applicable law.

The Investment Advisory Agreement provides that the Company will pay to the Investment Adviser a fee (payable monthly in arrears) calculated at the rate of:

- 1. 1 per cent. per annum of the Adjusted Net Asset Value up to, and including, £250 million;
- 2. 0.90 per cent. per annum of the Adjusted Net Asset Value in excess of £250 million and up to and including £500 million;
- 3. 0.80 per cent. per annum of the Adjusted Net Asset Value in excess of £500 million and up to, and including, £1 billion; and
- 4. 0.70 per cent. per annum of the Adjusted Net Asset Value in excess of £1 billion.

The Investment Advisory Agreement is terminable by any of the parties to them on 12 months' written notice, which can be served at any time after the fifth anniversary of First Admission. The Investment Advisory Agreement may be terminated by the Company and the AIFM immediately if the Investment Adviser is in material breach of the agreement or is the subject of insolvency proceedings.

The REIT Group has entered into a Development Management Agreement in relation to PRS Development Sites under which the Development Manager will carry out certain development and construction related services relating to the overall project delivery, management and monitoring of work carried out by the Approved Contractor under the Framework Agreements and fixed price Design and Build Contracts.

In carrying out the services under the Development Management Agreement, the Development Manager shall use all the reasonable skill, care and diligence to be expected of experienced and competent professional development manager skilled in the provision of services similar to the services in relation to projects of equivalent size, scope and type to the PRS Development Site.

In respect of each PRS Development Site to be developed by the REIT Group, a management fee equal to 4 per cent. of the Total Development Cost shall be payable to the Development Manager monthly in arrears pro rata to the Development Cost incurred under the Design and Build Contract for the construction of that PRS Development Site. The Development Manager shall apply an aggregate of 50 per cent. of this fee in subscribing for new Ordinary Shares such amounts to be subscribed bi-annually in arrears at the prevailing share price at the time of subscription (provided not less than the prevailing Net Asset Value), failing which it shall use its reasonable endeavours to purchase Ordinary Shares in the market. In order to ensure an orderly market in the Company's Ordinary Shares issued to the Development Manager pursuant to the Development Management Agreement, the Development Manager has agreed: (i) not to dispose of any such Ordinary Shares issued to, or purchased by, it, in accordance with the Development Management Agreement, for a period of 12 months from the date of each issue or purchase; and (ii) for a period of a further 12 months thereafter, only dispose of such Ordinary Shares after prior consultation with N+1 Singer and then through N+1 Singer in such manner as N+1 Singer may reasonably require, in each case in accordance with the terms of the Lock-up Deed.

Further details of the AIFM Agreement, the Investment Advisory Agreement and the Development Management Agreement are set out in Part 12 of this document.

### ***Conflicts of interest***

The services of the Investment Adviser, its respective associates and their respective officers and employees, are not exclusive to the Company. The group of companies to which the Investment Adviser belongs has some historic relationships as a result of being one of the leading PRS property providers in the UK. In particular, the Investment Adviser and/or the Sigma Group provide investment management advice or other services to other funds having similar investment policies to that of the Company. The Investment Adviser however has in place an asset allocation policy which provides that the REIT Group will have a right of first refusal pursuant to the Right of First Refusal Agreement on every investment opportunity which is in accordance with the Company's investment policy and deemed suitable for the REIT Group with the exception of:

- (a) those sites forming the First Acquisition Portfolio; and
- (b) additional PRS Development Sites to be developed by the Sigma Group equal to one-third of the Total Cost of all PRS Development Sites sourced by the Investment Adviser during each financial year of the Company and which will be acquired by the REIT Group from the Sigma Group pursuant to the Forward Purchase Agreement.

The Investment Adviser has other relationships with third parties to whom it also owes duties or in whom it has an interest. In fulfilling its role for the Company, the Investment Adviser will ensure that it does not breach any restrictions that arise from those relationships.



## **Depository Agreement**

Kingfisher Property Partnerships Limited has been appointed as the Company's depository for the purposes of the AIFMD. Under the terms of the Depository Agreement, the Depository is entitled to be paid an initial one off fee of £5,000 which may be invoiced from the date of its appointment. Provided that the assets under management of the Company exceed £100 million, the Company shall also pay the Depository an annual fee. The annual fee shall start at £20,000 per annum with an additional fee of 0.667 basis points of any increase above £100 million, subject always to a maximum fee of £40,000 per annum. The Company's assets under management shall be reviewed quarterly. The Depository shall be entitled to be reimbursed by the Company for all costs and expenses properly and reasonably incurred in the performance of duties under the Depository Agreement.

## **Administration and Secretarial Agreement**

The Company is a party to an administration and secretarial agreement with the Administrator pursuant to which the Administrator provides day-to-day administration of the Company and acts as secretary and administrator to the Company development and production of statutory annual accounts, interim accounts and reports to shareholders of the Company in accordance with IFRS and the EPRA and calculating the Net Asset Value of the Ordinary Shares based on information provided to the Administrator by the Investment Adviser. The Administration and Secretarial Agreement provides that the Company will pay the Administrator an annual fee of £90,000 plus VAT, payable monthly in arrears.

## **Fees and Expenses**

### ***Formation and initial expenses***

The formation and initial expenses of the Company are those which are necessary for the incorporation of the Company, First Admission and the Issue. These expenses include fees and commissions payable under the Placing and Offer Agreement (including all fees, commissions and expenses payable to N+1 Singer, Stifel and to the Intermediaries), the Receiving Agent's fees, Admission fees, printing, legal and accounting fees and any other applicable expenses will be met by the Company and will be paid on or around First Admission out of the Gross Issue Proceeds. The expenses will be written off immediately following First Admission. Such costs and expenses have been fixed at 2.0 per cent. of the Gross Issue Proceeds. Assuming 250 million Ordinary Shares are issued resulting in Gross Issue Proceeds of £250 million, the costs and expenses of the Issue payable by the Company will be £5 million.

### ***Ongoing annual expenses***

The principal ongoing annual expenses of the Company will be the fees payable to the AIFM, the Investment Adviser, the Development Manager, the Depository, the Administrator and Company Secretary, the Registrar, the Valuer, the Company's PR advisers and the Directors. Other ongoing operational expenses of the Company will be borne by the Company including travel, accommodation, printing, audit, finance costs, legal fees (including those incurred on behalf of the Company by the AIFM or the Investment Adviser), corporate broking fees, annual London Stock Exchange fees, AIC membership fees, regulatory fees, insurance costs and other expenses. All reasonable out of pocket expenses of the AIFM, the Investment Adviser, the Administrator, the Registrar, the Valuer, the Company's PR advisers and all other service providers and the Directors relating to the Company will be borne by the Company. It is estimated (on the basis that the Issue is fully subscribed) that the annualised total expenses of the Company for the period ending 30 June 2018 (excluding the applicable fees and expenses of the Issue, capital expenditure, development management fees and irrecoverable property running costs) will be approximately £2.91 million (being 1.2 per cent. of the net assets). It is estimated (on the basis that the Minimum Net Proceeds are raised) that such expenses will be approximately £1.53 million (being 1.5 per cent. of the net assets).



## **PART 5**

### **THE ISSUE**

#### **1. THE ISSUE**

The Company is targeting an issue of up to 250 million Ordinary Shares pursuant to the Issue at the Issue Price of 100 pence per Ordinary Share. In this document, the First Placing, Offer for Subscription and the Intermediaries Offer are together referred to as the “Issue”. The actual number of Ordinary Shares to be issued pursuant to the Issue, and therefore the Gross Issue Proceeds, are not known as at the date of this document but will be notified by the Company via a Regulatory Information Service announcement prior to First Admission. The Issue is not being underwritten. The maximum Issue size should not be taken as an indication of the number of Ordinary Shares to be issued. Dealings in the Ordinary Shares issued pursuant to the Issue will not be permitted prior to Admission.

The aggregate proceeds of the Issue, after deduction of expenses, are expected to be £245 million on the assumption that the Gross Issue Proceeds are £250 million.

#### **2. REASONS FOR THE ISSUE AND USE OF PROCEEDS**

The Issue and the Placing Programme are being made in order to raise funds for the purpose of investment in accordance with the investment objective and investment policy of the Company.

The Company will use the Net Issue Proceeds in accordance with the Company’s investment objective and investment policy.

The placing proceeds together with any additional debt finance raised by the REIT Group will first be used to acquire sites comprising the First Acquisition Portfolio under the Forward Purchase Agreement, to acquire and develop the Baytree Site, to take on the Framework Agreements for the Sheffield Sites and to finance the pre-development work to satisfy the conditions in the Framework Agreements for the PRS Development Sites in the Initial Development Portfolio (other than the Baytree Site) and the Further Development Portfolio (together with additional PRS Development Sites sourced by the Investment Adviser).

#### **3. THE FIRST PLACING**

N+1 Singer and Stifel have agreed to use their reasonable endeavours to procure subscribers pursuant to the First Placing for the Ordinary Shares on the terms and subject to the conditions set out in the Placing and Offer Agreement. Details of the Placing and Offer Agreement are set out in paragraph 7.5 of Part 12 of this document.

The terms and conditions which shall apply to any subscription for Ordinary Shares procured by N+1 Singer and Stifel are set out in Part 13 of this document. The First Placing will close at 1.00 p.m. on 24 May 2017 (or such later date, not being later than 30 June 2017, as the Company, N+1 Singer and Stifel may agree). If the First Placing is extended, the revised timetable will be notified through a Regulatory Information Service.

Each Placee agrees to be bound by the Articles once the Ordinary Shares, which the Placee has agreed to subscribe for pursuant to the First Placing, have been acquired by the Placee. The contract to subscribe for the Ordinary Shares under the First Placing and all disputes and claims arising out of or in connection with its subject matter or formation (including non-contractual disputes or claims) will be governed by, and construed in accordance with, the laws of England and Wales. For the exclusive benefit of N+1 Singer, Stifel, the Company, the AIFM, the Investment Adviser and the Registrar, each Placee irrevocably submits to the jurisdiction of the courts of England and Wales and waives any objection to proceedings in any such court on the ground of venue or on the ground that proceedings have been brought in an inconvenient forum. This does

not prevent an action being taken against the Placee in any other jurisdiction. Commitments under the First Placing, once made, may not be withdrawn without the consent of the Directors.

#### **4. THE OFFER FOR SUBSCRIPTION**

The Directors are also proposing to offer Ordinary Shares under the Offer for Subscription, subject to the terms and conditions of the Offer for Subscription set out in Part 14 of this document. These terms and conditions and the Offer for Subscription Application Form attached as Appendix 1 to this document should be read carefully before an application is made. The Offer for Subscription will close at 11.00 a.m. on 23 May 2017. If the Offer for Subscription is extended, the revised timetable will be notified through a Regulatory Information Service.

Applications under the Offer for Subscription must be for Ordinary Shares at the Issue Price, being 100 pence per Ordinary Share. The aggregate subscription price is payable in full on application. Individual applications must be for a minimum subscription of 1,000 Ordinary Shares and then in multiples of 1,000 Ordinary Shares thereafter, although the Board may accept applications below the minimum amounts stated above in its absolute discretion. Multiple subscriptions under the Offer for Subscription by individual investors will not be accepted.

Completed Application Forms accompanied either by a cheque or banker's draft or appropriate delivery versus payment ("DVP") instructions in relation to the Offer for Subscription must be posted or delivered by hand (during normal business hours) to the Receiving Agent, Capita Asset Services, so as to be received as soon as possible and, in any event, no later than 11.00 a.m. on 23 May 2017.

Commitments under the Offer for Subscription, once made, may not be withdrawn without the consent of the Directors.

Please also refer to the section below headed "CREST".

#### **5. INTERMEDIARIES OFFER**

Investors may also subscribe for Ordinary Shares at the Issue Price of 100 pence per Ordinary Share pursuant to the Intermediaries Offer. Only certain of the Intermediaries' retail investor clients who are highly knowledgeable private and advised investors who understand or have been advised of, the potential risk from investing in Companies admitted to trading on the Specialist Fund Market, and who are in the United Kingdom are eligible to participate in the Intermediaries Offer. Investors may apply to any one of the Intermediaries to be accepted as their client.

No Ordinary Shares allocated under the Intermediaries Offer will be registered in the name of any person whose registered address is outside the United Kingdom. A minimum application of 1,000 Ordinary Shares per Underlying Applicant will apply. Allocations to Intermediaries will be determined solely by the Company (following consultation with N+1 Singer and Stifel).

An application for Ordinary Shares in the Intermediaries Offer means that the Underlying Applicant agrees to acquire the Ordinary Shares applied for at the Issue Price. Each Underlying Applicant must comply with the appropriate money laundering checks required by the relevant Intermediary and all other laws and regulations applicable to their agreement to subscribe for Ordinary Shares. Where an application is not accepted or there are insufficient Ordinary Shares available to satisfy an application in full, the relevant Intermediary will be obliged to refund the Underlying Applicant as required and all such refunds shall be made without interest. The Company, the Investment Adviser, the AIFM, N+1 Singer and Stifel accept no responsibility with respect to the obligation of the Intermediaries to refund monies in such circumstances.

Each Intermediary has agreed, or will on appointment agree, to the Intermediaries Terms and Conditions, which regulate, inter alia, the conduct of the Intermediaries Offer on market standard terms and provide for the payment of a commission and/or fee (to the extent permissible by the rules of the FCA) to Intermediaries from the Intermediaries Offer Adviser acting on behalf of

the Company if such Intermediary elects to receive a commission and/or fee. Pursuant to the Intermediaries Terms and Conditions, in making an application, each Intermediary will also be required to represent and warrant that they are not located in the United States and are not acting on behalf of anyone located in the United States.

In addition, the Intermediaries may prepare certain materials for distribution or may otherwise provide information or advice to certain retail investors in the United Kingdom, subject to the terms of the Intermediaries Terms and Conditions. Any such materials, information or advice are solely the responsibility of the relevant Intermediary and will not be reviewed or approved by any of the Company, the AIFM, the Investment Adviser, N+1 Singer or Stifel. Any liability relating to such documents shall be for the relevant Intermediaries only.

The Intermediaries Terms and Conditions provide for the Intermediaries to have an option (where the payment of such commission and/or fee is not prohibited) to be paid a commission and/or fee by N+1 Singer and Stifel (acting on behalf of the Company) where it has elected to receive such commission and/or fee in respect of the Ordinary Shares allocated to and paid for by them pursuant to the Intermediaries Offer.

## **6. CONDITIONS TO THE ISSUE**

6.1 The Issue is conditional, *inter alia*, on:

- 6.1.1 the Placing and Offer Agreement becoming wholly unconditional in respect of the Issue (save as to First Admission) and not having been terminated in accordance with its terms at any time prior to First Admission;
- 6.1.2 First Admission having become effective on or before 8.00 a.m. on 31 May 2017 or such later time and/or date as the Company, N+1 Singer and Stifel may agree (being not later than 8.00 a.m. on 30 June 2017); and
- 6.1.3 the Minimum Net Proceeds being raised (or such lesser amount as the Company, N+1 Singer and Stifel may determine and notify to investors via an RIS announcement and a supplementary prospectus including a working capital statement based on a revised minimum net proceeds figure).

The Directors also have the discretion not to proceed with the Issue if all of the above conditions (including raising the Minimum Net Proceeds (or such lesser proceeds in accordance with paragraph 6.1.3 above)) have been met. If the Issue does not proceed (due to the Minimum Net Proceeds not being raised or otherwise), any monies received under the Issue will be returned to applicants without interest within 14 days at the applicants' risk.

## **7. SCALING BACK**

In the event that commitments under the Issue exceed the maximum number of Ordinary Shares available, applications under the Issue will be scaled back at the Company's discretion in consultation with N+1 Singer and Stifel.

There will be no priority given to applications under the First Placing, applications under the Offer for Subscription or applications under the Intermediaries Offer pursuant to the Issue.

## **8. THE MAIN MARKET**

The main market is an EU regulated market. Consequently, upon First Admission, the Company will be subject to the Prospectus Rules, the Disclosure Guidance and Transparency Rules and the Market Abuse Regulation.

## **9. THE PLACING AND OFFER AGREEMENT**

The Placing and Offer Agreement contains provisions entitling N+1 Singer and Stifel to terminate the Issue (and the arrangements associated with it) at any time prior to First Admission in certain

circumstances. If this right is exercised, the Issue and these arrangements will lapse and any monies received in respect of the Issue will be returned to each applicant without interest.

The Placing and Offer Agreement provides for N+1 Singer and Stifel to be paid commission by the Company in respect of the Ordinary Shares to be allotted pursuant to the Issue. Any Ordinary Shares subscribed for by N+1 Singer and Stifel may be retained or dealt in by it for its own benefit.

Under the Placing and Offer Agreement, N+1 Singer and Stifel are entitled at their discretion and out of their own resources at any time to rebate to some or all investors, or to other parties, part or all of its fees relating to the Issue. N+1 Singer and Stifel are also entitled under the Placing and Offer Agreement to retain agents and may pay commission in respect of the Issue to any or all of those agents out of its own resources.

Further details of the terms of the Placing and Offer Agreement are set out in 7.5 of Part 12 of this document.

## **10. GENERAL**

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

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

The Directors (in consultation with N+1 Singer and Stifel) may in their absolute discretion waive the minimum application amounts in respect of any particular application for Ordinary Shares under the Issue.

## **11. ADMISSION, CLEARING AND SETTLEMENT**

Applications will be made to the London Stock Exchange for all of the Ordinary Shares to be issued pursuant to the Issue to be admitted to trading on the Specialist Fund Segment of the London Stock Exchange's main market for listed securities. It is expected that First Admission will become effective and dealings will commence on 31 May 2017.

Ordinary Shares will be issued in registered form and may be held in either certificated or uncertificated form. In the case of Ordinary Shares to be issued in uncertificated form pursuant to the Issue, these will be transferred to successful applicants through the CREST system.

Where applicable, definitive share certificates in respect of the Ordinary Shares are expected to be despatched by post at the risk of recipients to the relevant holders in the week beginning 5 June 2017. Prior to the despatch of definitive share certificates in respect of any Ordinary Shares which are held in certificated form, transfer of those Ordinary Shares will be certified against the Register. No temporary documents of title will be issued.

The ISIN number of the Ordinary Shares is GB00BF01NH51 and the SEDOL code is BF01NH5.

The Company does not guarantee that at any particular time market maker(s) will be willing to make a market in the Ordinary Shares, nor does it guarantee the price at which a market will be made in the Ordinary Shares. Accordingly, the dealing price of the Ordinary Shares may not necessarily reflect changes in the Net Asset Value per Ordinary Share.

## **12. 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 Ordinary Shares under the CREST system. The Company has applied for the Ordinary Shares to be admitted to CREST with effect from First Admission. Accordingly, settlement of transactions in the Ordinary Shares following First Admission may take place within the CREST system if any Shareholder so wishes.

## **13. MATERIAL INTERESTS**

There are no interests that are material to the Issue and no conflicting interests.

## **14. PROFILE OF A TYPICAL INVESTOR**

The Ordinary Shares are designed to be suitable for institutional investors and professionally-advised private investors. The Ordinary Shares may also be suitable for investors who are financially sophisticated, non-advised private investors who are capable of evaluating the risks and merits of such an investment and who have sufficient resources to bear any loss which may result from such an investment. Such investors may wish to consult an independent financial adviser who specialises in advising on the acquisition of shares and other securities before investing in the Ordinary Shares.

## **15. OVERSEAS PERSONS**

Potential investors in any territory other than the United Kingdom should refer to the notices set out in the section entitled “Important Information” of this document.

The Company reserves the right to treat as invalid any agreement to subscribe for Ordinary Shares under the Issue if it appears to the Company or its agents to have been entered into in a manner that may involve a breach of the securities legislation of any jurisdiction.

## PART 6

### THE PLACING PROGRAMME

#### 1. DETAILS OF THE PLACING PROGRAMME

The Directors are authorised to issue up to 250 million Ordinary Shares pursuant to the Placing Programme without having to first offer those Ordinary Shares to existing Shareholders.

The Placing Programme is being implemented to enable the Company to raise additional capital in the period from 4 May 2017 to 3 May 2018 once the proceeds of the Issue have been fully invested. The Directors intend to apply the net proceeds of any Subsequent Placing under the Placing Programme in making investments in accordance with the Company's investment objective and policy.

The number of Ordinary Shares available under the Placing Programme is intended to be flexible and should not be taken as an indication of the number of Ordinary Shares to be issued. Any issues of Ordinary Shares will be notified by the Company through a Regulatory Information Service and the Company's website, prior to each Subsequent Admission. The Placing Programme is not being underwritten.

The Placing Programme may have a number of closing dates in order to provide the Company with the ability to issue Ordinary Shares over the duration of the Placing Programme. Ordinary Shares may be issued under the Placing Programme, following the Issue, from 8.00 a.m. on 4 May 2017 until 8.00 a.m. on 3 May 2018. Applications will be made to the London Stock Exchange for all of the Ordinary Shares to be issued pursuant to the Placing Programme to be admitted to trading on the Specialist Fund Segment of the London Stock Exchange's main market for listed securities. The issue of Ordinary Shares pursuant to the Placing Programme is at the discretion of the Directors.

In the event that there are any significant changes affecting any of the matters described in this document or where any significant new matters have arisen after the publication of this document and prior to any Subsequent Admission of any Ordinary Shares issued pursuant to the Placing Programme, the Company will publish a supplementary prospectus giving details of the significant change(s) or the significant new matter(s).

#### 2. CONDITIONS

2.1 Each allotment and issue of Ordinary Shares under the Placing Programme, following the Issue, is conditional, *inter alia*, on:

2.1.1 the Placing Programme Price being determined by the Directors as described below;

2.1.2 Admission of the Ordinary Shares being issued pursuant to such issue;

2.1.3 the Placing and Offer Agreement becoming otherwise unconditional in all respects as regards such allotment and issue, and it not having been terminated on or before the date of such Admission; and

2.1.4 a valid supplementary prospectus being published by the Company if such is required by the Prospectus Rules.

In circumstances where these conditions are not fully met, the relevant Subsequent Placing of Ordinary Shares pursuant to the Placing Programme will not take place.



### **3. PLACING PROGRAMME PRICE**

The Placing Programme Price will be determined by the Company and will be not less than the prevailing Net Asset Value (cum income) per Ordinary Share at the time of issue plus a premium to cover the costs and expenses of such issue.

The Directors will determine the Placing Programme Price on the basis described above so as to cover the costs and expenses of each issue of Ordinary Shares under the Placing Programme and to thereby avoid any dilution of the Net Asset Value of the existing Ordinary Shares. In determining the Placing Programme Price, the Directors will also take into consideration, inter alia, the prevailing market conditions at that time.

The Placing Programme Price will be announced through a Regulatory Information Service as soon as is practicable in conjunction with each Subsequent Placing.

### **4. DILUTION**

If 250 million Ordinary Shares are issued pursuant to the Placing Programme, assuming the Issue has been subscribed as to 250 million Ordinary Shares, there would be a dilution of approximately 50 per cent. in Shareholders' voting control of the Company immediately after the Issue. However, it is not anticipated that there will be any dilution in the NAV per Ordinary Share as a result of the Placing Programme.

### **5. SCALING BACK**

In the event of oversubscription of a Subsequent Placing, applications under the Subsequent Placing will be scaled back at the Company's discretion (in consultation with N+1 Singer and Stifel).

### **6. THE PLACING AND OFFER AGREEMENT**

N+1 Singer and Stifel are entitled to terminate the Placing and Offer Agreement at any time prior to any Subsequent Admission in certain circumstances. If this right is exercised, the Placing Programme and these arrangements will lapse and any monies received in respect of a relevant Subsequent Placing will be returned to applicants without interest within 14 days at the applicants' risk.

The Placing and Offer Agreement provides for N+1 Singer and Stifel to be paid commission by the Company in respect of the Ordinary Shares to be allotted pursuant to a Subsequent Placing. Any Ordinary Shares subscribed for by N+1 Singer and Stifel may be retained or dealt in by it for its own benefit.

Under the Placing and Offer Agreement, N+1 Singer and Stifel are entitled at their discretion and out of their own resources at any time to rebate to some or all investors, or to other parties, part or all of its fees relating to a Subsequent Placing. N+1 Singer and Stifel are also entitled under the Placing and Offer Agreement to retain agents and may pay commission in respect of a Subsequent Placing to any or all of those agents out of its own resources.

Further details of the terms of the Placing and Offer Agreement are set out in paragraph 7.5 of Part 12 of this Document.

### **7. COSTS OF THE PLACING PROGRAMME**

The costs and expenses of each issue of Ordinary Shares under the Placing Programme will depend on subscriptions received but will be capped at 2 per cent. of the gross proceeds of each Subsequent Placing. The costs and expenses of any issue of Ordinary Shares will be covered by issuing such Ordinary Shares at a premium to the prevailing (cum-income) Net Asset Value per Ordinary Share at the time of issue.

## **8. GENERAL**

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

## **9. CLEARING AND SETTLEMENT**

Ordinary Shares will be issued in registered form and may be held in either certificated or uncertificated form. In the case of Ordinary Shares to be issued in uncertificated form pursuant to the Placing Programme, these will be transferred to successful applicants through the CREST system.

Where applicable, definitive share certificates in respect of the Ordinary Shares are expected to be despatched by post, at the risk of recipients, to the relevant holders, approximately one week from the Admission of Ordinary Shares pursuant to each Subsequent Placing. Prior to the despatch of definitive share certificates in respect of any Ordinary Shares which are held in certificated form, transfer of those Ordinary Shares will be certified against the Register. No temporary documents of title will be issued.

The ISIN of the Ordinary Shares is GB00BF01NH51 and the SEDOL code is BF01NH5.

The Company does not guarantee that at any particular time market maker(s) will be willing to make a market in the Ordinary Shares, nor does it guarantee the price at which a market will be made in the Ordinary Shares. Accordingly, the dealing price of the Ordinary Shares may not necessarily reflect changes in the underlying Net Asset Value per Ordinary Share.

Any Ordinary Shares issued pursuant to the Placing Programme will rank *pari passu* with the Ordinary Shares then in issue (save for any dividends or other distributions declared, made or paid on the Ordinary Shares by reference to a record date prior to the issue of the relevant Ordinary Shares).

## **10. 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 Ordinary Shares under the CREST system. The Company shall apply for the Ordinary Shares issued under a Subsequent Placing to be admitted to CREST with effect from the relevant Admission. Accordingly, settlement of transactions in the Ordinary Shares following the relevant Admission may take place within the CREST system if any Shareholder so wishes.

## **11. MATERIAL INTERESTS**

There are no interests that are material to the Placing Programme and no conflicting interests.

## **12. PROFILE OF A TYPICAL INVESTOR**

The Ordinary Shares are designed to be suitable for institutional investors and professionally-advised private investors. The Ordinary Shares may also be suitable for investors who are financially sophisticated, non-advised private investors who are capable of evaluating the risks and merits of such an investment and who have sufficient resources to bear any loss which may result from such an investment. Such investors may wish to consult an independent financial adviser who specialises in advising on the acquisition of shares and other securities before investing in the Ordinary Shares.

### **13. OVERSEAS PERSONS**

Potential investors in any territory other than the United Kingdom should refer to the notices set out in the section entitled “Important Information” of this Prospectus.

The Company reserves the right to treat as invalid any agreement to subscribe for Ordinary Shares under any Subsequent Placing if it appears to the Company or its agents to have been entered into in a manner that may involve a breach of the securities legislation of any jurisdiction.

## PART 7

### THE FIRST ACQUISITION PORTFOLIO, INITIAL DEVELOPMENT PORTFOLIO AND THE FURTHER DEVELOPMENT PORTFOLIO

The information contained in this Part 7 provides an analysis of the First Acquisition Portfolio, the Initial Development Portfolio and the Further Development Portfolio as at the date of this document. The information contained in this Part 7 is unaudited. The effective date of each valuation noted below is stated as at the date of this document.

#### The First Acquisition Portfolio

The REIT Group has entered into the Forward Purchase Agreement to acquire (subject to funding) the First Acquisition Portfolio, a portfolio of 496 PRS Units comprising 448 homes and 48 apartments for an aggregate consideration equal to the Market Value (estimated to be £72.6 million) conditional on First Admission and subject to the terms of the Forward Purchase Agreement.

The Investment Adviser believes that the First Acquisition Portfolio represents a good purchasing opportunity for the Company.

The First Acquisition Portfolio falls within the scope of the Company's investment policy. With the exception of the site known as Our Lady's, Salford ("**Our Lady's**"), the PRS Units are all currently owned by the Sigma Group and are under construction by an Approved Contractor. The legal documentation to acquire Our Lady's is being finalised and the Sigma Group expects to acquire this site on or before First Admission. Pursuant to the terms of the Forward Purchase Agreement, the REIT Group will acquire the shares in the special purpose vehicles that own the sites (on a debt free, cash free basis) as and when the Completed PRS Sites held within the special purpose vehicles achieve Practical Completion and Rent Stabilisation.

Immediately following First Admission, the REIT Group will acquire all of the shares in the special purpose vehicle owning the site known as Mackets Lane for a price equal to £7.3 million (being the Market Value as specified in the Valuation Report). The remaining PRS Units comprising the First Acquisition Portfolio will be acquired following Practical Completion (subject to funding and Rent Stabilisation) on a site-by-site basis during the 18 month period from First Admission for a consideration equal to the Market Value (capped at Vacant Possession Value) at the date of acquisition.

The First Acquisition Portfolio is expected to generate a gross annual rent of approximately £4.4 million.

The First Acquisition Portfolio comprises:

<i>Development</i>	<i>Homes</i>	<i>Apartments</i>	<i>Market Value (£)</i>	<i>ERV (£)</i>
Mackets, Halewood	50		7,300,000	445,200
Coral Mill, Newhey	45	24	9,720,000	593,400
Durban Mill, Oldham	80		11,400,000	695,220
Norfolk Park 5C, Sheffield		24	3,150,000	198,600
Mafeking Road, Smethwick	63		9,675,000	580,620
Howe Bridge Mill, Atherton	59		8,675,000	530,100
Silkin Park, Telford	78		11,775,000	718,200
Our Lady's, Salford	73		10,925,000	667,380
<b>TOTAL</b>	<b>448</b>	<b>48</b>	<b>72,620,000</b>	<b>4,428,720</b>

## The Initial Development Portfolio

The Initial Development Portfolio falls within the scope of the Company's investment policy.

The REIT Group has entered into Framework Agreements in respect of the PRS Development Sites comprising the Initial Development Portfolio (other than the Baytree Site and the Sheffield Sites – see below) and will have the right to acquire and develop these subject to obtaining all planning and other consents, satisfactory site investigation reports and confirmation of good title.

The Total Development Cost of the Initial Development Portfolio is expected to be in the region of £156 million.

The Initial Development Portfolio comprises PRS Development Sites that are either currently under the direct legal control of the Investment Adviser or an Approved Contractor or where the Investment Adviser is confident that legal control can be secured at First Admission or shortly thereafter. For each of these PRS Development Sites, provisional construction prices have been agreed with the Approved Contractor subject to amendment following any further changes to the housing mix and/or layout.

The pre-development conditions in respect of the Baytree Site have been satisfied and the Baytree Site has been acquired by the Sigma Group to allow certain ground remediation works to be undertaken prior to First Admission. This has been done to reduce the time from First Admission to the completion of the Baytree Site and the point it will produce income for the Company. Following First Admission and subject to funding, the REIT Group will acquire the shares in the special purpose vehicle owning the Baytree Site from the Sigma Group in exchange for reimbursing the Sigma Group for the Total Development Costs incurred. The Development Manager will charge fees under the Development Management Agreement that will cover the Total Development Costs incurred prior to its acquisition but the Sigma Group will not charge any profit margin for procuring the acquisition or remediation of the Baytree Site.

The Sigma Group has entered into Framework Agreements in respect of two of the Sheffield Sites and has commenced with the pre-development works. The Sigma Group has agreement in principle to add "Sheffield – Site 3" to the existing Framework Agreement relating to the Sheffield Sites and expects this to be formally documented on or before First Admission. The Sigma Group shall assign and/or novate the Framework Agreements relating to the Sheffield Sites to the REIT Group following First Admission.

The Initial Development Portfolio comprises:

<i>Development</i>	<i>Homes</i>	<i>Apartments</i>	<i>Total Development Cost (£)</i>	<i>ERV (£)</i>
Baytree Site	110	0	16,078,000	1,020,660
Sheffield – Site 1	58	0	8,872,000	577,000
Winsford	54	0	7,720,000	501,000
Middleton – Site 2	88	0	11,213,000	767,000
Sheffield – Site 2	78	0	10,882,000	718,000
Sheffield – Site 3	85	0	12,205,000	805,000
Hyde	92	0	13,963,000	900,000
Gamesley	86	0	13,082,000	797,000
Bilston	54	0	7,825,000	496,000
Crewe	107	24	18,730,000	1,154,000
Maghull – Site 1	53	0	8,205,000	502,000
St Helens – Site 1	52	0	7,270,000	459,000
St Helens – Site 2	50	0	6,992,000	440,000
Warrington – Site 1	47	34	13,388,000	830,000
<b>TOTAL</b>	<b>1,014</b>	<b>58</b>	<b>156,425,000</b>	<b>9,966,660</b>

## The Further Development Portfolio

The Further Development Portfolio falls within the scope of the Company's investment policy.

The REIT Group has entered into Framework Agreements in respect of the PRS Development Sites comprising the Further Development Portfolio. The PRS Development Sites contained in the Further Development Portfolio will be allocated to the REIT Group or the Sigma Group in accordance with the terms of the Right of First Refusal Agreement and subject to obtaining legal control over the site and/or agreeing the construction cost with the Approved Contractor. Once allocated, the PRS Development Sites will be acquired and developed subject to obtaining all planning and other consents, satisfactory site investigation reports and confirmation of good title, and also subject to funding. The Total Development Cost of the Further Development Portfolio is expected to be around £143 million with an estimated Market Value of up to approximately £149 million.

The PRS Development Sites in the Further Development Portfolio that are allocated to the Sigma Group will be acquired by the REIT Group at Market Value (capped at Vacant Possession Value) pursuant to the terms of the Forward Purchase Agreement through the acquisition of shares in the special purpose vehicles that own the sites (on a debt free, cash free basis) subject to Practical Completion and Rent Stabilisation, and also subject to funding.

The table below shows both the Total Development Cost (that would apply for the PRS Development Sites allocated to the REIT Group) and the Market Value (which would be the price paid by the REIT Group if the PRS Development Site is allocated to the Sigma Group and sold to the REIT Group under the Forward Purchase Agreement).

The Further Development Portfolio comprises:

<i>Development</i>	<i>Homes</i>	<i>Apartments</i>	<i>Est. Market Value (£)</i>	<i>Est. Total Dev. Cost (£)</i>	<i>ERV (£)</i>
Leeds	46	0	6,970,000	6,912,000	414,000
Leeds – Site 2	0	150	19,581,000	18,418,000	1,215,000
Bradford	47	0	7,043,000	7,029,000	423,000
Walkden	79	0	12,112,000	11,588,000	739,000
Birmingham	32	0	4,987,000	4,806,000	300,000
Wolverhampton – Site 1	55	0	8,608,000	8,416,000	517,000
Manchester	63	0	8,978,000	8,690,000	548,000
Radcliffe	50	0	7,912,000	7,775,000	483,000
Ebbsfleet, Dartford	50	0	11,302,000	10,709,000	690,000
Royton	65	0	9,199,000	8,830,000	562,000
Maghull – Site 2	50	0	7,895,000	7,754,000	482,000
Wolverhampton – Site 2	64	0	9,183,000	8,652,000	561,000
Wolverhampton – Site 3	11	48	8,466,000	7,976,000	517,000
Warrington – Site 2	60	17	12,924,000	12,349,000	789,000
Warrington – Site 3	34	49	13,933,000	13,311,000	851,000
<b>TOTAL</b>	<b>706</b>	<b>264</b>	<b>149,093,000</b>	<b>143,215,000</b>	<b>9,091,000</b>

Acquisition of the PRS Development Sites in the Initial Development Portfolio and the Further Development Portfolio remain subject to the conditions set out in the Framework Agreements. The Investment Adviser expects to have commenced construction on those PRS Development Sites that are acquired pursuant to the Framework Agreements within twelve months of First Admission and to have fully developed these PRS Development Sites by August 2019.



The acquisition of the Completed PRS Sites and PRS Development Sites comprising the First Acquisition Portfolio, the Initial Development Portfolio and the Further Development Portfolio is conditional on, *inter alia*, the REIT Group having sufficient funding available. If the Minimum Net Proceeds are raised at First Admission, then without raising further debt and/or equity funding, the Company would acquire some but not all of the Completed PRS Sites comprising the First Acquisition Portfolio (including Mackets, Halewood) and (subject to the Framework Agreements) some but not all of the PRS Development Sites in the Initial Development Portfolio and the Further Development Portfolio. The decision on which Completed PRS Sites and PRS Development Sites to acquire will be taken by the Investment Adviser based on all available relevant information at the time with a view to achieving the target returns. Relevant factors to be considered will include, the commencement and duration of any development works and the timing and amount of income receipts.

## **PART 8**

### **VALUATION REPORT ON THE FIRST ACQUISITION PORTFOLIO**

Savills has (a) given and not withdrawn its written consent both to the inclusion in this Prospectus of the Valuation Report and to references to the Valuation Report in the form and context in which they appear; and (b) authorised and accepts responsibility for the Valuation Report. With the exception of the Valuation Report and the Savills Report, Savills does not accept any liability in relation to the information contained in this Prospectus or any other information provided by the Issuer or any other party in connection with the Issue or the Placing Programme.

Save for any responsibility arising under Prospectus Rule 5.5.3R(2)(f) to any person as and to the extent there provided, to the fullest extent permitted by law Savills does not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such person as a result of, arising out of, or in accordance with this report or our statement, required by and given solely for the purposes of complying with Annex I item 23.1 of the Prospectus Directive Regulations, consenting to its inclusion in the Prospectus.

For the purposes of Prospectus Rule 5.5.3R(2)(f), Savills accepts responsibility for the information within this report and declares that it has taken all reasonable care to ensure that the information contained in this report is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Prospectus in compliance with Annex I item 1.2 of the Prospectus Directive Regulations.

4 May 2017



The Directors  
The PRS REIT plc  
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1 St Ann Street  
Manchester  
M2 7LR

For the attention of: Stephen Smith

The Members  
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EC2N 2AX

For the attention of: James Maxwell

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Dear Sirs,

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## **THE PRS REIT PLC – PROJECT CONFIDENTIAL**

### **1. INSTRUCTIONS**

In accordance with instructions received from Sigma PRS Management Limited (“Sigma PRS”) as investment adviser to The PRS REIT plc (the “PRS REIT” or the “Company”), Nplus1 Singer Advisory LLP (“Singer”) and Stifel Nicolaus Europe Limited (“Stifel”), dated 06 April 2017, we have undertaken a valuation of the eight properties described in Schedules A, B and C (the “Properties”) (together the “Portfolio”).

This Valuation Report (“Report”) has been prepared for the purpose of inclusion in the Prospectus published in connection with the Placing, Offer for Subscription and Intermediaries Offer being conducted by the Company and the subsequent admission to trading on the Specialist Fund Segment of the London Stock Exchange’s main market for listed securities pursuant to EU Directive 2003/71/EC (the “Prospectus Directive”).

### **2. PURPOSE OF THE VALUATION**

Our valuation is required to form part of the Prospectus for a REIT of Private Rented Sector Housing. As per our instructions we have assessed the Market Value of the eight properties, (seven of which are currently under construction and one is complete and fully let on assured shorthold tenancies). The Properties will enter the REIT upon practical completion. Therefore as

per our instruction our valuation for the purposes of the Prospectus is on the following Special Assumptions:

- The Properties are complete, to include all of the houses and flats being finished along with all landscaping and roads serving each Property.
- All individual Property valuations have been treated assuming part of a larger portfolio (in excess of £50m).
- All of the units are let on standard assured shorthold tenancies with no security of tenure.
- Central Lettings Solutions have a fixed fee of 7.5 per cent. of rents received.
- A rental income adjustment from the Total Gross Market Rent to the Net Market Rent at a loss of 22.5 per cent.
- An indirect purchase of a special purpose vehicle holding title to the asset.

### **3. COMPLIANCE WITH APPRAISAL AND VALUATION STANDARDS**

This Valuation Report has been prepared in accordance with the Royal Institution of Chartered Surveyors (the “RICS”) Valuation – Professional Standards Global and UK January 2014 (the “RICS Red Book”) published in November 2013 and effective from 6 January 2014 and revised in April 2015, in particular in accordance with the requirements of VPS 3. The valuation is a Regulated Purpose Valuation as defined in the Red Book.

We further confirm that our valuations and Report have been prepared in accordance with the relevant provisions of the City Code on Takeovers and Mergers, Rule 5.6.5G of the Prospectus Rules published by the Financial Conduct Authority and paragraphs 128 to 130 of the ESMA update of the CESR recommendations for the consistent implementation of the European Commission’s Regulation on Prospectuses No 809/2004 (“ESMA Guidelines”) and the Prospectus Directive. We also confirm that unless otherwise defined, terms have the meaning given to them in the above sources.

### **4. STATUS OF VALUER**

This valuation has been prepared by a number of surveyors under the supervision of Craig Langley MRICS. We confirm that they are all RICS Registered Valuers and have the knowledge, skills and understanding to undertake this valuation competently and we are acting in the capacity of External Valuer (as defined in the RICS Valuation – Professional Standards).

### **5. CONFLICTS OF INTEREST**

In the 12 month period preceding the date of this Report, the total fees payable by the Company were less than 5% of the total combined fee income of Savills (UK) Limited and Savills Advisory Services Limited.

We are required by the Red Book (UKPS5.4) to disclose the following:

Between November 2016 and March 2017, the wider Savills group has undertaken loan security valuations on behalf of a lending institution of each of the assets reporting Market Value of the Properties for development finance. This valuation is for the completed properties. In addition in order to add an additional layer of oversight, Savills Advisory Services Limited have appointed an additional director, Claire Magowan MRICS (Director - Joint Head of Portfolio Valuation) who has had no previous involvement with the Properties to oversee the instruction.

We do not consider any of the above constitutes a conflict of interest or in any way conflicts with our responsibility to provide an independent and objective opinion of value.

## 6. OVERVIEW

The Portfolio comprises the eight properties held for investment purposes which are located throughout the UK. Three are held freehold/heritable, one is held freehold and part leasehold and four are long leasehold (over 50 years).

The Company has established partnerships with a number of major English metropolitan local authorities to assist with the delivery of Properties for PRS units and planning permission has been secured for the developments, with the delivery of the units being undertaken by Countryside Properties (UK) Ltd, Keepmoat Regeneration Limited and Keepmoat Homes Limited.

The lettings and management of the units will be undertaken by Central Lettings Solutions Limited on a fixed fee of 7.5 per cent. of rents received which is considered to represent a notable discount from the general market and reflects the scale of the project.

For all of the Properties we understand a set of criteria for selection was undertaken adopting the following criteria:

- A mix of two, three and four bedroom houses and apartments, with the majority of stock in the form of houses. Apartments are restricted to approximately 10 per cent. of the portfolio. The house types are selected from the Countryside's and Keepmoat's standard range, with a fixed cost for delivery;
- The Properties are situated in suburban areas of English cities (Greater Manchester, Liverpool, Birmingham and Sheffield);
- Prospective target tenants will be middle income, young couples or families;
- Units are generally integrated into or around larger established developments with a strong overall proportion of owner-occupied residences;
- Units will benefit from industry recognised 10-year NHBC (or equivalent) guarantees.

The Company have instructed Savills Advisory Services Limited to value the Properties in connection with the Prospectus for the REIT which the properties will form part. We have carried out our valuation against this background.

Our valuation is on the Special Assumption that the units are all built and let on Standard AST's.

All the properties are identified and described briefly in the attached Schedules.

## 7. THE EIGHT PROPERTIES

We provide a brief summary of each of the eight Properties below:

### ***Coral Mill, Newhey, Rochdale***

The Property proposes 45 houses with a mix of three and four bedroom houses as well as 24 two bedroom low rise apartments and therefore will provide a total of 69 new units. The development is underway and construction is due to complete in August 2017.

### ***Durban Mill, Oldham***

The Property proposes a mix of two, three and four bedroom houses and will provide a total of 80 new units. The development is underway and construction is due to complete in August 2017.

### ***Howe Bridge Mill, Atherton***

The Property proposes a mix of two, three and four bedroom houses and will provide a total of 59 new units. The Property is currently cleared with construction scheduled to start imminently and due to complete in February 2018.

***Mackets Lane, Halewood, Liverpool***

The Property comprises 50 houses with a mix of two, three and four bedroom houses on the site of a former primary school. The scheme is complete and fully let.

***Mafeking Road, Smethwick, Birmingham***

The Property comprises a cleared site which slopes north to south, with Birmingham Canal forming the southern boundary. The subject property proposes 63 houses with a mix of two, three and four bedroom houses. Pre-development works have commenced and construction is due to complete in June 2018.

***Norfolk Park, Park Grange Road, Sheffield***

The Property proposes 24 x two bedroom apartments. This Property is in an area zoned for residential and compatible uses, forming part of a wider regeneration area. Construction has commenced on site and is due to complete in September 2017.

***Silkin Park, Hinkshay Road, Telford***

The Property proposes a mix of two, three and four bedroom houses and will provide a total of 78 new units. Pre-development works have commenced and the Property is due to complete in Q4 2018.

***Our Lady's Primary School, Little Hulton***

The Property proposes a total of 73 houses to be provided by the Borrower's contractor partner, Countryside Properties plc. The scheme consists of 5 x two bedroom houses, 62 x three bedroom houses and 6 x four bedroom houses. The Property is currently a cleared site.

**8. TENURE AND TENANCIES**

We have relied upon the details of tenure, tenancies and other information provided by the Company. In addition, we have previously been provided with Certificates of Title supplied to us by the Company's solicitors and confirm as follows:

- (a) where we have relied upon information provided to us by the Company, such information is not inconsistent with the Certificates of Title;
- (b) we have assumed that, save as may be disclosed by the Certificates of Title, the Properties possess good marketable titles free from any unusual encumbrances, restrictions or obligations;
- (c) we have assumed that, save as may be disclosed by the Certificates of Title, nothing would be revealed by any local search or replies to usual enquiries of the seller which would materially adversely affect the respective values of the Properties; and
- (d) in respect of the long leasehold interests, we have assumed that consent to assign would not be withheld or delayed by the landlord if required and that, save as may be disclosed by the Certificates of Title, there are no outstanding arrears or breaches of covenant.

We detail the tenure of each Property below;

***Freehold Properties***

Silkin Park, Hinkshay Road, Telford  
Howe Bridge Mill, Atherton  
Mafeking Road, Smethwick, Birmingham



### ***Leasehold Properties***

Mackets Lane, Halewood, Liverpool  
Norfolk Park, Park Grange Road, Sheffield  
Durban Mill, Oldham  
Our Lady's Primary School, Little Hulton

### ***Freehold and Leasehold Properties***

Coral Mill, Newhey, Rochdale

## **9. SOURCES OF INFORMATION**

In undertaking our valuations we have been provided with, and have relied upon, information supplied to us by the Company and their advisers. We have assumed that this information is full and correct. It follows that if it is found to contain errors then our opinions of value may change.

**Legal Documentation:** We have relied on title documentation and leases together with a tenancy schedule provided by the Company's legal property advisors. We understand that all the Properties have good and marketable title which is free from any onerous or restrictive conditions. We have not undertaken credit enquiries into the financial status of the tenants and have assumed that they are capable of meeting all of their obligations under the terms of their leases.

**Inspections:** We have carried out full inspections of each of the Properties and the dates of these are noted on the attached Schedule. As agreed, except where we have been advised to the contrary, we have assumed that there have been no material changes to any of the properties or their surroundings that could have a material effect on the value of the Company's interest since our inspections.

**Floor Areas:** We have relied upon floor areas for the Properties provided by Countryside. Which we understand were calculated in accordance with the current RICS Code of Measuring Practice (6th Edition) and upon which we have relied. Countryside have not provided consent for use of these areas and therefore we have undertaken check measurements on a sample of the units which are to an acceptable tolerance.

**Tenancy:** We have relied upon the tenancy schedule provided by the Company. We have not been provided with copies of the leases bar a sample lease which is drafted on standard assured shorthold tenancy terms, with no security of tenure. We have assumed all lease are on the same terms.

**Building Surveys:** We have not been provided with building surveys on the Properties. All of the assets are new build and come with a 10 year NHBC warranty. We have therefore assumed all the properties are structurally sound and built to current building regulations.

**Energy Performance Certificates:** We have not been provided with EPC's for the properties. We have been advised that all properties are grade E or better by the Company's advisor Sigma.

**Environmental Surveys:** We have not been provided with any environmental reports relating to the Properties. We have been informed that it is the contractors (Countryside) responsibility to undertake any remediation on site. We have therefore assumed that all Properties are free from contamination.

**Planning:** We have relied on information on relevant planning consents provided to us and from our searches of the relevant local authorities websites. In situations where there is no record, we have assumed all construction was carried out in accordance with a valid planning permission and there are no outstanding planning issues relating to any of the Properties.

## 10. DATE OF INSPECTION AND VALUATION

The Properties were inspected by Craig Langley MRCIS and Liam Dowdell over the course of January and February 2017:

<i>Property</i>	<i>Date of Inspection</i>	<i>Date of Valuation</i>
Coral Mill, Newhey, Rochdale	2 February 2017	4 May 2017
Durban Mill, Oldham	2 February 2017	4 May 2017
Howe Bridge Mill, Atherton	30 January 2017	4 May 2017
Mackets Lane, Halewood, Liverpool	30 January 2017	4 May 2017
Mafeking, Smethwick, Birmingham	30 January 2017	4 May 2017
Norfolk Park, Park Grange Road, Sheffield	30 January 2017	4 May 2017
Silkin Park, Hinkshay Road, Telford	30 January 2017	4 May 2017
Our Lady's Primary School, Little Hulton	30 January 2017	4 May 2017

## 11. VALUATION

### ***Basis of Valuation***

Our valuation has been arrived at predominantly by reference to market evidence for comparable property and we have adopted the investment approach. We can confirm that this report complies with the International Valuation Standards as well as the Red Book.

We have made no allowance for any Capital Gains Tax or other taxation liability that might arise upon a sale of the Property, nor have we allowed for any adjustment to any of the properties' income streams to take into account any tax liabilities that may arise. Our valuation is exclusive of VAT (if applicable). We have excluded from our valuation any additional value attributable to goodwill, or to fixtures and fittings which are only of value in situ to the present occupier.

No allowance has been made for rights, obligations or liabilities arising in relation to fixed plant and machinery, and it has been assumed that all fixed plant and machinery and the installation thereof complies with the relevant EEC legislation.

We have valued the eight Properties on the following basis.

### ***In undertaking our valuations, we have adopted the RICS definitions of Market Value and Market Rent, as detailed below:***

Valuation Standard VPS 4 1.2 of the Red Book defines Market Value (MV) as:

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

### ***Valuation Standard VPS 4 1.3 of the Red Book defines Market Rent (MR) as:***

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

### ***Special Assumptions***

For clarification as per our instruction we have adopted the following Special Assumptions over and above the standard basis of Market Value and Market Rent as detailed above.

- The Properties are complete, to include all of the houses and flats being finished along with all landscaping and roads serving each Property.
- All individual site valuations have been treated assuming part of a larger portfolio (in excess of £50m).

- All of the units are let on standard assured shorthold tenancies with no security of tenure.
- Central Lettings Solutions have a fixed fee of 7.5 per cent. of rents received.

A rental income adjustment from the Total Gross Market Rent to the Net Market Rent at a loss of 22.5 per cent. (To include the Central Lettings Solutions fees at 7.5 per cent.), which reflects a discount from market practice of 25 per cent. to allow for the benefits of each property forming part of a larger portfolio

- An indirect purchase of a special purpose vehicle holding title to the asset, so stamp duty is assessed on a share purchase basis rather than as property.

## 12. MARKET VALUE OF THE EIGHT PROPERTIES

We are of the opinion that the aggregate Market Value of the eight freehold and leasehold interests in the Properties on the Special Assumption that the Properties are complete, let on standard AST's, with a gross to net loss of 22.5 per cent. and are sold within a Special purchase vehicle, as at 4 May 2017, is

Freehold Properties	£30,125,000	Thirty Million One Hundred and Twenty Five Thousand Pounds
Leasehold Properties	£32,775,000	Thirty Two Million Seven Hundred and Seventy Five Thousand Pounds
Freehold / Leasehold Properties	£9,720,000	Nine Million Seven Hundred and Twenty Thousand Pounds

**£72,620,000**

**(Seventy Two Million Six hundred and Twenty Thousand Pounds)**

## 13. AGGREGATE MARKET VALUE OF THE INDIVIDUAL UNITS FORMING PART OF THE EIGHT PROPERTIES

Our assessment of the aggregate Market Value of the individual units within the eight sites comprising the leasehold and freehold interests, on the Special Assumption that the units are complete with vacant possession, as at 4 May 2017, is in the order of:

Freehold Properties	£34,550,000	Thirty Four Million Five Hundred and Fifty Thousand Pounds
Leasehold Properties	£35,515,000	Thirty Five Million Five Hundred and Fifteen Thousand Pounds
Freehold / Leasehold Properties	£10,408,500	Ten Million Four Hundred and Eight Thousand Five Hundred Pounds

**£80,473,500**

**(Eighty Million Four hundred and Seventy Three Thousand Five Hundred Pounds)**

#### 14. AGGREGATE MARKET RENTAL VALUE OF THE INDIVIDUAL UNITS COMPRISING THE EIGHT PROPERTIES

Our assessment of the aggregate Market Rental Value of the individual units within the eight sites comprising the leasehold and freehold interest, on the Special Assumption the units are complete as at 4 May 2017 is in the order of:

Freehold Properties	£1,828,920 per annum	One Million Eight Hundred and Twenty Eight Thousand, Nine Hundred and Twenty Pounds per annum.
Leasehold Properties	£2,006,400 per annum	Two Million and Six Thousand, Four Hundred Pounds per annum
Freehold / Leasehold Properties	£593,400 per annum	Five Hundred and Ninety three Thousand Four Hundred Pounds per annum

**£4,428,720 per annum**

**(Four Million Four Hundred and Twenty Eight Thousand Seven Hundred and Twenty Pounds) per annum**

To clarify the rental figure as reported is a net figure after deducting the ground rent payable for Mackets and Norfolk.

#### 15. SUMMARY OF VALUES

A summary of each of the values is set out below:

##### 1. Freehold Properties

Property	Market Value	Aggregate Vacant Possession Value	Aggregate Market Rental Value
Silkin Park, Hinkshay Road, Telford	£11,775,000	£13,687,500	£718,200
Howe Bridge Mill, Atherton	£8,675,000	£9,522,500	£530,100
Mafeking Road, Smethwick, Birmingham	£9,675,000	£11,340,000	£580,620
Total	<u>£30,125,000</u>	<u>£34,550,000</u>	<u>£1,828,920</u>

##### 2. Leasehold Properties

Property	Market Value	Aggregate Vacant Possession Value	Aggregate Market Rental Value
Mackets Lane, Halewood, Liverpool	£7,300,000	£7,887,500	£445,200
Norfolk Park, Park Grange Road, Sheffield	£3,150,000	£3,340,000	£198,600
Durban Mill, Oldham	£11,400,000	£11,997,500	£695,220
Our Lady's Primary School	£10,925,000	£12,290,000	£667,380
Total	<u>£32,775,000</u>	<u>£35,515,000</u>	<u>£2,006,400</u>

##### 3. Freehold/Leasehold Properties

Property	Market Value	Aggregate Vacant Possession Value	Aggregate Market Rental Value
Coral Mill, Newhey, Rochdale	£9,720,000	£10,408,500	£593,400
Total	<u>£9,720,000</u>	<u>£10,408,500</u>	<u>£593,400</u>

The largest property by value in the Portfolio is Silkin Park, Hinkshay Road, Telford, which represents 16.21 per cent. of the total.

## **16. GENERAL ASSUMPTIONS**

Our reports and valuations are carried out on the basis of the following General Assumptions:

### ***Condition and Repair***

That the buildings are structurally sound, and that there are no structural, latent or other material defects, including rot and inherently dangerous or unsuitable materials or techniques, whether in parts of the buildings we have inspected or not, that would cause us to make allowance by way of capital repair. Our inspection of the properties and this report do not constitute building surveys.

That in the construction or alteration of the buildings no use was made of any deleterious or hazardous materials or techniques, such as high alumina cement, calcium chloride additives, woodwool slabs used as permanent shuttering and the like (other than those points referred to above). We will not carry out any investigations into these matters.

That the properties are not adversely affected, nor is likely to become adversely affected, by any highway, town planning or other schemes or proposals, and that there are no matters adversely affecting value that might be revealed by a local search, replies to usual enquiries, or by any statutory notice.

That the buildings have been constructed and is used in accordance with all statutory and bye-law requirements, and that there are no breaches of planning control. Likewise, that any future construction or use will be lawful.

That the properties are connected or capable of being connected without undue expense, to the public services of gas, electricity, water, telephones and sewerage.

### ***Environmental Risks***

That the properties have not suffered any land contamination in the past, nor is it likely to become so contaminated in the foreseeable future. We have not carried out any soil tests or made any other investigations in this respect, and we cannot assess the likelihood of any such contamination.

That there are no adverse site or soil conditions, that the properties are not adversely affected by the Town and Country Planning (Assessment of Environmental Effects) Regulations 1988, that the ground does not contain any archaeological remains, nor that there is any other matter that would cause us to make any allowance for exceptional delay or site or construction costs in our valuation.

### ***Floor Areas***

That any floor areas provided by a third party and assigned to Savills Advisory Services Limited, have been measured in accordance with the current RICS Code of Measuring Practice. This is the basis on which we will carry out measured surveys as instructed.

### ***Development Property***

In situations where a property is in the course of development, we reflect its physical condition and the costs remaining to be spent at the valuation date. In the preparation of our appraisal, we consider the costs estimates provided by the professional advisers involved in the project.

### ***General Conditions and Assumptions***

The property details on which each valuation has been based are as set out in the Report. Various assumptions have been made as to tenure, letting, taxation, town planning, and the condition and repair of buildings and sites.

If any of the information or assumptions on which the valuation has been based are subsequently found to be incorrect, the valuation figures may also be incorrect and should be considered.

1. That the Properties are not subject to any unusual or especially onerous restrictions, encumbrances or outgoings contained in the Title. Should there be any mortgages or charges, we have assumed that the property would be sold free of them. We have not inspected the Title Deeds or Land Registry Certificate.
2. That we have been supplied with all information likely to have an effect on the value of the Properties, and that the information supplied to us and summarised in this report is both complete and correct.
3. That the buildings have been constructed and are used in accordance with all statutory and bye-law requirements, and that there are no breaches of planning control and any future construction or use will be lawful.
4. That the Properties are not adversely affected, nor likely to become adversely affected, by any highway, town planning or other schemes or proposals, and that there are no matters adversely affecting value that might be revealed by a local search, replies to usual enquiries, or by any statutory notice (other than those points referred to above).
5. That the building is structurally sound, and that there are no structural, latent or other material defects, including rot and inherently dangerous or unsuitable materials or techniques, whether in parts of the building we have inspected or not, that would cause us to make allowance by way of capital repair (other than those points referred to above). Our inspection of the Property and our Report do not constitute a building survey or any warranty as to the state of repair of the Property.
6. That the Properties are connected, or capable of being connected without undue expense, to the public services of gas, electricity, water, telephones and sewerage.
7. That in the construction or alteration of the building no use was made of any deleterious or hazardous materials or techniques, such as high alumina cement, calcium chloride additives, woodwool slabs used as permanent shuttering and the like (other than those points referred to above). We have not carried out any investigations into these matters.
8. That the Properties have not suffered any land contamination in the past, nor is it likely to become so contaminated in the foreseeable future. We have not carried out any soil tests or made any other investigations in this respect, and we cannot assess the likelihood of any such contamination.
9. That any tenant is capable of meeting its obligations, and that there are no arrears of rent or undisclosed breaches of covenant.
10. We will not make any allowance for any Capital Gains Tax or other taxation liability that might arise upon a sale of the Property.
11. Our Valuation will be exclusive of VAT (if applicable).
12. No allowance will be made for any expenses of realisation.
13. Excluded from our Valuation will be any additional value attributable to goodwill, or to fixtures and fittings which are only of value in situ to the present occupier.
14. Energy Performance Certificates (EPCs) are required for the sale, letting, construction or alteration of all residential buildings, and from 1 October 2008 on non-domestic residential buildings over 538 sq ft (50 sq m) in England and Wales. EPCs are also required on all buildings in Scotland from 4 January 2009. The effect of EPCs on value appears to be limited. We will not consider the Property's EPC rating(s) in forming our opinion of value. However, should EPCs become a significant consideration in the future then we reserve the right to revisit this.



15. No allowance will be made for rights, obligations or liabilities arising under the Defective Premises Act 1972, and it will be assumed that all fixed plant and machinery and the installation thereof complies with the relevant UK and EEC legislation.
16. Our Valuation will be based on market evidence which has come into our possession from numerous sources, including other agents and valuers and from time to time this information is provided verbally. Some comes from databases such as the Land Registry or computer databases to which Savills Advisory Services Limited subscribes. In all cases, other than where we have had a direct involvement with the transactions being used as comparables in our Report, we are unable to warrant that the information on which we have relied is correct.

## **17. CONFIDENTIALITY AND PUBLICATION**

This Report has been prepared for inclusion in the Prospectus to be issued by the Company dated 4 May 2017. The contents of this Report may be used only for the specific purpose to which they refer. Before this 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, our written approval as to the form and context of such publication or disclosure must first be obtained.

For the avoidance of doubt such approval is required whether or not Savills Advisory Services Limited is referred to by name and whether or not the contents of our Report are combined with others.

This Report has been produced for the inclusion in the Prospectus and may not be reproduced or used in connection with any other purposes without our prior consent.

Savills Advisory Services Limited has given and not withdrawn its written consent to the inclusion of this Report in the Prospectus.

## **18. RESPONSIBILITY STATEMENT**

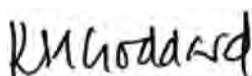
Save for any responsibility arising under Prospectus Rule 5.5.3R(2)(f) to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such person as a result of, arising out of, or in accordance with this report or our statement, required by and given solely for the purposes of complying with Annex I item 23.1 of the Prospectus Directive Regulations, consenting to its inclusion in the Prospectus.

For the purpose of Prospectus Rule 5.5.3R(2)(f), we accept responsibility for the information within this Report and Valuation and declare that we have taken all reasonable care to ensure that the information contained in the Report and Valuation is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Document in compliance with Annex 1 item 1.2 of the Prospectus Directive Regulation.

Yours faithfully



**Craig Langley MRICS**  
*DIRECTOR*  
*RICS Registered Valuer*



**Katherine Goddard MRICS**  
*ASSOCIATE DIRECTOR*  
*RICS Registered Valuer*



**Michael Sharpe-Neal FRICS**  
*DIVISIONAL DIRECTOR*  
*RICS Registered Valuer*

For and on behalf of Savills Advisory Services Limited

## SCHEDULE A: FREEHOLD PROPERTY IN THE UK HELD FOR INVESTMENT

<i>Address</i>	<i>Description</i>	<i>Approx Age</i>	<i>Tenancies</i>	<i>Market Value of the Property at date of Prospectus</i>	<i>Aggregate Market Value of units comprising the Property at date of Prospectus</i>	<i>Market Rental Value at date of Prospectus</i>
<b>Mafeking Road, Smethwick, Birmingham</b>	The Property comprises a cleared site which slopes north to south, with Birmingham Canal forming the southern boundary. The subject property proposes 63 houses with a mix of two, three and four bedroom houses. Pre-development works have commenced and is due to complete in June 2018.	New build 2018	The Property is currently vacant. We have assumed that it is let on standard AST's with no security of tenure.	£9,675,000	£11,340,000	£580,620
<b>Silkin Park, Hinkshay Road, Telford</b>	The Property proposes a mix of two, three and four bedroom houses and will provide a total of 78 new units. Pre-development works have commenced and the site is due to complete in Q4 2018.	New build 2018	The Property is currently vacant. We have assumed that it is let on standard AST's with no security of tenure.	£11,775,000	£13,687,500	£718,200
<b>Howe Bridge Mill, Atherton</b>	The Property proposes a mix of two, three and four bedroom houses and will provide a total of 59 new units. The site is currently cleared with construction scheduled to start imminently and February 2018.	New build 2018	The Property is currently vacant. We have assumed that it is let on standard AST's with no security of tenure.	£8,675,000	£9,522,500	£530,100
<b>TOTAL</b>				<b>£30,125,000</b>	<b>£34,550,000</b>	<b>£1,828,920</b>

## SCHEDULE B: FREEHOLD/PART LONG LEASEHOLD PROPERTY IN THE UK HELD FOR INVESTMENT

<i>Address</i>	<i>Description</i>	<i>Approx Age</i>	<i>Tenancies</i>	<i>Market Value of the Property at date of Prospectus</i>	<i>Aggregate Market Value of units comprising the Property at date of Prospectus</i>	<i>Market Rental Value at date of Prospectus</i>
<b>Coral Mill, Newhey, Rochdale</b>	The Property proposes 45 houses with a mix of three and four bedroom houses as well as 24 two bedroom low rise apartments and therefore will provide a total of 69 new units. The development is underway and construction is due to complete in August 2017.	New build 2017	12 of the units are current occupied under AST's and 14 are reserved. The remainder are currently in construction. We have assumed that it is let on standard AST's with no security of tenure.	£9,720,000	£10,408,500	£593,400
<b>TOTAL</b>				<b>£9,720,000</b>	<b>£10,408,500</b>	<b>£593,400</b>

## SECTION C: LONG LEASEHOLD PROPERTY IN THE UK HELD FOR INVESTMENT

<i>Address</i>	<i>Description</i>	<i>Approx Age</i>	<i>Tenancies</i>	<i>Market Value of the Property at date of Prospectus</i>	<i>Aggregate Market Value of units comprising the Property at date of Prospectus</i>	<i>Market Rental Value at date of Prospectus</i>
<b>Durban Mill, Oldham</b>	The Property proposes a mix of two, three and four bedroom houses and will provide a total of 80 new units. The development is underway and construction is due to complete in August 2017.	New build 2017	Four of the units are currently occupied and 25 are reserved, the remainder are vacant or in the process of construction. We have assumed that it is let on standard AST's with no security of tenure.	£11,400,000	£11,997,500	£695,220
<b>Mackets Lane, Halewood, Liverpool</b>	The Property comprises 50 houses with a mix of two, three and four bedroom houses on the site of a former primary school. The scheme is complete and fully let.	New build 2017	The Property is complete and all units are let on standard AST's.	£7,300,000	£7,887,500	£445,200
<b>Norfolk Park, Park Grange Road, Sheffield</b>	The Property proposes 24 two bedroom apartments. This site is in an area zoned for residential and compatible uses, forming part of a wider regeneration area. Construction has commenced on site and is due to complete in September 2017.	New build 2017	The Property is currently vacant. We have assumed that it is let on standard AST's with no security of tenure.	£3,150,000	£3,340,000	£198,600
<b>Our Lady's Primary School</b>	The Property proposes a mix of two, three and four bedroom houses and will provide a total of 73 new units. The site is currently cleared with construction scheduled to start imminently and complete in June 2018.	New build 2018	The Property is currently vacant. We have assumed that it is let on standard AST's with no security of tenure.	£10,925,000	£12,290,000	£667,380
<b>TOTAL</b>				<b>£32,775,000</b>	<b>£35,515,000</b>	<b>£2,006,400</b>
<b>GRAND TOTAL</b>				<b>£72,620,000</b>	<b>£80,473,500</b>	<b>£4,428,720</b>

## PART 9

### CAPITALISATION AND INDEBTEDNESS

#### INTRODUCTION

1. The capitalisation and indebtedness of the Company is set out below.
2. The information set out in this Part 9 has been sourced from unaudited accounting records sourced by the Company. As far as the Company is aware, no facts have been omitted which would render the information in this Part 9 inaccurate or misleading.

#### CAPITALISATION OF THE COMPANY

	<i>As at</i> <i>26 April 2017</i> £
Share capital	50,000
Other reserves	—
<b>Total reserves</b>	<b>50,000</b>

#### INDEBTEDNESS OF THE COMPANY

##### *Indebtedness – secured and unsecured*

	<i>As at</i> <i>26 April 2017</i> £
<b>Total current debt</b>	
Guaranteed	—
Secured	—
Unguaranteed/unsecured	—
<b>Total non-current debt</b>	
Guaranteed	—
Secured	—
Unguaranteed/unsecured	—
<b>Total indebtedness</b>	<b>—</b>

##### *Net Indebtedness*

	<i>As at</i> <i>26 April 2017</i> £
Cash	50,000
Liquidity	50,000
Current bank debt	—
Net current financial indebtedness	—
Non-current bank debt	—
<b>Net financial indebtedness</b>	<b>(50,000)</b>

# **PART 10**

## **TAXATION**

### **1. GENERAL**

The statements on taxation below are intended to be a general summary of certain tax consequences that may arise in relation to the Company (which in this case, and for the purposes of this Part 10 will be the Company as the principal company of the REIT Group), the other members of the REIT Group and Shareholders. This is not a comprehensive summary of all technical aspects of the taxation of the Company, its Shareholders and the other members of the REIT Group and is not intended to constitute legal or tax advice to investors. Prospective investors should familiarise themselves with, and where appropriate should consult their own professional advisers on, the overall tax consequences of investing in the Company. The statements relate to investors acquiring Ordinary Shares for investment purposes only, and not for the purposes of any trade. As is the case with any investment, there can be no guarantee that the tax position or proposed tax position prevailing at the time an investment in the Company is made will endure indefinitely. The tax consequences for each investor of investing in the Company may depend upon the investor's own tax position and upon the relevant laws of any jurisdiction to which the investor is subject.

The statements below relate to the UK tax implications of a UK-resident individual or UK-resident company investing in the Company (unless expressly stated otherwise). The tax consequences may differ for investors who are not resident in the UK for tax purposes. Investors should seek their own professional advice as to this, as well as to any other relevant laws and regulations in the jurisdiction in which they are resident for tax purposes. The statements are based on current tax legislation and HMRC practice, both of which are subject to change at any time, possibly with retrospective effect.

In this Part 10, reference to the REIT Group or to the Company and each subsidiary which is a member of its group for the purposes of section 606 of the CTA 2010.

### **2. UK TAX TREATMENT OF THE REIT GROUP**

Unless and until REIT status is obtained, the Company and each other member of the REIT Group will be subject to UK corporation tax on its profits and gains on the basis that the Company and each other member of the REIT Group will be UK tax resident as a result of being incorporated in the UK. The special rules which apply to the taxation of a company which enters the REIT Regime are summarised below and, together with the conditions which the Company and the REIT Group are required to satisfy in order to enter and thereafter remain within the REIT Regime, are described in further detail in Part 11 (The REIT Regime).

A REIT does not suffer UK corporation tax on the profits (income and capital gains) from its Qualifying Property Rental Business, provided that certain conditions are satisfied. Instead, distributions in respect of the Qualifying Property Rental Business will be treated for UK tax purposes as UK property income in the hands of shareholders (see further below for details on the UK tax treatment of shareholders in a REIT).

However, UK corporation tax remains payable in the normal way in respect of income and gains from a REIT's Residual Business. Dividends relating to the Residual Business are treated for UK tax purposes as normal dividends. Any normal dividend paid by the Company is referred to in this Part 10 as a "Non-PID Dividend".

The tax treatment of a dividend paid by the Company in the first accounting period after it achieves REIT status would depend on whether it is deemed to be paid out of profits that arose before or after the REIT Group became a REIT. In addition, where on an on-going basis after the REIT

Group enters the REIT Regime the Company makes distributions to Shareholders in excess of the amount required to satisfy the “distribution condition” for each accounting period (see further below in Part 11 (The REIT Regime)), distributions to Shareholders are likely to consist of a mixture of PID and Non-PID Dividends as calculated in accordance with specific attribution rules. The Company will provide Shareholders with a certificate setting out how much, if any, of their dividends is a PID and how much is a Non-PID dividend.

### **3. UK TAX TREATMENT OF SHAREHOLDERS**

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. They are not advice. This section is divided into two parts. Section A describes the position prior to entry of the REIT Group into the REIT Regime and Section B describes the position following entry into the REIT Regime. Except where otherwise indicated, Sections A and B apply only to Shareholders who are resident for tax purposes solely in the UK; and only to Shareholders who hold their Ordinary Shares as investments and who are the absolute beneficial owners thereof.

Shareholders who are in any doubt about their tax position, or who are subject to tax in a jurisdiction other than the UK, should consult their own appropriate independent professional adviser.

#### **3.1 Section A — The position prior to the Company's entry into the REIT Regime**

##### **3.1.1 *UK taxation of dividends***

The Company will not be required to withhold tax at source when paying a dividend.

With effect from 6 April 2016, each individual is entitled to an annual tax-free dividend allowance of £5,000. If the amount of any dividend which a UK-resident individual Shareholder receives from the Company, when added to other dividend income received by the individual in the tax year in which the dividend is received, is less than or equal to £5,000, the individual will have no liability for income tax in respect of the receipt of the dividend.

If the amount of any dividend which a UK-resident individual Shareholder receives from the Company, when added to other dividend income received by the individual in the tax year in which the dividend is received, exceeds £5,000, the excess amount will be subject to income tax at either the dividend ordinary rate (currently 7.5 per cent.), the dividend upper rate (currently 32.5 per cent.) or the dividend additional rate (currently 38.1 per cent.), depending on the individual's total taxable income for the tax year in question and disregarding any personal allowance to which the individual may be entitled.

UK-resident corporate Shareholders (other than dealers and certain insurance companies) are not liable to corporation tax in respect of UK dividends provided that the dividends are exempt under Part 9A of the Corporation Tax Act 2009.

##### **3.1.2 *UK taxation of disposals***

Any gain on disposal (by sale, transfer or redemption) of Ordinary Shares by Shareholders resident in the UK for taxation purposes should be subject to capital gains tax in the case of an individual Shareholder, or UK corporation tax on chargeable gains in the case of a corporate Shareholder. Individuals may have gains reduced by annual exemptions (£11,300 for 2017-2018) or allowable losses, whereas companies subject to UK corporation tax may have their gains reduced by indexation allowance but this allowance will not create or increase an allowable loss.



The rate of UK capital gains tax will usually be 10 per cent. for individual Shareholders who are chargeable to UK income tax at the basic rate and will usually be 20 per cent. for individual Shareholders taxable at rates other than the basic rate.

### **3.1.3 *UK stamp duty and SDRT***

The following comments are intended as a guide to the current general stamp duty and SDRT position and do not relate to persons such as market makers, brokers, dealers, intermediaries and persons connected with depository arrangements or clearance services, to whom special rules apply.

No UK stamp duty or SDRT will be payable on the issue of the Ordinary Shares. UK stamp duty (at the rate of 0.5 per cent. of the amount or value of the consideration for the transfer rounded up where necessary to the nearest £5) is payable on any instrument of transfer of Ordinary Shares executed within, or in certain cases brought into, the UK. An exemption from stamp duty is available for instruments transferring shares where the amount or value of the consideration is £1,000 or less and it is certified on the instrument that the transaction effected by it does not form part of a larger transaction or series of transactions in respect of which the aggregate amount or value of the consideration exceeds £1,000.

A charge to SDRT will also arise in respect of an unconditional agreement to transfer Ordinary Shares (at the rate of 0.5 per cent. of the amount or value of the consideration for the Shares). However, if an instrument of transfer is executed in pursuance of the agreement and duly stamped within six years of the date on which the agreement became unconditional, the SDRT charge will generally be cancelled and any SDRT which has already been paid can generally be reclaimed. The liability to pay stamp duty or SDRT is normally satisfied by the purchaser or transferee.

## **3.2 Section B — The position following the Company's entry into the REIT Regime**

The following paragraphs relate only to certain limited aspects of the UK taxation treatment of PIDs and Non-PID Dividends paid by the Company, and to disposals of Ordinary Shares in the Company, in each case after the REIT Group achieves and maintains REIT status. They apply only to Shareholders who are the absolute beneficial owners of both PIDs, their Non-PID Dividends and their Ordinary Shares in the Company.

The following paragraphs do not comment on the tax position of any person who is a Shareholder who holds excessive rights in the Company, which in accordance with Chapter 6 Part 12 CTA 2010 is generally a corporate Shareholder with at least a 10 per cent. interest in the Ordinary Shares and distributions thereon.

### **3.2.1 *UK taxation of Non-PID Dividends***

Non-PID Dividends paid by the Company will be taxed in the same way as dividends paid by the Company prior to entry into the REIT Regime (as outlined above), whether in the hands of individual or corporate Shareholders and regardless of whether the Shareholder is resident for tax purposes in the UK.

### **3.2.2 *UK taxation of PIDs***

#### **(a) *UK taxation of individual Shareholders***

Subject to certain exceptions, a PID will generally be treated in the hands of Shareholders who are individuals as the profits of a single UK property business (as defined in section 264 of the Income Tax (Trading and Other Income) Act 2005). A PID is, together with any Property Income Distribution from any other REIT, treated as a separate UK property business from any other UK property business (a "different UK property business") carried on by the relevant

Shareholder. 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 will be available in respect of PIDs. However, the basic rate of income tax (currently 20 per cent.) will be withheld by the Company (where required) on the PID. Please see below for further detail regarding withholding tax.

(b) *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 UK corporation tax as profits of a property business (as defined in Part 4 of the Corporation Tax Act 2009 ("Part 4 property business")). A PID is, together with any Property Income Distribution from any other REIT, treated as a separate Part 4 property business from any other Part 4 property business (a "different Part 4 property business") carried on by the relevant Shareholder. 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. Losses arising from a Shareholder's different Part 4 property business may however be deducted from the Shareholder's total profits in the accounting period in which they arise or, provided that the Shareholder continues to carry on the different Part 4 property business, subsequent periods.

(c) *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 profits of a UK property business and this tax will generally be collected by way of a withholding by the Company.

(d) *Withholding tax*

(i) *General*

Subject to certain exceptions summarised below, the Company is required to withhold income tax at source at the basic rate (currently 20 per cent.) from its PIDs. 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 resident in the UK*

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

Corporate Shareholders who are resident for tax purposes in the UK will generally be liable to pay UK corporation tax on their PID and if (exceptionally) income tax is withheld at source, the tax withheld can be set against their liability to UK corporation tax or against any income tax which they themselves 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 relevant double taxation treaty for a PID to be paid by the Company gross or

subject to withholding at a reduced tax rate. The right of a Shareholder to claim the repayment of any part of the UK income 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 for tax purposes.

(iv) **Exceptions to requirement to withhold income tax**

In certain circumstances the Company is not obliged to withhold UK 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. In addition, the exceptions also apply 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 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.

### **3.3 UK taxation of chargeable gains in respect of Ordinary Shares in the Company**

The following comments apply to both individual and corporate Shareholders, regardless of whether or not such Shareholders are resident for tax purposes in the UK.

Chargeable gains arising on the disposal of Ordinary Shares in the Company following entry into the REIT Regime should be taxed in the same way as chargeable gains arising on the disposal of shares in the Company prior to entry into the REIT Regime. This tax treatment is outlined further above.

The entry of the REIT Group into the REIT Regime will not constitute a disposal of Ordinary Shares in the Company by Shareholders for UK chargeable gains purposes.

### **3.4 UK stamp duty and UK SDRT**

The following comments are intended as a guide to the current general stamp duty and SDRT position and do not relate to persons such as market makers, brokers, dealers, intermediaries and persons connected with depository arrangements or clearance services, to whom special rules apply.

No UK stamp duty or SDRT will be payable on the issue of the Ordinary Shares. UK stamp duty (at the rate of 0.5 per cent. of the amount or value of the consideration for the transfer rounded up where necessary to the nearest £5) is payable on any instrument of transfer of Ordinary Shares executed within, or in certain cases brought into, the UK. An exemption from stamp duty is available for instruments transferring shares where the amount or value of the consideration is £1,000 or less and it is certified on the instrument that the transaction effected by it does not form part of a larger transaction or series of transactions in respect of which the aggregate amount or value of the consideration exceeds £1,000.

A charge to SDRT will also arise in respect of an unconditional agreement to transfer Ordinary Shares (at the rate of 0.5 per cent. of the amount or value of the consideration for the Shares). However, if an instrument of transfer is executed in pursuance of the agreement

and duly stamped within six years of the date on which the agreement became unconditional, the SDRT charge will generally be cancelled and any SDRT which has already been paid can generally be reclaimed. The liability to pay stamp duty or SDRT is normally satisfied by the purchaser or transferee.

### **3.5 ISAs, SSASs and SIPPs**

With effect from 1 July 2014 the new ISA ("NISA") regime commenced in the UK which, amongst other things, removed the concept of stocks and shares and cash components of an ISA. For the 2017/18 tax year NISAs have a subscription limit of £20,000, all of which can be invested in stocks and shares.

The Ordinary Shares will be a qualifying investment for the stocks and shares component of an ISA, provided they are acquired by an ISA plan manager pursuant to the Offer.

In addition, the Ordinary Shares in the Company should be eligible for inclusion in a Small Self-Administered Scheme (SSAS) or a Self-Invested Personal Pension (SIPP), provided that the relevant SSAS or SIPP does not hold its interest in the Company for the purpose of enabling a member of the SSAS or SIPP (or a person connected with the member) to occupy a PRS Unit and does not directly or indirectly hold an interest of 10 per cent. or more in the share capital or voting rights of the Company, or in distributions made by the Company, or the assets of the Company available for distribution on a winding up.

If you are in any doubt as to your tax position you should consult your professional adviser.

## **4. AUTOMATIC EXCHANGE OF INFORMATION**

The UK has entered into international agreements with a number of jurisdictions which provide for the exchange of information in order to combat tax evasion and improve tax compliance. These include, but are not limited to, an Inter-governmental Agreement with the US in relation to FATCA, the OECD's Multilateral Competent Authority Agreement for the Common Reporting Standard, the European Council Directive on administrative cooperation in the field of taxation and International Tax Compliance Agreements with Guernsey, Jersey, the Isle of Man and Gibraltar. In connection with such international agreements the Company may, among other things, be required to collect and report to HMRC certain information regarding Shareholders and other account holders of the Company and HMRC may pass this information on to tax authorities in other jurisdictions in accordance with the relevant international agreements.

## **PART 11**

### **REIT REGIME**

#### **Qualification as a REIT**

Subject to meeting a number of conditions, a company may become a REIT (which in this case, and for the purposes of this Part 11, will be the Company as principal company for the REIT Group) by serving notice on HMRC that it is a REIT from a date specified in that notice. Any property rental business the Company or any other member of the REIT Group has been to that date carrying on is deemed to cease at the point of entry to the REIT Regime and accordingly, the property rental business carried on by the Company and each relevant member of the REIT Group subsequently is deemed to be a new business, established and commenced at the date of entry into the REIT Regime. At the point of entry into the REIT Regime the accounting period of the Company and each other member of the REIT Group is deemed to end for tax purposes and another accounting period will begin.

In order to qualify as a REIT, the Company must satisfy certain conditions throughout each accounting period in which it is to be treated as a REIT. A non-exhaustive summary of the material conditions is set out below.

In this Part 11, references to the REIT Group are to the Company and each subsidiary which is a member of its group for the purposes of section 606 of the CTA 2010.

#### **A. *Company conditions***

A company must be solely resident in the UK for tax purposes, it must not be an open-ended investment company and its ordinary shares must be admitted to trading on a recognised stock exchange, such as the London Stock Exchange, and either listed on the exchange or traded on it. A company must also not be a “close company” for UK tax purposes, which generally means it must not be controlled (through the holding of in excess of 50 per cent. of share capital/voting rights etc) by five or fewer persons or, broadly, must have more than 35 per cent. of shares listed and in public hands. There is an exception however for this condition for the first three years following entry into the REIT Regime. For the purposes of this close company test the holdings of certain types of institutional investors are not taken into account.

#### **B. *Share capital restrictions***

There must only be one class of ordinary share in issue and the only other shares a company may issue are non-voting fixed rate preference shares.

#### **C. *Restrictions on types of borrowing***

The company must not be party to any loan in respect of which the lender is entitled to interest which exceeds a reasonable commercial return on the consideration lent or where the interest depends to any extent on the results of the company’s business or on the value of any of its assets.

#### **On-going conditions for maintaining REIT status**

In addition to satisfying the above conditions on entry into the REIT Regime, the REIT Group would be required to satisfy the conditions summarised below on an on-going basis during each accounting period in order to maintain REIT status:

- (i) The Qualifying Property Rental Business must throughout each accounting period involve at least three properties and have no one property representing more than 40 per cent. of the total value of all the properties involved in the business.

- (ii) The Company is required to distribute to shareholders (subject to the availability of sufficient distributable reserves) 100 per cent. of the income profits arising in each accounting period which are derived from distributions of profits or gains of the Qualifying Property Rental Business of another UK REIT and at least 90 per cent. of the income profits arising from the REIT Group's Qualifying Property Rental Business derived from other sources in each accounting period (broadly, calculated using normal tax rules and disregarding non-UK source profits of a non-UK member of the REIT or of a non-UK member of a UK REIT from which the REIT receives such a distribution). Such distributions will be in the form of a PID and must generally be made on or before the filing date for the tax return for the accounting period.
- (iii) The income profits arising to the Qualifying Property Rental Business must represent at least 75 per cent. of the total profits for the accounting period. Such profits are calculated in accordance with International Accounting Standards, before deduction of tax and excluding, broadly, gains and losses on the disposal of property and revaluation of properties, and certain exceptional items.
- (iv) At the beginning of the accounting period the gross fair value of the assets in the Qualifying Property Rental Business (including cash held on deposit and shares in another UK REIT) must represent at least 75 per cent. of the total fair value of assets held. However, a breach should not occur in the first accounting period upon entry into the REIT Regime, provided that the test is met at the end of the first accounting period.

## **Effects of becoming a REIT**

### **A. Tax exemption**

A REIT does not suffer UK corporation tax on the profits (income and capital gains) derived from its Qualifying Property Rental Business. UK corporation tax will still apply in the normal way in respect of any income and gains of any Residual Business.

### **B. The 10 per cent. rule**

A REIT may become subject to an additional tax charge if it pays a distribution to corporate shareholders that hold at least 10 per cent. of share capital or voting rights and/or are entitled to at least 10 per cent. of distributions. This tax charge will not be incurred if the REIT has taken reasonable steps to avoid making distributions to such a shareholder in line with HMRC guidance.

### **C. Distributions — obligations to withhold tax**

Subject to certain exceptions, a REIT is required to withhold income tax at source at the basic rate (currently 20 per cent.) from PIDs. A REIT must also provide shareholders with a certificate setting out the amount of tax withheld. Tax is not required to be deducted when distributions are paid to certain types of shareholder including UK corporate and UK tax-exempt bodies (such as SIPP and ISAs). Where distributions are made to shareholders resident in a country with a double taxation treaty with the UK, tax should be withheld and the shareholder may seek a refund of the tax where the treaty withholding tax rate is lower.

### **D. Interest cover ratio**

A tax charge will arise if, in respect of any accounting period, the ratio of the income profits (before capital allowances) to the financing costs incurred in respect of the Qualifying Property Rental Business is less than 1.25. The amount (if any) by which the financing costs exceeds the amount of those costs which would cause that ratio to equal 1.25 is chargeable to corporation tax up to a maximum of 20 per cent. of the income profits of the Qualifying Property Rental Business.



**Exit from the REIT Regime**

After joining the REIT Regime, a REIT can give notice to HMRC that it wishes to leave the REIT Regime at any time.

It is important to note that following satisfaction of the REIT conditions by the Company and the REIT Group, the Company will not be able to guarantee continued compliance with all the conditions and the REIT Regime may cease to apply in certain circumstances. Broadly, HMRC may require the Company and the other members of the REIT Group to exit the REIT Regime if:

- (a) any breach of the conditions relating to the Qualifying Property Rental Business, or an attempt to avoid tax, is considered sufficiently serious;
- (b) a certain number of minor or inadvertent breaches, by the Company or members of the REIT Group, of the conditions occur in a specified period; or
- (c) HMRC has issued two or more notices, to the Company or members of the REIT Group, in relation to the avoidance of tax within a 10 year period of the first notice having been given.

## **PART 12**

### **ADDITIONAL INFORMATION ON THE COMPANY**

#### **1. GENERAL**

- 1.1 The Company was incorporated and registered in England and Wales on 24 February 2017 and is a public company limited by shares, with registered number 10638461. The Company operates under the Act (and the regulations from time to time made thereunder). Its registered office is at 3rd Floor, 1 St Ann Street, Manchester M2 7LR (telephone number: 0333 999 9926). The Company is tax resident in the UK. Save for its compliance with the Act (and the regulations from time to time made thereunder), the Disclosure Guidance and Transparency Rules, the Market Abuse Regulation, the Prospectus Rules and the rules of the LSE, the Company is not an authorised or regulated entity. The Company is not authorised or regulated as a collective investment scheme by the FCA. The Company has resolved to comply with certain of the Listing Rules applicable to closed-ended investment companies with effect from Admission.
- 1.2 The AIFM is a private limited company and was incorporated in England and Wales on 18 September 2014 with the registered number 09224491. Its registered office is at 136 Buckingham Palace Road, London, SW1W 9SA (telephone number 020 3696 1302). The AIFM is authorised and regulated by the FCA.
- 1.3 The Investment Adviser is a private limited company and was incorporated and registered in England and Wales with the registered number 10615738 on 13 February 2017. The Investment Adviser operates under the Act (and the regulations from time to time made thereunder). Its registered office is at 3rd Floor, 1 St Ann Street, Manchester M2 7LR (telephone number 0333 999 9926). The Investment Adviser is not an authorised or regulated entity, and accordingly is not subject to the same level of regulatory supervision as the AIFM. The Investment Adviser has been appointed to act as an appointed representative of the AIFM.
- 1.4 The Administrator is a private limited company and was incorporated in Scotland under the Act with the registered number SC249919 on 6 June 2001. The Administrator operates under the Act. Its registered office is 18 Alva Street, Edinburgh EH2 4QG, (telephone number: 0333 999 9926).
- 1.5 The Valuer is Savills Advisory Services Limited and was incorporated in England and Wales under the Act with the registered number 06215875 on 7 April 2007. Its registered office and principal place of business is at 33 Margaret Street, London W1G 0JD (telephone number: 020 7499 8049).

#### **2. SHARE CAPITAL**

- 2.1 The Company's Ordinary Shares are denominated in sterling.
- 2.2 On incorporation, one Ordinary Share was issued (fully paid) for the purposes of incorporation to Sigma as the subscriber to the Company's memorandum of association. On 24 April 2017, 50,000 Redeemable Preference Shares were issued fully paid up to their nominal value to Sigma.
- 2.3 Set out below is the issued share capital of the Company:
  - 2.3.1 as at the date of this document; and

2.3.2 immediately following the Issue (assuming the Issue is in respect of 250 million Ordinary Shares):

	<i>Ordinary Shares</i>		<i>Redeemable Preference Shares</i>	
	<i>Aggregate Nominal Value</i>	<i>Number</i>	<i>Aggregate Nominal Value</i>	<i>Number</i>
	(£)		(£)	
(i) As at the date of this document	0.01	1	50,000	50,000
(ii) Immediately following the Issue	2,500,000	250,000,000	—	—

\* All Ordinary Shares will be fully paid at First Admission. The Redeemable Preference Shares will be redeemed immediately following First Admission out of the proceeds of the Issue. The Ordinary Shares are not redeemable.

2.4 The effect of the Issue will be to increase the net assets of the Company. On the assumption that the Gross Issue Proceeds are £250 million, the Issue is expected to increase the net assets of the Company by £245 million.

2.5 As at 3 May 2017 (being the latest practicable date prior to the date of this document) the Company did not hold any Ordinary Shares in treasury and no Ordinary Shares were held by or on behalf of the Company itself or by subsidiaries of the Company.

2.6 No Ordinary Shares are currently in issue with a fixed date on which entitlement to a dividend arises or within a time limit after which entitlement to a dividend will lapse in accordance with the Articles and there are no arrangements in force whereby future dividends are waived or agreed to be waived.

2.7 No person has voting rights that differ from those of other Shareholders.

2.8 As at 3 May 2017 (being the latest practicable date prior to the publication of this document), save in connection with the Issue, there were no acquisition rights and/or obligations over any of the Company's unissued capital and no undertakings to increase the Company's capital.

2.9 By shareholder resolutions passed on 2 May 2017:

2.9.1 the Directors were generally and unconditionally authorised in accordance with Section 551 of the Act to exercise all the powers of the Company to allot Ordinary Shares up to an aggregate nominal amount of £2,500,000 in connection with the Issue such authority to expire immediately following First Admission, save that the Company may, at any time prior to the expiry of such authority, make an offer or enter into an agreement which would or might require the allotment of Ordinary Shares in pursuance of such an offer or agreement as if such authority had not expired;

2.9.2 the Directors were generally empowered (pursuant to Section 570 of the Act) to allot Ordinary Shares for cash pursuant to the authority referred to in paragraph 2.9.1 above as if Section 561 of the Act did not apply to any such allotment, such power to expire immediately following First Admission, save that the Company may, at any time prior to the expiry of such authority, make an offer or enter into an agreement which would or might require the Ordinary Shares to be allotted after such expiry and the Directors may allot equity securities in pursuance of such an offer or agreement as if such power had not expired;

2.9.3 the Directors were generally and unconditionally authorised in accordance with Section 551 of the Act to exercise all the powers of the Company to allot:

- (a) 250,000,000 Ordinary Shares in connection with the Placing Programme; and
- (b) up to 4 million Ordinary Shares to the Development Manager in connection with that part of its management fee with which the Development Manager shall subscribe for Ordinary Shares,

such authority to expire on the earlier of the conclusion of the first annual general meeting of the Company and 18 months after the passing of this resolution, save that the Company may, at any time prior to the expiry of such authority, make an offer or enter into an agreement which would or might require the allotment of Ordinary Shares in pursuance of such an offer or agreement as if such authority had not expired;

2.9.4 the Directors were generally empowered (pursuant to Section 570 of the Act) to allot Ordinary Shares and to sell Ordinary Shares from treasury pursuant to the authority referred to in paragraph 2.9.3 above as if Section 561 of the Act did not apply to any such allotment, such power to expire at the conclusion of the first annual general meeting of the Company and 18 months after the passing of this resolution, save that the Company may, at any time prior to the expiry of such authority, make an offer or enter into an agreement which would or might require the Ordinary Shares to be allotted and/or transferred after such expiry and the Directors may allot and/or transfer equity securities in pursuance of such an offer or agreement as if such power had not expired;

2.9.5 conditionally upon the issue of Ordinary Shares by the Company pursuant to the Issue and the payment up in full thereof and upon the approval of the Court, it was resolved that the amount standing to the credit of the share premium account of the Company following completion of the Issue be cancelled;

2.9.6 the Company was authorised in accordance with Section 701 of the Act to make market purchases (within the meaning of Section 693(4) of the Act) of Ordinary Shares provided that the maximum number of Ordinary Shares authorised to be purchased is 14.99 per cent. of the Ordinary Shares in issue immediately following completion of the Issue. The minimum price which may be paid for an Ordinary Share is £0.01. The maximum price which may be paid for an Ordinary Share must not be more than the higher of (i) 5 per cent. above the average of the mid-market value of the Ordinary Shares for the five Business Days before the purchase is made or (ii) that stipulated by the regulatory technical standards adopted by the EU pursuant to the Market Abuse Regulation from time to time. Such authority will expire on the earlier of the conclusion of the first annual general meeting of the Company and 18 months after the passing of this resolution, save that the Company may contract to purchase Ordinary Shares under the authority thereby conferred prior to the expiry of such authority, which contract will or may be executed wholly or partly after the expiry of such authority and may purchase Ordinary Shares in pursuance of such contract;

2.9.7 the Articles were adopted as the new articles of association of the Company; and

2.9.8 a general meeting of the Company other than an annual general meeting may be called on not less than 14 days' notice.

2.10 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 save to the extent disapplied as mentioned above.

- 2.11 The Act abolished the requirement for companies incorporated in England and Wales to have an authorised share capital. Furthermore, the Articles do not contain a provision expressly limiting the number of Ordinary Shares that can be issued by the Company.
- 2.12 In accordance with the authority referred to in paragraph 2.9.1 above, it is expected that the Ordinary Shares to be issued pursuant to the Issue will be allotted (conditionally upon First Admission) pursuant to a resolution of the Board to be passed shortly before First Admission in accordance with the Act. It is also expected that the new Ordinary Shares to be issued pursuant to the Placing Programme and/or the Development Management Agreement will be allotted (conditionally upon the relevant Admission) pursuant to resolutions of the Board to be passed shortly before the relevant Admission in accordance with the Act.
- 2.13 Save as disclosed in Part 12 of this document, no share or loan capital of the Company has since the date of incorporation of the Company been issued or been agreed to be issued, fully or partly paid, either for cash or for a consideration other than cash, and no such issue is now proposed.
- 2.14 The Company has not granted any options over its share or loan capital which remain outstanding and has not agreed, conditionally or unconditionally, to grant any such options and no convertible securities, exchangeable securities or securities with warrants have been issued by the Company.
- 2.15 All of the Ordinary Shares will be in registered form and will be eligible for settlement in CREST. Temporary documents of title will not be issued.
- 2.16 Applicants who have signed and returned Application Forms in respect of the Offer for Subscription may not withdraw their applications for Ordinary Shares subject to their statutory rights of withdrawal in the event of the publication of a supplementary prospectus.

### **3. RELATED PARTY TRANSACTIONS**

Save for the deeds of indemnity entered into by the Company with the Directors, the AIFM Agreement, the Investment Advisory Agreement, the Development Management Agreement, the Forward Purchase Agreement, the Framework Agreement and the Right of First Refusal Agreement (as further described below) the Company is not a party to, nor had any interest in, any related party transaction (as defined in the standards adopted according to the Regulation (EC) No 1606/2002) at any time since its incorporation on 24 February 2017.

### **4. SUMMARY OF THE ARTICLES**

The Articles were adopted on 2 May 2017 by way of a special resolution and contain provisions, *inter alia*, to the following effect.

#### **4.1 Objects**

The Company's memorandum of association and Articles do not limit the objects of the Company.

#### **4.2 Votes of members**

Subject to the rights or restrictions referred to in paragraph 4.3 below, and subject to any special rights or restrictions as to voting for the time being attached to any shares, on a show of hands (a) every member who (being an individual) is present in person or (being a corporation) is present by a duly authorised representative shall have one vote; and (b) every proxy appointed by a member shall have one vote save that every proxy appointed by one or more members to vote for the resolution and by one or more other members to vote against the resolution, has one vote for and one vote against.

#### 4.3 ***Restrictions on voting***

Unless the Board otherwise decides, a member of the Company shall not be entitled to vote, either in person or by proxy, at any general meeting of the Company in respect of any share held by him unless all calls and other amounts presently payable by him in respect of that share have been paid.

A member of the Company shall not, if the Directors determine, be entitled to be present or to vote at general meetings of the Company or to exercise any other rights of membership if he, or another person appearing to be interested in the relevant shares, has failed to comply with a notice requiring disclosure of interests in shares given under Article 18 of the Articles within seven days.

#### 4.4 ***Dividends***

The Company may, by ordinary resolution, declare a dividend to be paid to the members, according to their respective rights and interests in the profit. The Board may pay such interim dividends as appear to the Board to be justified by the financial position of the Company. No dividend or other monies payable by the Company on or in respect of any shares in the Company shall bear interest as against the Company unless otherwise provided by the rights attaching to such shares.

The Directors may, if authorised by an ordinary resolution of the Company, offer the holders of any particular class of shares in the Company the right to elect to receive further shares (whether or not of that class), credited as fully paid, instead of cash in respect of all or part of any dividend specified by the ordinary resolution.

The Company or the Board may fix a date as the record date by reference to which a dividend will be declared or paid or a distribution, allotment or issue made, and that date may be before, on or after the date on which the dividend, distribution, allotment or issue is declared.

A dividend unclaimed for a period of 10 years after having been declared or became due for payment shall be forfeited and cease to remain owing by the Company.

#### 4.5 ***Return of capital***

If the Company is in liquidation, the liquidator may, with the sanction of a special resolution of the Company and any other sanction required by law, divide among the members in specie the whole or any part of the assets of the Company and may, for that purpose, value any assets and determine how the division shall be carried out as between the members or different classes of members. The liquidator may, with the same sanction, vest the whole or any part of the assets in trustees on trusts for the benefit of the members as the liquidator, with the same sanction, thinks fit but no member shall be compelled to accept any assets on which there is any liability.

#### 4.6 ***Variation of rights***

Any rights attaching to a class of shares in the Company may be varied in such manner (if any) as may be provided by those rights or with the written consent of the holders of three-fourths in number of the issued shares of that class (excluding any shares of that class held as treasury shares) or with the sanction of a special resolution passed at a separate general meeting of the holders of the relevant class. The quorum for the separate general meeting shall be two persons holding, or representing by proxy, not less than one-third in number of the issued shares of the relevant class (excluding any shares of that class held as treasury shares).

#### 4.7 ***Issue of shares***

Subject to the provisions of the Act and the Articles relating to authority, pre-emption rights and otherwise and any resolutions passed by the Company, all unissued shares are at the



disposal of the Directors and they may allot, grant options over or otherwise of them to such persons, at such times and on such terms as they think proper, provided that no such share is issued at a discount to net asset value.

#### **4.8 *Transfer of shares***

Subject to the restrictions set out below, any member may transfer all or any of his shares in the Company in any manner which is permitted by the Act or in any other manner which is from time to time approved by the Board.

The transferor is deemed to remain the holder of the shares concerned until the name of the transferee is entered in the register of members in respect of those shares. All transfers of uncertificated shares shall be made by means of the relevant system or in any other manner which is permitted by the Act and is from time to time approved by the Board.

The Directors have a discretion to refuse to register any transfer of a certificated share of any class which is not fully paid provided that, where any shares are admitted to the Official List or to trading on the Specialist Fund Segment of AIM, this does not prevent dealings in the shares of that class from taking place on an open and proper basis. The Directors may also decline to register any transfer of shares in certificated form unless (a) the instrument of transfer, duly stamped, is deposited at the office of the Company or such other place as the Board may appoint, accompanied by the certificate for the shares to which it relates if such a certificate has been issued, and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer; and (b) the transfer is in respect of only one class of shares and is in favour of no more than four transferees.

The Directors may, pursuant to the provisions of the Articles relating to disclosure of interests, decline to register a transfer in respect of shares which are the subject of a notice under Article 14 and in respect of which the required information has not been received by the Company within seven days after service of the notice.

The registration of transfers of shares or of transfers of any class of shares may be suspended at such times and for such periods as the Directors may determine.

In respect of any allotment of any share the Directors shall have the same right to decline to approve the registration of any renounee of any allottee as if the application to allot and the renunciation were a transfer of a share under the Articles.

Save as aforesaid and as set out below, the Articles contain no restrictions as to the free transferability of fully paid shares.

#### **4.9 *Alteration of capital and purchase of shares***

The Company may alter its share capital in any way that is permitted by the Statutes (as defined in the Articles).

#### **4.10 *General meetings***

##### ***Annual General Meetings***

Subject to the Act and the Articles, the first general meeting (being an annual general meeting) of the Company shall be held within a period of not more than eighteen months from the date on which the Company was incorporated. The Company shall in each calendar year hold a general meeting as its annual general meeting at such time and place as may be determined by the Directors provided that, so long as the Company holds its first annual general meeting within eighteen months of its incorporation, the Company need not hold an annual general meeting in the year of its incorporation or in the following year.

### *Convening of general meetings*

All meetings, other than annual general meetings, shall be called general meetings. The Board may convene a general meeting whenever it thinks fit. The Board shall comply with the provisions of the Act regarding the giving and the circulation, on the requisition of members, of notices of resolutions and of statements with respect to matters relating to any resolution to be proposed or business to be dealt with at any general meeting of the Company.

### *Notice of general meetings*

An annual general meeting shall be convened on not less than 21 clear days' notice in writing. Subject to the Act, all other general meetings shall be convened on not less than 14 clear days' notice in writing.

Every notice shall specify the place, the day and the time of the meeting and the general nature of the business to be transacted, any special business to be put to the meeting, the address of the website where information relating to the meeting is available, the Record Date (as defined in the Articles), any procedures on attendance and voting and an explanation of members' rights to requisition resolutions in accordance with the Act.

Subject to the provisions of the Act and the Articles, and to any restrictions imposed on any shares, notice of every general meeting shall be given to all members, to all persons entitled to a share in consequence of the death, bankruptcy or incapacity of a member, to the auditors (if any) and to every Director.

### *Quorum*

No business shall be transacted at any general meeting, except the adjournment of the meeting, unless a quorum of members is present at the time when the meeting proceeds to business.

A quorum of members shall consist of not less than two members present in person or by proxy (or by a duly authorised corporate representative).

If within fifteen minutes from the time appointed for the holding of a general meeting a quorum is not present, the meeting, if convened on the requisition of members, shall be dissolved. In any other case, it shall stand adjourned to a day seven clear days after the original meeting (or, if that day is not a business day, to the next business day) and the same time and place, as the original meeting, or to such later business day, and at such other time and place, as the original meeting and if at such adjourned meeting a quorum is not present within fifteen minutes from the time appointed for holding the meeting, the members present shall be a quorum and may transact the business for which the meeting was called.

### *Chairman*

At each general meeting, the chairman of the Board or, if he is absent or unwilling, the deputy chairman (if any) of the Board or (if more than one deputy chairman is present and willing) the deputy chairman who has been longest in such office or, if no deputy chairman is present and willing, then one of the other Directors who is appointed for the purpose by the Board or (failing appointment by the Board), by the members present, shall preside as chairman of the meeting, but if no Director is present within five minutes after the time appointed for holding the meeting or, if none of the Directors present is willing to preside, the members present and entitled to vote shall choose one of their number to preside as chairman of the meeting.

#### *Directors entitled to attend and speak*

Whether or not he is a member, a Director shall be entitled to attend and speak at any general meeting, of the Company and at any separate general meeting of the holders of any class of shares of the Company.

#### *Adjournment*

With the consent of any meeting at which a quorum is present, the chairman of the meeting may (and if so directed by the meeting shall) adjourn the meeting either indefinitely or to another time or place.

In addition, the chairman of the meeting may at any time, without the consent of the meeting, adjourn the meeting (whether or not it has commenced or a quorum is present) either indefinitely or to another time and place if, in his opinion, it appears to him that (a) the member, proxies and corporate representatives wishing to attend cannot be conveniently accommodated in the place appointed for the meeting; (b) the conduct of persons present prevents or is likely to prevent the orderly continuation of business; or (c) an adjournment is otherwise necessary so that the business of the meeting may be properly conducted.

When a meeting is adjourned indefinitely the time and place for the adjourned meeting shall be fixed by the Board. No business shall be transacted at any adjourned meeting except business which might properly have been transacted at the meeting had the adjournment not taken place.

When a meeting is adjourned for three months or more, or indefinitely, notice of the adjourned meeting shall be given as in the case of an original meeting. Except where the Articles or the Act otherwise require, it shall not be necessary to give any notice of an adjourned meeting or of the business to be transacted at an adjourned meeting.

#### *Method of voting and demand for poll*

At a general meeting a resolution put to the vote of the meeting shall be decided on a show of hands, unless (before or immediately after the declaration of the result of the show of hands or on the withdraw of any other demand for a poll) a poll is demanded by:

- (a) the chairman of the meeting;
- (b) at least two members having the right to vote on the resolution; or
- (c) a member or members representing in aggregate not less than 10 per cent. of the total voting rights of all the members having the right to vote on the resolution (excluding any voting rights attached to any shares in the Company held as treasury shares),

and a demand for a poll by a person as proxy for a member shall be as valid as if the demand were made by the member himself.

#### *Taking a poll*

If a poll is demanded (and the demand is not withdrawn), it shall be taken in such manner as the Chairman shall direct and he may appoint scrutineers (who need not be members).

#### *Proxies*

A proxy need not be a member of the Company and a member may appoint more than one proxy in relation to a meeting to attend and to speak and to vote on the same occasion provided that each proxy is appointed to exercise the rights attached to a different share or shares held by a member.

#### 4.11 **Directors**

##### *Number*

Unless otherwise determined by ordinary resolution of the Company, the number of Directors (other than alternate directors) shall be not less than two but there shall be no maximum number of Directors. Each Director shall immediately inform the Board and the Company of any change potential or intended to his residential status for tax purposes.

##### *Remuneration*

The Directors (other than any Director who for the time being holds an executive office of employment with the Company or a subsidiary of the Company) shall be paid out of the funds of the Company by way of remuneration for their services as Directors. The aggregate of such fees shall not exceed £300,000 per annum (or such larger sum as the Company may, by ordinary resolution, determine) as the Directors may decide to be divided among them in such proportion and manner as they may agree or, failing agreement, equally. Any fee payable to the Directors under the Articles shall be distinct from any remuneration or other amounts payable to a Director under other provisions of the Articles and shall accrue from day to day.

The Directors may be paid reasonable travelling, hotel and other expenses properly incurred in connection with the exercise of their powers and discharge of their duties as Directors including expenses incurred in travelling to and from meetings of the Board, committee meetings, general meetings and separate meetings of the holders of any class of securities of the Company.

##### *Periodic retirement of Directors*

At each annual general meeting, any Director who has been appointed by the Board since the previous annual meeting shall retire from office. Each Director shall retire from office at the third annual general meeting after the annual general meeting at which he was last elected. In addition, any Director with more than nine years' service will be required to stand for re-election at each annual general meeting.

A Director appointed to any executive office or employment shall automatically cease to hold that office if he ceases to be a Director.

##### *Directors' interests*

A Director shall not be entitled to vote on a resolution (or attend or count in the quorum at those parts of a meeting regarding such resolution) relating to a transaction or arrangement with the Company in which he is interested, save where the other Directors resolve that the Director concerned should be entitled to do so where they are satisfied that the Director's interest cannot reasonably be regarded as likely to give rise to a conflict of interest or save in any of the following circumstances:

- (a) the giving of any guarantee, security or indemnity in respect of (i) money lent or obligations incurred by such Director or by any other person at the request of or for the benefit of the Company (or any of its subsidiary undertakings) or in respect of (ii) a debt or obligation of the Company (or any of its subsidiary undertakings) for which such Director has assumed responsibility, in whole or in part, under a guarantee or an indemnity or by the giving of security;
- (b) any contract concerning an offer of shares, debentures or other securities of or by the Company (or any of its subsidiary undertakings) for subscription or purchase in which offer such Director is or may be entitled to participate as a holder of securities or such Director is or is to be interested as a participant in the underwriting or sub-underwriting thereof;

- (c) any contract in which such Director is interested by virtue of his interest in shares, debentures or other securities of the Company or otherwise in or through the Company;
- (d) any contract concerning any other company in which such Director is interested, directly or indirectly, in 1 per cent. or more either of its equity share capital or of its voting rights;
- (e) any contract relating to an arrangement for the benefit of the employees of the Company (or any of its subsidiary undertakings) which does not award such Director any privilege or benefit not generally awarded to the employees to whom the arrangement relates;
- (f) any contract concerning the adoption, modification or operation of a pension fund or retirement, death or disability benefits scheme which relates to both Directors and employees of the Company and/or any of its subsidiary undertakings;
- (g) any contract concerning the adoption, modification or operation of an employees' share scheme; and
- (h) any proposal concerning the purchase or maintenance of insurance for the benefit of persons including Directors.

Subject to the Statutes and to the interest of a Director being duly declared, a contract entered into by or on behalf of the Company in which any Director is in any way interested shall not be avoided nor shall any Director be liable to account to the Company for any benefit realised as a result of the contract.

A Director shall not vote, or be counted in the quorum at a meeting, in respect of any resolution concerning his own appointment (including fixing or varying its terms), or the termination of his own appointment as the holder of any office or place of profit with the Company or any other company in which the Company is interested.

Where proposals are under consideration concerning the appointment (including fixing or varying its terms) or the termination of the appointment of two or more Directors to offices or places of profit with the Company or any other company in which the Company is interested, a separate resolution may be put in relation to each Director and in that case, each Director concerned (if not otherwise debarred from voting) is entitled to vote.

#### *Authorisation of conflicts of interest*

Where a situation occurs or is anticipated to occur which gives rise or may give rise to a conflict of interest (excluding a conflict of interest arising in relation to a transaction or arrangement with the Company) on the part of any Director ("**Conflicted Director**") (other than a situation which cannot reasonably be regarded as likely to give rise to a conflict of interest), the matter shall be referred to the Directors other than the Conflicted Director (the "**Non-Conflicted Directors**").

The Non-Conflicted Directors shall meet to consider the matter as soon as possible after the matter is referred to them and they have received all relevant particulars relating to the situation. The quorum for a meeting of the Non-Conflicted Directors shall be the same as for a meeting of the Board.

The Non-Conflicted Directors have authority to authorise any matter which gives rise to the conflict of interest concerned on such terms as they think fit.

The Board may exercise all the powers of the Company to pay, provide or procure the grant of pensions or other retirement or superannuation benefits and death, disability or other benefits, allowances or gratuities to any person who is or who has at any time a director of

the Company or of any Associated Company (as defined in the Articles) or in the employment or service of the Company or any Associated Company or of the predecessors in business of the Company or any Associated Company (or the relatives or dependants of any such person).

#### *General powers*

Subject to the Act, the Articles and to any directions given to the Company at the general meetings by special resolution, the Directors shall manage the Company's business and can use all the Company's powers. The business of the Company shall be managed by the Board which may exercise all the powers of the Company, subject to the provisions of the Act and the Articles. No special resolution or alteration of the Articles shall invalidate any prior act of the Board which would have been valid if the resolution had not been passed or alteration had not been made.

#### *Borrowing powers*

The Directors may exercise all the Company's powers to borrow money, to mortgage or charge all or any of the Company's undertaking, property and assets (present and future) and uncalled capital, to issue debentures and other securities and to give security for any debt, liability or obligation of the Company or of any third party. The Directors will limit the total borrowings of the Company and its subsidiary undertakings and holding companies (if any) to ensure that the total amount of the REIT Group's borrowings does not exceed, at the time such borrowings are incurred, 45 per cent. of the REIT Group's gross assets at the time of drawdown of the relevant borrowings.

#### *Indemnity of officers*

Insofar as the Act allows, each current or former officer of the Company shall be indemnified out of the assets of the Company against any loss or liability incurred by him by reason of being or having been such an officer.

The Board may, without sanction of the Company in general meeting, authorise the purchase or maintenance by the Company for any officer or former officer of the Company of any such insurance as is permitted by the Act in respect of any liability which would otherwise attach to such officer or former officer.

#### *Board meetings*

The Board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it thinks fit.

#### *Quorum*

The quorum necessary for the transaction of the business of the Board may be fixed by the Board and, unless so fixed at any other number, shall be two. Subject to the provisions of the Articles, any Director who ceases to be a Director at a Board meeting may continue to be present and to act as a Director and be counted in the quorum until the termination of the Board meeting if no other Director objects and if otherwise a quorum of Directors would not be present.

#### *Voting*

Questions arising at any meeting shall be determined 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.



#### 4.12 **CREST**

CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by a written instrument. The Company has applied for the Ordinary Shares to be admitted to CREST and it is expected that the Ordinary Shares will be so admitted, and accordingly enabled for settlement in CREST, as soon as practicable after First Admission has occurred.

#### 4.13 **REIT Status**

##### (a) *Cardinal Principle*

The Articles provide that it is a cardinal principle that, for so long as the Company qualifies as a REIT or is the principal company of a group UK real estate investment trust (a “**Group REIT**”) for the purposes of Part 12 of the CTA 2010, neither the Company nor any member of the Group REIT should be liable to pay tax under section 551 of the CTA 2010 on or in connection with a Distribution.

##### (b) *Notification of Substantial Shareholder and other Status*

Every member and any other relevant person who is or becomes a Substantial Shareholder or a Relevant Registered Shareholder must notify the Company on becoming a Substantial Shareholder.

The Directors may, by serving written notice, require a person to provide the Company with such information as they require to assess whether that person is a Substantial Shareholder or a Relevant Registered Shareholder or in order to comply with any reporting obligation within a set period as specified by the Board in the written notice.

##### (c) *Distributions in respect of Substantial Shareholdings*

The Directors may withhold payment of a Distribution on or in respect of any shares in the Company on the condition that:

- (i) they believe that such shares are shares by virtue of which (in whole or in part) the member is a Substantial Shareholder; and
- (ii) they are not satisfied that such Substantial Shareholder would not be beneficially entitled to the Distribution if it was paid.

A Distribution so withheld may subsequently be paid on the following basis:

- (i) if the Directors are satisfied that the conditions for withholding payment summarised in the above paragraph are not satisfied then the whole amount of the Distribution withheld shall be paid; and
- (ii) if the Directors are satisfied that sufficient interests in all or some of the shares concerned have been transferred to a third party so that such transferred shares no longer form part of a Substantial Shareholding then the Distribution attributable to such shares shall be paid (provided the Directors are satisfied that following such transfer such shares concerned do not form part of a Substantial Shareholding); and
- (iii) if the Directors are satisfied that as a result of a transfer of interests in shares referred to in paragraph 4.13(c)(ii) above the remaining shares no longer form part of a Substantial Shareholding the Distribution attributable to such shares shall be paid.

In addition the Directors may also withhold payment of a Distribution if any person fails to satisfactorily comply with a notice given by the Directors as referred to in paragraph 4.13(b) within the period specified in the notice. Such a Distribution so withheld may be paid upon the relevant person satisfactorily complying with the notice.

A Substantial Shareholder may satisfy the Directors that he is not beneficially entitled to a Distribution by means of a certification procedure.

(d) *Excess Charge*

If a Distribution is paid on a Substantial Shareholding and an Excess Charge becomes payable then the Substantial Shareholder shall pay the amount of any such Excess and all costs and expenses Charge incurred by the Company in connection with the recovery of such amount.

(e) *Distribution Trust*

Any Distribution paid on or in respect of a Substantial Shareholding (except where the Substantial Shareholder is not entitled to the Distribution) and any income arising from it shall be held by the person to whom the Distribution is made or by another recipient of the Distribution is in trust for the persons nominated by the relevant Substantial Shareholder in accordance with the Articles, or if no such nominations is made within 12 years after the date the Distribution is made, for the Company or such persons or charity as may be nominated by the Directors from time to time.

(f) *Obligation to Dispose*

If the Directors believe that:

- (i) in respect of any Distribution declared or announced, the condition set out in paragraph 4.13(c) is satisfied in respect of any shares in the Company in relation of that Distribution;
- (ii) a notice given by the Directors pursuant to paragraph 4.13(b) in relation to any shares in the Company has not been complied with to the satisfaction of the Directors within the period specified in such notice; or
- (iii) any information, certificate or declaration provided by a person in relation to any shares in the Company was materially inaccurate or misleading

then the Directors may by notice in writing require any person they believe to be holding all or part of a Substantial Shareholding to dispose, within 21 days of the date of service of the notice from the Directors, of such number of shares and to take such other steps as will cause the condition set out in paragraph 4.13(c) to be satisfied by notice in writing (a “**Disposal Notice**”)

Any sale made as a result of a Disposal Notice shall be at the price which the Directors consider to be the best price reasonably obtainable. The net proceeds of the sale (less any amount to be retained pursuant to paragraph 4.13(c) above and at the expense of sale) shall be paid to the former holder or holders of the relevant share. Further provisions allow for the Directors to arrange for shares to be sold if the Disposal Notice is not complied with or in circumstances where an Excess Charge (as mentioned in paragraph 4.13(d) above) become payable.

(g) *General*

The Directors are not required to give any reasons for any decision or determination (including any decision or determination not to take action in respect of a particular person) and any such determination or decision is to be final and binding on all persons unless and until it is revoked or changed by the Directors. Any disposal or transfer made or other thing done by or on behalf of the Board or any Director pursuant to the Articles in connection with the Company’s REIT Status shall be binding on all persons and shall not be open to challenge on any ground whatsoever.

The Directors may from time to time require any person who is or claims to be a person to whom a Distribution may be paid without deduction of tax under Regulation 7 of the Real Estate Investment Trusts (Assessment and Recovery of Tax) Regulations 2006 to provide such information, certificates or declarations as they may require to establish whether such person is so entitled.

## **5. DIRECTORS' AND OTHER INTERESTS**

- 5.1 It is estimated that the aggregate remuneration to be paid and benefits in kind granted to Directors by the Company in respect of the first financial period of the Company to 30 June 2018 will not exceed approximately £64,000.
- 5.2 All of the Directors are non-executive directors. None of the Directors have service contracts with the Company nor are any such service contracts proposed. Each of the Directors has entered into a letter of appointment with the Company dated 3 May 2017. The current period of service for each Director expires at the first annual general meeting of the Company to be held in 2018, subject to renewal at that time. The Company has the right to terminate each appointment without compensation if the relevant Director is required to vacate office in accordance with the Articles and, subject thereto, the letters of appointment do not contain any contractual provisions regarding the compensation which would be payable upon early termination by the Company. None of the Directors receive any pension benefits from the Company, nor do they participate in any bonus or incentive schemes. Accordingly, there are no amounts set aside or accrued by the Company to provide pension, retirement or similar benefits to the Directors. The fees payable to the Directors pursuant to their letters of appointment are £110,000 per annum. However, each of the Directors has agreed to waive their entitlement to fees for the first six months following First Admission. The fees will be reviewed annually. The Company will also pay insurance premiums in respect of directors' and officers' insurance taken out on behalf of the Directors.
- 5.3 The total emoluments payable to the Directors will not be varied in consequence of the Issue.
- 5.4 No Director has or has had any interest in any transactions which are or were unusual in their nature or conditions or significant to the business of the Company and which were effected by the Company since its date of incorporation or remain in any respect outstanding or unperformed.
- 5.5 No loan or guarantee has been granted or provided by any member of the Company for the benefit of any Director.
- 5.6 There are no arrangements or understandings with major shareholders, customers, suppliers or others, pursuant to which any Director was selected.
- 5.7 There are no restrictions agreed by any Director on the disposal within a certain period of time of their holdings in the Company's securities.
- 5.8 As at the date of this document and immediately following First Admission, other than as disclosed in paragraph 5.9 below, there are no interests of any Director, including any connected persons of any Director, the existence of which is known to, or could with reasonable diligence be ascertained by, that Director whether or not held through another party, in the share capital of the Company or any options in respect of such capital.

- 5.9 The Directors do not have any options over Ordinary Shares. The Directors have confirmed that they intend to subscribe in the Issue for the following number of Ordinary Shares:

	<i>Number of Ordinary Shares</i>	<i>Percentage of issued Ordinary Shares following First Admission<sup>1</sup></i>
Stephen Smith	80,000	0.03
David Steffan Francis	30,000	0.01
Roderick MacRae	40,000	0.02

**Note:**

- 1 The percentages shown above are calculated on the assumption that 250 million Ordinary Shares are issued pursuant to the Issue.

- 5.10 Details of those companies (other than the Company) and partnerships of which the Directors have been directors or partners at any time within the previous five years ended on the date of this document are as follows:

	<i>Current directorships/partnerships</i>	<i>Previous directorships/partnerships</i>
<b>Stephen Smith</b>	Rubicon Securities Limited	1 & 4 & 7 Triton Limited
	The Norman Retail Park LLP	10 Brock Street Limited
	Gatehouse Bank Ltd	10 Triton Street Limited
	Starwood European Real Estate Finance Limited	1-2 Logan Place Limited
	Tritax Big Box REIT plc	17-19 Bedford Street Limited
	UK Land Estates Partnership (Holdings) Limited	18-20 Craven Hill Gardens Limited
	UKLEP (2003) Limited	20 Brock Street Limited
	North East Property Partnership Limited	20 Triton Street Limited
	Ever 1855 Limited	334 Ramsbury Oxford Limited
	UK Land Estates (Partnership) Limited	338 Euston Road Limited
	The Pollen Estate Trustee Company Limited	350 Euston Road Limited
	Network Rail Property Limited	39 Victoria Street Limited
	Sundridge Park Golf Club Limited	51 Lime Street
		8/10 Throgmorton Avenue Limited
		Adshilta Limited
		Apartpower Limited
		B.L.Holdings Limited
		Balsenia Limited
		Bayeast Property Co Limited
		Bexile Limited
		BF Propco (No.1) Limited
		BF Propco (No.11) Limited
		BF Propco (No.12) Limited
		BF Propco (No.13) Limited
		BF Propco (No.14) Limited
		BF Propco (No.15) Limited
		BF Propco (No.16) Limited
		BF Propco (No.17) Limited
		BF Propco (No.18) Limited
		BF Propco (No.19) Limited
		BF Propco (No.2) Limited
		BF Propco (No.20) Limited
		BF Propco (No.21) Limited
		BF Propco (No.22) Limited
		BF Propco (No.23) Limited

	<i>Current directorships/partnerships</i>	<i>Previous directorships/partnerships</i>
<b>Stephen Smith</b> (continued)		BF Propco (No.3) Limited BF Propco (No.4) Limited BF Propco (No.5) Limited BF Propco (No.6) Limited BF Propco (No.7) Limited BF Propco (No.8) Limited BF Propco (No.9) Limited BF Properties (No.4) Ltd BF Properties (No.5) Ltd BL (Maidenhead) Company Limited BL (SP) Cannon Street Limited BL (SP) Investment (1) Limited BL (SP) Investment (2) Limited BL (SP) Investment (3) Limited BL (SP) Investment (4) Limited BL Bradford Forster Limited BL City Offices Holding Company Limited BL Clifton Moor Limited BL Cwmbran Limited BL Davidson Limited BL Department Stores Holding Company Limited BL Doncaster Wheatley Limited BL Guaranteeco Limited BL HC (DSCH) Limited BL HC (DSCLI) Limited BL HC Dollview Limited BL HC Health And Fitness Holdings Limited BL HC INVIC Leisure Limited BL HC Property Holdings Limited BL Health Clubs PH No 1 Limited BL Health Clubs PH No 2 Limited BL High Street And Shopping Centres Holding Company Limited BL Intermediate Holding Company Limited BL Leisure And Industrial Holding Company Limited BL Meadowhall Holdings Limited BL Meadowhall Limited BL Meadowhall No 4 Limited BL Office (Non-City) Holding Company Limited BL Office Holding Company Limited BL Osnaburgh St Residential Ltd BL Residual Holding Company Limited

	<i>Current directorships/partnerships</i>	<i>Previous directorships/partnerships</i>
<b>Stephen Smith</b> (continued)		BL Retail Holding Company Limited BL Retail Warehousing Holding Company Limited BL Superstores Holding Company Limited BL Triton Building Residential Limited BL Universal Limited BL West (Watling House) Limited Blackglenn Limited Blaxmill (Thirty) Limited Blaxmill (Twenty-Nine) Limited BLD (A) Limited BLD (Ebury Gate) Limited BLD (SJ) Investments Limited BLD (SJ) Limited BLD Land Limited BLD Properties Limited BLD Property Holdings Limited BLSSP (Funding) Limited Blu Estates Limited Blu Property Management Limited Blu Securities Limited Boldswitch (No 1) Limited Boldswitch Limited British Land (Joint Ventures) Limited British Land Acquisitions Limited British Land Aqua Partnership (2) Limited British Land Aqua Partnership Limited British Land City British Land City 2005 Limited British Land City Offices Limited British Land Company Public Limited Company(The) British Land Construction Limited British Land Department Stores Limited British Land In Town Retail Limited British Land Industrial Limited British Land Leisure Limited British Land Offices (Non-City) Limited British Land Offices (Non-City) No.2 Limited British Land Property Management Limited British Land Regeneration Limited



	<i>Current directorships/partnerships</i>	<i>Previous directorships/partnerships</i>
<b>Stephen Smith</b> (continued)		British Land Retail Warehouses Limited British Land Securitisation 1999 British Land Superstores (Non Securitised) Number 2 Limited Broadgate (PHC 8) Limited Broadgate Adjoining Properties Limited Broadgate City Limited Broadgate Court Investments Limited Broadgate Estates Limited Broadgate Investment Holdings Limited Broadgate Properties Limited Broadgate Square Ltd Brunswick Park Limited Bustoni Limited BVP Developments Limited BVP Financing Limited BVP Holdings Limited Caseplane Limited Cavendish Geared II Limited Cavendish Geared Limited Caymall Limited Cheshire Properties Limited Chrisilu Nominees Limited City Wall (Holdings) Limited Clivara Limited Cornish Residential Properties Trading Limited Cornish Residential Property Investments Limited Crossbelt Limited Derby Investment Holdings Limited Drake Property Holdings Limited Drake Property Nominee (No. 1) Limited Drake Property Nominee (No. 2) Limited Dwyer Asset Management plc Eastern & Oriental Plc Eastgate Shopping Centre Basildon Limited Elementvirtue Limited Euston Tower Limited Exchange House Holdings Limited Finsbury Avenue Estates Limited Four Broadgate Limited Garamead Properties Limited Gardenray Limited

	<i>Current directorships/partnerships</i>	<i>Previous directorships/partnerships</i>
<b>Stephen Smith</b> (continued)		Giltbrook Retail Park Nottingham Limited Glenway Limited Hyfleet Limited Industrial Real Estate Limited Insistmetal 2 Limited Kingsmere Productions Limited L & H Developments Limited Legal & General Grenfell Limited Legal & General Kingston Upon Hull Limited Linestair Limited Liverpool Exchange Company Limited(The) Lonebridge UK Limited LSL Holdco 1 Limited LSL Holdco 2 Limited Ludgate Investment Holdings Limited Ludgate West Limited Manbrig Properties Mayfair Properties Mayflower Retail Park Basildon Limited Meadowbank Retail Park Edinburgh Limited Meadowhall (MLP) Limited Meadowhall Contracts Limited Meadowhall Finance Plc Meadowhall Group (MLP) Limited Meadowhall Holdco Limited Meadowhall Nominee 1 Limited Meadowhall Nominee 2 Limited Meadowhall Shopping Centre Limited Meadowhall Shopping Centre Property Holdings Limited Meadowhall Subco Limited Mercari Holdings Limited Minhill Investments Limited Moorage (Property Developments) Limited MSC (Cash Management) Limited MSC Property Intermediate Holdings Limited Nugent Shopping Park Limited Orbital Shopping Park Swindon Limited Osnaburgh Street Limited Pillar Nugent Limited Plantation House Limited

	<i>Current directorships/partnerships</i>	<i>Previous directorships/partnerships</i>
<b>Stephen Smith</b> (continued)		Project Sunrise Investments Limited
		Project Sunrise Limited
		Project Sunrise Properties Limited
		Rackhams Birmingham Limited
		Reboline Limited
		Rigphone Limited
		Salmax Properties
		Six Broadgate Limited
		Sprint 1118 Limited
		St James Retail Park Northampton Limited
		St. Stephens Shopping Centre Limited
		Stockton Retail Park Limited
		Sydale
		Tailress Limited
		The Beehive Centre Cambridge Limited
		The Mary Street Estate Limited
		The Retail & Warehouse Company Limited
		TPP Investments Limited
		Tritax Reit Acquisition 10 Limited
		Tritax Reit Acquisition 11 Limited
		Tritax Reit Acquisition 12 Limited
		Tritax Reit Acquisition 13 Limited
		Tritax Reit Acquisition 14 Limited
		Tritax Reit Acquisition 16 Limited
		Tritax Reit Acquisition 17 Limited
		Tritax Reit Acquisition 18 Limited
		Tritax Reit Acquisition 21 Limited
		Tritax Reit Acquisition 22 Limited
		Tritax Reit Acquisition 23 Limited
		Tritax Reit Acquisition 3 Limited
		Tritax Reit Acquisition 4 Limited
		Tritax Reit Acquisition 5 Limited
		Tritax Reit Acquisition 8 Limited
		Tritax Reit Acquisition 9 Limited
		Union Property Corporation Limited
		Union Property Holdings (London) Limited
		United Kingdom Property Company Limited
		Wardrobe Court Limited
		Wardrobe Holdings Limited
		Wardrobe Place Limited
		Westgate Retail Park Wakefield Limited
		York House W1 Limited

	<i>Current directorships/partnerships</i>	<i>Previous directorships/partnerships</i>
<b>Rod MacRae</b>	Age Scotland Enterprises Limited Aberdeen Asset Management plc Aberdeen Asset Management Investment Services Limited Aberdeen Investment Solutions Limited Aberdeen Asset Investment Group Limited Edinburgh Fund Managers Group Limited Aberdeen Asset Investments Limited Aberdeen Fund Management Limited Aberdeen Property Investors UK Limited Aberdeen Fund Managers Limited Aberdeen Asset Managers Limited	Aberdeen Private Equity Advisers Limited Aberdeen Asset Fund Management Limited Glasgow Investment Managers Limited Dunedin Fund Managers Limited Aberdeen Private Equity Managers Limited Aberdeen Multi-Manager Limited

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

- (a) has been a member of any administrative, management or supervisory body or partner of any company or partnership at any time during the five years preceding the date of this document, save as disclosed in paragraph 5.10 above;
- (b) has had any convictions in relation to fraudulent offences for at least the previous five years;
- (c) has been associated with any bankruptcies, receiverships or liquidations when acting in the capacity of a member of the administrative, management or supervisory body or a partner of the companies and/or partnerships referred to in paragraph 5.10 above for at least the previous five years; or
- (d) has any official public incrimination and/or sanctions by statutory or regulatory authorities (including designated professional bodies) or has ever been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer for at least the previous five years (for this purpose “**issuer**” has the meaning ascribed to it by Appendix I to the Prospectus Rules).

5.12 There are no potential conflicts of interest between any duties of the Directors to the Company and their private interests and/or other duties. All of the Directors are independent of the AIFM and the Investment Adviser and any other company in the same group of companies as the AIFM or the Investment Adviser.

## 6. SUBSTANTIAL SHARE INTERESTS

6.1 As at 3 May 2017 (being the latest practicable date prior to the publication of this document) the only persons known to the Company who, following First Admission, will be directly or indirectly interested in 3 per cent. or more of the Company’s issued share capital are:

	<i>Percentage of issued Ordinary Shares following First Admission<sup>3</sup></i>
HCA	24,999,999 9.99

3 The percentage shown above is calculated on the assumption that 250 million Ordinary Shares are issued pursuant to the Issue.

- 6.2 As at the close of business on 3 May 2017 (being the latest practicable date prior to the publication of this document), the Directors are not aware of any person who could, directly or indirectly, jointly or severally, own or exercise control over the Company or of any arrangements, the operation of which may result in a change of control of the Company.

## **7. MATERIAL CONTRACTS OF THE COMPANY**

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

### **7.1 *Forward Purchase Agreement***

The REIT Group will acquire Completed PRS Sites including the First Acquisition Portfolio from the Sigma Group pursuant to the Forward Purchase Agreement following the recommendations from the Investment Adviser in accordance with the Investment Advisory Agreement. It is intended that the REIT Group shall also acquire additional Completed PRS Sites from the Sigma Group under the Forward Purchase Agreement.

The Forward Purchase Agreement comprises a standard form corporate sale and purchase agreement relating to acquisition of 100 per cent. of the issued share capital of the special purpose vehicle which holds title to the relevant Completed PRS Sites.

The key terms of the Forward Purchase Agreement are as follows:

- 7.1.1 The price paid for the shares will be equal to the Market Value of the Completed PRS Sites capped at Vacant Possession Value, provided always that the Sigma Group will not be required to sell at a price that is less than the Total Development Cost associated with the Completed PRS Sites held by such special purpose vehicle.
- 7.1.2 The sale and purchase will be conditional on certain conditions precedent to purchase being satisfied, which are in summary:
- (a) a valuation prepared by the Valuer addressed to the REIT Group certifying the Market Value and Vacant Possession Value;
  - (b) a certificate of title addressed to the REIT Group confirming good and marketable title;
  - (c) Practical Completion of all PRS Units in accordance with the relevant Design and Build Contract;
  - (d) Rent Stabilisation; and
  - (e) funding provided that the REIT Group shall have a period of 60 days to raise sufficient funding to complete the acquisition.
- 7.1.3 The conditions precedent will require to be satisfied by an agreed long stop date. The Company will have no ability to rescind except where the conditions precedent are not satisfied by the long stop date.
- 7.1.4 The Sigma Group will have the right to withdraw and not proceed with the sale if the price is less than the Total Development Costs or where the REIT Group is not able to raise sufficient funding in accordance with paragraph 7.1.2(e).
- 7.1.5 The price will be adjusted to account for any working capital in the special purpose vehicles at completion, and shall be reduced for any financial indebtedness and the REIT Group shall procure that the special purpose vehicle repays such indebtedness

at completion. The Sigma Group will pay any corporation tax liability which arises in respect of the pre-completion period.

7.1.6 The Forward Purchase Agreement will provide short-form warranties to the relevant member of the REIT Group appropriate for the purchase of a single asset special purpose vehicle, that is in general terms:

- (a) no employees;
- (b) title to property;
- (c) details of material contracts;
- (d) no encumbrances; and
- (e) no litigation/disputes.

7.1.7 The key deliverables will include/comprise:

- (a) completed stock transfer form and share certificate;
- (b) valuation report;
- (c) copies of all material contracts;
- (d) collateral warranties in favour of the relevant member of the REIT Group;
- (e) NHBC documentation;
- (f) title deeds and Certificate of Title;
- (g) copies of all accounting records/company books;
- (h) copies of all Assured Shorthold Tenancies; and
- (i) deeds of release of security.

7.1.8 Limitation on liability of the Sigma Group shall:

- (a) be capped at the purchase price;
- (b) be limited for general claims to 12 months or 2 months after the first annual accounts post completion, whichever is later; and
- (c) include an obligation on the REIT Group to seek recovery under third party contractual rights or insurance first.

7.1.9 The Forward Purchase Agreement is governed by the laws of England.

## 7.2 **Framework Agreements**

The Framework Agreements have been entered into in respect of the PRS Development Sites comprising the Initial Development Portfolio and the Further Development Portfolio and under these the REIT Group or the Sigma Group (as the case may be) has the right to acquire and develop these subject to satisfaction of the CP's. The Framework Agreements comprise both a property framework agreement (which deals with the carrying out of certain pre-development works and the acquisition of the PRS Development Sites following satisfaction of the CPs) and a construction framework agreement (which deals with satisfaction of the same CPs and following that the entering into of the Design and Build Contract with the Approved Contractor).



The Framework Agreements provide for the following:

- 7.2.1 obtaining control and/or agreeing the construction costs (where applicable) in respect of certain PRS Development Sites and providing for the allocation of these in accordance with the allocation policy set out in the Right of First Refusal Agreement.
- 7.2.2 the acquisition of the PRS Development Site (in terms of the property framework agreement) and entry into of a fixed price Design and Build Contract with the Approved Contractor (under the construction framework agreement) subject to the following CPs:
  - (a) obtaining relevant consents (including satisfactory planning consent);
  - (b) a satisfactory site investigation report;
  - (c) a certificate of title addressed to the Company confirming good and marketable title;
  - (d) confirming the fixed price contract sum for development works or reaching agreement on a new fixed price contract sum; and
  - (e) availability of funding.
- 7.2.3 completion of pre-development works by the Approved Contractor to satisfy the CPs above, the cost of which is initially borne by the Approved Contractor and reimbursed monthly in arrears subject to approval by the Employer's Agent (acting on behalf of the REIT Group) based on a pre-agreed budget. The value of the pre-development costs form part of the fixed Design and Build Contract sum.
- 7.2.4 following completion of the pre-development works and satisfaction of the CPs contained in the Framework Agreements, the PRS Development Site is acquired and a fixed price Design and Build Contract is entered into with the Approved Contractor to procure the development of the site in compliance with the detailed planning consent.
- 7.2.5 in terms of the Design and Build Contract, the Approved Contractor meets the costs of the development and is reimbursed monthly in arrears based on monthly valuations (subject to certification by the independent Employer's Agent acting on behalf of the Company). The Approved Contractor performance is secured by parent company guarantees, performance bonds, sub-contractor collateral warranties and a retention is held for a period of one year post the date of Practical Completion of the works all of which is set out in the Framework Agreement and agreed form documentation annexed thereto.
- 7.2.6 the Framework Agreements are governed by the laws of England.

### 7.3 **Lettings Management Agreement**

The Lettings Management Agreement deals with the letting and day to management of all PRS Units on Completed PRS Sites by the Approved Lettings Agent under the supervision of the Investment Adviser.

In addition to their role in lettings and management the Approved Lettings Agent also has a key role in the information forming part of the Site Assessment Report prepared for each of the PRS Development Properties at the approval stage which includes the following key initial services which are contained in the Lettings Management Agreement:

- 7.3.1 inspection along with the Investment Adviser's site evaluation team and by its Approved Lettings Agent to make an initial assessment on the availability of transport infrastructure, education and a range of community facilities.

7.3.2 analysis of the local demographic and rental market so as to inform on the proposed housing mix based on a range of standard house types; and

7.3.3 input in the financial assessment as regards likely rental figures.

Prior to handover and following Practical Completion the Approved Lettings Agent has responsibility for the following key services which are measured against key performance indicators set out in the Lettings Management Agreement:

- (a) the Approved Lettings Agent in conjunction with the Investment Adviser is responsible for the marketing launch of each new PRS Unit including marketing by local signage, web based marketing, local newspapers and other media based on an agreed marketing plan and budget;
- (b) following launch they are to market and let each PRS Unit at the agreed rental price and undertake the duties and activities required to market and promote the PRS Units and maximise rental income under the Investment Adviser's direction (including renewals);
- (c) vetting of all new tenant applicants on strict criteria and to apply for appropriate references including sourcing proof of identity of the tenants;
- (d) collecting rental and initial deposits as agreed with the REIT Group from tenants and lodging Deposits on the appropriate Tenancy Deposit Scheme, and insurance policies to cover non-payment of rent that all tenants are required to take out;
- (e) arranging for the preparation of an inventory prior to the commencement of the tenancy and at the termination of the tenancy and a check-out report to be undertaken, including any damage and details of what would be classed as normal wear and tear;
- (f) on completion of the tenancy to liaise with the Tenancy Deposit Scheme on behalf of the REIT Group for the release of the deposit and negotiate any required deductions from the deposit due to the tenants occupancy of the PRS Unit;
- (g) if the tenant fails to surrender possession at the expiry of the term of the Assured Shorthold Tenancy to commence a repossession process provided that no action will be undertaken by the Approved Lettings Agent without written approval from the REIT Group;
- (h) once a PRS Unit becomes vacant the Approved Lettings Agent will put in hand any cleaning and repair works, arising from the check-out report prepared using deposit monies if the damage or repair is due to their neglect;
- (i) arrange for mid-term inspection of the each PRS Unit, being no less than one inspection every six months to assess and ensure the terms of the Assured Shorthold Tenancy agreement are being adhered to by the tenant;
- (j) deal with other day to day management matters including minor works, inspections etc up to a an agreed budget using funds provided by the REIT Group for this purpose. Other material works involving substantial capital expenditure or emergency works require REIT Group approval;
- (k) oversee the management of all vacant PRS Units; and
- (l) provide updates and reports as required to fulfil the Approved Lettings Agent's obligations and KPIs at monthly intervals, to determine the progress of each PRS Unit and monitor performance of the Approved Letting Agent's duties.

The Approved Lettings Agent charges a fee to the REIT Group based on a fixed percentage of gross rental income received/collected being 7.5 per cent. (plus VAT) together with a fee

for managing the service charge budget equal to 10 per cent. of that budget. No other fees are payable by the REIT Group to the Approved Lettings Agent so as to directly incentivise the Approved Lettings Agent.

The Lettings Management Agreement can be terminated by either party on no less than 12 months' notice at any time after the first anniversary as well standard termination rights for material breach or insolvency.

The Lettings Management Agreement is governed by the laws of England.

#### **7.4 Development Management Agreement**

The REIT Group, the Investment Adviser and the Development Manager have entered into a Development Management Agreement dated 3 May 2017 in relation to each PRS Development Site under which the Development Manager will carry out certain development and construction related services relating to the overall project delivery and management and monitoring of work carried out by the Approved Contractor under the Framework Agreements and the fixed price Design and Build Contract and related member of the professional team including the Employers Agent.

In carrying out the services under the Development Management Agreement, the Development Manager shall use all the reasonable skill, care and diligence to be expected of experienced and competent professional development manager skilled in the provision of services similar to the services in relation to projects of equivalent size, scope and type to the PRS Development Site.

The Development Manager in providing the services has to comply with certain standards set out in the Development Management Agreement and includes the following general services, namely:

- 7.4.1 the Development Manager at all times is to seek to act in the interests of the relevant member of the REIT Group;
- 7.4.2 at all times to co-ordinate with the Employer's Agent;
- 7.4.3 perform the services in accordance with all statutory requirements and statutory agreements (including, without limitation, those in relation to health and safety and fire regulations, utilities, construction and planning);
- 7.4.4 co-ordinate and manage the payment by the relevant member of the REIT Group of all UK taxes, charges, insurance premiums, expenses and outgoings in respect of the carrying out of the works and related to the carrying out of the services;
- 7.4.5 maintain and complete detailed records and files on all matters pertaining to the works and related to the carrying out of the services including, without limitation, all revenues and expenditures, transactions and contracts entered into;
- 7.4.6 co-ordinate the delivery of collateral warranties from the Approved Contractor and any relevant sub-contractors; and
- 7.4.7 manage the carrying out of the works subject to the directions and approvals of the relevant member of the REIT Group.

The Development Manager acknowledges in the Development Management Agreement that the REIT Group has appointed the Investment Adviser under and in terms of the Investment Advisory Agreement and the Development Manager shall (without requirement to make any further enquiry of the REIT Group and without requiring to make reference to the terms of the Investment Advisory Agreement) be entitled to assume that the Investment Adviser is acting with the full authority and approval of the REIT Group in discharging the rights and obligations of the REIT Group under the Development Management Agreement.

The Investment Adviser in accordance with the Investment Advisory Agreement will act on behalf of the REIT Group and will exercise the rights of the REIT Group under the Development Management Agreement.

The REIT Group shall indemnify the Development Manager and its members, officers, employees, agents and delegates against all claims by third parties which may be made against the Development Manager in connection with its services under the Development Management Agreement, where these have been at the instance of instruction received from the Investment Adviser except to the extent that the claim is due to the negligence, wilful default or fraud of the Development Manager or its members, officers, employees, agents or delegates.

The Development Manager shall be deemed to have complied in full with the terms of this Agreement relating to the provisions of the services where the services are provided to the Investment Adviser rather than directly to the REIT Group.

The core services to be provided by the Development Manager are split into two stages and comprise:

#### *7.4.8 Pre-construction*

- (a) work with the Approved Contractor to satisfy any conditions precedent for each of the PRS Development Sites in accordance with the Framework Agreements;
- (b) manage the acquisition of the PRS Development Sites in accordance with the Framework Agreements;
- (c) agree the final construction programme/ cash flow for each site for inclusion in the Design and Build Contract;
- (d) manage the Employer's Agent to ensure sign off on the Design and Build Contract with the relevant member of the REIT Group and the Approved Contractor; and
- (e) manage document control of all technical surveys and CPs in connection with the PRS Development Sites.

#### *7.4.9 Construction Reporting*

- (a) provide regular and timely information as agreed and reasonably required by the relevant member of the REIT Group;
- (b) provide monthly report (more frequent if necessary) on project progress against budget and programme;
- (c) project managing the project to secure delivery of the PRS Units in accordance with the Design and Build Contract;
- (d) oversee handover process of completed PRS Units between the Approved Contractor, employers agent and the relevant member of the REIT Group;
- (e) manage document control in relation to completion of PRS Units, including Completion Certificates, guarantees, NHBC, Warranties etc;
- (f) oversee granting of the long leasehold interest; and
- (g) during the construction period for each PRS Development Site, a report for each calendar month setting out details of:
  - (i) the number of PRS Units;
  - (ii) the programme start date;

- (iii) the construction start date;
- (iv) the construction completion date;
- (v) number of PRS Units achieving Practical Completion;
- (vi) the actual delivery costs to date and expected costs to complete;
- (vii) the amount of any retentions held; and
- (viii) the dates of retention releases.

In respect of each PRS Development Site to be developed by the REIT Group, a management fee equal to 4 per cent. of the Total Development Cost shall be payable to the Development Manager monthly in arrears pro rata to the Development Cost incurred under the Design and Build Contract for the construction of that PRS Development Site. The Development Manager shall apply an aggregate of 50 per cent. of this fee in subscribing for new Ordinary Shares such amounts to be subscribed bi-annually in arrears at the prevailing share price at the time of subscription (provided not less than prevailing New Asset Value), failing which it shall use its reasonable endeavours to purchase Ordinary Shares in the market. In order to ensure an orderly market in the Company's Ordinary Shares issued to the Development Manager pursuant to the Development Management Agreement, the Development Manager has agreed: (i) not to dispose of any such Ordinary Shares issued to, or purchased by, it, in accordance with the Development Management Agreement, for a period of 12 months from the date of each issue or purchase; and (ii) for a period of a further 12 months thereafter, only dispose of such Ordinary Shares after prior consultation with N+1 Singer and then through N+1 Singer in such manner as N+1 Singer may reasonably require, in each case in accordance with the terms of the Lock-up Deed.

The Development Management Agreement may be terminated in the following circumstances:

- (a) by relevant member of the REIT Group at any time by written notice without compensation for termination of its office if such termination is as a result of the Development Manager's insolvency, fraud, gross negligence, wilful misconduct or reckless disregard of its obligations and duties under the Development Management Agreement; or
- (b) by the Development Manager, if the relevant member of the REIT Group shall become insolvent or enter into liquidation whether compulsory or voluntary (except for a genuine reconstruction or amalgamation, when solvent, which has previously been approved in writing by the Development Manager) or shall have a receiver or administrator appointed;
- (c) by either party, if the other party is in material breach of its obligations under the Development Management Agreement; and
- (d) by either party, if the appointment of the Investment Adviser under the Investment Advisory Agreement is terminated.

The Development Management Agreement is governed by the laws of England.

## 7.5 ***Placing and Offer Agreement***

By the Placing and Offer Agreement dated 3 May 2017 between the Company, the Investment Adviser, N+1 Singer, Stifel and Sigma, N+1 Singer and Stifel have agreed to use reasonable endeavours to procure Placees to subscribe for Ordinary Shares at the Issue Price and the Placing Programme Price in connection with the First Placing and any Subsequent Placing.

The Placing and Offer Agreement confers on N+1 Singer and Stifel the power to appoint sub-agents or to delegate the exercise of any of their powers, authorities or discretions to third parties and the Company agrees to ratify and confirm all actions which N+1 Singer and Stifel or any such sub-agents or delegates lawfully take in the good faith exercise of such appointment, powers, authorities or discretions provided that the N+1 Singer and Stifel shall remain responsible for the acts and omissions of any such sub-agent(s) or delegate(s).

The Placing and Offer Agreement is subject to, *inter alia*, First Admission occurring not later than 8.00 a.m. on 31 May 2017 or such later time and/or date as may be agreed between the Company, the Investment Adviser, N+1 Singer and Stifel, not being later than the close of business on 30 June 2017.

Under the Placing and Offer Agreement, which may be terminated by either N+1 Singer and Stifel in certain circumstances prior to First Admission or any Subsequent Admission, the Company and the Investment Adviser have given certain warranties and indemnities to N+1 Singer and Stifel. These warranties and indemnities are customary for an agreement of this nature.

Under the Placing and Offer Agreement in consideration for their services in relation to the Issue the Company undertakes to pay immediately upon First Admission to N+1 Singer a corporate finance fee and to N+1 Singer and Stifel each a commission. In consideration for their services in relation to the Placing Programme the Company undertakes to pay immediately upon Subsequent Admission N+1 Singer and Stifel each a commission.

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

#### 7.6 **AIFM Agreement**

The Company and the AIFM have entered into a management agreement dated 3 May 2017 pursuant to which the AIFM is appointed to act as the Company's alternative investment fund manager.

The AIFM's duties under the AIFM Agreement with regard to portfolio management include, *inter alia*, complying with the Company's investment policy and keeping the REIT Group's assets under review and generally providing investment advice to the REIT Group in connection with treasury management and money market funds.

The AIFM has entered into the Investment Advisory Agreement with the Investment Adviser. Pursuant to the terms of the Investment Advisory Agreement, the AIFM has appointed the Investment Adviser to have responsibility for sourcing acquisitions, identifying disposal opportunities and certain management services relating to the REIT Group, although the AIFM's liability to the Company for all matters so delegated has not been affected thereby. The AIFM has, and shall maintain, the necessary expertise and resources to supervise effectively those tasks delegated to the Investment Adviser.

Under the terms of the AIFM Agreement, the AIFM is also responsible for obtaining and maintaining from the FCA all approvals necessary for the AIFM to be appointed and continue to act as alternative investment fund manager of the Company in accordance with the AIFMD; and is required to provide all such risk management services to the Company as are required by the AIFMD, including, *inter alia*, (i) the implementation of adequate risk management systems to identify, measure, manage and monitor appropriately all risks relevant to the Company's investment strategy and to which the Company is or may be exposed, (ii) the implementation of an appropriate, documented and regularly updated due diligence process when the REIT Group makes investments, (iii) ensuring that the risks associated with each investment position of the Company and their overall effect upon the Company's portfolio can be properly identified, measured, managed and monitored on an ongoing basis, including through the use of appropriate stress testing procedures, (iv) the establishment and implementation of quantitative and qualitative risk limits for the Company,



taking into account all relevant risks and (v) reviewing the risk management systems at least annually and adapting them where necessary.

Under the terms of the AIFM Agreement, the AIFM has agreed to perform its duties under the AIFM Agreement in good faith and with reasonable skill and care and shall ensure that its obligations under the AIFM Agreement are carried out by sufficient numbers of appropriately qualified, trained and experienced staff. The AIFM Agreement contains an unlimited indemnity in favour of the AIFM against claims by third parties except to the extent that the claim is due to a breach by the AIFM of the AIFM Agreement or to the negligence, wilful default or fraud of the AIFM or any party to whom the AIFM has delegated any of its functions.

The AIFM Agreement may be terminated immediately if, among others, the AIFM is guilty of negligence or is the subject of insolvency proceedings. The AIFM Agreement may also be terminated immediately if any member of the Sigma Group is directly appointed as alternative investment fund manager of the Company. The AIFM Agreement may be terminated by any party giving to the others not less than 6 months' written notice. The AIFM Agreement further provides that the Company will pay to the AIFM a fee as follows:

- (a) an initial one off fee of £12,000;
- (b) a monthly fee of £6,000; and
- (c) £1,000 per investment committee meeting.

The AIFM Agreement is governed by the laws of England.

#### **7.7 *Investment Advisory Agreement***

The Company, the AIFM and the Investment Adviser have entered into an Investment Advisory Agreement dated 3 May 2017 pursuant to which the Company and the AIFM have appointed the Investment Adviser to perform certain management and investment advisory services relating to the Company.

Pursuant to the terms of the Investment Advisory Agreement, the Investment Adviser agrees to act as the investment adviser to the Company; to manage the assets of the Company and to advise the Company on a day-to-day basis in accordance with the investment policy; and to recommend and give advice to the Company and AIFM in relation to the investments of the Company. The AIFM and the Company authorise the Investment Adviser to, amongst other functions, transact on the Company's behalf in relation to PRS Development Sites and PRS Properties, including entering into Framework Agreements, arranging debt finance, arranging transactions under the Forward Purchase Agreement and enter into facility agreements.

The Investment Advisory Agreement provides that the Company will pay to the Investment Adviser the following fees:

- (a) a fee calculated at the rate of:
  - (i) 1 per cent. per annum of the Adjusted Net Asset Value up to, and including, £250 million;
  - (ii) 0.90 per cent. per annum of the Adjusted Net Asset Value in excess of £250 million and up to and including £500 million;
  - (iii) 0.80 per cent. per annum of the Adjusted Net Asset Value in excess of £500 million and up to, and including, £1 billion; and
  - (iv) 0.70 per cent. per annum of the Adjusted Net Asset Value in excess of £1 billion.

Either the Company and the AIFM (acting jointly) or the Investment Adviser may terminate the Investment Advisory Agreement by giving to the others not less than 12 months' written notice (or such shorter period of written notice as the other parties may accept), which can be served at any time after the fifth anniversary of First Admission.

The Company and the AIFM acting jointly shall have the right to terminate the Investment Advisory Agreement by notice in writing to the Investment Adviser if the Investment Adviser shall commit any material breach of the Investment Advisory Agreement and shall have failed (within 30 business days after having been required in writing by the Company and AIFM (acting jointly) so to do) to remedy such breach to the satisfaction of the Company and AIFM; if the Investment Adviser is subject to administration or insolvency proceedings; or if the Investment Adviser ceases to hold the necessary regulatory permissions to perform its obligations under the Investment Advisory Agreement.

The Investment Adviser shall have the right to terminate the Investment Advisory Agreement by notice in writing to the Company if the Company or AIFM shall commit any material breach of the Investment Advisory Agreement and shall have failed (within 30 Business Days after having been required in writing by the Investment Adviser so to do) to remedy such breach to the satisfaction of the Investment Adviser; or if either the Company or AIFM is subject to administration or insolvency proceedings.

The Investment Advisory Agreement shall terminate in the event that the AIFM Agreement is terminated where a member of the Sigma Group is directly appointed as alternative investment fund manager of the Company.

Neither the Investment Adviser nor its members, officers, employees, agents or delegates shall be liable for any loss to the Company arising from any errors of fact or judgement or any action taken or omitted to be taken by it, except to the extent that such loss is due to the negligence, wilful default or fraud of the Investment Adviser or its members, officers, employees, agents or delegates.

The Company shall indemnify the Investment Adviser and its members, officers, employees, agents and delegates against all claims by third parties which may be made against the Investment Adviser in connection with its services under the Investment Advisory Agreement, except to the extent that the claim is due to the negligence, wilful default or fraud of the Investment Adviser or its members, officers, employees, agents or delegates.

The Investment Advisory Agreement is governed by the laws of England.

## **7.8 Administration and Secretarial Agreement**

The Company is party to an administration and secretarial agreement with the Administrator dated 3 May 2017 pursuant to which the Administrator provides day-to-day administration and company secretarial services to the Company including development and production of statutory annual accounts, interim accounts and reports to shareholders of the Company in accordance with International Financial Reporting Standards and the EPRA and calculating the Net Asset Value of the Ordinary Shares based on information provided to the Administrator by the Investment Adviser.

The fees payable by the Company to the Administrator are £90,000 plus VAT per annum, payable monthly in arrears.

The Company will also reimburse the Administrator for disbursements and reasonable out of pocket expenses incurred by the Administrator on behalf of the Company.

The Administrator may delegate the whole or any part of its duties and responsibilities to an affiliate however such delegation does not affect the liability of the Administrator who shall remain at all times liable for the acts or omissions of its delegate as if such acts or omissions were its own.

The Administration and Secretarial Agreement can be terminated by the Company or the Administrator on not less than 12 months' notice, provided that any such period of notice given shall not expire earlier than six years from the commencement date of the Administration and Secretarial Agreement.

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

#### **7.9 Registrar Agreement**

The Company is a party to a Registrar Agreement with the Registrar dated 3 May 2017 pursuant to which the Registrar provides share registrar services to the Company.

Under the terms of the Registrar Agreement, the Registrar is entitled to an market standard fee for creation and maintenance of the share register.

The Registrar is also entitled to reimbursement of all out of pocket costs, expenses and charges properly incurred on behalf of the Company.

The Registrar Agreement may be terminated on three months' written notice. The Company has given certain market standard indemnities in favour of the Registrar in respect of the Registrar's potential losses in carrying on its responsibilities under the Registrar Agreement. The Registrar's liabilities under the Registrar Agreement are subject to a cap.

The Registrar Agreement is governed by the laws of England.

#### **7.10 Depositary Agreement**

The Depositary Agreement dated 3 May 2017, between the Company, the AIFM and the Depositary, pursuant to which the Depositary is appointed as the Company's depositary for the purposes of the AIFMD. The Depositary shall provide its services with the skill and care to be expected of a professional supplier of depositary services. The Depositary, in performing the services, shall act honestly, fairly, professionally, independently and in the interests of the Company and the investors.

Under the terms of the Depositary Agreement, the Depositary is entitled to be paid an initial one off fee of £5,000 which may be invoiced from the date of its appointment. Provided that the assets under management of the Company exceed £100 million, the Company shall also pay the Depositary an annual fee. The annual fee shall start at £20,000 per annum with an additional fee of 0.667 basis points of any increase above £100 million, subject always to a maximum fee of £40,000 per annum. The Company's assets under management shall be reviewed quarterly. The Depositary shall be entitled to be reimbursed by the Company for all costs and expenses properly and reasonably incurred in the performance of duties under the Depositary Agreement.

The Depositary may terminate the Depositary Agreement by three months' prior written notice to the Company and the AIFM. The AIFM may terminate the Depositary Agreement by three months' prior written notice to the Depositary (or if such termination is to comply with applicable law such earlier period as mandated by that applicable law).

The AIFM and the Company may terminate the Depositary Agreement by giving not less than 30 business days' notice in writing to the Depositary if the Depositary commits a material breach of the Depositary Agreement or any applicable law and has not remedied the breach within 30 business days of receipt by it of written notice requiring it to do so.

The Depositary Agreement shall terminate immediately on: the removal or withdrawal of the AIFM as the alternative investment fund manager of the Company (unless the AIFM is replaced by an affiliate of the AIFM, Sigma PRS Management Limited or any other member of the Sigma Group); the Depositary ceasing to be an authorised person permitted under FSMA to act as a depositary to the Company; the Company breaching the representations

and warranties set out in the Depositary Agreement; or the termination and liquidation of the Company.

Under the Depositary Agreement the Company shall indemnify the Depositary and any of its affiliates, members, directors, officers, agents, delegates, employees, partners or shareholders against all losses suffered or incurred by them in the proper execution or exercise of their duties under the Depositary Agreement. This indemnity shall not apply in respect of any loss to the extent that it has arisen as a result of the fraud, negligence, bad faith or wilful default of the relevant person who would otherwise have been indemnified.

The Depositary Agreement provides that the Depositary shall indemnify the Company and the AIFM and any of their respective affiliates, members, directors, officers, agents, delegates, employees, partners or shareholders against all losses suffered or incurred by the Company or the AIFM arising out of the Depositary's negligence, bad faith, fraud or wilful misconduct while discharging its functions under the Depositary Agreement. This indemnity shall not apply in respect of any loss to the extent that it has arisen as a result of the fraud, negligence, bad faith or wilful default of the Company or the AIFM, as applicable.

The Depositary Agreement is governed by the laws of England.

#### **7.11 *Receiving Agent Agreement***

By a receiving agent agreement dated 3 May 2017 between the Company and the Receiving Agent the Receiving Agent has agreed to act as receiving agent in connection with the Offer for Subscription.

Under the terms of the Receiving Agent Agreement, the Receiving Agent is entitled to a market standard fee, plus a processing fee per application. The Receiving Agent is also entitled to reimbursement of all out-of-pocket expenses reasonably incurred by it in connection with its duties.

The Company has given certain market standard indemnities in favour of the Receiving Agent in respect of the Receiving Agent's potential losses in carrying on its responsibilities under the agreement. The Receiving Agent's liability under the Receiving Agent Agreement is subject to a cap.

The agreement is governed by the laws of England and Wales.

#### **7.12 *Right of First Refusal Agreement***

The Investment Adviser and the Company have entered into the Right of First Refusal Agreement dated 3 May 2017 pursuant to which the Company has a right of first refusal in any financial year of the Company to acquire and develop PRS Development Sites with a Total Cost of not less than two-thirds of the Total Cost of all PRS Development Sites sourced by the Investment Adviser during that financial year that meet the Company's investment objective and investment policy.

The remaining PRS Development Sites will be available to be developed by the Sigma Group and acquired by the REIT Group pursuant to the Forward Purchase Agreement. Where the Sigma Group is not able to develop such PRS Development Sites the REIT Group will have the right to develop them.

The Investment Adviser shall procure that the Company has the right to acquire any Completed PRS Sites undertaken by the Sigma Group under the Forward Purchase Agreement other than where such right is lapsed due to lack of funds.

The Company has the further right to enter into Framework Agreements in respect of any PRS Development Sites not allocated to the Sigma Group.

The Company has first choice over the PRS Development Sites comprising its allocation. If the Company does not have sufficient funding to meet the Total Development Cost associated with a PRS Development Site, the Investment Adviser shall allow the Company 60 days from the date on which the Site Assessment Report and desk-top valuation is submitted to the Company to raise sufficient funds in order to commit to the PRS Development Site after which time the Company's right to develop that PRS Development Site shall lapse unless otherwise agreed by the Company and the Investment Adviser (acting reasonably). When the Company is determining whether it has sufficient funding to make the commitment to a PRS Development Site, it will have regard to its future working capital requirements.

Where the Company has committed to a PRS Development Site, the Company or a member of its Group shall enter into Framework Agreements under which it shall contract to acquire and build the PRS Development Site conditional upon satisfactory completion of the CPs set out in the Framework Agreements. Where the Company does not acquire the PRS Development Site as a result of failure to satisfy the conditions in the Framework Agreements, the Investment Adviser shall reimburse all pre-development costs incurred by the Company.

The Right of First Refusal Agreement is governed by the laws of England.

#### **7.13 Lock-up Deed**

The Company is a party to a Lock-up Deed with N+1 Singer and the Development Manager dated 3 May 2017. Under the terms of the Lock-up Deed, the Development Manager has agreed: (i) not to dispose of any Ordinary Share issued to, or purchased by, it in accordance with the Development Management Agreement for a period of 12 months from the date of each issue or purchase; and (ii) for a period of a further 12 months thereafter, only dispose of such Ordinary Share after prior consultation with N+1 Singer and then through N+1 Singer in such manner as N+1 Singer may reasonably require.

The Lock-up Deed will lapse and cease to have effect automatically in the event that the Development Management Agreement is terminated in accordance with its terms.

The Deed is governed by the laws of England.

### **8. INVESTMENT RESTRICTIONS**

The Company will comply with the investment restrictions set out below:

The REIT Group's PRS Portfolio will be invested and managed with the objective of delivering a high quality, diversified portfolio through the following investment restrictions:

- (a) the REIT Group will only invest in private rented homes and apartments located in UK (predominately in England);
- (b) no investment by the REIT Group in any single PRS Property or PRS Development Site shall exceed 20 per cent. of the Gross Asset Value at the time of commitment; and
- (c) the REIT Group will not invest in other alternative investment funds or closed-end investment companies.

In the event of any material breach of the Company's investment policy or of the investment restrictions applicable to the Company, Shareholders will be informed of the actions to be taken by the Company and/or the AIFM (at the time of such breach) through an announcement via a Regulatory Information Service.



## **9. FINANCIAL INFORMATION**

- 9.1 RSM UK Audit LLP of 25 Farringdon Street, London EC4A 4AB which is registered to carry out audit work by the Institute of Chartered Accountants of Scotland has been the only auditor of the Company since its incorporation. The annual report and accounts of the Company will be prepared in £s sterling according to IFRS.
- 9.2 The Company's accounting period will terminate on 30 June of each year, with the first period ending on 30 June 2017.
- 9.3 The Company has not commenced operations since its incorporation on 24 February 2017 and no financial statements of the Company have been made as at the date of this document.
- 9.4 The Company is of the opinion, taking into account the Minimum Net Proceeds, that the working capital available to the REIT Group is sufficient for its present requirements, that is for at least the next 12 months from the date of this document.
- 9.5 As at the date of this document, the Company has no guaranteed, secured, unguaranteed or unsecured debt and no indirect or contingent indebtedness.
- 9.6 Save for entering into material contracts as set out in this document, there has been no significant change in the trading or financial position of the Company since its incorporation.
- 9.7 Immediately following First Admission, the Company's gross assets will increase by an amount equal to the Gross Issue Proceeds, being a minimum of £100 million, less an amount representing applicable fees and expenses of the Issue borne by the Company. It is not possible to quantify the effect of the Issue on the Company's earnings except that they should increase.

## **10. GENERAL**

- 10.1 There are no governmental, legal or arbitration proceedings (including in so far as the Company is aware any governmental, legal or arbitration proceedings which are pending or threatened) during the period covering at least the previous 12 months prior to the date of this document which may have, or have had in the recent past, a significant effect on the REIT Group or the REIT Group's financial position or profitability.
- 10.2 The Company does not have any employees, nor does it own any premises.
- 10.3 N+1 Singer, Stifel, Solid Solutions, the AIFM and Savills have given and have not withdrawn their written consent to the issue of this document and the inclusion herein of their names and the references to them in the form and context in which they appear.
- 10.4 The Investment Adviser and the AIFM have given and has not withdrawn their written consent to the issue of this document and the inclusion herein of their name and the references to it in the form and context in which they appear and has authorised the contents of its statements for the purposes of the Prospectus Rules. The Investment Adviser and the AIFM accept responsibility for, and authorises, and consents to the inclusion of, the statements attributed to them contained in this document. To the best of the knowledge and belief of the Investment Adviser and the AIFM (each of whom have taken all reasonable care to ensure that such is the case) those statements are in accordance with the facts and do not omit anything likely to affect the import of those statements.
- 10.5 As at 3 May 2017 (being the latest practicable date prior to the date of this document), there have been no public takeover bids by third parties in respect of the Company's share capital since incorporation. As a company incorporated in England and Wales with shares admitted to trading on the London Stock Exchange, the Company will be subject to the provisions of the Takeover Code.



- 10.6 Certain information contained in this Prospectus has been sourced from third parties. Such information has been accurately reproduced, the source of such information has been identified and, so far as the Company is aware and is able to ascertain from information published by such third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading.

## **11. MANDATORY BIDS, SQUEEZE-OUT AND SELL-OUT RULES**

### **11.1 *Mandatory bids***

As a company incorporated in England and Wales with shares admitted to trading on the London Stock Exchange, the Company is subject to the provisions of the Takeover Code. Under Rule 9 of the Takeover Code, any person or group of persons acting in concert with each other which, taken together with shares already held by that person or group of persons, acquires 30 per cent. or more of the voting rights of a public company which is subject to the Takeover Code or already holds more than 30 per cent. but not more than 50 per cent. of the voting rights exercisable at a general meeting and acquires additional shares which increase the percentage of their voting rights, would normally be required to make a general offer in cash at the highest price paid within the preceding 12 months for all the remaining equity share capital of the Company.

Under Rule 37 of the Takeover Code, when a company purchases its own voting shares, a resulting increase in the percentage of voting rights carried by the shareholdings of any person or group of persons acting in concert will be treated as an acquisition for the purposes of Rule 9. A shareholder who is neither a director or acting in concert with a director will not normally incur an obligation to make an offer under Rule 9. However, under Note 2 to Rule 37, where a shareholder has acquired shares at a time when it had reason to believe that a purchase by the company of its own voting shares may take place, an obligation to make a mandatory bid under Rule 9 may arise in certain circumstances. The buy back by the Company of Ordinary Shares could, therefore, have implications pursuant to Rule 9 of the Takeover Code for Shareholders with significant shareholdings.

### **11.2 *Squeeze-out and sell-out rules***

Other than as provided by the Act there are no rules or provisions relating to squeeze-out and sell-out rules in relation to the Ordinary Shares.

## **12. DISCLOSURE REQUIREMENTS AND NOTIFICATION OF INTEREST IN SHARES**

Under Chapter 5 of the Disclosure Guidance and Transparency Rules, subject to certain limited expectations, from First Admission Shareholders must notify the Company if as a result of an acquisition or disposal of Ordinary Shares, the Shareholder's percentage of voting rights of the Company reaches, exceeds or falls below 3 per cent. of the Company's voting rights and each 1 per cent. threshold thereafter.

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

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

## **13. RESTRICTIONS ON TRANSFER**

### **13.1 *General***

The distribution of this document and offer of Ordinary Shares in certain jurisdictions may be restricted by law and therefore persons into whose possession this document comes should

inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

## 13.2 European Economic Area

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

- (a) to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;
- (b) to any legal entity which has two or more of (i) an average of at least 250 employees during the last financial year; (ii) a total balance sheet of more than €43 million; and (iii) an annual net turnover of more than €50 million as shown in its last annual or consolidated accounts; or
- (c) in any other circumstances which do not require the publication by the Company of a prospectus pursuant to Article 3 of the Prospectus Directive,

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

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

## 14. INTERMEDIARIES

The Intermediaries authorised to use this Prospectus in connection with the Intermediaries Offer will be listed on the Company’s website at [www.theprsreit.com](http://www.theprsreit.com).

## 15. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) at 3rd Floor, 1 St Ann Street, Manchester, M2 7LR until close of business on 31 May 2017:

- (i) the Company’s memorandum of association and Articles;
- (ii) the letters of appointment referred to in paragraph 5.2 of this Part 12;
- (iii) the written consents referred to in paragraphs 10.3 and 10.4 of this Part 12; and
- (iv) this document.

## **16. AVAILABILITY OF THIS DOCUMENT**

In addition, copies of this document are available free of charge from the registered office of the Company and the offices of N+1 Singer and Stifel. Copies of this document are also available for access via the National Storage Mechanism at [www.morningstar.co.uk/uk/NSM](http://www.morningstar.co.uk/uk/NSM).

## **PART 13**

### **TERMS AND CONDITIONS OF APPLICATION UNDER THE FIRST PLACING AND THE PLACING PROGRAMME**

#### **1. INTRODUCTION**

- 1.1 Ordinary Shares are available under the First Placing at a price of 100 pence per Ordinary Share and under the Placing Programme at the relevant Placing Programme Price. The Ordinary Shares will, when issued and fully paid, include the right to receive all dividends or other distributions made, paid or declared, if any, by reference to a record date after the date of their issue.
- 1.2 Each Placee which confirms its agreement to N+1 Singer and Stifel to subscribe for Ordinary Shares under the First Placing and/or a Subsequent Placing will be bound by these terms and conditions and will be deemed to have accepted them.
- 1.3 The Company, N+1 Singer and/or Stifel may require any Placee to agree to such further terms and/or conditions and/or give such additional warranties and/or representations as they (in their absolute discretion) see(s) fit.
- 1.4 The commitment to acquire Ordinary Shares under the First Placing and/or a Subsequent Placing will be agreed orally with N+1 Singer and/or Stifel as agent for the Company and further evidenced in a contract note ("Contract Note") or placing confirmation ("Placing Confirmation").

#### **2. AGREEMENT TO SUBSCRIBE FOR ORDINARY SHARES AND CONDITIONS**

- 2.1 A Placee agrees to become a member of the Company and agrees to subscribe for those Ordinary Shares allocated to it by N+1 Singer and/or Stifel at the relevant issue price, conditional on:
  - 2.1.1 the Placing and Offer Agreement becoming unconditional in respect of the relevant placing (save for any condition relating to Admission) and not having been terminated on or before the date of Admission of the relevant Ordinary Shares being issued;
  - 2.1.2 Admission of the relevant Ordinary Shares being issued in the case of First Admission by no later than 31 May 2017 (or such later date as the Company, N+1 Singer and Stifel may agree and, in any event, no later than 30 June 2017) and in the case of any Subsequent Admission by no later than such dates as may be agreed between the Company, N+1 Singer and Stifel in relation to each Subsequent Placing, not being later than 3 May 2018;
  - 2.1.3 in the case of the First Placing, the Minimum Net Proceeds being raised;
  - 2.1.4 in the case of any Subsequent Placing, a valid supplementary prospectus being published by the Company if such is required; and
  - 2.1.5 in the case of any Subsequent Placing, the relevant Placing Programme Price being determined by the Directors.
- 2.2 In the event that the Company, in consultation with N+1 Singer, Stifel and the Investment Adviser, wishes to waive condition 2.1.3 referred to above, the Company will be required to publish a supplementary prospectus (including a working capital statement based on a revised minimum net proceeds figure).

- 2.3 To the fullest extent permitted by law, each Placee acknowledges and agrees that it will not be entitled to exercise any remedy of rescission at any time. This does not affect any other rights the Placee may have.

### **3. PAYMENT FOR ORDINARY SHARES**

- 3.1 Each Placee must pay the relevant issue price for the Ordinary Shares issued to the Placee in the manner and by the time directed by N+1 Singer and Stifel. If any Placee fails to pay as so directed and/or by the time required, the relevant Placee's application for Ordinary Shares may, at the discretion of N+1 Singer, either be rejected or accepted and, in the latter case, paragraph 3.2 of these terms and conditions shall apply.
- 3.2 Each Placee is deemed to agree that if it does not comply with its obligation to pay the relevant issue price for the Ordinary Shares allocated to it in accordance with paragraph 3.1 of these terms and conditions and N+1 Singer or Stifel elects to accept that Placee's application, N+1 Singer or Stifel may sell all or any of the Ordinary Shares allocated to the Placee on such Placee's behalf and retain from the proceeds, for N+1 Singer's or Stifel's own account and profit, an amount equal to the aggregate amount owed by the Placee plus any interest due. The Placee will, however, remain liable for any shortfall below the aggregate amount owed by such Placee and it may be required to bear any tax or other charges (together with any interest or penalties) which may arise upon the sale of such Ordinary Shares on such Placee's behalf.

### **4. REPRESENTATIONS AND WARRANTIES**

- 4.1 By agreeing to subscribe for Ordinary Shares, each Placee which enters into a commitment to subscribe for Ordinary Shares will (for itself and any person(s) procured by it to subscribe for Ordinary Shares and any nominee(s) for any such person(s)) be deemed to represent, warrant and acknowledge to each of the Company, the AIFM, the Investment Adviser, the Registrar, N+1 Singer and Stifel that:
- 4.1.1 in agreeing to subscribe for Ordinary Shares under the First Placing and/or under a Subsequent Placing, it is relying solely on this document and any supplementary prospectus issued by the Company and not on any other information given, or representation or statement made at any time, by any person concerning the Company, the First Placing and/or the Placing Programme. It agrees that none of the Company, the AIFM, the Investment Adviser, N+1 Singer, Stifel or the Registrar, nor any of their respective officers, agents, or employees, will have any liability for any other information or representation. It irrevocably and unconditionally waives any rights it may have in respect of any other information or representation;
- 4.1.2 if the laws of any territory or jurisdiction outside the United Kingdom are applicable to its agreement to subscribe for Ordinary Shares under the First Placing and/or under a Subsequent Placing, it warrants that it has complied with all such laws, obtained all governmental and other consents which may be required, complied with all requisite formalities and paid any issue, transfer or other taxes due in connection with its application in any territory and that it has not taken any action or omitted to take any action which will result in the Company, the AIFM, the Investment Adviser, N+1 Singer, Stifel or the Registrar or any of their respective officers, agents or employees acting in breach of the regulatory or legal requirements, directly or indirectly, of any territory or jurisdiction outside the United Kingdom in connection with the First Placing and/or a Subsequent Placing;
- 4.1.3 it has carefully read and understands this document in its entirety and acknowledges that it is acquiring Ordinary Shares on the terms and subject to the conditions set out in this Part 13 and the Articles as in force at the date of Admission of the relevant Ordinary Shares;

- 4.1.4 it has not relied on N+1 Singer or Stifel or any person affiliated with N+1 Singer or Stifel in connection with any investigation of the accuracy of any information contained in this document;
- 4.1.5 the content of this document is exclusively the responsibility of the Company and its Directors and neither N+1 Singer nor Stifel nor any person acting on their respective behalf nor any of its respective affiliates are responsible for or shall have any liability for any information, representation or statement contained in this document or any information published by or on behalf of the Company and will not be liable for any decision by a Placee to participate in the First Placing and/or a Subsequent Placing based on any information, representation or statement contained in this document or otherwise;
- 4.1.6 it acknowledges that no person is authorised in connection with the First Placing and/or a Subsequent Placing to give any information or make any representation other than as contained in this document and, if given or made, any information or representation must not be relied upon as having been authorised by the Company, the AIFM, the Investment Adviser or N+1 Singer;
- 4.1.7 it is not applying as, nor is it applying as nominee or agent for, a person who is or may be liable to notify and account for tax under the Stamp Duty Reserve Tax Regulations 1986 at any of the increased rates referred to in section 67, 70, 93 or 96 of the Finance Act 1986 (depository receipts and clearance services);
- 4.1.8 if it is within the United Kingdom, it is a person who falls within Articles 49(2)(a) to (d) or 19(5) of the Financial Services and Markets Act 2000 (Financial Promotions) Order 2005 or it is a person to whom the Ordinary Shares may otherwise lawfully be offered under such Order and/or is a person who is a “professional client” or an “eligible counterparty” within the meaning of Chapter 3 of the FCA’s Conduct of Business Sourcebook or, if it is receiving the offer in circumstances under which the laws or regulations of a jurisdiction other than the United Kingdom would apply, it is a person to whom the Ordinary Shares may be lawfully offered under that other jurisdiction’s laws and regulations;
- 4.1.9 if it is a resident in the EEA (other than the United Kingdom): (a) it is a qualified investor within the meaning of the law in the relevant Member State implementing Article 2(1)(e)(i), (ii) or (iii) of the Prospectus Directive 2003/71/EC; and (b) if that relevant Member State has implemented the AIFMD, that it is a person to whom the Ordinary Shares may lawfully be marketed under the AIFMD or under the applicable implementing legislation (if any) of that relevant Member State;
- 4.1.10 in the case of any Ordinary Shares acquired by a Placee as a financial intermediary within the EEA (other than the United Kingdom) as that term is used in Article 3(2) of the Prospectus Directive: (a) the Ordinary Shares acquired by it in the First Placing and/or a Subsequent Placing have not been acquired on behalf of, nor have they been acquired with a view to their offer or resale to, persons in any relevant Member State other than qualified investors, as that term is defined in the Prospectus Directive 2010/73/EU, or in circumstances in which the prior consent of N+1 Singer and Stifel has been given to the offer or resale; or (b) where Ordinary Shares have been acquired by it on behalf of persons in any relevant Member State other than qualified investors, the offer of those Ordinary Shares to it is not treated under the Prospectus Directive as having been made to such persons;
- 4.1.11 it does not have a registered address in, and is not a citizen, resident or national of, any jurisdiction in which it is unlawful to make or accept an offer of the Ordinary Shares and it is not acting on a nondiscretionary basis for any such person;



- 4.1.12 if it is outside the United Kingdom, neither this document nor any other offering, marketing or other material in connection with the First Placing and/or a Subsequent Placing constitutes an invitation, offer or promotion to, or arrangement with, it or any person whom it is procuring to subscribe for Ordinary Shares pursuant to the First Placing and/or a Subsequent Placing unless, in the relevant territory, such offer, invitation or other course of conduct could lawfully be made to it or such person and such documents or material could lawfully be provided to it or such person and Ordinary Shares could lawfully be distributed to and subscribed and held by it or such person without compliance with any unfulfilled approval, registration or other regulatory or legal requirements;
- 4.1.13 if the Placee is a natural person, such Placee is not under the age of majority (18 years of age in the United Kingdom) on the date of such Placee's agreement to subscribe for Ordinary Shares under the First Placing and/or under a Subsequent Placing and will not be any such person on the date any such agreement to subscribe under the First Placing or a Subsequent Placing is accepted;
- 4.1.14 it has not, directly or indirectly, distributed, forwarded, transferred or otherwise transmitted this document or any other offering materials concerning the First Placing and/or a Subsequent Placing or the Ordinary Shares to any persons within the United States or to any US Persons, nor will it do any of the foregoing;
- 4.1.15 it represents, acknowledges and agrees to the representations, warranties and agreements as set out under the heading "United States purchase and transfer restrictions" in paragraph 7, below;
- 4.1.16 it acknowledges that neither N+1 Singer nor Stifel nor any of its affiliates, nor any person acting on its or their behalf is making any recommendations to it, advising it regarding the suitability of any transactions it may enter into in connection with the First Placing and/or a Subsequent Placing or providing any advice in relation to the First Placing and/or a Subsequent Placing and participation in the First Placing and/or a Subsequent Placing is on the basis that it is not and will not be a client of N+1 Singer or Stifel and that N+1 Singer or Stifel do not have any duties or responsibilities to it for providing the protections afforded to their clients or for providing advice in relation to the First Placing and/or a Subsequent Placing nor in respect of any representations, warranties, undertakings or indemnities otherwise required to be given by it in connection with its application under the First Placing and/or a Subsequent Placing;
- 4.1.17 it acknowledges that where it is subscribing for Ordinary Shares for one or more managed, discretionary or advisory accounts, it is authorised in writing for each such account:
- (a) to subscribe for the Ordinary Shares for each such account;
  - (b) to make on each such account's behalf the representations, warranties and agreements set out in this document; and
  - (c) to receive on behalf of each such account any documentation relating to the First Placing and/or a Subsequent Placing in the form provided by the Company, N+1 Singer and/or Stifel;
- and it agrees that the provisions of this paragraph shall survive any resale of the Ordinary Shares by or on behalf of any such account;
- 4.1.18 it irrevocably appoints any director of the Company and any member of N+1 Singer or director of Stifel to be its agent and on its behalf (without any obligation or duty to do so), to sign, execute and deliver any documents and do all acts, matters and

things as may be necessary for, or incidental to, its subscription for all or any of the Ordinary Shares for which it has given a commitment under the First Placing and/or a Subsequent Placing, in the event of its own failure to do so;

- 4.1.19 it accepts that if the First Placing and/or a Subsequent Placing does not proceed or the conditions to the Placing and Offer Agreement are not satisfied or the Ordinary Shares for which valid applications are received and accepted are not admitted to trading on the Specialist Fund Segment of the London Stock Exchange's main market for listed securities for any reason whatsoever then neither of N+1 Singer nor Stifel nor the Company, nor persons controlling, controlled by or under common control with any of them nor any of their respective employees, agents, officers, members, stockholders, partners or representatives, shall have any liability whatsoever to it or any other person;
- 4.1.20 in connection with its participation in the First Placing and/or a Subsequent Placing it has observed all relevant legislation and regulations;
- 4.1.21 it acknowledges that N+1 Singer, Stifel and the Company are entitled to exercise any of their rights under the Placing and Offer Agreement or any other right in their absolute discretion without any liability whatsoever to it;
- 4.1.22 the representations, undertakings and warranties contained in this document are irrevocable. It acknowledges that N+1 Singer, Stifel and the Company and their respective affiliates will rely upon the truth and accuracy of the foregoing representations and warranties and it agrees that if any of the representations or warranties made or deemed to have been made by its subscription of the Ordinary Shares are no longer accurate, it shall promptly notify N+1 Singer, Stifel and the Company;
- 4.1.23 where it or any person acting on behalf of it is dealing with N+1 Singer or Stifel, any money held in an account with N+1 Singer or Stifel on behalf of it and/or any person acting on behalf of it will not be treated as client money within the meaning of the relevant rules and regulations of the FCA which therefore will not require N+1 Singer or Stifel to segregate such money, as that money will be held by N+1 Singer or Stifel under a banking relationship and not as trustee;
- 4.1.24 any of its clients, whether or not identified to N+1 Singer or Stifel, will remain its sole responsibility and will not become clients of N+1 Singer or Stifel for the purposes of the rules of the FCA or for the purposes of any other statutory or regulatory provision;
- 4.1.25 it accepts that the allocation of Ordinary Shares shall be determined by the Company in its absolute discretion (in consultation with N+1 Singer and Stifel) and that the Company may scale down any commitments for this purpose on such basis as it may (in consultation with N+1 Singer and Stifel) determine;
- 4.1.26 time shall be of the essence as regards its obligations to settle payment for the Ordinary Shares and to comply with its other obligations under the First Placing and/or a Subsequent Placing;
- 4.1.27 its commitment to acquire Ordinary Shares will be agreed orally with N+1 Singer or Stifel as agent for the Company and that a Contract Note or Placing Confirmation will be issued by N+1 Singer and Stifel as soon as possible thereafter. That oral confirmation will constitute an irrevocable, legally binding commitment upon that person (who at that point will become a Placee) in favour of the Company and N+1 Singer or Stifel to subscribe for the number of Ordinary Shares allocated to it at the Issue Price or the Placing Programme Price on the terms and conditions set out in this Part 13 and, as applicable, in the Contract Note or Placing Confirmation. Except

with the consent of N+1 Singer and Stifel, such oral commitment will not be capable of variation or revocation after the time at which it is made; and

4.1.28 its allocation of Ordinary Shares under the First Placing and any Subsequent Placing will be evidenced by the Contract Note or Placing Confirmation, as applicable, confirming:

- (a) the number of Ordinary Shares that such Placee has agreed to subscribe for;
- (b) the aggregate amount that such Placee will be required to pay for such Ordinary Shares; and
- (c) settlement instructions to pay N+1 Singer or Stifel as agents for the Company. The terms of this Part 13 will be deemed to be incorporated into that Contract Note or Placing Confirmation.

The Company reserves the right to reject all or part of any offer to purchase Ordinary Shares for any reason. The Company also reserves the right to sell fewer than all of the Ordinary Shares offered by this document or to sell to any purchaser fewer than all of the Ordinary Shares a purchaser has offered to purchase.

## **5. MONEY LAUNDERING**

5.1 Each Placee acknowledges and agrees that:

5.1.1 its application is only made on the basis that it accepts full responsibility for any requirement to verify the identity of its clients and other persons in respect of whom it has applied. In addition, it warrants that it is a person:

- (a) subject to the Money Laundering Regulations 2007 in force in the United Kingdom; or
- (b) subject to the Money Laundering Directive (2005/60/EC of the European Parliament and of the EC Council of 26 October 2005 on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing) (the "Money Laundering Directive"); or
- (c) acting in the course of a business in relation to which an overseas regulatory authority exercises regulatory functions and is based or incorporated in, or formed under the law of, a country in which there are in force provisions at least equivalent to those required by the Money Laundering Directive; and

5.1.2 due to anti-money laundering requirements, N+1 Singer, Stifel and the Company may require proof of identity and verification of the source of the payment before the application can be processed and that, in the event of delay or failure by the applicant to produce any information required for verification purposes, N+1 Singer, Stifel and the Company may refuse to accept the application and the subscription moneys relating thereto. It holds harmless and will indemnify N+1 Singer, Stifel and the Company against any liability, loss or cost ensuing due to the failure to process such application, if such information as has been required has not been provided by it.

## **6. THE DATA PROTECTION ACT**

6.1 Each Placee acknowledges and agrees that, pursuant to The Data Protection Act 1998 (the "DP Act") the Company and/or the Registrar and/or the Administrator, may hold personal data (as defined in the DP Act) relating to past and present Shareholders. Personal data may be retained on record for a period exceeding six years after it is no longer used. The

Registrar and the Administrator will only process such information for the purposes set out below (collectively, the “Purposes”), being to:

- 6.1.1 process its personal data (including sensitive personal data as defined in the DP Act) to the extent and in such manner as is necessary for the performance of their obligations under their respective service contracts, including as required by or in connection with its holding of Ordinary Shares, including processing personal data in connection with credit and money laundering checks on it;
  - 6.1.2 communicate with it as necessary in connection with its affairs and generally in connection with its holding of Ordinary Shares;
  - 6.1.3 provide personal data to such third parties as the Registrar and/or the Administrator may consider necessary in connection with its affairs and generally in connection with its holding of Ordinary Shares or as the DP Act may require, including to third parties outside the European Economic Area;
  - 6.1.4 without limitation, provide such personal data to their affiliates, the Company or the AIFM or the Investment Adviser and their respective associates for processing, notwithstanding that any such party may be outside the European Economic Area; and
  - 6.1.5 process its personal data for the Registrar’s and/or the Administrator’s internal administration.
- 6.2 By becoming registered as a holder of Ordinary Shares a person becomes a data subject (as defined in the DP Act) and is deemed to have consented to the processing by the Company, the Registrar or the Administrator of any personal data relating to them in the manner described above. In providing the Registrar and the Administrator with information, it hereby represents and warrants to the Registrar and the Administrator that it has obtained the consent of any data subject to the Registrar and the Administrator, and their respective affiliates and group companies, holding and using their personal data for the Purposes (including the explicit consent of the data subjects for the processing of any sensitive personal data for the Purposes set out above in this paragraph 6).

## **7. UNITED STATES PURCHASE AND TRANSFER RESTRICTIONS**

- 7.1 By participating in the First Placing and/or a Subsequent Placing, each Placee acknowledges and agrees that it will (for itself and any person(s) procured by it to subscribe for Ordinary Shares and any nominee(s) for any such person(s)) be further deemed to represent and warrant to each of the Company, the AIFM, the Investment Adviser, the Registrar and N+1 Singer and Stifel that:
- 7.1.1 it is either:
    - (a) not a US Person, is not located within the United States, is acquiring the Ordinary Shares in an offshore transaction meeting the requirements of Regulation S and is not acquiring the Ordinary Shares for the account or benefit of a US Person; or
    - (b) a US Person to whom Ordinary Shares may be offered pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction in the United States;
  - 7.1.2 it acknowledges that the Ordinary Shares have not been and will not be registered under the US Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered or sold in the United States or to, or for the account or benefit of, US Persons except in a transaction exempt from, or not subject to, the registration requirements of the US Securities Act

and in compliance with all applicable state securities laws and under circumstances that would not require the Company to register under the US Investment Company Act;

- 7.1.3 it acknowledges that the Company has not and will not be registered under the US Investment Company Act and that the Company has put in place restrictions for transactions not involving any public offering in the United States, and to ensure that the Company is not and will not be required to register under the US Investment Company Act;
- 7.1.4 unless the Company expressly consents otherwise in writing, no portion of the assets used to purchase, and no portion of the assets used to hold, the Ordinary Shares or any beneficial interest therein constitutes or will constitute the assets of:
- (a) an “**employee benefit plan**” as defined in Section 3(3) of ERISA that is subject to Title I of ERISA;
  - (b) a “**plan**” as defined in Section 4975 of the US Code, including an individual retirement account or other arrangement that is subject to Section 4975 of the US Code; or
  - (c) an entity which is deemed to hold the assets of any of the foregoing types of plans, accounts or arrangements that is subject to Title I of ERISA or Section 4975 of the US Code. In addition, if a Placee is a governmental, church, non-US or other employee benefit plan that is subject to any federal, state, local or non-US law that is substantially similar to the provisions of Title I of ERISA or Section 4975 of the US Code, its purchase, holding, and disposition of the Ordinary Shares must not constitute or result in a non-exempt violation of any such substantially similar law;
- 7.1.5 if any Ordinary Shares are issued to it in certificated form, then such certificates evidencing ownership will contain a legend substantially to the following effect, unless otherwise determined by the Company in accordance with applicable law:

“THE PRS REIT PLC (THE “COMPANY”) HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE US INVESTMENT COMPANY ACT OF 1940, AS AMENDED. IN ADDITION, THE SECURITIES OF THE COMPANY REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE US SECURITIES ACT OF 1933, AS AMENDED, OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES. ACCORDINGLY, THIS SECURITY MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, US PERSONS EXCEPT IN ACCORDANCE WITH THE US SECURITIES ACT OR AN EXEMPTION THEREFROM AND UNDER CIRCUMSTANCES WHICH DO NOT REQUIRE THE COMPANY TO REGISTER UNDER THE US INVESTMENT COMPANY ACT, IN EACH CASE IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS. IN ADDITION, THIS SECURITY MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED TO ANY PERSON USING THE ASSETS OF (I) (A) AN “EMPLOYEE BENEFIT PLAN” AS DEFINED IN SECTION 3(3) OF ERISA THAT IS SUBJECT TO TITLE I OF ERISA; (B) A “PLAN” AS DEFINED IN SECTION 4975 OF THE US CODE, INCLUDING AN INDIVIDUAL RETIREMENT ACCOUNT OR OTHER ARRANGEMENT THAT IS SUBJECT TO SECTION 4975 OF THE US CODE; OR (C) AN ENTITY WHICH IS DEEMED TO HOLD THE ASSETS OF ANY OF THE FOREGOING TYPES OF PLANS, ACCOUNTS OR ARRANGEMENTS THAT IS SUBJECT TO TITLE I OF ERISA OR SECTION 4975 OF THE US CODE OR (II) A GOVERNMENTAL, CHURCH,



NON-US OR OTHER EMPLOYEE BENEFIT PLAN THAT IS SUBJECT TO ANY FEDERAL, STATE, LOCAL OR NON-US LAW THAT IS SUBSTANTIALLY SIMILAR TO THE PROVISIONS OF TITLE I OF ERISA OR SECTION 4975 OF THE US CODE UNLESS THE PURCHASE, HOLDING OR DISPOSITION OF THE SECURITIES WILL NOT RESULT IN A VIOLATION OF APPLICABLE LAW AND/OR CONSTITUTE A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 503 OF THE US CODE OR ANY SUBSTANTIALLY SIMILAR LAW.”;

- 7.1.6 if in the future the Placee decides to offer, sell, transfer, assign or otherwise dispose of its Ordinary Shares, it will do so only in compliance with an exemption from the registration requirements of the US Securities Act and under circumstances which will not require the Company to register under the US Investment Company Act. It acknowledges that any sale, transfer, assignment, pledge or other disposal made other than in compliance with such laws and the above stated restrictions will be subject to the compulsory transfer provisions as provided in the Articles;
- 7.1.7 it is purchasing the Ordinary Shares for its own account or for one or more investment accounts for which it is acting as a fiduciary or agent, in each case for investment only, and not with a view to or for sale or other transfer in connection with any distribution of the Ordinary Shares in any manner that would violate the US Securities Act, the US Investment Company Act or any other applicable securities laws;
- 7.1.8 it acknowledges that the Company reserves the right to make inquiries of any holder of the Ordinary Shares or interests therein at any time as to such person's status under US federal securities laws and to require any such person that has not satisfied the Company that holding by such person will not violate or require registration under US securities laws to transfer such Ordinary Shares or interests in accordance with the Articles;
- 7.1.9 it acknowledges and understands that the Company is required to comply with FATCA and agrees to furnish any information and documents the Company may from time to time request, including but not limited to information required under FATCA;
- 7.1.10 it is entitled to acquire the Ordinary Shares under the laws of all relevant jurisdictions which apply to it, it has fully observed all such laws and obtained all governmental and other consents which may be required thereunder and complied with all necessary formalities and it has paid all issue, transfer or other taxes due in connection with its acceptance in any jurisdiction of the Ordinary Shares and that it has not taken any action, or omitted to take any action, which may result in the Company, the AIFM, the Investment Adviser, the Registrar, N+1 Singer, Stifel or their respective members, directors, officers, agents, employees and advisers being in breach of the laws of any jurisdiction in connection with the First Placing and/or a Subsequent Placing or its acceptance of participation in the First Placing and/or a Subsequent Placing;
- 7.1.11 it has received, carefully read and understands this document, and has not, directly or indirectly, distributed, forwarded, transferred or otherwise transmitted this document or any other presentation or offering materials concerning the Ordinary Shares to within the United States or to any US Persons, nor will it do any of the foregoing; and
- 7.1.12 if it is acquiring any Ordinary Shares as a fiduciary or agent for one or more accounts, the Placee has sole investment discretion with respect to each such account and full power and authority to make such foregoing representations, warranties, acknowledgements and agreements on behalf of each such account.



- 7.2 The Company, the AIFM, the Investment Adviser, the Registrar, N+1 Singer, Stifel and their respective members, directors, officers, agents, employees, advisers and others will rely upon the truth and accuracy of the foregoing representations, warranties, acknowledgments and agreements.
- 7.3 If any of the representations, warranties, acknowledgments or agreements made by the Placee are no longer accurate or have not been complied with, the Placee will immediately notify the Company, N+1 Singer and Stifel.

## **8. SUPPLY AND DISCLOSURE OF INFORMATION**

If N+1 Singer, Stifel, the Registrar or the Company or any of their agents request any information about a Placee's agreement to subscribe for Ordinary Shares under the First Placing and/or a Subsequent Placing, such Placee must promptly disclose it to them.

## **9. NON UNITED KINGDOM INVESTORS**

- 9.1 If the Placee is outside the United Kingdom, neither this document nor any other offering, marketing or other material in connection with the First Placing and/or the Placing Programme constitutes an invitation, offer or promotion to, or arrangement with, it or any person whom it is procuring to subscribe for Ordinary Shares pursuant to the First Placing and/or a Subsequent Placing unless, in the relevant territory, such offer, invitation or other course of conduct could lawfully be made to it or such person and such documents or materials could lawfully be provided to it or such person and Ordinary Shares could lawfully be distributed to and subscribed and held by it or such person without compliance with any unfulfilled approval, registration or other regulatory or legal requirements.
- 9.2 None of the Ordinary Shares has been or will be registered under the laws of the United States, Canada, Australia, the Republic of South Africa or Japan. Accordingly, the Ordinary Shares may not be offered, sold, issued or delivered, directly or indirectly, within any of the United States, Canada, Australia, the Republic of South Africa or Japan or to any US Person or to any national, resident or citizen of Canada, Australia, the Republic of South Africa or Japan unless an exemption from any registration requirement is available.

## **10. MISCELLANEOUS**

- 10.1 The rights and remedies of the Company, the AIFM, the Investment Adviser, N+1 Singer, Stifel and the Registrar under these terms and conditions are in addition to any rights and remedies which would otherwise be available to each of them and the exercise or partial exercise of one will not prevent the exercise of others.
- 10.2 On application, if a Placee is a discretionary fund manager, that Placee may be asked to disclose in writing or orally the jurisdiction in which its funds are managed or owned. All documents provided in connection with the First Placing and/or a Subsequent Placing will be sent at the Placee's risk. They may be returned by post to such Placee at the address notified by such Placee.
- 10.3 Each Placee agrees to be bound by the Articles once the Ordinary Shares, which the Placee has agreed to subscribe for pursuant to the First Placing and/or a Subsequent Placing, have been acquired by the Placee. The contract to subscribe for Ordinary Shares under the First Placing and/or a Subsequent Placing and the appointments and authorities mentioned in this document and all disputes and claims arising out of or in connection with its subject matter or formation (including non-contractual disputes or claims) will be governed by, and construed in accordance with, the laws of England and Wales. For the exclusive benefit of the Company, the AIFM, the Investment Adviser, N+1 Singer, Stifel and the Registrar, each Placee irrevocably submits to the jurisdiction of the courts of England and Wales and waives any objection to proceedings in any such court on the ground of venue or on the ground that

proceedings have been brought in an inconvenient forum. This does not prevent an action being taken against the Placee in any other jurisdiction.

- 10.4 In the case of a joint agreement to subscribe for Ordinary Shares under the First Placing and/or a Subsequent Placing, references to a “Placee” in these terms and conditions are to each of the Placees who are a party to that joint agreement and their liability is joint and several.
- 10.5 N+1 Singer, Stifel and the Company expressly reserve the right to modify the First Placing and/or a Subsequent Placing (including, without limitation, the timetable and settlement) at any time before allocations are determined. The First Placing and any Subsequent Placing are subject to the satisfaction of the conditions contained in the Placing and Offer Agreement and the Placing and Offer Agreement not having been terminated. Further details of the terms of the Placing and Offer Agreement are contained in paragraph 7.5 of Part 12 of this Document.

## **PART 14**

### **TERMS AND CONDITIONS OF APPLICATION UNDER THE OFFER FOR SUBSCRIPTION**

#### **1. INTRODUCTION**

- 1.1 Ordinary Shares are available under the Offer for Subscription at a price of 100 pence per Ordinary Share. The Ordinary Shares will, when issued and fully paid, include the right to receive all dividends or other distributions made, paid or declared, if any, by reference to a record date after the date of their issue.
- 1.2 Applications to acquire Ordinary Shares must be made on the Application Form attached as Appendix 1 to this document or otherwise published by the Company.
- 1.3 In addition to completing and returning the Application Form to Capita Asset Services, you will also need to complete and return a Tax Residency Self Certification Form. The “individual tax residency self-certification – sole holding” form can be found at the end of this document and further copies of this form and the relevant form for joint holdings or Corporate Entity holdings can be requested from Capita Asset Services on 0371 664 0321. Calls are charged at the standard geographic rate and will vary by provider. Calls outside of the United Kingdom will be charged at the applicable international rate. The helpline is open between 9.00 a.m. – 5.30 p.m., Monday to Friday excluding public holidays in England and Wales. Please note that Capita Asset Services cannot provide any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes.

It is a condition of application that (where applicable) a completed version of that form is provided with the Offer for Subscription Application Form before any application can be accepted.

#### **2. OFFER FOR SUBSCRIPTION TO ACQUIRE SHARES**

- 2.1 By completing and delivering an Application Form, you, as the applicant, and, if you sign the Application Form on behalf of another person or a corporation, that person or corporation:
  - 2.1.1 offer to subscribe for the amount specified in Box 2 on your Application Form, or any smaller amount for which such application is accepted, on the terms, and subject to the conditions, set out in this document, including these terms and conditions of application and the Articles;
  - 2.1.2 agree that, in consideration for the Company agreeing that it will not offer any Ordinary Shares to any person other than by means of the procedures referred to in this document, your application may not be revoked, subject to your statutory right of withdrawal in the event of publication of a supplementary prospectus by the Company, and that this paragraph shall constitute a collateral contract between you and the Company which will become binding upon despatch by post to or, in the case of delivery by hand, on receipt by the Receiving Agent of your Application Form;
  - 2.1.3 undertake to pay the subscription amount specified in Box 2 on your Application Form in full on application and warrant that the remittance accompanying your Application Form will be honoured on first presentation and agree that if such remittance is not so honoured you will not be entitled to receive a share certificate for the Ordinary Shares applied for in certificated form or be entitled to commence dealing in Ordinary Shares applied for in uncertificated form or to enjoy or receive any rights in respect of such Ordinary Shares unless and until you make payment in cleared funds for such Ordinary Shares and such payment is accepted by the

Receiving Agent (which acceptance shall be in its absolute discretion and on the basis that you indemnify the Receiving Agent, the Company, N+1 Singer and Stifel against all costs, damages, losses, expenses and liabilities arising out of, or in connection with, the failure of your remittance to be honoured on first presentation) and the Company may (without prejudice to any other rights it may have) avoid the agreement to allot the Ordinary Shares and may allot them to some other person, in which case you will not be entitled to any refund or payment in respect thereof (other than the refund by a cheque drawn on a branch of a UK clearing bank to the bank account name from which they were first received at your risk of any proceeds of the remittance which accompanied your Application Form, without interest);

- 2.1.4 agree that, where on your Application Form a request is made for Ordinary Shares to be deposited into a CREST account:
- (a) the Receiving Agent may in its absolute discretion amend the form so that such Ordinary Shares may be issued in certificated form registered in the name(s) of the holder(s) specified in your Application Form (and recognise that the Receiving Agent will so amend the form if there is any delay in satisfying the identity of the applicant or the owner of the CREST account or in receiving your remittance in cleared funds); and
  - (b) the Receiving Agent, the Company, N+1 Singer or Stifel may authorise your financial adviser or whoever he or she may direct to send a document of title for or credit your CREST account in respect of, the number of Ordinary Shares for which your application is accepted, and/or a crossed cheque for any monies returnable, by post at your risk to your address set out on your Application Form;
- 2.1.5 agree, in respect of applications for Ordinary Shares in certificated form (or where the Receiving Agent exercises its discretion pursuant to paragraph 2.1.4 of this paragraph 2.1 to issue Ordinary Shares in certificated form), that any share certificate to which you or, in the case of joint applicants, any of the persons specified by you in your Application Form may become entitled (and any monies returnable to you) may be retained by the Receiving Agent:
- (a) pending clearance of your remittance;
  - (b) pending investigation of any suspected breach of the warranties contained in paragraphs 6.1, 6.2, 6.6, 6.8, 6.13, 6.15 or 6.16 below or any other suspected breach of these terms and conditions of application; or
  - (c) pending any verification of identity which is, or which the Receiving Agent considers may be, required for the purpose of the Money Laundering Regulations and any other regulations applicable thereto, and any interest accruing on such retained monies shall accrue to and for the benefit of the Company;
- 2.1.6 agree, on the request of the Receiving Agent, to disclose promptly in writing to it such information as the Receiving Agent may request in connection with your application and authorise the Receiving Agent to disclose any information relating to your application which it may consider appropriate;
- 2.1.7 agree that if evidence of identity satisfactory to the Receiving Agent is not provided to the Receiving Agent within a reasonable time (in the opinion of the Receiving Agent) following a request therefor, the Receiving Agent or the Company may terminate the agreement with you to allot Ordinary Shares and, in such case, the Ordinary Shares which would otherwise have been allotted to you may be re-allotted or sold to some other party and the lesser of your application monies or such

proceeds of sale (as the case may be, with the proceeds of any gain derived from a sale accruing to the Company) will be returned by a cheque drawn on a branch of a UK clearing bank to the bank account name on which the payment accompanying the application was first drawn without interest and at your risk;

- 2.1.8 agree that you are not applying on behalf of a person engaged in money laundering;
- 2.1.9 undertake to ensure that, in the case of an Application Form signed by someone else on your behalf, the original of the relevant power of attorney (or a complete copy certified by a solicitor or notary) is enclosed with your Application Form together with full identity documents for the person so signing;
- 2.1.10 undertake to pay interest at the rate described in paragraph 3.3 below if the remittance accompanying your Application Form is not honoured on first presentation;
- 2.1.11 authorise the Receiving Agent to procure that there be sent to you definitive certificates in respect of the number of Ordinary Shares for which your application is accepted or if you have completed section 5 on your Application Form or, subject to paragraph 2.1.4 above, to deliver the number of Ordinary Shares for which your application is accepted into CREST, and/or to return any monies returnable by a cheque drawn on a branch of a UK clearing bank to the bank account name from which such monies were first received without interest and at your risk;
- 2.1.12 confirm that you have read and complied with paragraph 8 below;
- 2.1.13 agree that all subscription cheques and payments will be processed through a bank account (the "Acceptance Account") in the name of "**CRL RE: THE PRS OFS A/C**" opened by the Receiving Agent;
- 2.1.14 agree that your Application Form is addressed to the Company and the Receiving Agent; and
- 2.1.15 agree that any application may be rejected in whole or in part at the sole discretion of the Company.

### **3. ACCEPTANCE OF YOUR OFFER**

- 3.1 The Receiving Agent may, on behalf of the Company, accept your offer to subscribe (if your application is received, valid (or treated as valid), processed and not rejected) by notifying the basis of allocation through a Regulatory Information Service (in which case the acceptance will be on that basis).
- 3.2 The basis of allocation will be determined by the Company in consultation with N+1 Singer and Stifel. The right is reserved, notwithstanding the basis as so determined, to reject in whole or in part and/or scale back any application. The right is reserved to treat as valid any application not complying fully with these terms and conditions of application or not in all respects completed or delivered in accordance with the instructions accompanying the Application Form. In particular, but without limitation, the Company may accept an application made otherwise than by completion of an Application Form where you have agreed with the Company in some other manner to apply in accordance with these terms and conditions of application.
- 3.3 The Receiving Agent will present all cheques and bankers' drafts for payment on receipt and will retain documents of title and surplus monies pending clearance of successful applicants' payment. The right is also reserved to reject in whole or in part, or to scale down or limit, any application. The Receiving Agent may, as agent of the Company, require you to pay interest or its other resulting costs (or both) if the payment accompanying your application is not honoured on first presentation. If you are required to pay interest you will be obliged to pay

the amount determined by the Receiving Agent to be the interest on the amount of the payment from the date on which all payments in cleared funds are due to be received until the date of receipt of cleared funds. The rate of interest will be the then published bank base rate of a clearing bank selected by the Receiving Agent plus 4 per cent. per annum.

- 3.4 Payments must be made by cheque or banker's draft in pounds sterling drawn on a branch in the United Kingdom of a bank or building society that is either a member of the Cheque and Credit Clearing Company Limited or the CHAPS Clearing Company Limited or that has arranged for its cheques or bankers' drafts to be cleared through the facilities provided for members of either of those companies. Such cheques or bankers' drafts must bear the appropriate sort code in the top right hand corner. Cheques, which must be drawn on the personal account of an individual applicant where they have sole or joint title to the funds, should be made payable to "**CRL RE: THE PRS OFS A/C**" and crossed "A/C payee only". Third party cheques will not be accepted with the exception of building society cheques or bankers' drafts where the building society or bank has inserted the full name of the building society or bank account holder and has added the building society or bank branch stamp. The name of the building society or bank account holder must be the same as that shown on the Application Form.

#### **4. CONDITIONS**

- 4.1 The contracts created by the acceptance of applications (in whole or in part) under the Offer for Subscription will be conditional upon:
- 4.1.1 First Admission occurring by 8.00 a.m. on 31 May 2017 (or such later time or date as the Company, N+1 Singer and Stifel may agree (not being later than 8.00 a.m. on 30 June 2017)); and
- 4.1.2 the Placing and Offer Agreement becoming otherwise unconditional in all respects, and not being terminated in accordance with its terms before First Admission; and
- 4.1.3 the Minimum Net Proceeds being raised.
- 4.2 In the event that the Company, in consultation with the Investment Adviser, N+1 Singer and Stifel, wishes to waive condition 4.1.3 referred to above, the Company will be required to publish a supplementary prospectus (including a working capital statement based on a revised minimum net proceeds figure).
- 4.3 You will not be entitled to exercise any remedy of rescission for innocent misrepresentation (including pre-contractual representations) at any time after acceptance. This does not affect any other right you may have.

#### **5. RETURN OF APPLICATION MONIES**

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

#### **6. WARRANTIES**

- 6.1 By completing an Application Form, you:
- 6.1.1 undertake and warrant that, if you sign the Application Form on behalf of somebody else or on behalf of a corporation, you have due authority to do so on behalf of that other person and that such other person will be bound accordingly and will be deemed also to have given the confirmations, warranties and undertakings contained



in these terms and conditions of application and undertake to enclose your power of attorney or other authority or a complete copy thereof duly certified by a solicitor or notary;

- 6.1.2 warrant, if the laws of any territory or jurisdiction outside the UK are applicable to your application, that you have complied with all such laws, obtained all governmental and other consents which may be required, complied with all requisite formalities and paid any issue, transfer or other taxes due in connection with your application in any territory and that you have not taken any action or omitted to take any action which will result in the Company or the Receiving Agent or any of their respective officers, agents or employees acting in breach of the regulatory or legal requirements, directly or indirectly, of any territory or jurisdiction outside of the UK in connection with the Offer for Subscription in respect of your application;
- 6.1.3 confirm that in making an application you are not relying on any information or representations in relation to the Company other than those contained in this document (on the basis of which alone your application is made) and accordingly you agree that no person responsible solely or jointly for this document or any part thereof shall have any liability for any such other information or representation;
- 6.1.4 agree that, having had the opportunity to read this document, you shall be deemed to have had notice of all information and representations contained therein;
- 6.1.5 acknowledge that no person is authorised in connection with the Offer for Subscription to give any information or make any representation other than as contained in this document and, if given or made, any information or representation must not be relied upon as having been authorised by the Company, N+1 Singer, Stifel, the AIFM, the Investment Adviser or the Receiving Agent;
- 6.1.6 warrant that you are not under the age of 18 on the date of your application;
- 6.1.7 agree that all documents and monies sent by post to, by or on behalf of the Company or the Receiving Agent, will be sent at your risk and, in the case of documents and returned application cheques and payments to be sent to you, may be sent to you at your address (or, in the case of joint holders, the address of the first-named holder) as set out in your Application Form;
- 6.1.8 confirm that you have reviewed the restrictions contained in paragraphs 8 and 10 below and warrant, to the extent relevant, that you (and any person on whose behalf you apply) comply or complied with the provisions therein;
- 6.1.9 agree that, in respect of those Ordinary Shares for which your Application Form has been received and processed and not rejected, acceptance of your Application Form shall be constituted by the Company instructing the Registrar to enter your name on the Register;
- 6.1.10 agree that all applications, acceptances of applications and contracts resulting therefrom under the Offer for Subscription and any non-contractual obligations existing under or in connection therewith shall be governed by and construed in accordance with the laws of England and Wales and that you submit to the jurisdiction of the English Courts and agree that nothing shall limit the right of the Company to bring any action, suit or proceedings arising out of or in connection with any such applications, acceptances of applications and contracts in any other manner permitted by law or in any court of competent jurisdiction;
- 6.1.11 irrevocably authorise the Company, N+1 Singer, Stifel or the Receiving Agent or any other person authorised by any of them, as your agent, to do all things necessary to effect registration of any Ordinary Shares subscribed by or issued to you into your

name and authorise any representatives of the Company and/or N+1 Singer and/or Stifel and/or the Receiving Agent to execute any documents required therefor and to enter your name on the Register;

- 6.1.12 agree to provide the Company with any information which it, N+1 Singer or the Receiving Agent may request in connection with your application or to comply with any other relevant legislation (as the same may be amended from time to time) including without limitation satisfactory evidence of identity to ensure compliance with the Money Laundering Regulations;
- 6.1.13 warrant that, in connection with your application, you have observed the laws of all requisite territories, obtained any requisite governmental or other consents, complied with all requisite formalities and paid any issue, transfer or other taxes due in connection with your application in any territory and that you have not taken any action which will or may result in the Company, N+1 Singer, Stifel, the AIFM, the Investment Adviser or the Receiving Agent acting in breach of the regulatory or legal requirements of any territory in connection with the Offer for Subscription or your application;
- 6.1.14 agree that N+1 Singer, Stifel and the Receiving Agent are acting for the Company in connection with the Offer for Subscription and for no-one else and that they will not treat you as their customer by virtue of such application being accepted or owe you any duties or responsibilities concerning the price of the Ordinary Shares or concerning the suitability of the Ordinary Shares for you or be responsible to you for the protections afforded to their customers;
- 6.1.15 warrant that the information contained in the Application Form is true and accurate; and
- 6.1.16 agree that if you request that Ordinary Shares are issued to you on a date other than First Admission and such Ordinary Shares are not issued on such date that the Company and its agents and Directors will have no liability to you arising from the issue of such Ordinary Shares on a different date.

## **7. MONEY LAUNDERING**

- 7.1 You agree that, in order to ensure compliance with the Money Laundering Regulations, the Receiving Agent may at its absolute discretion require verification of identity of you as the applicant lodging an Application Form and further may request from you and you will assist in providing identification of:
  - 7.1.1 the owner(s) and/or controller(s) (the “payor”) of any bank account not in the name of the holder(s) on which is drawn a payment by way of banker’s draft or cheque; or
  - 7.1.2 where it appears to the Receiving Agent that a holder or the payor is acting on behalf of some other person or persons, such person or persons.
- 7.2 Failure to provide the necessary evidence of identity may result in your application being rejected or delays in the despatch of documents or CREST account being credited.
- 7.3 Without prejudice to the generality of this paragraph 7, verification of the identity of holders and payors will be required if the value of the Ordinary Shares applied for, whether in one or more applications considered to be connected, exceeds €15,000 (approximately £13,000). If, in such circumstances, you use a building society cheque or banker’s draft you should ensure that the bank or building society issuing the payment enters the name, address and account number of the person whose account is being debited on the reverse of the cheque or banker’s draft and adds its stamp. If, in such circumstances, the person whose account is being debited is not a holder you will be required to provide for both the holder and payor

an original or copy of that person's passport or driving licence certified by a solicitor and an original or certified copy of two of the following documents, no more than three months old, a gas, electricity, water or telephone (not mobile) bill, a recent bank statement or a council tax bill, in their name and showing their current address (which originals will be returned by post at the addressee's risk) together with a signed declaration as to the relationship between the payor and you, the applicant.

- 7.4 For the purpose of the UK's Money Laundering Regulations, a person making an application for Ordinary Shares will not be considered as forming a business relationship with either the Company or with the Receiving Agent but will be considered as effecting a one-off transaction with either the Company or with the Receiving Agent.
- 7.5 The person(s) submitting an application for Ordinary Shares will ordinarily be considered to be acting as principal in the transaction unless the Receiving Agent determines otherwise, whereupon you may be required to provide the necessary evidence of identity of the underlying beneficial owner(s).
- 7.6 If the amount being subscribed exceeds €15,000 (approximately £13,000) you should endeavour to have the declaration contained in Section 6 of the Application Form signed by an appropriate firm as described in that box.

## **8. NON UNITED KINGDOM INVESTORS**

- 8.1 If you receive a copy of this document or an Application Form in any territory other than the United Kingdom, you may not treat it as constituting an invitation or offer to you, nor should you, in any event, use an Application Form unless, in the relevant territory, such an invitation or offer could lawfully be made to you or an Application Form could lawfully be used without contravention of any registration or other legal requirements. It is your responsibility, if you are outside the UK and wish to make an application for Ordinary Shares under the Offer for Subscription, to satisfy yourself as to full observance of the laws of any relevant territory or jurisdiction in connection with your application, including obtaining any requisite governmental or other consents, observing any other formalities requiring to be observed in such territory and paying any issue, transfer or other taxes required to be paid in such territory.
- 8.2 None of the Ordinary Shares has been or will be registered under the laws of Canada, Japan, the Republic of South Africa, Australia or under the US Securities Act or with any securities regulatory authority of any state or other political subdivision of the United States, Canada, Japan, the Republic of South Africa or Australia. Accordingly, unless an exemption under such act or laws is applicable, the Ordinary Shares may not be offered, sold or delivered, directly or indirectly, within Canada, Japan, the Republic of South Africa, Australia or the United States (as the case may be). If you subscribe for Ordinary Shares you will, unless the Company and the Registrar agree otherwise in writing, be deemed to represent and warrant to the Company that you are not a US Person or a resident of Canada, Japan, the Republic of South Africa, Australia or a corporation, partnership or other entity organised under the laws of the US or Canada (or any political subdivision of either) or Japan, the Republic of South Africa or Australia and that you are not subscribing for such Ordinary Shares for the account of any US Person or resident of Canada, Japan, the Republic of South Africa or Australia and will not offer, sell, renounce, transfer or deliver, directly or indirectly, any of the Ordinary Shares in or into the United States, Canada, Japan, or Australia or to any US Person or resident of Canada, Japan, the Republic of South Africa or Australia. No application will be accepted if it shows the applicant or a payor having an address in the United States, Canada, Japan, the Republic of South Africa or Australia.

## **9. THE DATA PROTECTION ACT**

- 9.1 Each applicant acknowledges and agrees that, pursuant to The Data Protection Act 1998 (the “DP Act”) the Company and/or the Registrar and/or the Administrator, may hold personal data (as defined in the DP Act) relating to past and present Shareholders. Personal data may be retained on record for a period exceeding six years after it is no longer used. The Registrar and the Administrator will only process such information for the purposes set out below (collectively, the “Purposes”), being to:
- 9.1.1 process its personal data (including sensitive personal data as defined in the DP Act) to the extent and in such manner as is necessary for the performance of their obligations under their respective service contracts, including as required by or in connection with its holding of Ordinary Shares, including processing personal data in connection with credit and money laundering checks on it;
  - 9.1.2 communicate with it as necessary in connection with its affairs and generally in connection with its holding of Ordinary Shares;
  - 9.1.3 provide personal data to such third parties as the Registrar and/or the Administrator may consider necessary in connection with its affairs and generally in connection with its holding of Ordinary Shares or as the DP Act may require, including to third parties outside the European Economic Area;
  - 9.1.4 without limitation, provide such personal data to their affiliates, the Company, the AIFM or the Investment Adviser and their respective associates for processing, notwithstanding that any such party may be outside the European Economic Area; and
  - 9.1.5 process its personal data for the Registrar’s and/or the Administrator’s internal administration.
- 9.2 By becoming registered as a holder of Ordinary Shares a person becomes a data subject (as defined in the DP Act) and is deemed to have consented to the processing by the Company, the Registrar or the Administrator of any personal data relating to them in the manner described above. In providing the Registrar and the Administrator with information, it hereby represents and warrants to the Registrar and the Administrator that it has obtained the consent of any data subject to the Registrar and the Administrator, and their respective affiliates and group companies, holding and using their personal data for the Purposes (including the explicit consent of the data subjects for the processing of any sensitive personal data for the Purposes set out above in this paragraph 9).

## **10. UNITED STATES PURCHASE AND TRANSFER RESTRICTIONS**

- 10.1 By participating in the Offer for Subscription, each applicant acknowledges and agrees that it will be further deemed to represent and warrant to each of the Company, the AIFM, the Investment Adviser, the Receiving Agent and the Registrar that:
- 10.1.1 it is not a US Person, is not located within the United States and is acquiring the Ordinary Shares in an offshore transaction meeting the requirements of Regulation S and is not acquiring the Ordinary Shares for the account or benefit of a US Person;
  - 10.1.2 it acknowledges that the Ordinary Shares have not been and will not be registered under the US Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered or sold in the United States or to, or for the account or benefit of, US Persons except in a transaction exempt from, or not subject to, the registration requirements of the US Securities Act and in compliance with all applicable state securities laws and under circumstances that would not require the Company to register under the US Investment Company Act;

10.1.3 it acknowledges that the Company has not and will not be registered under the US Investment Company Act and that the Company has put in place restrictions for transactions not involving any public offering in the United States, and to ensure that the Company is not and will not be required to register under the US Investment Company Act;

10.1.4 unless the Company expressly consents otherwise in writing, no portion of the assets used to purchase, and no portion of the assets used to hold, the Ordinary Shares or any beneficial interest therein constitutes or will constitute the assets of:

- (a) an “employee benefit plan” as defined in Section 3(3) of ERISA that is subject to Title I of ERISA;
- (b) a “plan” as defined in Section 4975 of the US Code, including an individual retirement account or other arrangement that is subject to Section 4975 of the US Code; or
- (c) an entity which is deemed to hold the assets of any of the foregoing types of plans, accounts or arrangements that is subject to Title I of ERISA or Section 4975 of the US Code. In addition, if an applicant is a governmental, church, non-US or other employee benefit plan that is subject to any federal, state, local or non-US law that is substantially similar to the provisions of Title I of ERISA or Section 4975 of the US Code, its purchase, holding, and disposition of the Ordinary Shares must not constitute or result in a non-exempt violation of any such substantially similar law;

10.1.5 if any Ordinary Shares offered and sold pursuant to Regulation S are issued in certificated form, then such certificates evidencing ownership will contain a legend substantially to the following effect, unless otherwise determined by the Company in accordance with applicable law:

“THE PRS REIT PLC (THE “COMPANY”) HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE US INVESTMENT COMPANY ACT OF 1940, AS AMENDED. IN ADDITION, THE SECURITIES OF THE COMPANY REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE US SECURITIES ACT OF 1933, AS AMENDED, OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES. ACCORDINGLY, THIS SECURITY MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, US PERSONS EXCEPT IN ACCORDANCE WITH THE US SECURITIES ACT OR AN EXEMPTION THEREFROM AND UNDER CIRCUMSTANCES WHICH DO NOT REQUIRE THE COMPANY TO REGISTER UNDER THE US INVESTMENT COMPANY ACT, IN EACH CASE IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS. IN ADDITION, THIS SECURITY MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED TO ANY PERSON USING THE ASSETS OF (I) (A) AN “EMPLOYEE BENEFIT PLAN” AS DEFINED IN SECTION 3(3) OF ERISA THAT IS SUBJECT TO TITLE I OF ERISA; (B) A “PLAN” AS DEFINED IN SECTION 4975 OF THE US CODE, INCLUDING AN INDIVIDUAL RETIREMENT ACCOUNT OR OTHER ARRANGEMENT THAT IS SUBJECT TO SECTION 4975 OF THE US CODE; OR (C) AN ENTITY WHICH IS DEEMED TO HOLD THE ASSETS OF ANY OF THE FOREGOING TYPES OF PLANS, ACCOUNTS OR ARRANGEMENTS THAT IS SUBJECT TO TITLE I OF ERISA OR SECTION 4975 OF THE US CODE OR (II) A GOVERNMENTAL, CHURCH, NON-US OR OTHER EMPLOYEE BENEFIT PLAN THAT IS SUBJECT TO ANY FEDERAL, STATE, LOCAL OR NON-US LAW THAT IS SUBSTANTIALLY SIMILAR TO THE PROVISIONS OF TITLE I OF ERISA OR SECTION 4975 OF THE US



CODE UNLESS THE PURCHASE, HOLDING OR DISPOSITION OF THE SECURITIES WILL NOT RESULT IN A VIOLATION OF APPLICABLE LAW AND/OR CONSTITUTE A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 503 OF THE US CODE OR ANY SUBSTANTIALLY SIMILAR LAW.”;

- 10.1.6 if in the future the applicant decides to offer, sell, transfer, assign or otherwise dispose of its Ordinary Shares, it will do so only in compliance with an exemption from the registration requirements of the US Securities Act and under circumstances which will not require the Company to register under the US Investment Company Act. It acknowledges that any sale, transfer, assignment, pledge or other disposal made other than in compliance with such laws and the above stated restrictions will be subject to the compulsory transfer provisions as provided in the Articles;
  - 10.1.7 it is purchasing the Ordinary Shares for its own account for investment only, and not with a view to or for sale or other transfer in connection with any distribution of the Ordinary Shares in any manner that would violate the US Securities Act, the US Investment Company Act or any other applicable securities laws;
  - 10.1.8 it acknowledges that the Company reserves the right to make inquiries of any holder of the Ordinary Shares or interests therein at any time as to such person's status under US federal securities laws and to require any such person that has not satisfied the Company that holding by such person will not violate or require registration under US securities laws to transfer such Ordinary Shares or interests in accordance with the Articles;
  - 10.1.9 it acknowledges and understands that the Company is required to comply with FATCA and agrees to furnish any information and documents the Company may from time to time request, including but not limited to information required under FATCA;
  - 10.1.10 it is entitled to acquire the Ordinary Shares under the laws of all relevant jurisdictions which apply to it, it has fully observed all such laws and obtained all governmental and other consents which may be required thereunder and complied with all necessary formalities and it has paid all issue, transfer or other taxes due in connection with its acceptance in any jurisdiction of the Ordinary Shares and that it has not taken any action, or omitted to take any action, which may result in the Company, the AIFM, the Investment Adviser or their respective members, directors, officers, agents, employees and advisers being in breach of the laws of any jurisdiction in connection with the Offer for Subscription or its acceptance of participation in the Offer for Subscription; and
  - 10.1.11 it has received, carefully read and understands this document, and has not, directly or indirectly, distributed, forwarded, transferred or otherwise transmitted this document or any other presentation or offering materials concerning the Ordinary Shares to within the United States or to any US Persons, nor will it do any of the foregoing.
- 10.2 The Company, the AIFM, the Investment Adviser, the Registrar and their respective members, directors, officers, agents, employees, advisers and others will rely upon the truth and accuracy of the foregoing representations, warranties, acknowledgments and agreements.
- 10.3 If any of the representations, warranties, acknowledgments or agreements made by the applicant are no longer accurate or have not been complied with, the applicant will immediately notify the Company.



## **11. MISCELLANEOUS**

- 11.1 To the extent permitted by law, all representations, warranties and conditions, express or implied and whether statutory or otherwise (including, without limitation, pre-contractual representations but excluding any fraudulent representations), are expressly excluded in relation to the Ordinary Shares and the Offer for Subscription.
- 11.2 The rights and remedies of the Company and the Receiving Agent under these terms and conditions of application are in addition to any rights and remedies which would otherwise be available to any of them and the exercise or partial exercise of one will not prevent the exercise of others.
- 11.3 The Company reserves the right to extend the closing time and/or date of the Offer for Subscription from 11.00 a.m. on 23 May 2017. In that event, the new closing time and/or date will be notified through a Regulatory Information Service.
- 11.4 The Company may terminate the Offer for Subscription in its absolute discretion at any time prior to First Admission. If such right is exercised, the Offer for Subscription will lapse and any monies will be returned as indicated without interest at the risk of the applicant.
- 11.5 You agree that N+1 Singer, Stifel and the Receiving Agent are acting for the Company in connection with the Issue and no-one else and that none of N+1 Singer, Stifel and the Receiving Agent will treat you as its customer by virtue of such application being accepted or owe you any duties concerning the price of the Ordinary Shares or concerning the suitability of the Ordinary Shares for you or otherwise in relation to the Offer for Subscription or for providing the protections afforded to their customers.
- 11.6 Save where the context requires otherwise, terms used in these terms and conditions of application bear the same meaning as where used elsewhere in this document.

## APPENDIX 1

### APPLICATION FORM FOR THE OFFER FOR SUBSCRIPTION

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

**TO:** Capita Asset Services, acting as receiving agent for The PRS REIT plc

#### 1. APPLICATION

I/We the person(s) detailed in section 3A below offer to subscribe for the number of Ordinary Shares shown in Box 1 subject to the Terms and Conditions set out in Part 14 of this document dated 4 May 2017 and subject to the Memorandum and Articles of Association of the Company.

**Box 1** (minimum subscription of 1,000 Ordinary Shares and then in multiples of 1,000 Ordinary Shares thereafter)

#### 2. AMOUNT PAYABLE

**Box 2** (the number in Box 1 multiplied by the Issue Price, being 100 pence per Ordinary Share)

Payment Method

☐

Cheque

☐

CHAPS

☐

CREST

#### 3A. DETAILS OF HOLDER(S) IN WHOSE NAME(S) ORDINARY SHARES WILL BE ISSUED (BLOCK CAPITALS)

Mr, Mrs, Miss or Title .....

Forenames (in full).....

Surname/Company Name .....

Address (in Full).....

Designation (if any).....

Mr, Mrs, Miss or Title .....

Forenames (in full).....

Surname/Company Name .....

Mr, Mrs, Miss or Title .....

Forenames (in full).....

Surname/Company Name .....

Mr, Mrs, Miss or Title .....

Forenames (in full).....

Surname/Company Name .....



### 3B. CREST DETAILS

(Only complete this section if Ordinary Shares allotted are to be deposited in a CREST Account which must be in the same name as the holder(s) given in section 3A).

CREST Participant ID

CREST Member Account ID

### 4. SIGNATURE(S) ALL HOLDERS MUST SIGN

Execution by Individuals:

First Applicant Signature		Date	
Second Applicant Signature		Date	
Third Applicant Signature		Date	
Fourth Applicant Signature		Date	

Execution by a Company:

Executed by (name of Company):		Date	
Name of Director:	Signature	Date	
Name of Director/Secretary:	Signature	Date	
If you are affixing a company seal, please mark a cross here:	Affix Company Seal here:		

### 5. SETTLEMENT DETAILS

#### (a) *Cheque/Banker's Draft*

If you are subscribing for Ordinary Shares and paying by cheque or banker's draft pin or staple to this form your cheque or banker's draft for the exact amount shown in Box 2 made payable to "**CRL RE: THE PRS OFS A/C**". Cheques and banker's drafts must be drawn on an account at a branch of a bank or building society in the United Kingdom and must bear the appropriate sort code in the top right hand corner.

#### (b) *Chaps*

For applicants sending subscription monies by electronic bank transfer (CHAPs), payment must be made for value by 11.00 a.m. on 23 May 2017 directly into the bank account detailed below. The payment instruction must also include a unique reference comprising your name and a contact telephone number which should be entered in the reference field on the payment instruction, for example, MJ SMITH 01234 567 8910.

Bank: Royal Bank of Scotland

Sort Code: 15-10-00

A/C No: 32557247

A/C Name: Capita Registrars Ltd re: PRS OFS CHAPS ACCEPTANCE A/C

The Receiving Agent cannot take responsibility for correctly identifying payments without a unique reference nor where a payment has been received but without an accompanying application form.

(c) **CREST Settlement**

If you so choose to settle your application within CREST, that is DVP, you or your settlement agent/custodian's CREST account must allow for the delivery and acceptance of Ordinary Shares to be made against payment of the Issue Price, following the CREST matching criteria set out below:

Trade Date:	25 May 2017
Settlement Date:	31 May 2017
Company:	The PRS REIT plc
Security Description:	Ordinary Shares
SEDOL:	BF01NH5
ISIN:	GB00BF01NH51

Applicants wishing to settle DVP will still need to complete and submit a valid Application Form to be received by no later than 11.00 a.m. on 23 May 2017. You should tick the relevant box in section 2.

Applicants will also need to ensure that their settlement instructions have been input to Capita Asset Services' Participant account (RA06) by no later than 11.00 a.m. on 23 May 2017. Note: Capita will not take any action until a valid DEL message has been alleged to the Participant account by the applicant.

No acknowledgement of receipt or input will be provided.

Applicants should also ensure that their settlement agent/custodian has a sufficient "**debit cap**" within the CREST system to facilitate settlement in addition to their usual daily trading and settlement requirements.

In the event of late/non settlement the company reserves the right to deliver shares outside of CREST in certificated form provided that payment has been made in terms satisfactory to the company and all other conditions of the Offer have been satisfied.

You must also ensure that you or your settlement agent/custodian has a sufficient "**debit cap**" within the CREST system to facilitate settlement in addition to your/its own daily trading and settlement requirements.

## 6. RELIABLE INTRODUCER DECLARATION

Completion and signing of this declaration by a suitable person or institution may avoid presentation being requested of the identity documents detailed in section 6 of the notes on how to complete this Application Form.

The declaration below may only be signed by a person or institution (being a regulated financial services firm) (the "**firm**") which is itself subject in its own country to operation of "**customer due diligence**" and anti-money laundering regulations no less stringent than those which prevail in the United Kingdom. Acceptable countries include Austria, Belgium, Bulgaria, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Latvia, Liechtenstein, Lithuania, Luxembourg, Malta, the Netherlands, Norway, Portugal, Slovenia, Spain, Sweden and the UK.



### **Declaration: To the Company and the Receiving Agent**

With reference to the holder(s) detailed in section 3A, all persons signing at section 4 and the payor if not also the Applicant (collectively the “**subjects**”) WE HEREBY DECLARE:

- (i) we operate in one of the above mentioned countries and our firm is subject to money laundering regulations under the laws of that country which, to the best of our knowledge, are no less stringent than those which prevail in the United Kingdom;
- (ii) we are regulated in the conduct of our business and in the prevention of money laundering by the regulatory authority identified below;
- (iii) each of the subjects is known to us in a business capacity and we hold valid identity documentation on each of them and we undertake to immediately provide to you copies thereof on demand;
- (iv) we confirm the accuracy of the names and residential/business address(es) of the holder(s) given at section 3A and if a CREST Account is cited at section 3B that the owner thereof is named in section 3A;
- (v) having regard to all local money laundering regulations we are, after enquiry, satisfied as to the source and legitimacy of the monies being used to subscribe for the Ordinary Shares mentioned; and
- (vi) where the payor and holder(s) are different persons we are satisfied as to the relationship between them and reason for the payor being different to the holder(s).

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

Signed: .....

Name: .....

Position: .....

having authority to bind the firm: .....

Name of regulatory authority: .....

Firm's Licence number: .....

Website address or telephone number of regulatory authority:.....

STAMP of firm giving full name and business address

## 7. CONTACT DETAILS

To ensure the efficient and timely processing of this application please enter below the contact details of a person the Company (or any of its agents) may contact with all enquiries concerning this application. Ordinarily this contact person should be the (or one of the) person(s) signing in section 4 on behalf of the first named holder. If no details are entered here and the Company (or any of its agents) requires further information, any delay in obtaining that additional information may result in your application being rejected or revoked.

Contact Name:	Email Address:
Address:	
Telephone No:	Fax No:





## NOTES ON HOW TO COMPLETE THE APPLICATION FORM

**Applications should be returned so as to be received by Capita no later than 11.00 a.m. on 23 May 2017.**

In addition to completing and returning the Application Form to Capita Asset Services, you will also need to complete and return a Tax Residency Self Certification Form. The “**individual tax residency self-certification – sole holding**” form can be found at the end of this document. Further copies of this form and the relevant form for joint holdings or corporate entity holdings can be requested from Capita Asset Services on 0371 664 0321. Calls are charged at the standard geographic rate and will vary by provider. Calls outside of the United Kingdom will be charged at the applicable international rate. The helpline is open between 9.00 a.m. – 5.30 p.m., Monday to Friday excluding public holidays in England and Wales. Please note that Capita Asset Services cannot provide any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes. **It is a condition of application that (where applicable) a completed version of the Tax Residency Self Certification Form is provided with the Application Form before any application can be accepted.**

**HELPLINE:** If you have a query concerning the completion of this Application Form, please telephone Capita Asset Services on 0371 664 0321. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. The helpline is open between 9.00 a.m. – 5.30 p.m., Monday to Friday excluding public holidays in England and Wales. Please note that Capita Asset Services cannot provide any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes.

### 1. Application

Fill in (in figures) in Box 1 the number of Ordinary Shares being subscribed for. The number being subscribed for must be a minimum of 1,000 Ordinary Shares and then in multiples of 1,000 Ordinary Shares thereafter. Financial intermediaries who are investing on behalf of clients should make separate applications for each client.

### 2. Amount payable

Fill in (in figures) the total amount payable for the Ordinary Shares for which your application is made which is the number inserted in Box 1 of the Offer for Subscription Application Form, multiplied by the Issue Price, being 100 pence per Ordinary Share. You should also mark in the relevant box to confirm your payment method, i.e. cheque, banker's draft or settlement via CREST.

### 3A. Holder details

Fill in (in block capitals) the full name(s) of each holder and the address of the first named holder. Applications may only be made by persons aged 18 or over. In the case of joint holders only the first named may bear a designation reference. A maximum of four joint holders is permitted. All holders named must sign the Offer for Subscription Application Form in section 4.

### 3B. CREST

If you wish your Ordinary Shares to be deposited in a CREST account in the name of the holders given in section 3A, enter in section 3B the details of that CREST account. Where it is requested that Ordinary Shares be deposited into a CREST account please note that payment for such Ordinary Shares must be made prior to the day such Ordinary Shares might be allotted and issued. It is not possible for an applicant to request that Ordinary Shares be deposited in their CREST account on an against payment basis. Any Application Form received containing such a request will be rejected.

#### 4. Signature

All holders named in section 3A must sign section 4 and insert the date. The Offer for Subscription Application Form may be signed by another person on behalf of each holder if that person is duly authorised to do so under a power of attorney. The power of attorney (or a copy duly certified by a solicitor or a bank) must be enclosed for inspection (which originals will be returned by post at the addressee's risk). A corporation should sign under the hand of a duly authorised official whose representative capacity should be stated and a copy of a notice issued by the corporation authorising such person to sign should accompany the Offer for Subscription Application Form.

#### 5. Settlement details

##### (a) **Cheque/Banker's draft**

All payments by cheque or banker's draft must accompany your application and be for the exact amount inserted in Box 2 of the Offer for Subscription Application Form. Your cheque or banker's draft must be made payable to "**CRL RE: THE PRS OFS A/C**" in respect of an Application and crossed "**A/C Payee Only**". Applications accompanied by a post-dated cheque will not be accepted.

Cheques or banker's drafts must be drawn on an account where the applicant has sole or joint-title to the funds and on an account at a branch of a bank or building society in the United Kingdom which is either a settlement member of the Cheque and Credit Clearing Company Limited or the CHAPS Clearing Company Limited or which is a member of either of the Committees of Scottish or Belfast clearing houses or which has arranged for its cheques and banker's drafts to be cleared through the facilities provided by any of those companies or committees and must bear the appropriate sort code in the top right hand corner.

Third party cheques may not be accepted, with the exception of building society cheques or banker's drafts where the building society or bank has inserted the full name of the building society or bank account holder and have added the building society or bank branch stamp. The name of the building society or bank account holder must be the same as the name of the current shareholder or prospective investor. Please do not send cash. Cheques or banker's drafts will be presented for payment upon receipt. The Company reserves the right to instruct the Receiving Agent to seek special clearance of cheques and banker's drafts to allow the Company to obtain value for remittances at the earliest opportunity.

##### (b) **Chaps**

For applicants sending subscription monies by electronic bank transfer (CHAPs), payment must be made for value by 11.00 a.m. on 23 May 2017 directly into the bank account detailed below. The payment instruction must also include a unique reference comprising your name and a contact telephone number which should be entered in the reference field on the payment instruction, for example, MJ SMITH 01234 567 8910.

Bank: Royal Bank of Scotland

Sort Code: 15-10-00

A/C No: 32557247

A/C Name: Capita Registrars Ltd re: PRS OFS CHAPS ACCEPTANCE A/C

The Receiving Agent cannot take responsibility for correctly identifying payments without a unique reference nor where a payment has been received but without an accompanying application form.

(c) **CREST settlement**

The Company will apply for the Ordinary Shares issued pursuant to the Offer for Subscription in uncertificated form to be enabled for CREST transfer and settlement with effect from First Admission (the “**Relevant Settlement Date**”). Accordingly, settlement of transactions in the Ordinary Shares will normally take place within the CREST system.

The Offer for Subscription Application Form contains details of the information which the Company’s registrars, Capita Asset Services, will require from you in order to settle your application within CREST, if you so choose. If you do not provide any CREST details or if you provide insufficient CREST details for Capita Asset Services to match to your CREST account, Capita Asset Services will deliver your Ordinary Shares in certificated form provided payment has been made in terms satisfactory to the Company.

The right is reserved to issue your Ordinary Shares in certificated form should the Company, having consulted with Capita Asset Services, consider this to be necessary or desirable. This right is only likely to be exercised in the event of any interruption, failure or breakdown of CREST or any part of CREST or on the part of the facilities and/or system operated by Euroclear in connection with CREST.

The person named for registration purposes in your Application Form must be:

- (i) the person procured by you to subscribe for or acquire the Ordinary Shares; or
- (ii) yourself; or
- (iii) a nominee of any such person or yourself, as the case may be.

Neither Capita Asset Services nor the Company will be responsible for any liability to stamp duty or SDRT resulting from a failure to observe this requirement. You will need to input the delivery versus payment (“**DVP**”) instructions into the CREST system in accordance with your application. The input returned by Capita Asset Services of a matching or acceptance instruction to our CREST input will then allow the delivery of your Ordinary Shares to your CREST account against payment of the Issue Price through the CREST system upon the Relevant Settlement Date.

By returning your Application Form you agree that you will do all things necessary to ensure that you or your settlement agent/custodian’s CREST account allows for the delivery and acceptance of Ordinary Shares to be made prior to 11.00 a.m. on 23 May 2017 against payment of the Issue Price. Failure by you to do so will result in you being charged interest at the rate of two percentage points above the then published bank base rate of a clearing bank selected by Capita Asset Services.

To ensure that you fulfil this requirement it is essential that you or your settlement agent/custodian follow the CREST matching criteria set out below:

Trade Date:	25 May 2017
Settlement Date:	31 May 2017
Company:	The PRS REIT plc
Security Description:	Ordinary Shares
SEDOL:	BF01NH5
ISIN:	GB00BF01NH51

Should you wish to settle DVP, you will need to input your instructions to Capita’s Participant account RA06 by no later than 11.00 a.m. on 23 May 2017.

You must also ensure that you or your settlement agent/custodian has a sufficient “**debit cap**” within the CREST system to facilitate settlement in addition to your/its own daily trading and settlement requirements.

In the event of late CREST settlement, the Company, after having consulted with Capita Asset Services, reserves the right to deliver Ordinary Shares outside CREST in certificated form provided payment has been made in terms satisfactory to the Company and all other conditions in relation to the Offer for Subscription have been satisfied.

## **6. Reliable introducer declaration**

Applications with a value greater than €15,000 (approximately £13,000) will be subject to verification of identity requirements. This will involve you providing the verification of identity documents listed below UNLESS you can have the declaration provided at section 6 of the Offer for Subscription Application Form given and signed by a firm acceptable to the Company (or any of its agents). In order to ensure your Application is processed in a timely and efficient manner all Applicants are strongly advised to have the declaration provided in section 6 of the Offer for Subscription Application Form completed and signed by a suitable firm.

If the declaration in section 6 cannot be completed and the value of the application is greater than €15,000 (approximately £13,000) the documents listed below must be provided with the completed Application Form, as appropriate, in accordance with internationally recognised standards for the prevention of money laundering. Notwithstanding that the declaration in section 6 has been completed and signed, the Company (or any of its agents) reserves the right to request of you the identity documents listed below and/or to seek verification of identity of each holder and payor (if necessary) from you or their bankers or from another reputable institution, agency or professional adviser in the applicable country of residence. If satisfactory evidence of identity has not been obtained within a reasonable time your application may be rejected or revoked. Where certified copies of documents are requested below, such copy documents should be certified by a senior signatory of a firm which is either a governmental approved bank, stockbroker or investment firm, financial services firm or an established law firm or accountancy firm which is itself subject to regulation in the conduct of its business in its own country of operation and the name of the firm should be clearly identified on each document certified.

### **6A. For each holder being an individual enclose:**

- (a) a certified clear photocopy of one of the following identification documents which bears both a photograph and the signature of the person: current passport, government or Armed Forces identity card, or driving licence; and
- (b) certified copies of at least two of the following documents which purport to confirm that the address given in section 3A is that person's residential address: a recent gas, electricity, water or telephone (not mobile) bill, a recent bank statement, a council rates bill or similar document issued by a recognised authority; and
- (c) if none of the above documents show the Applicant's date and place of birth, enclose a note of such information; and
- (d) details of the name and address of the Applicant's personal bankers from which the Company (or any of its agents) may request a reference, if necessary.

### **6B. For each holder being a company (a “holder company”) enclose:**

- (a) a certified copy of the certificate of incorporation of the holder company; and
- (b) the name and address of the holder company's principal bankers from which the Company (or any of its agents) may request a reference, if necessary; and
- (c) a statement as to the nature of the holder company's business, signed by a director; and

- (d) a list of the names and residential addresses of each director of the holder company; and
- (e) for each director provide documents and information similar to that mentioned in 6A above; and
- (f) a copy of the authorised signatory list for the holder company; and
- (g) a list of the names and residential/registered address of each ultimate beneficial owner interested in more than 5 per cent. of the issued share capital of the holder company and, where a person is named, also complete 6C below and, if another company is named (hereinafter a “**beneficiary company**”), also complete 6D below. If the beneficial owner(s) named do not directly own the holder company but do so indirectly via nominee(s) or intermediary entities, provide details of the relationship between the beneficial owner(s) and the holder company.

**6C. For each person named in 6B(g) as a beneficial owner of a holder company enclose for each such person documents and information similar to that mentioned in 6B(a) to 6B(d).**

**6D. For each beneficiary company named in 6B(g) as a beneficial owner of a holder company enclose:**

- (a) a certified copy of the certificate of incorporation of that beneficiary company; and
- (b) a statement as to the nature of that beneficiary company’s business signed by a director; and
- (c) the name and address of that beneficiary company’s principal bankers from which the Company (or any of its agents) may request a reference, if necessary; and
- (d) enclose a list of the names and residential/registered address of each beneficial owner owning more than 5 per cent. of the issued share capital of that beneficiary company.

The Company (or any of its agents) reserves the right to ask for additional documents and information.

## **7. Contact details**

To ensure the efficient and timely processing of your Application Form, please provide contact details of a person the Company (or any of its agents) may contact with all enquiries concerning your Application. Ordinarily this contact person should be the person signing in section 4 on behalf of the first named holder. If no details are entered here and the Company (or any of its agents) requires further information, any delay in obtaining that additional information may result in your application being rejected or revoked.

## **8. CRS**

If you are a new Investor in THE PRS REIT plc, in addition to completing and returning the Application Form to Capita Asset Services you will also need to complete and return a Tax Residency Self Certification Form. The form for an individual shareholder can be found at the end of this prospectus, however, if you require a form for a corporate shareholder you can request this from Capita Asset Services by calling 0371 664 0321. Calls are charged at the standard geographic rate and will vary by provider. Calls outside of the United Kingdom will be charged at the applicable international rate. The helpline is open between 9.00 a.m. – 5.30 p.m., Monday to Friday excluding public holidays in England and Wales. Please note that Capita Asset Services cannot provide any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes.

It is a condition of the Application that (where applicable) a completed version of that form is provided with the Application Form before any Application can be accepted.

## APPENDIX 2

### TAX RESIDENCY SELF-CERTIFICATION FORM (INDIVIDUALS)

<b>Name of Company in which shares will be held:</b>	The PRS REIT plc
<b>Part 1 – Identification of Individual Shareholder</b> <i>A separate form is required for each holder</i>	
<b>Name of Holder:</b>	
<b>Address of Holder:</b>	
<b>A. Please provide your Tax Residence Address for Tax Purposes</b>	
<b>Address:</b> <i>Include your postal or ZIP Code &amp; Country</i>	
<b>B. Date of Birth</b> <i>(DD/MM/YYYY)</i>	
<b>Part 2a – Country/Countries of Resident for Tax Purposes</b>	
<b>Country of residence for tax purposes</b>	<b>Tax Identification Number</b> <i>In the UK this would be your NI number</i>
1.	1.
2.	2.
3.	3.
4.	4.
<b>Part 2b – US Person</b> Please mark the box ONLY if you a US Person (see Definitions) <div style="float: right; border: 1px solid black; width: 30px; height: 30px; margin-top: 5px;"></div>	
<b>Part 3 – Declaration and Signature</b>	
<p>I acknowledge that the information contained in this form and information regarding my shares may be reported to the local tax authority and exchanged with tax authorities of another country or countries in which I may be tax resident where those countries have entered into Agreements to exchange Financial Account information.</p> <p>I undertake to advise the Company within 30 days of any change in circumstances which causes the information contained herein to become incorrect and to provide the Company with a suitably updated Declaration within 30 days of such change in circumstances.</p> <p>I certify that I am the shareholder (or am authorised to sign for the shareholder).</p> <p>If this relates to a joint holding: I also acknowledge that as a joint holder I may be reported to the relevant tax authority if all the other holders do not provide a Tax Residency Self-Certification.</p> <p>I declare that all statements made in this declaration are, to the best of my knowledge and belief, correct and complete</p>	
<b>Signature:</b>	
<b>Print Name:</b>	
<b>Date:</b>	
<b>Daytime telephone number/email address:</b>	

*If signing under a power of attorney, please also attach a certified copy of the power of attorney.  
We will only contact you if there is a question around the completion of the self-certification form.*





