THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to the action to be taken, you should consult your stockbroker, bank manager, solicitor, accountant or other financial adviser duly authorised under the Financial Services and Markets Act 2000 without delay.

This document comprises a prospectus in relation to Picton ZDP Limited and has been prepared in accordance with the Prospectus Rules of the Financial Services Authority made pursuant to section 73A of the Financial Services and Markets Act 2000 in order to make an offer of transferable securities to the public and to admit the transferable securities to the standard listing segment of the Official List of the UK Listing Authority and to trading on the main market for listed securities of the London Stock Exchange. This document has been approved by and filed with the Financial Services Authority in accordance with Rule 3.2 of the Prospectus Rules.

If you have sold or otherwise transferred all your 2012 ZDP Shares please send this document and the accompanying documents as soon as possible to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee. The distribution of this document and/or the accompanying Form of Election in jurisdictions other than the UK, including the United States, Australia, Canada, Japan, New Zealand or the Republic of South Africa, may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe any of those restrictions. Any failure to comply with any of those restrictions may constitute a violation of the securities laws of any such jurisdiction.

Application will be made to the UK Listing Authority and the London Stock Exchange for the 2016 ZDP Shares to be issued pursuant to the Issue to be admitted to a standard listing on the Official List and to trading on the London Stock Exchange's main market for listed securities. In respect of the 2016 ZDP Shares, it is expected that Admission to the Official List will become effective and that dealings will commence on 15 October 2012.

Picton ZDP Limited

(incorporated as a non-cellular company limited by shares under the laws of Guernsey with registered number 55586)

a wholly-owned subsidiary of

PICTON PROPERTY INCOME LIMITED

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

Rollover Offer of 2012 ZDP Shares into 2016 ZDP Shares and placing of 2016 ZDP Shares

---

Oriel Securities Limited, which is authorised and regulated in the United Kingdom for the conduct of investment business by the Financial Services Authority, is acting exclusively for the Issuer and the Parent and for no one else in connection with the Issue, and, subject to the responsibilities and liabilities imposed by FSMA, will not be responsible to any person other than the Issuer and the Parent for providing the protections afforded to customers of Oriel Securities Limited or for providing advice to them in relation to the Issue or any other matter referred to in this document. Oriel Securities Limited is not making any representation or warranty, express or implied, as to the contents of this document.

No action has been taken to permit the distribution of this document and the accompanying documents or the offer of the 2016 ZDP Shares in any jurisdiction other than the United Kingdom. Accordingly, this document and the accompanying Form of Election may not be used for the purpose of, and do not constitute, an offer or solicitation by anyone in any jurisdiction or in any circumstances in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation. Further information regarding overseas investors is set out in Part 1 (Letter from the Chairman) of this document.

The whole of this document should be read. The attention of potential investors is drawn in particular to pages 17 to 23 of this document, which set out the principal risk factors associated with an investment in the 2016 ZDP Shares and the Group.

CONTENTS

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 the 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 in the summary because of the type of securities and the 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	
A1	Introduction and Warnings	**WARNING:** **THIS SUMMARY SHOULD BE READ AS AN INTRODUCTION TO THIS DOCUMENT;** **ANY DECISION TO INVEST IN THE 2016 ZDP SHARES SHOULD BE BASED ON CONSIDERATION OF THIS DOCUMENT AS A WHOLE;** *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 Member States, have to bear the costs of translating this document before legal proceedings are initiated; and* *Civil liability attaches to those persons responsible for this summary, including any translation of this summary, but only if this 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 the other parts of this document, key information in order to aid investors when considering whether to invest in the 2016 ZDP Shares.*
	SECTION B – THE ISSUER AND GUARANTOR	
B1	Legal & commercial name	The Issuer is called Picton ZDP Limited. The Parent is called Picton Property Income Limited.
B2	Domicile/Legal form/ Legislation/Country of incorporation	Both the Issuer and the Parent were incorporated as non-cellular companies limited by shares in Guernsey under the Companies (Guernsey) Law 2008, as amended. Both the Issuer and the Parent are domiciled in Guernsey.
B3	Nature of issuer/Current operations/Principal activities	The Issuer is a wholly-owned subsidiary of the Parent and was incorporated by the Parent to be the issuer of the 2016 ZDP Shares. The Issuer has not traded and, following completion of the Rollover Offer and the Placing, the Issuer's only material financial obligations will be in respect of the 2016 ZDP Shares and its only material assets will be its loan of the net proceeds of the Placing to the Parent pursuant to the 2016 Loan Agreement and the obligation of the Parent to put the Issuer in a position to meet its obligations in respect of the 2016 ZDP Shares on maturity pursuant to the 2016 Contribution Agreement. The Parent is a closed-ended investment company indirectly investing in property in the UK.

<table>
<tr><td>B4a</td><td>Known trends</td><td>Not applicable. No trading operations or industrial activity.</td></tr>
<tr><td>B5</td><td>Group Structure</td><td>The Issuer is a wholly-owned subsidiary of the Parent (the guarantor) formed solely for the purpose of issuing the 2016 ZDP Shares.

On 12 September 2012 the Issuer acquired all of the issued ordinary shares in IRET Securities from the Parent.

Save for IRET Securities, the Issuer has no subsidiaries.

The Parent’s property assets are held indirectly through wholly-owned subsidiary undertakings.</td></tr>
<tr><td>B6</td><td>Notifiable interests/Voting rights</td><td>The Issuer is not aware of any person (other than the Parent) who, directly or indirectly, jointly or severally, owns or controls 3 per cent. or more of the issued ordinary shares of the Issuer. Major shareholders in the Issuer do not have voting rights in respect of the Issuer’s share capital which differ from those of any other shareholder holding shares in the same class in the Issuer. Save for the Parent, the Issuer is not aware of any person who could, directly or indirectly, jointly or severally, exercise control over the Issuer.

As at the close of business on the Latest Practicable Date, in so far as is known to the Parent, the following persons were directly or indirectly interested in 3 per cent. or more of the Parent’s issued share capital:

<table>
<tr><th>Shareholder</th><th>Number of Parent Shares</th><th>Percentage of Issued Share Capital</th></tr>
<tr><td>Investec Wealth and Investment Limited</td><td>29,443,332</td><td>8.53</td></tr>
<tr><td>Rathbone Investment Management Limited</td><td>24,847,313</td><td>7.19</td></tr>
<tr><td>J O Hambro Capital Management Limited</td><td>23,579,289</td><td>6.83</td></tr>
<tr><td>Schroder Investment Management Limited</td><td>14,514,231</td><td>4.20</td></tr>
<tr><td>Brewin Dolphin Limited</td><td>14,130,228</td><td>4.09</td></tr>
<tr><td>BlackRock Inc.</td><td>13,476,603</td><td>3.90</td></tr>
<tr><td>Legal and General Investment Management Limited</td><td>12,567,767</td><td>3.64</td></tr>
<tr><td>Premier Asset Management Limited</td><td>11,147,150</td><td>3.23</td></tr>
<tr><td>Reech AIM Partners LLP</td><td>11,100,000</td><td>3.21</td></tr>
</table>

Those persons referred to above do not have voting rights in respect of the Parent’s share capital which differ from those of any other Shareholder. The Parent is not aware of any person who could, directly or indirectly, jointly or severally, exercise control over the Parent.

Neither the Parent nor any of the Directors is aware of any arrangements, the operation of which may at a subsequent date result in a change of control over the Parent.</td></tr>
</table>

<table>
<tr><td>B7</td><td>Financial information</td><td>
Not applicable to the Issuer which has no historical financial information.
Selected historical financial information of the Parent for the financial periods ended 31 December 2009, 31 December 2010 and 31 March 2012:
<table>
<tr><th></th><th>31 December 2009</th><th>31 December 2010</th><th>31 March 2012[(1)]</th></tr>
<tr><td>Total fixed assets (investments) (£m)</td><td>352.6</td><td>424.3</td><td>411.9</td></tr>
<tr><td>Total assets (£m)</td><td>412.0</td><td>466.7</td><td>449.6</td></tr>
<tr><td>Total liabilities (£m)</td><td>230.9</td><td>259.8</td><td>253.5</td></tr>
<tr><td>Net assets (£m)</td><td>181.1</td><td>206.9</td><td>196.1</td></tr>
<tr><td>Net asset value per Ordinary Share (p)</td><td>55</td><td>60</td><td>57</td></tr>
<tr><td>Earnings per Ordinary Share (p)</td><td>(5.9)</td><td>9.3</td><td>1.9</td></tr>
<tr><td>Dividends per Ordinary Share (p)</td><td>3</td><td>4</td><td>5</td></tr>
<tr><td>Revenue reserves (£m)[(2)]</td><td>149.7</td><td>167.7</td><td>157.0</td></tr>
</table>
Notes:
(1) The financial period ended 31 March 2012 was 15 months.
(2) Calculated as distributable reserves plus retained earnings or losses.
</td></tr>
<tr><td>B8</td><td>Pro Forma Information</td><td>Not applicable. No pro forma financial information has been included in this document. The Issue is of such a size that it is not considered to be a gross significant change for the Parent.</td></tr>
<tr><td>B9</td><td>Profit estimate</td><td>Not applicable. No profit forecast or estimate made.</td></tr>
<tr><td>B10</td><td>Audit report qualifications</td><td>Not applicable. The audit reports on the historical financial information of the Parent contained within this document are not qualified.</td></tr>
<tr><td>B11</td><td>Working capital sufficiency</td><td>
The Issuer is of the opinion that the Group does not have sufficient working capital for its present requirements, that is, for at least the next 12 months from the date of the publication of this document.
The Group currently has 40,654,483 2012 ZDP Shares in issue which have a final capital repayment date of 31 October 2012 and a total redemption cost payable to third parties of approximately £31.1 million and the Group does not have sufficient working capital to meet this in full[1]. The Directors believe that the Group has a maximum funding shortfall of £20 million and are therefore undertaking the Issue in order (i) to reduce the Group's liability in respect of the 2012 Final Capital Entitlement through the Rollover Offer; and (ii) to provide additional funds in order to meet such liability of the Group through the Placing.
</td></tr>
</table>

1 This excludes the 5,902,317 2012 ZDP Shares held by the Group reflecting a redemption value of approximately £4.5 million. No payment will be required in the respect of the 2012 ZDP Shares held by the Group.

		The Directors believe that if valid elections under the Rollover Offer and/or applications under the Placing are received in respect of 2016 ZDP Shares with an aggregate value at the Issue Price of at least £20 million, the Group would have sufficient funds in order to meet the 2012 Final Capital Entitlement and have sufficient working capital for its present requirements, that is, for at least the next 12 months from the date of the publication of this document. The Directors have considered a number of potential funding options and, following discussions with a number of 2012 ZDP Shareholders, and based on initial indications of interest, the Group is sufficiently confident that the minimum issue size of £20 million is achievable. However, the final outcome of the Issue will not be known until the closing of the Issue. If the Issue does not proceed and the Parent is unable to meet its obligation under the 2012 Contribution Agreement to contribute such funds to IRET Securities as will ensure that IRET Securities has sufficient assets on the 2012 ZDP Share Repayment Date to satisfy the 2012 Final Capital Entitlement, and an agreement cannot be reached with the Senior Lenders, this will be an event of default under the Senior Debt Facility Agreements. Such an event of default would entitle the Senior Lenders (i) to demand immediate repayment of the amounts advanced to the Group under the Senior Debt Facility Agreements together with accrued interest and/or (ii) to enforce their security over those assets of the Group secured to each of them. The Group would seek to enter into discussions with its Senior Lenders prior to such an event of default, and on the basis of the Group's on-going ability to service its Senior Debt requirements, it would seek to reach an agreement with the Senior Lenders to provide the Group with sufficient time to complete an alternative form of funding. If the Issue does not proceed, the Group will immediately seek to discuss its funding shortfall with the 2012 ZDP Shareholders, with a view to agreeing a strategy to address the Group's funding shortfall. Such a strategy may include any, or a combination, of: renegotiating the repayment terms of the 2012 ZDP Shares, negotiating a subordinated debt facility, raising additional equity capital, disposing of properties in the Group's portfolio and/or suspending the dividend paid on the Ordinary Shares. However, there can be no certainty that any of these proposals would be successful in addressing the Group's funding shortfall. The Group has started discussions with alternative debt providers to address the Group's working capital shortfall through the provision of a subordinated debt facility, in the event the Issue does not proceed. Whilst the Company has received a number of non-binding indicative proposals, there can be no guarantee that alternative debt financing will be agreed prior to, or post, 31 October 2012. If the Issue does not proceed and the Group is unable to reach agreement with the 2012 ZDP Shareholders prior to 31 October 2012, the Group will not be able to trade as a going concern.

B18	Guarantee	Immediately following Admission, the Issuer will lend the net proceeds of the Placing to the Parent by way of an interest free loan which the Parent will use to meet its contractual obligations to IRET Securities under the 2012 Contribution Agreement. The Parent has entered into the 2016 Contribution Agreement pursuant to which the Parent has undertaken to contribute (by way of gift, capital contribution or otherwise) such funds to the Issuer as will ensure that the Issuer will have sufficient assets on the 2016 ZDP Repayment Date to satisfy the 2016 Final Capital Entitlement of the 2016 ZDP Shares then due and to pay any operational costs or expenses incurred by the Issuer.
B34	Investment policy	*The Parent's Investment Objective* The Parent's investment objective is to provide its Shareholders with an attractive level of income together with the potential for capital growth from directly or indirectly investing in a diversified portfolio of UK, Isle of Man and Channel Islands property. *The Parent's Investment Policy* Subject to certain investment restrictions summarised below, the Parent's investment policy is to invest in five commercial property sectors: office, retail, retail warehousing, industrial and leisure but may also include a limited number of properties where the primary use is residential. The Parent may invest in real estate derivative instruments or the debt securities of other real estate issuers. The Parent may also invest in other property funds. The Parent's key investment restrictions can be summarised as follows: • no single property (including all adjacent or contiguous properties) shall, at the time of acquisition, constitute more than 15 per cent. of the Gross Assets, consolidated where applicable; • income receivable from any single tenant, or tenants within the same group, in any one financial year shall not exceed 20 per cent. of the total rental income of the Group in that financial year; • at least 90 per cent. by value of properties held by the Group shall be in the form of freehold or long leasehold properties or the equivalent; • the Group shall not invest more than 10 per cent. of its Gross Assets in residential property. For this purpose, the Group views student and key worker accommodation as commercial property where there is a single overriding lease to a single covenant or a guarantee for a period in excess of one year; • the Group shall not invest more than 10 per cent. of its Gross Assets in real estate derivative instruments or the debt securities of other real estate issuers (excluding debt securities issued by the Parent's own subsidiaries); • the Group shall not invest more than 20 per cent. of its Gross Assets in other property investment funds, save for funds wholly owned within the Group; this restriction shall not apply to special purpose vehicles and joint ventures;

		• distributable income will be principally derived from investment. Neither the Parent nor any member of the Group will undertake a trading activity which is significant in the context of the Group as a whole; The 2012 ZDP Shares are, and the 2016 ZDP Shares will be, treated as borrowings for the purposes of the Parent's Articles and investment restrictions.
B35	Borrowing/leverage limits	The Group has the ability to borrow up to 65 per cent. of its Gross Assets (calculated on the date of drawdown).
B36	Regulatory status	The Issuer is not regulated. The Parent is regulated by the Guernsey Financial Services Commission.
B37	Investor profile	An investment in the 2016 ZDP Shares is intended to constitute part of a diversified investment portfolio for institutional or high net worth/sophisticated investors who are seeking exposure to a wide range of sectors and markets. An investor in the 2016 ZDP Shares will be capable of evaluating the risks (including potential capital loss) and merits of such investments. Any investor must be able to accept the possibility of losses and an investment in 2016 ZDP Shares is only intended for investors who can afford to set aside the invested capital for a number of years.
B38	Investments	Not applicable. The Group has not invested more than 20 per cent. of its gross assets in a single asset or collective investment undertaking.
B39		Not applicable. The Group has not invested more than 40 per cent. of its gross assets in a single asset or collective investment undertaking.
B40	Service providers	**Administrator, Registrar and Secretary**
B41		Northern Trust International Fund Administration Services (Guernsey) Limited is the administrator, registrar and secretary of the Issuer and the Parent pursuant to the Administration, Registrar and Secretarial Agreement. In such capacity, the Administrator is responsible for general secretarial functions required by the Companies Law and for ensuring that the Parent complies with its continuing obligations as an authorised closed-ended collective investment scheme in Guernsey and as a company listed on the Official Lists of the UKLA and the Channel Islands Stock Exchange. The Administrator is also responsible for general administrative functions of the Issuer and the Parent, as set out in the Administration, Registrar and Secretarial Agreement. **Receiving Agent and UK Transfer Agent** The Issuer retains Computershare Investor Services PLC as Receiving Agent in relation to the transfer and settlement of the 2016 ZDP Shares held in uncertificated form and as UK transfer agent. The Parent retains Computershare Investor Services PLC as Receiving Agent in relation to the transfer and settlement of the Ordinary Shares held in uncertificated form and as UK transfer agent.

		Property Manager CBRE Limited provides property management services to those subsidiary undertakings of the Parent holding properties pursuant to property management agreements between such subsidiary undertakings and CBRE Limited. Such property management services include regular inspections of the properties, arranging for the demand and collection of rent, administering service charge funds and ensuring that the landlord's lease obligations to the tenants are fulfilled. Each agreement continues until terminated and may be terminated on 3 months' notice by either party. The fees payable for the provision of the services are specified in each agreement on a property-by-property basis.
B42	NAV	The Parent publishes its NAV on a quarterly basis through a regulatory information service. This quarterly NAV is unaudited and is calculated under IFRS.
B43	Umbrella collective investment undertaking	Not applicable. Neither the Issuer nor the Parent is an umbrella collective investment undertaking.
B45	Portfolio	The Group's property portfolio consists of 62 properties with an aggregate value as at 30 June 2012, the date of the most recent valuation, of £403.2 million. A summary of the largest properties in the Group's portfolio representing, in aggregate, 51 per cent. of the portfolio by capital value, and ranked in order of capital value, is set out below:

Location	*Property*	*Sector*	*Net Passing Rent per annum*
Harlow	Units A-G, River Way Industrial Estate	Industrial	£2,317,599
Lutterworth	Unit 5320, Magna Park	Industrial	£2,924,881
London	Stanford House, 12/14 Long Acre, WC2	Retail	£751,000
Swansea	Phase II, Parc Tawe	Retail Warehouse	£1,025,893
London – City	50 Farringdon Road	Offices	£0[1]
London	Angel Gate Office Village, EC1V	Offices	£762,820
London – City	Boundary House, 7-17 Jewry Street	Offices	£951,684
Colchester	Colchester Business Park	Offices	£1,195,674
Bury	Angouleme Way	Retail Warehouse	£819,200
Washington	Vigo 250, Birtley Road	Industrial	£1,007,790
London	1-3 Chancery Lane	Offices	£614,712
Carlisle	Crown & Mitre Hotel	Retail	£453,640
Milton Keynes	401 Grafton Gate East	Offices	£748,782

1 This property is fully let, but was in rent-free periods at 30 June 2012. The net passing rent per annum of the property will be £1,026,534 following the expiry of the rent-free periods.

		A summary of the Group's property portfolio by sector is set out below: *Sector* — *Percentage of capital value of the property portfolio as at 30 June 2012* Offices 35.0 Industrial 34.8 Retail 19.2 Retail warehouse 6.9 Leisure/Other 4.1 **TOTAL** 100
B46	NAV per Ordinary Share	The Parent's most recent published NAV was as at 30 June 2012 and was £185.0 million, reflecting approximately 54 pence per Ordinary Share.
	SECTION C – SECURITIES	
C1	Offer details/Admission	2016 zero dividend preference shares of 0.0001 pence each ISIN: GG00B8N2KC06
C2	Currency of the Issue	Sterling
C3	Issued Shares	Up to 22 million 2016 ZDP Shares.
C4	Rights attaching to securities	The Gross Redemption Yield of the 2016 ZDP Shares has not been set at the date of this document but will be determined by way of a book-build reflecting orders received pursuant to the Rollover Offer and Placing. The 2016 ZDP GRY will be announced by the Parent, on or around 10 October 2012, by way of an announcement through a regulated information service. The 2016 ZDP Shares carry (i) no right to any dividends; and (ii) no voting rights save in respect of a resolution to wind up the issuer or to approve certain specified matters which would be likely to affect materially the position of the 2016 ZDP Shareholders.
C5	Restrictions on transferability	The 2016 ZDP Shares are freely transferable.
C6	Applications for admission	Application will be made to the UK Listing Authority and the London Stock Exchange respectively for admission of the 2016 ZDP Shares to the Official List (by way of a standard listing under Chapter 14 of the Listing Rules) and to trading on the London Stock Exchange's main market for listed securities. It is expected that Admission will become effective and that dealings will commence on 15 October 2012.
C7	Dividend policy	Not applicable. No dividends will be paid to 2016 ZDP Shareholders.
	SECTION D – RISKS	
D1	Key risks specific to the issuer or its industry	***The valuation of the Group's properties may not reflect their actual sale price*** Property and property-related assets are inherently subjective as regards value due to the individual nature of each property. There is no assurance that the valuations of the properties will reflect actual sale prices even where any such sales occur shortly after the relevant valuation date.

Changes in general economic conditions, fluctuations in the value and rental income of properties

Rental income and the market value of the Group's properties may be adversely affected by a number of the following factors: the overall economic conditions, local real estate conditions, the Group's ability to develop and redevelop its properties in order to maximise returns on investment, the financial condition of the Group's tenants, high or increasing vacancy rates, changes in laws and governmental regulations, potential environmental or other legal liabilities, availability of financing and changes in interest rates.

Significant reductions in the Group's rental income or value of its properties could have a material adverse effect on the Parent's ability to meet its obligations to the Issuer and thereby the Issuer's ability to meet its obligations to the 2016 ZDP Shareholders.

Rental income and defaults

In the event of a default by a tenant or during any other void period, the Group will suffer a rental shortfall and incur additional expenses until the property is re-let.

Dependency on tenants, ability to continue to lease properties on economically favourable terms and tenant default

The Group's performance depends on its ability to lease space in its properties on economically favourable terms. Results of operations may be adversely affected if a significant number of tenants are or a major tenant is unable to meet their or its obligations under their or its leases or if there is a decrease in demand for vacant properties so that the Group is unable to find new tenants at economically favourable rental prices.

Lack of funding for future tenant improvements

While the Group intends to manage its cash position or financing availability to pay for any improvements or other benefits required for reletting and to meet the loss of revenue that may result, the Group cannot be certain that it will have adequate sources of funding available to it for such purposes in the future.

Inability to sell a property

The Issuer cannot predict whether the Group will be able to sell any property for the price or on the terms set by it, or whether any price or other terms offered by a prospective purchaser would be acceptable to it. Nor can the Group predict the length of time needed to find a willing purchaser and to complete the sale of a property. If the Parent seeks to sell one or more properties to finance its commitments in respect of the 2016 ZDP Shares, there is no certainty that it will be able to do so at the required price or at all.

Loan facilities

Amounts owing under the Senior Debt Facility Agreement or any replacement facilities and any other borrowing by the Parent's other subsidiary undertakings, structurally will rank ahead of 2016 ZDP Shareholders' entitlements and, accordingly, if the Group's assets do not grow at a rate sufficient to cover the costs of operating the Group (including interest and loan repayment), this may have an adverse effect on the Parent's ability to meet its

		obligations under the 2016 Contribution Agreement to contribute such funds as will ensure that the Issuer is able to pay the 2016 Final Capital Entitlement. As the Senior Debt is (and any replacement facilities are likely to be) secured by way of a charge over most of the assets of the Group's property portfolio, in the event that the Group is unable to repay the relevant loan, the Group's creditors will rank ahead of the 2016 ZDP Shareholders on insolvency. Furthermore, should any fall in the underlying asset value or expected revenues result in the Group breaching the financial covenants contained in any such loan facility, the Group may be required to repay such borrowings in whole or in part, together with any attendant costs including the costs of disposing of any assets comprised in the Group's property portfolio at less than their market value or at a time and in circumstances where the realisation proceeds are reduced because of a downturn in property values generally or because there is limited time to market the property. This would have a material adverse effect on the Parent's ability to meet its obligations under the 2016 Contribution Agreement to contribute such funds to the Issuer as will ensure that the Issuer is able to pay the 2016 Final Capital Entitlement. ***Working capital shortfall*** The Directors believe that the Group has a maximum funding shortfall in respect of the 2012 ZDP Shares of £20 million. The Group is undertaking the Issue in order (i) to reduce the Group's liability in respect of the 2012 Final Capital Entitlement through the Rollover Offer; and (ii) to provide additional funds in order to meet such liability of the Group through the Placing. If the Issue does not proceed and the Parent is in default of its obligation to contribute such funds to IRET Securities so as to ensure that IRET Securities has sufficient assets on the 2012 ZDP Share Repayment Date to satisfy the 2012 Final Capital Entitlement, this will be an event of default under the Senior Debt Facility Agreements. Such an event of default would entitle the Senior Lenders (i) to demand immediate repayment of the amounts advanced to the Group under the Senior Debt Facility Agreements together with accrued interest and/or (ii) to enforce their security over those assets of the Group secured to each of them. If the Issue does not proceed and the Group is unable to reach agreement with the 2012 ZDP Shareholders prior to 31 October 2012, the Group will not be able to trade as a going concern. ***Taxation*** Any change in the Parent's and/or the Issuer's tax status, or in tax legislation or practice in either Guernsey or the United Kingdom could affect the ability of the Parent to meet its obligations under the 2016 Contribution Agreement and/or the Issuer to meet its obligations in respect of the 2016 ZDP Shares.
D3	Key risks specific to the securities	***Subordination of 2016 ZDP Share obligations to the Group's other obligations*** The Issuer will have no material assets other than its loan of the net proceeds of the Placing to the Parent pursuant to the 2016 Loan Agreement and the obligation of the Parent to put the Issuer in a position to meet its obligations in respect of the 2016 ZDP Shares pursuant to the 2016 Contribution Agreement.

		The Parent's obligations under the 2016 Contribution Agreement are structurally subordinated to the liabilities of its subsidiary undertakings including the Senior Debt and the Senior Lenders have recourse against the assets of the relevant security pools, which include most of the Group's properties. Accordingly if there are defaults under such facilities and the Senior Lenders were to enforce that security, it may have a material adverse effect on the ability of the Parent to meet its obligations to the Issuer and thereby on the Issuer's ability to meet its payment obligations in respect of the 2016 ZDP Shares. In addition, the Senior Debt Facility Agreements contain cross-default provisions so in the event that the Group defaults under one of the Senior Debt Facility Agreements, this would be an event of default under the other Senior Debt Facility Agreement and both Senior Lenders would be entitled to enforce their security. ***Final Capital Entitlement is not guaranteed*** The 2016 Final Capital Entitlement for each 2016 ZDP Share, which is intended to be paid on the 2016 ZDP Share Repayment Date, is not guaranteed. The Issuer's ability to pay the 2016 Final Capital Entitlement is dependent on it having sufficient cash resources to meet such obligation or the Parent meeting its obligation under the 2016 Contribution Agreement to contribute such funds to the Issuer so as to ensure the Issuer has sufficient assets on the 2016 ZDP Share Repayment Date to satisfy the 2016 Final Capital Entitlement of the 2016 ZDP Shares. The ability of the Parent to meet its obligations under the 2016 Contribution Agreement depends on its ability to realise value from its subsidiary undertakings or to borrow funds on or prior to the 2016 ZDP Share Repayment Date. Events or changes that will have a material adverse effect on the business of the Parent and its subsidiary undertakings or on the Group's ability to realise its properties for their present value may have a material adverse effect on the Parent's ability to meet such obligations. ***No guarantee active trading market will develop for 2016 ZDP Shares*** Listing should not be taken as implying that there will be a liquid market for the 2016 ZDP Shares. The 2016 ZDP Shares may not be widely distributed and there is currently no active trading market for the 2016 ZDP Shares. ***Interest rate rises may lead to reductions in the market value of the 2016 ZDP Shares*** The market value of the 2016 ZDP Shares will be affected by changes in general interest rates, with upward movements in interest rates likely to lead to reductions in the market value of the 2016 ZDP Shares, as the differential in return profile between the 2016 ZDP Shares and alternative investments is likely to narrow.
SECTION E – THE ROLLOVER OFFER AND PLACING		
E1	Net proceeds and expenses	The net proceeds of the Rollover Offer and the Placing are dependent on the level of take up under the Rollover Offer or the Placing. The maximum net proceeds are £21.3 million.

		The expenses of the Group in connection with the Issue are estimated to be approximately £0.7 million.
E2	Reasons for the Offer and Use of Proceeds	The 2012 ZDP Shares are due to mature on 31 October in 2012. The aggregate redemption sum payable to third parties on maturity of the 2012 ZDP Shares is approximately £31.1 million[1]. In order for the Group to refinance the 2012 ZDP Shares and allow the Group to continue to invest in its portfolio with the objective of enhancing both income and capital value through improved occupancy and meet on-going working capital requirements, the Board has resolved to undertake the Rollover Offer and the Placing. The Board believes this presents the optimal form of funding for the following reasons: • a number of 2012 ZDP Shareholders have indicated a desire to roll forward their existing holding and the Rollover Offer provides a tax efficient opportunity for holders of the 2012 ZDP Shares to roll forward into the 2016 ZDP Shares[2]; • the Placing provides the opportunity for new investors to participate in the issue of the 2016 ZDP Shares; • on completion of the Issue, the Parent will have completed its group refinancing exercise, with a balanced and staggered debt maturity profile of 4, 10, 15 and 20 years; • on completion of the Issue, the Group will be able to manage its debt position effectively and, over time, reduce its gearing level by optimising the timing of asset disposals and, if appropriate, using any excess income to purchase 2016 ZDP Shares in the market; • the amortisation profile on the Senior Debt is expected to improve the cover of the 2016 ZDP Shares over time; and • a 2016 ZDP Share issue will allow the Group to have lower levels of debt against which its Senior Debt LTV covenants are measured, providing greater operational flexibility.
E3	Terms and conditions	The Issuer is seeking to issue up to 22 million 2016 ZDP Shares by way a Rollover Offer and the Placing. The issue price of the 2016 ZDP Shares is 100 pence per share. **The Rollover Offer** Under the Rollover Offer, Eligible ZDP Shareholders are being given the opportunity to exchange some or all of their holding of 2012 ZDP Shares into new 2016 ZDP Shares. For the purposes of the Rollover Offer, the value attributed to the 2012 ZDP Shares will be equal to their Accrued Capital Entitlement as at the Rollover Date, which will be 76.4 pence per 2012 ZDP Share. The 2016 ZDP Shares arising on the exchange of 2012 ZDP Shares pursuant to the Rollover Offer will be deemed to be issued at the Issue Price. Fractions of 2016 ZDP Shares will not be issued. The number of 2016 ZDP Shares arising pursuant to an election under the Rollover Offer will be rounded down to the nearest whole number and any excess monies will be retained by the Issuer.

1 The full redemption value is approximately £35.7 million of which approximately £4.5 million is held by the Group and hence no payment is required.

2 Tax treatment of the Rollover Offer is dependent on the holder's tax status. For further information see paragraph 10 of Part 7 (General Information) of this document.

The Placing

In addition to the Group undertaking the Rollover Offer, the Parent has appointed Oriel Securities to act as Bookrunner to the Placing. Any orders received under the Placing will be aggregated with the applications received under the Rollover Offer in order to determine the 2016 ZDP GRY.

The Placing will open on 13 September 2012 and will close on 9 October 2012. The Directors reserve the right to close the Placing at any time or to extend the closing date of the Placing to no later than 31 October 2012. Notification of any closure or extension will be via a regulatory information service announcement.

Any 2016 ZDP Shares issued under the Placing will, when issued, rank equally with the 2016 ZDP Shares issued under the Rollover Offer.

Conditions to the Issue

The Issue is conditional on:

- valid elections under the Rollover Offer and/or applications under the Placing being received in respect of 2016 ZDP Shares with an aggregate value, at the Issue Price, of at least £20 million;
- the Placing Agreement remaining in full force and effect and not having been terminated in accordance with its terms; and
- Admission of the 2016 ZDP Shares issued pursuant to the Rollover Offer and the Placing.

In circumstances in which these conditions are not fully met, the Rollover Offer and Placing will not take place and no 2012 ZDP Shares will be exchanged into 2016 ZDP Shares.

Scaling back and allocation

Eligible ZDP Shareholders submitting an application for 2016 ZDP Shares pursuant to the Rollover Offer and/or investors placing an order pursuant to the Placing will be required to indicate the number of 2012 ZDP Shares they wish to rollover pursuant to the Rollover Offer or the number of 2016 ZDP Shares they wish to apply for pursuant to the Placing (as applicable) at different Gross Redemption Yields ranging from 6.5 per cent. to 8.0 per cent. or at the Strike GRY. The 2016 ZDP GRY will be set at the lowest Gross Redemption Yield at which valid elections under the Rollover Offer and/or applications under the Placing have been received in respect of 2016 ZDP Shares with an aggregate value, at the Issue Price, of at least £20 million.

Eligible ZDP Shareholders and potential investors under the Placing should therefore note that:

(a) elections pursuant to the Rollover Offer or applications pursuant to the Placing at a Gross Redemption Yield above the 2016 ZDP GRY will not be satisfied;

(b) all elections pursuant to the Rollover Offer or applications pursuant to the Placing at a Gross Redemption Yield below the 2016 ZDP GRY will be satisfied in full; and

		(c) elections pursuant to the Rollover Offer or applications pursuant to the Placing at either: (i) an amount equal to the 2016 ZDP GRY; or (ii) the Strike GRY, may, if the Issue is oversubscribed at the 2016 ZDP GRY, be subject to scaling back on the following basis: (A) elections and/ or applications at the Strike GRY will be satisfied in full and elections and/or applications at an amount equal to the 2016 ZDP GRY will be scaled back (unless the 2016 ZDP GRY is 6.5 per cent., in which case the elections and/ or applications at a Gross Redemption Yield of 6.5 per cent. and elections and/or applications at the Strike GRY will be scaled back *pro rata*); (B) applications pursuant to the Placing at an amount equal to the 2016 ZDP GRY will be scaled back in favour of elections pursuant to the Rollover Offer at an amount equal to the 2016 ZDP GRY and any scaling back of applications under the Placing will be at the discretion of Oriel Securities; and (C) in the event the elections received pursuant to the Rollover Offer are also required to be scaled back, such scaling back will be on a *pro rata* basis, in each case subject to the satisfaction of Listing Rule 14.2.2.
E4	Material interests	Not applicable. There are no interests that are material to the Issue and no conflicting interests.
E5	Sellers	Not applicable.
E6	Dilution	Not applicable. No 2016 ZDP Shares are currently in issue.
E7	Expenses	Not applicable. No expenses will be charged to 2016 ZDP Shareholders.

RISK FACTORS

You should consider carefully the risks set out below and the other information contained in this document with respect to the 2016 ZDP Shares. Each of the risks highlighted below could have a material adverse effect on the business, operations, financial condition or prospects of the Issuer and the Group, which, in turn, could have a material adverse effect on the amount which investors will receive in respect of the 2016 ZDP Shares. In addition, each of the risks highlighted below could adversely affect the trading price of the 2016 ZDP Shares or the rights of investors under the 2016 ZDP Shares and, as a result, investors could lose some or all of their investment.

You should note that the risks described below are not the only risks the Issuer and the Group face. Described below are only those risks relating to the Issuer, the Group and the 2016 ZDP Shares that are considered to be material. There may be additional risks that the Issuer and the Group currently consider not to be material or of which the Issuer or the Group is not currently aware, and any of these risks could have the effects set out above.

An investment in the 2016 ZDP Shares is suitable only for investors who are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear losses (which may equal the whole amount of their investment) that may result from such an investment. An investment in the 2016 ZDP Shares should constitute part of a diversified investment portfolio.

You should read this document in its entirety, together with the documents incorporated by reference herein. Investing in the 2016 ZDP Shares involves certain risks. You should consider the following:

1 Risks Relating to the 2016 ZDP Shares

Consequences of a standard listing

The 2016 ZDP Shares are expected to be admitted to the standard listing segment of the Official List under Chapter 14 of the Listing Rules and, as a consequence, the additional ongoing requirements and protections applicable under the Listing Rules to a company admitted to the premium listing segment of the Official List will not apply to the Issuer.

Chapter 14 of the Listing Rules, which sets out the requirements for standard listings, does not require the Issuer to comply with, *inter alia*, the provisions of Chapters 6 to 13 of the Listing Rules, being additional requirements for listing of equity securities (listing principles, sponsors, continuing obligations, significant transactions, related party transactions, dealing in own securities and treasury shares and contents of circulars).

Subordination of 2016 ZDP Share obligations to the Group's other obligations

The 2016 ZDP Shares rank ahead of the other classes of shares in the Issuer in the event of a winding up. However, the Issuer will have no assets other than its loan of the net Placing proceeds to the Parent pursuant to the 2016 Loan Agreement and the obligation of the Parent to put the Issuer in a position to meet its obligations in respect of the 2016 ZDP Shares pursuant to the 2016 Contribution Agreement described in Part 7 (General Information) of this document.

The Parent has agreed under the 2016 Contribution Agreement that it will not incur additional third party borrowings that would rank in priority or *pari passu* to the Parent's payment obligations under the 2016 Contribution Agreement if its aggregate third party borrowings that rank in priority or *pari passu* to the Issuer's payment obligations under the 2016 Contribution Agreement (including, for the avoidance of doubt, the 2016 ZDP Shares at their then Accrued Capital Entitlement) would thereby exceed 65 per cent. of the Group's Gross Assets.

All the Group's real estate assets are held by subsidiary undertakings of the Parent.

The Parent's obligations under the 2016 Contribution Agreement are structurally subordinated to the liabilities of its subsidiary undertakings including the Senior Debt and the relevant lenders have recourse against the assets of the relevant security pools, which include most of the Group's properties. Accordingly if there are defaults under such facilities and the lenders were to enforce that security, it could have a material adverse effect on the ability of the Parent to meet its obligations to the Issuer and thereby on the Issuer's ability to meet its payment obligations in respect of the 2016 ZDP Shares.

Final Capital Entitlement is not guaranteed

2016 ZDP Shareholders only have the right to receive the 2016 Final Capital Entitlement on the 2016 ZDP Share Repayment Date. 2016 ZDP Shareholders wishing to realise their investment earlier will have to dispose of their 2016 ZDP Shares through the stock market.

The 2016 Final Capital Entitlement for each 2016 ZDP Share, which is intended to be paid on the 2016 ZDP Share Repayment Date, is not guaranteed. The Issuer's ability to pay the 2016 Final Capital Entitlement is dependent on it having sufficient cash resources to meet such obligation or the Parent meeting its obligation under the 2016 Contribution Agreement to contribute such funds to the Issuer so as to ensure the Issuer has sufficient assets on the 2016 ZDP Share Repayment Date to satisfy the 2016 Final Capital Entitlement of the 2016 ZDP Shares. If the Parent does not, or is unable to, meet its obligations under the 2016 Contribution Agreement, the Issuer will be unable to pay the 2016 Final Capital Entitlement of the 2016 ZDP Shares and 2016 ZDP Shareholders may lose some or all of their investment. The ability of the Parent to meet its obligations under the 2016 Contribution Agreement depends on its ability to realise value from its subsidiary undertakings or to borrow or otherwise raise funds on or prior to the 2016 ZDP Share Repayment Date. Events or changes that will have a material adverse effect on the business of the Parent and its subsidiary undertakings or on the Group's ability to realise its properties for their present value may have a material adverse effect on the Parent's ability to meet such obligations.

In the event of a change of control in the Parent, the Issuer is obliged to offer to buyback any 2016 ZDP Shares at a price equal to the Accrued Capital Entitlement at the date of payment rather than the 2016 Final Capital Entitlement. While holders of 2016 ZDP Shares wishing to reject such buyback offer and wait to receive the 2016 Final Capital Entitlement may continue to hold their 2016 ZDP Shares until the 2016 ZDP Share Repayment Date, they will do so in circumstances where the Group is under the control of a third party.

No guarantee active trading market will develop for 2016 ZDP Shares

Listing should not be taken as implying that there will be a liquid market for the 2016 ZDP Shares. The 2016 ZDP Shares may not be widely distributed and there is currently no active trading market for the 2016 ZDP Shares.

There can be no guarantee an active trading market will develop or be sustained for the 2016 ZDP Shares after listing. If an active trading market is not developed or maintained, the liquidity and trading prices of the 2016 ZDP Shares could be adversely affected.

Interest rate rises may lead to reductions in the market value of the 2016 ZDP Shares

The market value of the 2016 ZDP Shares will be affected by changes in general interest rates, with upward movements in interest rates likely to lead to reductions in the market value of the 2016 ZDP Shares, as the differential in return profile between the 2016 ZDP Shares and alternative investments is likely to narrow.

2016 ZDP Shares may trade at a discount

If the 2016 ZDP Shares are traded after Admission, they may trade at a discount to their Accrued Capital Entitlement, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the financial condition and prospects of the Group. The value of the 2016 ZDP Shares can go down as well as up.

Other factors that may impact on market price and the realisable value of the 2016 ZDP Shares

The market price and the realisable value of the 2016 ZDP Shares, will be affected by interest rates, supply and demand for the 2016 ZDP Shares, market conditions and general investor sentiment. As such, the market value and the realisable value (prior to redemption) of the 2016 ZDP Shares will fluctuate and may vary considerably. In addition, the published market price of the 2016 ZDP Shares will be, typically, their middle market price. Due to the potential difference between the middle market price of the 2016 ZDP Shares and the price at which the 2016 ZDP Shares can be sold, there is no guarantee that the realisable value of the 2016 ZDP Shares will be the same as the published market price.

2 Risks Relating to the Group's Properties that may affect the Parent's ability to comply with its obligations in respect of the 2016 ZDP Shares

The following risk factors are those considered to be material in respect of the Group's properties and may singly or in combination reduce the value of the Group's properties and/or its reserves which would have an adverse effect on the Parent's ability to meet its obligations under the 2016 Contribution Agreement.

The valuation of the Group's properties may not reflect their actual sale price

Property and property-related assets are inherently subjective as regards value due to the individual nature of each property. As a result, valuations are subject to uncertainty. The reports in Part 5 (Valuation Reports) of this document are made on the basis of certain assumptions which may not prove to reflect the true position. There is no assurance that the valuations of the properties will reflect actual sale prices even where any such sales occur shortly after the relevant valuation date.

Changes in general economic conditions, fluctuations in the value and rental income of properties

Returns from an investment in certain of the Group's properties depend largely upon the amount of rental income generated from the properties and the expenses incurred in the operations, including the management and maintenance of the properties as well as changes in the market value of the properties.

Rental income and the market value of the Group's properties may be adversely affected by a number of the following factors:

- the overall conditions in the national and local economies in which the Group operates, such as growth or contraction in gross domestic product, employment trends, consumer sentiment and the level of inflation and interest rates;
- local real estate conditions, such as the level of demand for and supply of commercial space;
- the Group's ability to develop and redevelop its properties in order to maximise returns on investment from both increased rental income and capital appreciation of the asset;
- the perception of prospective tenants of the attractiveness, convenience and safety of the properties;
- the financial condition of the Group's tenants;
- high or increasing vacancy rates;
- external factors including major world events such as war or "acts of God" such as floods and earthquakes;
- changes in laws and governmental regulations;
- potential environmental or other legal liabilities;
- unforeseen capital expenditures;
- availability of financing; and
- changes in interest rates.

Significant reductions in the Group's rental income or value of its properties could have a material adverse effect on the Parent's ability to meet its obligations to the Issuer and thereby the Issuer's ability to meet its obligations to the 2016 ZDP Shareholders.

Rental income and defaults

The performance of the Group would be adversely affected by a further downturn in the UK property market in terms of capital value or a weakening of rental yields. In the event of a default by a tenant or during any other void period, the Group will suffer a rental shortfall and incur additional expenses until the property is re-let. These expenses could include legal and surveyor's costs in re-letting, maintenance costs, insurances, rates and marketing costs.

Certain of the Group's properties may have some level of vacancy. Certain of the Group's properties may be suited to the particular needs of a specific tenant. The Group may have difficulty in obtaining a new tenant for any vacant space it has in its properties. If the vacancy continues for a longer period of time, the Group may suffer reduced revenues resulting in less cash available from ordinary operations to meet the Parent's obligations to the Issuer under the 2016 Contribution Agreement. In addition, the resale value of a property could be diminished because the market value of a particular property will depend principally upon the value of the leases of such property.

Dependency on tenants, ability to continue to lease properties on economically favourable terms and tenant default

The Group's performance depends on its ability to lease space in its properties on economically favourable terms. Results of operations may be adversely affected if a significant number of tenants are, or a major tenant is, unable to meet their obligations under their leases or if there is a decrease in demand for vacant properties so that the Group is unable to find new tenants at economically favourable rental prices.

Certain of the Group's properties are occupied by a single tenant. Therefore, the success of those properties will depend on the financial stability of that tenant or of that tenant remaining a tenant. Lease payment defaults by tenants or the termination of a lease with a major tenant will cause the Group to suffer reduced revenue. A default by a tenant on its lease payments could force the Group to meet that tenant's costs relating to this property. In the event of a tenant default, the Group may experience delays in enforcing its rights as landlord and may incur substantial costs, including litigation and related expenses, in protecting its investment and re-letting its property. If a lease is terminated, the Group may be unable to lease the property for the rent previously received for a long period or at all or to sell the property without incurring a loss.

Lack of funding for future tenant improvements

When a tenant at one of the properties does not renew its lease or otherwise vacates its space in one of the properties, it is likely that, in order to attract one or more new tenants, the Group will be required to expend funds to make improvements in the vacated space or to provide financial inducements to the new tenants such as rent free periods. While the Group intends to manage its cash position or financing availability to pay for any improvements or other benefits required for reletting and to meet the loss of revenue that may result, the Group cannot be certain that it will have adequate sources of funding available to it for such purposes in the future.

Uninsured losses

The Group will attempt to ensure that all of its properties are adequately insured to cover casualty losses. However, potential losses of a catastrophic nature such as those arising from floods, earthquakes, terrorism or other similar catastrophic events may be uninsurable or, in the Group's judgement, not insurable on a financially reasonable basis, or may not be insured at the replacement cost or may be subject to larger expenses. Changes in the cost or availability of insurance could expose the Group to uninsured casualty losses. In the event that any of the properties incurs a loss that is not fully covered by insurance, the value of the Group's assets will be reduced by any such uninsured loss. In addition, the Group may have no source of funding to repair or reconstruct the damaged property, and it cannot be certain that any such sources of funding will be available to it for such purposes in the future.

Discovery of previously undetected environmentally hazardous conditions

Under various UK government environmental laws, a current or previous owner or operator of real property may be liable for the cost of removing or remediating hazardous or toxic substances on such property. Such laws often impose liability whether or not the owner or operator knew of, or was responsible for, the presence of such hazardous or toxic substances. Environmental laws also may impose restrictions on the manner in which property may be used or businesses may be operated. A property owner who violates environmental laws may be subject to sanctions which may be enforced by governmental agencies or, in certain circumstances, by private parties. The cost of defending environmental claims or of compliance with environmental regulatory requirements or of remediating any contaminated property could materially adversely affect the Group's business, assets or results of operations and, consequently, reduce the amounts available for servicing the 2016 ZDP Shares.

Inability to sell a property

The property market is affected by many factors, such as general economic conditions, availability of financing, interest rates and other factors, including investor/buyer supply and demand, that are beyond the Group's control. The Issuer cannot predict whether the Group will be able to sell any property for the price or on the terms set by it, or whether any price or other terms offered by a prospective purchaser would be acceptable to it. Nor can the Group predict the length of time needed to find a willing purchaser and to complete the sale of a property. If the Parent seeks to sell one or more properties to finance its commitments in respect of the 2016 ZDP Shares, there is no certainty that it will be able to do so at the required price or at all.

The Group may be required to expend funds to correct defects or to make improvements before a property can be sold. There can be no certainty that the Group will have funds available to correct such defects or to make such improvements.

Economic risk

Any future property market recession could materially adversely affect the value of the Group's properties. Returns from an investment in property depend largely upon the amount of rental income generated from the property and the costs and expenses incurred in the maintenance and management of the property, as well as upon changes in its market value.

Rental income and the market value for properties are generally affected by overall conditions in the economy, such as growth in gross domestic product, employment trends, inflation and changes in interest rates.

Government authorities at all levels are actively involved in the promulgation and enforcement of regulations relating to taxation, land use and zoning and planning restrictions, environmental protection and safety and other matters. The institution and enforcement of such regulations could have the effect of increasing the expense and lowering the income or rate of return from, as well as adversely affecting the value of, the Group's property portfolio.

Development of properties

The Group may undertake limited development (including redevelopment) of properties or invest in properties that require refurbishment prior to renting. The principal risks of development or refurbishment are: (i) delays in timely completion of the project; (ii) cost overruns; (iii) poor quality workmanship; and (iv) inability to rent or inability to rent at a rental level sufficient to generate profits. The cost of any such delays or overruns or disputes and/or rectifying poor quality workmanship or inability to rent could adversely affect the Group's business, assets or results of operations and, consequently, reduce the amounts available for servicing the 2016 ZDP Shares.

Illiquidity of investments in property

Investments in property are relatively illiquid. This illiquidity limits the Group's ability to vary its portfolio promptly in response to changes in economic or other conditions or to realise properties promptly to meet its obligations in respect of the 2016 ZDP Shares. There is no assurance that the Group will be able to dispose of a property at the desired time or desired price or at a price greater than its third party borrowing in relation to that property.

Competition with other participants in the real estate industry

The Group faces competition from other United Kingdom and international property groups and other commercial organisations active in the property markets. The Group also faces the threat of new competitors emerging. Competition in the property market may lead to an oversupply of commercial premises through overdevelopment, to prices for existing properties or land for development being inflated through competing bids by potential purchasers or to the maximum rents to be achieved from existing properties being adversely impacted by an oversupply of commercial space. Accordingly, the existence of such competition may have a material adverse impact on the Group's ability to secure tenants for its properties at satisfactory rental rates and on a timely basis and to acquire properties or develop land at satisfactory cost.

3 Risks Relating to the Group that could affect its ability to meet its obligations in respect of the 2016 ZDP Shares

Regulatory issues, changes in law and accounting standards

The Group is subject to the usual business risk that there may be changes in laws that reduce its income or increase its costs. For example, there could be changes in retail tenancy laws that limit the Group's recovery of certain property operating expenses, changes or increases in real estate taxes that cannot be recovered from the Group's tenants or changes in environmental laws that require significant capital expenditure.

The Group is subject to the usual business risk that there may be changes in laws and accounting standards as well as changes in the interpretation of such laws and accounting standards that may change the basis that the Group is required to use to prepare its financial statements, which may adversely affect the Group's reported earnings and reported financial performance.

Dependence on management team and Board

The Parent's ability to achieve its investment objectives and discharge its obligations in respect of the 2016 ZDP Shares is partially dependent on the performance of the Group's management team in the acquisition and disposal of properties, the management of such properties and the determination of any financing arrangements. The Parent's Board monitors the performance of the management team, but the management team's performance cannot be guaranteed.

Furthermore there is no certainty that key members of the management team will continue to be employed by the Group and the Group may have difficulty recruiting suitable replacements.

Loan facilities

Amounts owing under the Senior Debt Facility Agreements or any replacement facilities and any other borrowing by the Parent's other subsidiary undertakings, structurally will rank ahead of 2016 ZDP Shareholders' entitlements and, accordingly, if the Group's assets do not grow at a rate sufficient to cover the costs of operating the Group (including interest and loan repayment), this may have an adverse effect on the Parent's ability to meet its obligations under the 2016 Contribution Agreement to contribute such funds as will ensure that the Issuer is able to pay the 2016 Final Capital Entitlement. As the Senior Debt Facility Agreements are (and any replacement facilities are likely to be) secured by way of a charge over most of the assets of the Group's property portfolio, in the event that the Group is unable to repay the relevant loan, the Group's creditors will rank ahead of the 2016 ZDP Shareholders on insolvency. Furthermore, should any fall in the underlying asset value or expected revenues result in the Group breaching the financial covenants contained in any such loan facility, the Group may be required to repay such borrowings in whole or in part, together with any attendant costs (including the costs of disposing of any assets comprised in the Group's property portfolio at less than their market value or at a time and in circumstances where the realisation proceeds are reduced because of a downturn in property values generally or because there is limited time to market the property) and this is likely to have a material adverse effect on the Parent's ability to meet its obligations under the 2016 Contribution Agreement to enable the Issuer to pay the 2016 Final Capital Entitlement.

4 Risks Relating to Taxation

Changes in tax status, legislation or practice

Any change in the Issuer's tax status, or in tax legislation or practice in either Guernsey or the United Kingdom could affect the ability of the Parent to meet its obligations under the 2016 Contribution Agreement and/or the Issuer to meet its obligations in respect of the 2016 ZDP Shares.

Statements in this document concerning the UK taxation treatment of UK Shareholders are based upon current UK tax law and published practice, which law and practice are in principle subject to change (potentially with retrospective effect) that could adversely affect the Issuer and/or the Group and/or the post-tax returns to 2016 ZDP Shareholders. Statements in this document also take account of the definition of an "offshore fund" for the purposes of the UK offshore fund rules, which took effect from 1 December 2009. The Issuer's Directors have been advised that, based upon the current structure and management of the Issuer and on current law, the Issuer should not be regarded as an "offshore fund" for the purposes of the United Kingdom offshore fund rules. Should the Issuer be regarded as being subject to the offshore fund rules, this may have adverse consequences for 2016 ZDP Shareholders who may as a result be subject to UK income tax on any gain realised on a disposal of their 2016 ZDP Shares.

Tax residency

Changes in the tax residency of the Parent, the Issuer and/or other members of the Group or changes to the treatment of intra-group arrangements could adversely affect the ability of the Parent to meet its obligations under the 2016 Contribution Agreement and/or the Issuer to meet its obligations in respect of the 2016 ZDP Shares.

5 Risks relating to the Group's working capital shortfall

The Group currently has 40,654,483 2012 ZDP Shares in issue which have a final capital repayment date of 31 October 2012 and a total redemption cost payable to third parties of approximately £31.1 million and the Group does not have sufficient working capital to meet this in full[1]. The Directors believe that the Group has a maximum funding shortfall of £20 million and are therefore undertaking the Issue in order (i) to reduce the Group's liability in respect of the 2012 Final Capital Entitlement through the Rollover Offer; and (ii) to provide additional funds in order to meet such liability of the Group through the Placing.

If the Issue does not proceed and the Parent is unable to meet its obligation under the 2012 Contribution Agreement to contribute such funds to IRET Securities as will ensure that IRET Securities has sufficient assets on the 2012 ZDP Share Repayment Date to satisfy the 2012 Final Capital Entitlement, and an agreement cannot be reached with the Senior Lenders, this will be an event of default under the Senior Debt Facility Agreements. Such an event of default would entitle the Senior Lenders (i) to demand immediate repayment of the amounts advanced to the Group under the Senior Debt Facility Agreements together with accrued interest and/or (ii) to enforce their security over those assets of the Group secured to each of them.

If the Issue does not proceed, the Group will immediately seek to discuss its funding shortfall with the 2012 ZDP Shareholders, with a view to agreeing a strategy to address the Group's funding shortfall. Such a strategy may include any, or a combination, of: renegotiating the repayment terms of the 2012 ZDP Shares, negotiating a subordinated debt facility, raising additional equity capital, disposing of properties in the Group's portfolio and/or suspending the dividend paid on the Ordinary Shares. However, there can be no certainty that any of these proposals would be successful in addressing the Group's funding shortfall.

If the Issue does not proceed and the Group is unable to reach agreement with the 2012 ZDP Shareholders prior to 31 October 2012, the Group will not be able to trade as a going concern.

1 This excludes the 5,902,317 2012 ZDP Shares held by the Group reflecting a redemption value of approximately £4.5 million. No payment will be required in the respect of the 2012 ZDP Shares held by the Group.

ACTION TO BE TAKEN BY 2012 ZDP SHAREHOLDERS

This section applies only to 2012 ZDP Shareholders. Holders of Ordinary Shares do not need to take any action.

Accompanying this document is a Form of Election in respect of the Rollover Offer.

IF YOU DO NOT WISH TO PARTICIPATE IN THE ROLLOVER OFFER IN RESPECT OF ANY OF YOUR 2012 ZDP SHARES OR YOU ARE AN OVERSEAS ZDP SHAREHOLDER, YOU NEED NOT COMPLETE OR RETURN THE FORM OF ELECTION.

Holders of 2012 ZDP Shares that are held in certificated form

To elect to participate in the Rollover Offer in respect of 2012 ZDP Shares in certificated form complete and return the Form of Election by post to Computershare, Corporate Actions Projects, Bristol BS99 6AH or by hand (during normal business hours) to Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS13 8AE as soon as possible and in any event by no later than 5.00 p.m. on 2 October 2012. A pre-paid envelope is enclosed for your use.

The Issuer reserves the absolute right to inspect (either itself or through its agents) all Forms of Election and may consider void and reject any Form of Election that does not in the Issuer's sole judgement (acting reasonably) meet the requirements of the Rollover Offer. The Issuer also reserves the absolute right to waive any defect or irregularity in relation to the acceptance of the Rollover Offer by Eligible ZDP Shareholders, including any Form of Election (in whole or in part) which is not entirely in order or which is received after the Closing Date, missing share certificate(s) and/or other document(s) of title or an indemnity acceptable to the Issuer in lieu thereof. None of the Issuer, the Receiving Agent or any other person will be under any duty to give notification of any defects or irregularities in acceptances under the Rollover Offer or incur any liability for failure to give any such notification.

If a holder of 2012 ZDP Shares signs and returns a Form of Election but does not specify in Box 2 of the form how many 2012 ZDP Shares he wishes to elect to participate in the Rollover Offer and/or does not return, any valid 2012 ZDP Share certificates (or other documents of title), he will be deemed to have elected to participate in respect of his entire holding at the Strike GRY. If a holder of 2012 ZDP Shares signs and returns a Form of Election and does not specify in Box 2 of the form how many 2012 ZDP Shares he wishes to elect to participate in the Rollover Offer, but has returned some or all of his valid 2012 ZDP Share certificates (or other documents of title) he will be deemed to have elected to participate in respect of the number of 2012 ZDP Shares represented by the valid certificates (or other documents of title) accompanying such Form of Election at the Strike GRY.

Holders of 2012 ZDP Shares that are held in uncertificated form (that is through CREST)

To elect to participate in the Rollover Offer in respect of 2012 ZDP Shares held in uncertificated form you should send (or if you are a CREST sponsored member procure that your CREST sponsor sends) to Euroclear a TTE instruction in relation to your 2012 ZDP Shares. A TTE instruction to Euroclear must be properly authenticated in accordance with Euroclear's specifications for Transfer to Escrow and must contain the following details:

- the corporate action number of the Rollover Offer. This is allocated by Euroclear and will be available on screen from Euroclear:
- the number of 2012 ZDP Shares in respect of which you wish to elect to participate in the Rollover Offer;
- your Member Account ID;
- your participant ID;
- the participant ID of the escrow agent, in its capacity as a CREST receiving agent. This is 3RA48;

- the Member Account ID of the escrow agent for each Gross Redemption Yield is:
  - For a Gross Redemption Yield of 6.50 per cent. – PICZDP01;
  - For a Gross Redemption Yield of 6.75 per cent. – PICZDP02;
  - For a Gross Redemption Yield of 7.00 per cent. – PICZDP03;
  - For a Gross Redemption Yield of 7.25 per cent. – PICZDP04;
  - For a Gross Redemption Yield of 7.50 per cent. – PICZDP05;
  - For a Gross Redemption Yield of 7.75 per cent. – PICZDP06;
  - For a Gross Redemption Yield of 8.00 per cent. – PICZDP07;
  - For a Gross Redemption Yield equal to the Strike GRY – PICZDP08;
- the intended settlement date for the Rollover Offer, being 15 October 2012;
- the ISIN of the 2012 ZDP Shares. This is: GB00B5W1X063;
- input with the standard delivery instruction, priority 80; and
- a contact name and telephone number in the shared note field.

You should note that Euroclear does not make available special procedures in CREST for any particular corporate action. Normal system timings and limitations will therefore apply in connection with a TTE Instruction and its settlement. You should therefore ensure that all necessary action is taken by you (or by your CREST Sponsor) to enable a TTE Instruction relating to your 2012 ZDP Shares to settle prior to 5.00 p.m. on 2 October 2012. In this connection, you are referred in particular to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

A CREST sponsor who sends or is treated as sending a valid dematerialisation instruction in accordance with the above procedures, will thereby represent and warrant that it is not an, and is not sending the dematerialisation instruction on behalf of any, Overseas ZDP Shareholder.

Full details of the action to be taken are set out in this document and in the instructions on the Form of Election. **YOU SHOULD READ THE WHOLE OF THIS DOCUMENT, WHICH CONTAINS THE MATERIAL TERMS OF THE PROPOSALS, AND NOT JUST THIS SECTION WHEN DECIDING WHAT ACTION TO TAKE.**

The attention of Overseas ZDP Shareholders is drawn to the section headed "Overseas 2012 ZDP Shareholders" of Part 1 (Letter from the Chairman) of this document.

If you have any queries in relation to your shareholding(s), please contact Computershare Investor Services PLC by telephone on 0870 707 4040 (or +44 (0)870 707 4040 if calling from outside the United Kingdom). Calls to the helpline from outside the UK will be charged at applicable international rates. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. Computershare Investor Services PLC can only provide information regarding the completion of the Form of Election and cannot advise on the merits of the Issue or provide you with investment or tax advice.

IMPORTANT INFORMATION

Forward-Looking Statements

This document includes statements that are, or may be deemed to be "forward-looking statements". These forward-looking statements can be identified by the use of forward-looking terminology, including the terms "believes", "estimates", "plans", "projects", "anticipates", "expects", "intends", "may", "will", or "should" or, in each case, their negative or other variations or comparable terminology. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this document and include statements regarding the Group's intentions, beliefs or current expectations concerning, among other things, the Group's financial condition and prospects.

By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances. A number of factors could cause results and developments to differ materially from those expressed or implied by the forward-looking statements including, without limitation, the factors discussed in the sections entitled "Risk Factors" on pages 17 to 23 of this document and in Part 2 (Information about the Group) of this document.

Forward-looking statements may and often do differ materially from actual results. Any forward-looking statements in this document reflect the Issuer's and the Parent's current view with respect to future events and are subject to risks relating to future events and other risks, uncertainties and assumptions relating to the Group. Investors should specifically consider the factors identified in this document which could cause actual results to differ before making an investment decision. Subject to the requirements of the Prospectus Rules, the Listing Rules and Disclosure and Transparency Rules, neither the Issuer nor the Parent undertakes any obligation publicly to release the result of any revisions to any forward-looking statements in this document that may occur due to any change in the Issuer's or the Parent's (as applicable) expectations or to reflect events or circumstances after the date of this document. For the avoidance of doubt, nothing in this paragraph constitutes a qualification of the working capital statement contained in paragraph 11 of Part 7 (General Information) of this document.

Times and Dates

References to times and dates in this document are, unless otherwise stated, to London times and dates.

Distribution

The distribution of this document and the accompanying documents in certain jurisdictions may be restricted by law and, accordingly, persons into whose possession this document and the accompanying documents come should inform themselves about and observe any such restrictions. Any failure to comply with any such restrictions may constitute a violation of the securities laws of the jurisdiction concerned. This document and the accompanying documents do not constitute or form part of any offer or invitation to sell or issue or the solicitation of any offer to purchase or subscribe for 2016 ZDP Shares and/or Ordinary Shares in any jurisdiction in which such offer, invitation or solicitation is unlawful. In particular, no 2016 ZDP Shares and/or Ordinary Shares have been, or will be, registered under the United States Securities Act of 1933 (as amended) (the "Securities Act"), or under the securities laws of any state or other political sub-division of the United States or under the applicable securities laws of Australia, Canada, Japan, New Zealand or the Republic of South Africa. Accordingly, subject to certain exceptions, no 2016 ZDP Shares and/or Ordinary Shares may, directly or indirectly, be offered, sold, transferred, taken up or delivered, directly or indirectly, in the United States, Australia, Canada, Japan, New Zealand or the Republic of South Africa or for the benefit of any US Person (within the meaning of Regulation S made under the Securities Act) and this document will not be posted to any person in the United States, Australia, Canada, Japan, New Zealand or the Republic of South Africa.

No person has been authorised to give any information or to make any representations other than those contained in this document and, if given or made, such information or representations must not be relied on as having been authorised by the Issuer or the Parent. This document does not constitute an offer to sell or the solicitation of an offer to buy any securities in any circumstances in which such offer or solicitation is unlawful. The delivery of this document shall not under any circumstances imply that the information contained herein is correct as at any time subsequent to the date hereof or that there has not been any change in the affairs of the Group since the date hereof.

CONSEQUENCES OF A STANDARD LISTING

Application will be made for the 2016 ZDP Shares to be admitted to a standard listing on the Official List pursuant to Chapter 14 of the Listing Rules, which sets out the requirements for standard listings. The Parent is itself subject to the Listing Rules that apply to a company with a premium listing. The Issuer is not, unlike the Parent, formally subject to the Listing Principles (as set out in Chapter 7 of the Listing Rules) and will not be required to comply with them.

As a consequence of the standard listing, additional on-going requirements and protections applicable to a premium listing under the Listing Rules will not apply to the Issuer. Shareholders in the Issuer will therefore not receive the full protections of the Listing Rules otherwise associated with a premium listing.

An applicant that is applying for a standard listing of equity securities must comply with all the requirements listed in Chapter 2 of the Listing Rules, which specifies the requirements for listing for all securities. Where an application is made for the admission to the Official List of a class of shares, at least 25 per cent. of shares of that class must be distributed to the public in one or more EEA states. Listing Rule 14.3 sets out the continuing obligations applicable to the Issuer and requires that the Issuer's listed securities must be admitted to trading on a regulated market at all times. The applicant must have a minimum number of shares of any listed class (25 per cent.) in public hands at all times in the relevant jurisdictions and must notify the FSA as soon as possible if these holdings fall below the stated level. There are a number of other continuing obligations set out in Chapter 14 of the Listing Rules that will be applicable to the Issuer.

These include requirements as to:

(a) forwarding of circulars and other documentation to the FSA for publication through the national storage mechanism, and related notification to a regulatory information service;

(b) the provision of contact details of appropriate persons nominated to act as a first point of contact with the FSA in relation to compliance with the Listing Rules and Disclosure and Transparency Rules;

(c) the form and content of temporary and definitive documents of title;

(d) the appointment of a registrar;

(e) regulatory information service notification obligations in relation to a range of debt and equity capital issues; and

(f) compliance with, in particular, Chapters 4, 5 and 6 of the Disclosure and Transparency Rules.

Chapter 14 of the Listing Rules, which sets out the requirements for standard listings, does not require the Issuer to comply with, *inter alia*, the provisions of Chapters 6 to 13 of the Listing Rules being additional requirements for listing of equity securities (listing principles, sponsors, continuing obligations, significant transactions, related party transactions, dealing in own securities and treasury shares and contents of circulars).

Chapter 6 of the Listing Rules contains additional requirements for listing of equity securities, which are only applicable for companies with a "premium" listing. Consequently, the Issuer does not intend to comply with such provisions.

The Issuer is not required, and does not intend, to appoint a listing sponsor under Chapter 8 of the Listing Rules to guide the Issuer in understanding and meeting its responsibilities under the Listing Rules.

The provisions of Chapter 9 of the Listing Rules (continuing obligations) will not apply to the Issuer. Chapter 9 includes provisions relating to transactions, including, *inter alia*, requirements relating to further issues of shares, the ability to issue shares at a discount in excess of 10 per cent. of market value, notifications and contents of financial information. The Issuer is not required to comply with Chapters 10, 11, 12 and 13 under the Listing Rules (significant transactions, related party transactions, dealing in own securities, treasury shares and the content of circulars).

The Parent does however comply with the requirements of these Listing Rules (in relation to significant transactions, related party transactions, dealing in own securities, treasury shares and the content of circulars) as they relate to it and its subsidiary undertakings. In addition, the 2016 Contribution Agreement and the Issuer's Articles (relevant provisions of each of which are set out in Part 4 (Details of the 2016 ZDP Shares) of this document) contain certain limitations on the actions of the Parent and the Issuer which are designed to protect the interests of the 2016 ZDP Shareholders. For example, an extraordinary resolution of 2016 ZDP Shareholders is required in respect of the issue of shares or securities which would rank in priority to or *pari passu* with the 2016 ZDP Shares. The Parent has also undertaken that it and/or any of its wholly-owned subsidiaries will remain the sole holder of the Issuer's ordinary shares.

It should be noted that neither the UK Listing Authority nor the London Stock Exchange will have the authority to monitor the Issuer's voluntary compliance with any of the Listing Rules applicable to companies with a premium listing (and will not do so) nor will they impose sanctions in respect of any breach of such requirements by the Issuer.

ISSUE STATISTICS

The following illustrative financial statistics are based on, and should be read in conjunction with, the Assumptions set out in Part 6 (Principal Bases and Assumptions) of this document. Prospective investors should note that actual outcomes can be expected to differ from these illustrations. The illustrations are not guarantees of future performance and involve certain risks and uncertainties that are hard to predict. Investors should therefore not rely on the illustrations. The attention of prospective investors is also drawn to the risk factors set out on pages 17 to 23 of this document.

2016 ZDP Share issue price	100 p
2016 Final Capital Entitlement per 2016 ZDP Share	128.65 p – 136.05 p
Gross Redemption Yield per 2016 ZDP Share	6.5% – 8.0%
Estimated Final Net Asset Cover	6.77x – 7.17x
Estimated Final Debt Cover	1.72x – 1.73x
Estimated Hurdle Rate	12.0% – 12.1%
Maximum size of the Issue	22 million 2016 ZDP Shares

EXPECTED TIMETABLE

Prospectus published	13 September 2012
Placing opens	13 September 2012
Record Date for the Rollover Offer	5.00 p.m. on 2 October 2012
Latest time for receipt of Forms of Election and TTE Instructions in connection with the Rollover Offer	5.00 p.m. on 2 October 2012
Placing closes	9 October 2012
Announcement of the results of the Issue	10 October 2012
Admission of 2016 ZDP Shares to the Official List and dealings commence on the London Stock Exchange	15 October 2012
Despatch of definitive certificates for the 2016 ZDP Shares	in week commencing 29 October 2012

* All references to times are to London time unless specified otherwise

Dealing Codes

The dealing codes for the 2016 ZDP Shares will be as follows:

ISIN	GG00B8N2KC06
SEDOL	B8N2KC0
Ticker	PCTZ

DIRECTORS, MANAGER AND ADVISERS

Directors of the Issuer	Nicholas Thompson Trevor Ash Roger Lewis Robert Sinclair all of Trafalgar Court Les Banques St Peter Port Guernsey GY1 3QL
Investment Manager	Picton Capital Limited 1st Floor 28 Austin Friars London EC2N 2QQ
Broker and Bookrunner	Oriel Securities Limited 150 Cheapside London EC2V 6ET
Registrar, Administrator and Company Secretary	Northern Trust International Fund Administration Services (Guernsey) Limited PO Box 255 Trafalgar Court Les Banques St Peter Port Guernsey GY1 3QL
Legal advisers to the Issuer	*As to English law* Norton Rose LLP 3 More London Riverside London SE1 2AQ *As to Guernsey law* Carey Olsen PO Box 98 Carey House Les Banques St Peter Port Guernsey GY1 4BZ
Legal adviser to the Broker and Bookrunner	Lawrence Graham LLP 4 More London Riverside London SE1 2AU
Valuers to the Group	Jones Lang LaSalle Limited 22 Hanover Square London W1S 1JA CBRE Limited Henrietta House Henrietta Place London W1G 0NB

Auditors	KPMG Channel Islands Limited 20 New Street St Peter Port Guernsey GY1 4AN
Receiving Agent	Computershare Investor Services PLC The Pavilions Bridgwater Road Bristol BS13 8AE

PART 1

LETTER FROM THE CHAIRMAN

Picton ZDP Limited

(incorporated as a non-cellular company limited by shares under the laws of Guernsey with registered number 55586)

Directors:

Nicholas Thompson (Chairman)
Trevor Ash
Roger Lewis
Robert Sinclair

Registered Office:

Trafalgar Court, Les Banques,
St Peter Port,
Guernsey GY1 3QL

13 September 2012

To 2012 ZDP Shareholders and, for information only, to Shareholders in Picton Property Income Limited

Introduction

Picton Property Income Limited (the **Parent**) is the holding company of an internally managed investment group with an income focused approach to the UK commercial property market. It has a portfolio of 62 assets located across the United Kingdom valued at £403.2 million as at 30 June 2012, of which some 70 per cent. is invested in the office and industrial sectors and over 54 per cent. is invested in London and the South East of England. The underlying income is diversified across nearly 400 tenancies.

The Group's most recently published unaudited net asset value (as at 30 June 2012) is £185.0 million.

The Group refinanced its debt facilities in July 2012 with two new facilities totalling £209.0 million. On the basis of the 30 June 2012 property valuation, the Group's LTV[1] following the refinancing is 52 per cent.

The Group reported net property income of £36.2 million and income profit after tax[2] of £14.2 million for the 15 month period to 31 March 2012 (income profit after tax of £11.4 million on a *pro rata* 12 month basis).

On 6 September 2012 the Board of Directors of the Parent announced detailed proposals to provide existing 2012 ZDP Shareholders with the opportunity to roll over some or all of their 2012 ZDP Shares into a new class of 2016 ZDP Shares to be issued by Picton ZDP Limited (the **Issuer**), a newly incorporated wholly-owned subsidiary of the Parent, together with a placing of 2016 ZDP Shares.

The purpose of this letter is to explain the Issue and why the Board considers it to be in the best interests of the Group and the 2012 ZDP Shareholders as a whole.

The Issue

The Issuer is seeking to issue up to 22 million 2016 ZDP Shares by way of the Rollover Offer and the Placing. The issue price of the 2016 ZDP Shares is 100 pence per share.

Application will be made to the UK Listing Authority and the London Stock Exchange for the 2016 ZDP Shares to be admitted to a standard listing on the Official List and to trading on the London Stock Exchange's main market for listed securities.

Neither the Placing nor the Rollover Offer is underwritten.

Background to and benefits of the Issue

During the course of 2012 the Group has undertaken a major refinancing, both significantly extending the maturity profile of its debt facilities and diversifying its sources of funding.

1 Calculated as total debt (excluding 2012 ZDP Shares) as a proportion of property value.

2 Prepared under guidance published by the Association of Investment Companies and extracted from the Parent's annual report and accounts for the period to 31 March 2012.

On 25 July 2012, the Parent announced the completion of two new debt facilities, for a total of £209.0 million at a blended fixed interest rate of 4.2 per cent. per annum, with a maturity profile of 10, 15 and 20 years and an element of amortisation over the next 20 years on one of the facilities. The new facilities were used to repay the Group's securitised loan facility and bank facility totalling £188.5 million. These new facilities have been secured at a lower overall interest rate and provide greater headroom against LTV covenants than the facilities which they replaced.

The Group incurred arrangement fees and other costs as a result of entering into these new facilities, reflecting the early termination of the prior facilities. These costs have been met through the new facilities, with excess funds being put towards the repayment of the 2012 ZDP Shares.

The 2012 ZDP Shares are due to mature on 31 October in 2012. The aggregate redemption sum payable to third parties on maturity of the 2012 ZDP Shares is approximately £31.1 million[1]. In order for the Group to refinance the 2012 ZDP Shares while continuing to invest in its portfolio with the objective of enhancing both income and capital value through improved occupancy, the Board has resolved to undertake the Rollover and the Placing. The Board believes this presents the optimal form of funding for the following reasons:

- a number of 2012 ZDP Shareholders have indicated a desire to roll forward their existing holding and the Rollover Offer provides a tax efficient an opportunity for holders of the 2012 ZDP Shares to roll forward into the 2016 ZDP Shares[2];
- the Placing provides the opportunity for new investors to participate in the issue of the 2016 ZDP Shares;
- on completion of the Issue, the Parent will have completed its group refinancing exercise, with a balanced and staggered debt maturity profile of 4, 10, 15 and 20 years;
- on completion of the Issue, the Group will be able to manage its debt position effectively and, over time, reduce its gearing level by optimising the timing of asset disposals and, if appropriate, using any excess income to purchase 2016 ZDP Shares in the market;
- the amortisation profile on the Senior Debt is expected to improve the cover of the 2016 ZDP Shares over time; and
- a 2016 ZDP Share issue will allow the Group to have lower levels of debt against which its Senior Debt LTV covenants are measured, providing greater operational flexibility.

The 2016 ZDP Shares

The holders of 2016 ZDP Shares will be entitled to receive a capital sum on the 2016 ZDP Share Repayment Date, 15 October 2016. The capital sum per 2016 ZDP Share will be 100 pence increased at an equivalent annual rate equal to the 2016 ZDP GRY from the date of issue compounding daily until (but excluding) 15 October 2016. The 2016 ZDP Shares will have no entitlement to any dividends or to participate in the revenue profits of the Issuer.

The Gross Redemption Yield of the 2016 ZDP Shares has not been set at the date of this document but will be determined by way of a book-build reflecting orders received pursuant to the Rollover Offer and Placing. The 2016 ZDP GRY will be announced by the Parent, on or around 10 October 2012, by way of an announcement through a regulatory information service.

Eligible ZDP Shareholders participating in the Rollover Offer will be required to indicate the number of 2012 ZDP Shares they wish to rollover pursuant to the Rollover Offer at different Gross Redemption Yields ranging from 6.5 per cent. to 8.0 per cent. or at the Strike GRY. These orders will be aggregated by the Receiving Agent indicating the amount of demand at each Gross Redemption Yield.

1 The full redemption value is approximately £35.7 million of which approximately £4.5 million is held by the Group and hence no payment is required.

2 Tax treatment of the Rollover Offer is dependent on the holder's tax status. For further information see paragraph 10 of Part 7 (General Information) of this document.

Oriel Securities will use its reasonable endeavours to procure investors who will be able to submit orders and will be required to indicate the number of 2016 ZDP Shares they wish to acquire at different Gross Redemption Yields, ranging between 6.5 per cent. and 8.0 per cent. or at the Strike GRY. These orders will be aggregated by Oriel Securities, showing the amount of demand at each Gross Redemption Yield.

The 2016 ZDP GRY will be set at the lowest Gross Redemption Yield at which valid elections under the Rollover Offer and/or applications under the Placing have been received in respect of 2016 ZDP Shares with an aggregate value, at the Issue Price, of at least £20 million.

The 2016 ZDP GRY will impact the 2016 Final Capital Entitlement, Final Net Asset Cover, Final Debt Cover and Hurdle Rate. The table below sets out this information at Gross Redemption Yields between 6.5 per cent. and 8.0 per cent.

Gross Redemption Yield	*6.50%*	*6.75%*	*7.00%*	*7.25%*	*7.50%*	*7.75%*	*8.00%*
2016 Final Capital Entitlement	128.65p	129.86p	131.08p	132.31p	133.55p	134.79p	136.05p
Hurdle Rate	(12.1%)	(12.1%)	(12.1%)	(12.1%)	(12.0%)	(12.0%)	(12.0%)
Estimated Final Net Asset Cover	7.17x	7.10x	7.03x	6.97x	6.90x	6.84x	6.77x
Estimated Final Debt Cover	1.73x	1.73x	1.73x	1.73x	1.73x	1.72x	1.72x

The illustrative statistics are calculated on the basis of the principal bases and assumptions set out in Part 6 (Principal Bases and Assumptions) of this document.

On the 2016 ZDP Share Repayment Date the capital entitlement of the 2016 ZDP Shares (except for any undistributed revenue profits) will rank ahead of any ordinary shares in the Issuer but behind other creditors. The 2016 ZDP Shares will have no voting rights except on a resolution to wind up the Issuer or to approve certain specified matters which would be likely to affect materially the position of the 2016 ZDP Shareholders. The Issuer will also offer to buy back the 2016 ZDP Shares on a change of control of the Parent at the then Accrued Capital Entitlement.

The Parent has undertaken in the 2016 Contribution Agreement to contribute such funds to the Issuer as will ensure that the Issuer will have sufficient assets on the 2016 ZDP Share Repayment Date to satisfy the requirement to make the full capital payment to the 2016 ZDP Shareholders then due and to pay all operational costs and expenses incurred by the Issuer. In addition, the Parent and the Issuer have undertaken not to take certain specified actions without the consent of the 2016 ZDP Shareholders. The provisions of the 2016 Contribution Agreement are more fully described in paragraph 6 of Part 4 (Details of the 2016 ZDP Shares) of this document.

The Issuer has not traded. As from the date of issue of 2016 ZDP Shares, the Issuer's only material financial obligations will be in respect of the 2016 ZDP Shares and its only material assets will be its rights under the 2016 Loan Agreement, under which it will lend the net Placing proceeds to the Parent, and its right to receive contribution from the Parent under the 2016 Contribution Agreement. The Parent is a holding company which holds shares in and has made loans to, its wholly-owned subsidiary undertakings which, in turn, indirectly through other wholly-owned subsidiary undertakings, hold the property assets of the Group. Such subsidiary undertakings have incurred liabilities (including the debt obligations under the Senior Debt) in connection with the acquisition and management of these property assets and have created security over most of these assets to secure obligations owed to the lenders.

The obligations of the Parent to the Issuer under the 2016 Contribution Agreement are therefore structurally subordinated to the third party liabilities of the Parent's subsidiary undertakings. The Board of the Parent intends to meet the Parent's obligations under the 2016 Contribution Agreement through any one or more of income generated from the Group's property assets, the realisation or sale of those assets, through borrowing or other financing, or a fresh issue of shares or securities by it or any of its subsidiary undertakings.

Investors should note that the 2016 Final Capital Entitlement of the 2016 ZDP Shares is not guaranteed and is dependent upon the Parent having sufficient assets to satisfy its obligations under the 2016 Contribution Agreement and the 2016 Loan Agreement.

The Rollover Offer

Overview

Under the Rollover Offer, Eligible ZDP Shareholders are being given the opportunity to exchange some or all of their holding of 2012 ZDP Shares into new 2016 ZDP Shares. The rollover value attributed to a 2012 ZDP Share will be equal to its Accrued Capital Entitlement as at the Rollover Date, being 76.4 pence. The new 2016 ZDP Shares arising on the exchange of 2012 ZDP Shares pursuant to the Rollover Offer will be deemed to be issued at the Issue Price.

The Group holds 5,902,317 2012 ZDP Shares, representing £4,521,175 of the aggregate repayment value of the 2012 ZDP Shares. The Group will not participate in the Rollover Offer in respect of its holding of 2012 ZDP Shares and intends to waive its entitlement to the 2012 Final Capital Entitlement in respect of all such 2012 ZDP Shares.

Subject to completion of the Rollover Offer, each 2012 ZDP Share validly elected to be rolled over will be exchanged into 0.764 2016 ZDP Shares to be issued on the terms set out in the Issuer's Articles.

The rights attaching to the 2016 ZDP Shares will be substantially similar to those attaching to the 2012 ZDP Shares, save for the Gross Redemption Yield and the 2016 ZDP Share Repayment Date.

The Rollover Offer is open to all Eligible ZDP Shareholders. All such persons shall be entitled to have accepted in the Rollover Offer all valid elections in respect of his or her holding, subject to scaling back in the event of excess demand. All valid elections that are accepted under the Rollover offer will rollover at the 2016 ZDP GRY.

Fractional Entitlements

Fractions of 2016 ZDP Shares will not be issued. The number of 2016 ZDP Shares arising pursuant to an election under the Rollover Offer will be rounded down to the nearest whole number and any excess monies will be retained by the Issuer.

Elections

Eligible ZDP Shareholders participating in the Rollover Offer will be required to indicate the number of 2012 ZDP Shares they wish to rollover pursuant to the Rollover Offer and at different Gross Redemption Yields, ranging between 6.5 per cent. and 8.0 per cent. Eligible 2012 ZDP Shareholders will also be able to elect to rollover their 2012 ZDP Shares at the Strike GRY. The total number of 2012 ZDP Shares that an Eligible ZDP Shareholder elects to rollover at each Gross Redemption Yield will be cumulative with the number of 2012 ZDP Shares elected to be rolled over at lower Gross Redemption Yields. The aggregate number of 2012 ZDP Shares that an Eligible ZDP Shareholder can elect to rollover will be restricted to the number of 2012 ZDP Shares held by the Eligible ZDP Shareholder on the Record Date.

In order to elect to participate in the Rollover Offer, 2012 ZDP Shareholders are advised to refer to the section entitled "Action to be Taken by 2012 ZDP Shareholders" on pages 24 and 25 of this document and to complete the Form of Election in accordance with the instructions printed thereon or submit a TTE Instruction through CREST, in each case in accordance with the instructions set out in this document.

The Issuer reserves the absolute right to inspect (either itself or through its agents) all Forms of Election and may consider void and reject any Form of Election that does not in the Board's sole judgement (acting reasonably) meet the requirements of the Rollover Offer. The Issuer also reserves the absolute right to waive any defect or irregularity in relation to the acceptance of the Rollover Offer by Eligible ZDP Shareholders, including any Form of Election (in whole or in part) which is not entirely in order or which is received after the Closing Date, missing share certificate(s) and/or other document(s) of title or an indemnity acceptable to the Issuer in lieu thereof. None of the Issuer, the Receiving Agent or any other person will be under any duty to give notification of any defects or irregularities in acceptances under the Rollover Offer or incur any liability for failure to give any such notification.

If a holder of 2012 ZDP Shares signs and returns a Form of Election but does not specify in Box 2 of the form how many 2012 ZDP Shares he wishes to elect to participate in the Rollover Offer and/or does not return any valid 2012 ZDP Share certificates (or other documents of title), he will be deemed to have elected to participate in respect of his entire holding at the Strike GRY. If a

holder of 2012 ZDP Shares signs and returns a Form of Election and does not specify in Box 2 of the form how many 2012 ZDP Shares he wishes to elect to participate in the Rollover Offer but has returned some or all of his valid 2012 ZDP Share certificates (or other documents of title) he will be deemed to have elected to participate in respect of the number of 2012 ZDP Shares represented by the valid certificates (or other documents of title) accompanying such Form of Election at the Strike GRY.

Mechanics of the Rollover Offer

The Rollover Offer will be effected by the exchange of those 2012 ZDP Shares (issued by IRET Securities) that are validly elected and accepted to participate in the Rollover Offer for new 2016 ZDP Shares issued pursuant to the Issuer's Articles.

Subject to completion of the Rollover Offer, each 2012 ZDP Share validly elected and accepted to participate in the Rollover Offer will be exchanged for 0.764 2016 ZDP Shares at Admission on and subject to the terms and conditions set out in this document and the Form of Election.

Forthwith upon exchange, any certificates relating to 2012 ZDP Shares that are exchanged into 2016 ZDP Shares pursuant to the Rollover Offer shall be cancelled by IRET Securities and the Issuer shall issue to each such participant in the Rollover Offer new certificates in respect of the 2016 ZDP Shares issued on exchange, unless such participant in the Rollover Offer elects to hold their 2016 ZDP Shares in uncertificated form.

The rights attaching to 2012 ZDP Shares that are not exchanged for 2016 ZDP Shares pursuant to the Rollover Offer will remain unchanged, with the 2012 Final Capital Entitlement of 76.6 pence per 2012 ZDP Share due on 31 October 2012.

Overseas 2012 ZDP Shareholders

In order to avoid any inadvertent breach of overseas securities laws, Overseas 2012 ZDP Shareholders shall be deemed to have elected not to participate in the Rollover Offer. Notwithstanding any other provision of this document, the Issuer reserves the right to permit any Overseas 2012 ZDP Shareholders to receive 2016 ZDP Shares if the Directors, in their sole and absolute discretion, are satisfied at any time prior to the Closing Date that the transaction in question is exempt from, or not subject to, the legislation or regulations giving rise to the restrictions in question.

The Placing

In addition to the Group undertaking the Rollover Offer, the Issuer has appointed Oriel Securities to act as bookrunner to the Placing. Investors in the Placing will be able to indicate the number of 2016 ZDP Shares they wish to acquire at different Gross Redemption Yields ranging from 6.5 per cent. to 8.0 per cent. or at the Strike GRY. Any orders received under the Placing will be aggregated with the applications received under the Rollover Offer in order to determine the 2016 ZDP GRY.

The Placing will open on 13 September 2012 and will close on 9 October 2012. The Directors reserve the right to close the Placing at any time or to extend the closing date of the Placing to no later than 31 October 2012. Notification of any closure or extension will be via regulatory information service announcement.

It is anticipated that dealings in any 2016 ZDP Shares issued pursuant to the Placing will commence on 15 October 2012. It is expected that share certificates in respect of any 2016 ZDP Shares will be dispatched in the week commencing 29 October 2012.

The 2016 ZDP Shares issued under the Placing will rank equally with the 2016 ZDP Shares issued under the Rollover Offer.

Scaling back and allocation

The 2016 ZDP GRY will be set at the lowest Gross Redemption Yield at which valid elections under the Rollover Offer and/or applications under the Placing have been received in respect of 2016 ZDP Shares with an aggregate value, at the Issue Price, of at least £20 million.

Eligible ZDP Shareholders and potential investors under the Placing should therefore note that:

(a) elections pursuant to the Rollover Offer or applications pursuant to the Placing at a Gross Redemption Yield above the 2016 ZDP GRY will not be satisfied;

(b) all elections pursuant to the Rollover Offer or applications pursuant to the Placing at a Gross Redemption Yield below the 2016 ZDP GRY will be satisfied in full; and

(c) elections pursuant to the Rollover Offer or applications pursuant to the Placing at either:

  (i) an amount equal to the 2016 ZDP GRY; or

  (ii) the Strike GRY,

  may, if the Issue is oversubscribed at the 2016 ZDP GRY, be subject to scaling back on the following basis:

  (A) elections and/ or applications at the Strike GRY will be satisfied in full and elections and/or applications at an amount equal to the 2016 ZDP GRY will be scaled back (unless the 2016 ZDP GRY is 6.5 per cent., in which case the elections and/ or applications at a Gross Redemption Yield of 6.5 per cent. and elections and/ or applications at the Strike GRY will be scaled back *pro rata*);

  (B) applications pursuant to the Placing at an amount equal to the 2016 ZDP GRY will be scaled back in favour of elections pursuant to the Rollover Offer at an amount equal to the 2016 ZDP GRY and any scaling back of applications under the Placing will be at the discretion of Oriel Securities; and

  (C) in the event the elections received pursuant to the Rollover Offer are also required to be scaled back, such scaling back will be on a *pro rata* basis, in each case subject to the satisfaction of Listing Rule 14.2.2, as discussed below.

The Rollover Offer and Placing are conditional on Admission, and therefore subject to the satisfaction of Listing Rule 14.2.2, which requires that at least 25 per cent. of the 2016 ZDP Shares are held in public hands as at Admission. The Directors will have the discretion to scale back elections under the Rollover Offer otherwise than on a *pro rata* basis if the Directors consider this necessary to ensure that sufficient 2016 ZDP Shares are held in public hands so as to satisfy Listing Rule 14.2.2. In particular, the Directors may exercise their discretion so that the relevant 2016 ZDP Shares can be placed pursuant to the Placing in order to satisfy this Listing Rule.

Conditions to the Rollover Offer and Placing

The Rollover Offer and the Placing are conditional on:

- valid elections under the Rollover Offer and/or applications under the Placing being received in respect of 2016 ZDP Shares with an aggregate value, at the Issue Price, of at least £20 million;
- the Placing Agreement remaining in full force and effect and not having been terminated in accordance with its terms; and
- Admission of the 2016 ZDP Shares issued pursuant to the Rollover Offer and the Placing.

In circumstances in which these conditions are not fully met, the Rollover Offer and Placing will not take place and no 2012 ZDP Shares will be issued. In such event, and if the Group is unable to secure other sources of finance, the payment of the 2012 Final Capital Entitlement to the 2012 ZDP Shareholders would be delayed until alternative sources of financing can be arranged.

Announcement of the results of the Issue

The results of the Issue will be announced via a regulatory information service of the London Stock Exchange on or around 10 October 2012. This announcement will include the number of 2016 ZDP Shares arising pursuant to the Rollover Offer and the Placing, the number of 2012 ZDP Shares that have elected to take part in the Rollover Offer.

Costs of the Issue

The expenses of the Group in connection with the Issue are estimated to be approximately £0.7 million.

Use of proceeds

The net proceeds of the Placing will be loaned by the Issuer to the Parent pursuant to the 2016 Loan Agreement and will be used by the Parent to finance the 2012 Final Capital Entitlement of the 2012 ZDP Shares on maturity.

Admission and dealings

Application will be made for the 2016 ZDP Shares to be admitted to a standard listing on the Official List and to trading on the main market for listed securities of the London Stock Exchange. All allotments of 2016 ZDP Shares will be conditional on Admission. This document has been published in order to make an offer of transferable securities to the public and to admit to a standard listing on the Official List of any 2016 ZDP Shares issued pursuant to the Rollover Offer and the Placing. No application will be made for the 2016 ZDP Shares to be listed or dealt in on any stock exchange or investment exchange other than the London Stock Exchange.

The 2016 ZDP Shares to be issued pursuant to the Rollover Offer and the Placing will be issued in registered form and may be held either in certificated form or in uncertificated form and settled through CREST.

CREST is a computerised paperless settlements system, which allows securities to be transferred via electronic means, without the need for a written instrument of transfer.

Participation in CREST is voluntary and investors who wish to hold 2016 ZDP Shares outside of CREST will be entered on the register and issued with a share certificate evidencing ownership.

Application will be made for the 2016 ZDP Shares to be admitted to CREST on Admission.

Investors should be aware that 2016 ZDP Shares delivered in certificated form are likely to incur, on an ongoing basis, higher dealing costs than those 2016 ZDP Shares held through CREST. Shares initially issued in certificated form may subsequently be deposited into CREST. Certificates in respect of 2016 ZDP Shares issued in certificated form are expected to be despatched in the week commencing 29 October 2012 or as soon as practicable thereafter.

Temporary documents of title will not be issued pending the delivery of 2016 ZDP Shares to the persons entitled thereto and, during that period, transfers will be certified against the register of the relevant class of ZDP Shareholders.

Working Capital

The Issuer is of the opinion that the Group does not have sufficient working capital for its present requirements, that is, for at least the next 12 months from the date of the publication of this document.

The Group currently has 40,654,483 2012 ZDP Shares in issue which have a final capital repayment date of 31 October 2012 and a total redemption cost payable to third parties of approximately £31.1 million and the Group does not have sufficient working capital to meet this in full[1]. The Directors believe that the Group has a maximum funding shortfall of £20 million and are therefore undertaking the Issue in order (i) to reduce the Group's liability in respect of the 2012 Final Capital Entitlement through the Rollover Offer; and (ii) to provide additional funds in order to meet such liability of the Group through the Placing.

The Directors believe that if valid elections under the Rollover Offer and/or applications under the Placing are received in respect of 2016 ZDP Shares with an aggregate value at the Issue Price of at least £20 million, the Group would have sufficient funds in order to meet the 2012 Final Capital Entitlement and have sufficient working capital for its present requirements, that is, for at least the next 12 months

1 This excludes the 5,902,317 2012 ZDP Shares held by the Group reflecting a redemption value of approximately £4.5 million. No payment will be required in the respect of the 2012 ZDP Shares held by the Group.

from the date of the publication of this document. The Directors have considered a number of potential funding options and, following discussions with a number of 2012 ZDP Shareholders, and based on initial indications of interest, the Group is sufficiently confident that the minimum issue size of £20 million is achievable. However, the final outcome of the Issue will not be known until the closing of the Issue.

If the Issue does not proceed and the Parent is unable to meet its obligation under the 2012 Contribution Agreement to contribute such funds to IRET Securities as will ensure that IRET Securities has sufficient assets on the 2012 ZDP Share Repayment Date to satisfy the 2012 Final Capital Entitlement, and an agreement cannot be reached with the Senior Lenders, this will be an event of default under the Senior Debt Facility Agreements. Such an event of default would entitle the Senior Lenders (i) to demand immediate repayment of the amounts advanced to the Group under the Senior Debt Facility Agreements together with accrued interest and/or (ii) to enforce their security over those assets of the Group secured to each of them. The Group would seek to enter into discussions with its Senior Lenders prior to such an event of default, and on the basis of the Group's on-going ability to service its Senior Debt requirements, it would seek to reach an agreement with the Senior Lenders to provide the Group with sufficient time to complete an alternative form of funding.

If the Issue does not proceed, the Group will immediately seek to discuss its funding shortfall with the 2012 ZDP Shareholders, with a view to agreeing a strategy to address the Group's funding shortfall. Such a strategy may include any, or a combination, of: renegotiating the repayment terms of the 2012 ZDP Shares, negotiating a subordinated debt facility, raising additional equity capital, disposing of properties in the Group's portfolio and/or suspending the dividend paid on the Ordinary Shares. However, there can be no certainty that any of these proposals would be successful in addressing the Group's funding shortfall.

The Group has started discussions with alternative debt providers to address the Group's working capital shortfall through the provision of a subordinated debt facility, in the event the Issue does not proceed. Whilst the Company has received a number of non-binding indicative proposals, there can be no guarantee that alternative debt financing will be agreed prior to, or post, 31 October 2012.

If the Issue does not proceed and the Group is unable to reach agreement with the 2012 ZDP Shareholders prior to 31 October 2012, the Group will not be able to trade as a going concern.

Directors' opinion

As the Issue does not require the approval of 2012 ZDP Shareholders or the holders of Ordinary Shares, the Directors are not required to make a recommendation as to how voting rights should be exercised. However, the Directors consider that the Issue is in the best interests of the Group and 2012 ZDP Shareholders as a whole.

Yours faithfully

Nicholas Thompson
Chairman

PART 2

INFORMATION ABOUT THE GROUP

1 The Group

The Parent is a closed-ended investment company limited by shares which is domiciled and incorporated in Guernsey and has its securities admitted to trading on the London Stock Exchange's main market for listed securities and the Channel Islands Stock Exchange. The Parent is the holding company of an internally managed investment group with an income focused approach to the UK commercial property market. The Group has a portfolio of 62 assets located across the United Kingdom valued at £403.2 million as at 30 June 2012 and an unaudited net asset value as at 30 June 2012 of £185.0 million.

2 Investment Objective and Investment Policy

2.1 *Investment Objective*

The Group's investment objective is to provide its shareholders with an attractive level of income together with the potential for capital growth from directly or indirectly investing in a diversified portfolio of UK, Isle of Man and Channel Islands property.

2.2 *Investment Policy*

Subject to the investment restrictions described in paragraph 2.3 below, the Parent's investment policy is to invest in five commercial property sectors: office, retail, retail warehousing, industrial and leisure but may also include a limited number of properties where the primary use is residential. The Parent may invest in real estate derivative instruments or the debt securities of other real estate issuers. The Parent may also invest in other property funds.

2.3 *Investment Restrictions*

The Parent's investment restrictions as at the date of this document are as follows:

(a) the Parent must manage its investments in a manner which is consistent with its published investment policy;

(b) distributable income will be principally derived from investment. Neither the Parent nor any member of the Group will undertake a trading activity which is significant in the context of the Group as a whole;

(c) not more than 20 per cent. of the Gross Assets of the Parent (consolidated where appropriate) will be lent to or invested in the securities of any one company or group (excluding loans to or shares in the Parent's own subsidiaries) at the time when the investment or loan is made; for this purpose any existing holding in the company concerned will be aggregated with the proposed new investment;

(d) dividends will not be paid unless they are covered by income received from underlying investments and for this purpose, a share of profit of an associated company is unavailable unless and until distributed to the Parent;

(e) the distribution as dividend of surpluses arising from the realisation of investments will be prohibited;

(f) the Group shall not invest more than 10 per cent. of its Gross Assets in real estate derivative instruments or the debt securities of other real estate issuers (excluding debt securities issued by the Parent's own subsidiaries);

(g) the Parent will not be a dealer in investments;

(h) no single property (including all adjacent or contiguous properties) shall, at the time of acquisition, constitute more than 15 per cent. of the Gross Assets of the Group, consolidated where applicable;

(i) income receivable from any single tenant, or tenants within the same group, in any one financial year shall not exceed 20 per cent. of the total rental income of the Group in that financial year;

(j) at least 90 per cent. by value of properties held by the Group shall be in the form of freehold or long leasehold properties or the equivalent;

(k) the proportion of the Group's property portfolio which is unoccupied or not producing income or which is in the course of substantial development, redevelopment or refurbishment shall not exceed 25 per cent. of the value of the portfolio;

(l) the Parent shall not retain more than 15 per cent. of its net profits, before gains and losses on the disposal of properties and other investments;

(m) the Group shall not invest more than 10 per cent. of its Gross Assets in residential property. For this purpose, the Group views student and key worker accommodation as commercial property where there is a single overriding lease to a single covenant or a guarantee for a period in excess of one year;

(n) the Group shall not invest more than 20 per cent. of its Gross Assets in other property investment funds, save for funds wholly owned within the Group; this restriction shall not apply to special purpose vehicles and joint ventures;

(o) the Group shall not invest more than 15 per cent. of its Gross Assets in other ING Group managed funds;

(p) any purchase or sale of assets from or to any member of the ING Group or any entity managed by any member of the ING Group with consideration in excess of £50,000 will require prior Board approval; and

(q) the Group's borrowings shall be restricted so that the aggregate principal borrowings outstanding at the time of drawdown shall not at any time exceed 65 per cent. of its Gross Assets.

The investment restrictions set out in paragraphs (o) and (p) above date from the period when the Group's investment manager was ING Real Estate Investment Management (UK) Limited and the Parent's Board intends to propose a resolution at the Parent's annual general meeting in 2013 seeking the approval of Shareholders to deleting those investment restrictions. For the purposes of those investment restrictions, "ING Group" means ING Groep N.V. and all companies in its group.

The ZDP Shares will be treated as borrowings for the purposes of the Parent's Articles and investment restrictions.

In addition to those restrictions set out above, in accordance with the requirements of the UK Listing Authority which apply to closed ended investment funds, the Parent:

(i) will not invest more than 10 per cent. in aggregate of the value of the Gross Assets (calculated at the time of the relevant investment) in other investment companies or investment trusts which are listed on the Official List (except to the extent that those investment companies or investment trusts have published investment policies to invest no more than 15 per cent. of their total assets in other investment companies or investment trusts which are listed on the Official List);

(ii) will not conduct any trading activity which is significant in the context of the Parent and any subsidiary undertaking as a whole; and

(iii) will, at all times, invest and manage its assets, in a way which is consistent with its objective of spreading investment risk and in accordance with its published investment policies.

In accordance with the requirements of the UK Listing Authority, the Parent will not make any material change to its published investment policy without the approval of its shareholders by ordinary resolution passed at a general meeting of the Parent. Such an alteration will be announced by the Parent through a Regulatory Information Service.

In the event of any breach of the Parent's investment policy or of the investment restrictions applicable to the Parent, shareholders will be informed of the actions to be taken by the Parent by an announcement issued through a Regulatory Information Service.

3 Current trading and outlook

Since 2007 the UK commercial property market has undergone a significant re-pricing against a backdrop of one of the worst financial crises on record, leading to reduced gilt yields, interest rates and lower forecasts in respect of economic growth. According to the IPD monthly index, capital values declined by over 44 per cent. between July 2007 and July 2009.

Despite values recovering by over 17 per cent. between August 2009 and September 2011, more recently and since November 2011 there has been a more muted month on month decline, totalling 2.5 per cent., as the property market has followed events in the UK economy. This follows the Eurozone sovereign debt crisis during the latter part of 2011 and with the UK re-entering recession in the first quarter of 2012, concerns over any underlying occupier led recovery have been heightened. Over this same period there has also been a gradual increase in vacancy rates in the UK from 9.6 per cent. to 10.3 per cent. and rental values have seen limited reductions also.

These figures mask the geographical divergence in capital value movements between commercial properties outside London and in London, which outperformed those in the rest of the country as London benefitted from a combination of stronger occupier markets and its ability to attract international capital. In addition there remains a marked differential in pricing between shorter term income and longer dated well secured income, generally reflecting investors' limited appetite for occupational risk at a time when occupiers are increasingly seeking operational flexibility. In many markets outside central London it remains uneconomic to develop commercial real estate with underlying values driven by flexible leasing, being lower than the cost of construction.

Commercial property lending flows, as recorded by the Bank of England, although positive in the second quarter, were negative for three of the last five quarters, with the first quarter of 2012 recording the lowest rate of lending since the series began. New lending by banks and building societies has decreased significantly over the period, adding short term downward pressure on capital values and in particular reducing liquidity in particular markets outside central London, with the majority by value of recorded transactions being within Central London.

In terms of the Group's portfolio, the exposure to shorter term income and assets held outside London has impacted recent performance. Despite this the Group continues to operate with occupancy of close to 90 per cent. which has been achieved through a diverse occupier base. Of the Group's total void within the portfolio, the office sector represents approximately 64 per cent. by rental value, the industrial sector 18 per cent. and the retail sector 15 per cent. respectively. Occupier markets appear stronger within the London market and the Group has by rental value, some 40 per cent. of all vacancies in the London market and a number of specific refurbishment initiatives planned to enhance this accommodation prior to re-letting. In the current climate and where occupier demand is more muted it remains particularly important to ensure that accommodation can be provided to meet occupier requirements to ensure that the best possible terms are achieved and also mitigate costs, such as vacant rates and other void holding costs.

In light of market conditions the Group's immediate focus continues to be improving occupancy through active marketing campaigns, whilst mitigating void costs. In addition it has been seeking to restructure existing occupational leases to ensure maintained occupancy and enhanced longevity of income. Since June 2012, the Group has completed letting and re-gearing transactions totalling approximately £1.0 million per annum across a range of sectors and there are currently initiatives in hand which are aimed at securing a further £1.0 million per annum through new letting and lease restructurings ahead of expiries or break options. The Group's annualised rental income as at 30 June 2012 was £30.6 million reflecting a net initial yield of 7.2 per cent. and annualised reversionary income of £33.4 million reflecting a net reversionary yield of 7.8 per cent.

4 Description of the Group's existing property portfolio

The Group's property portfolio consists of 62 properties with an aggregate value as at 30 June 2012, the date of the most recent valuation, of £403.2 million. An analysis and overview of the Group's property portfolio as at 30 June 2012 is set out below.

4.1 *Summary table of the largest properties*

A summary of the largest properties in the Group's portfolio representing, in aggregate, 51 per cent. of the portfolio, and ranked in order of capital value, is set out below:

Location	*Property*	*Sector*	*Net Passing Rent per annum*
Harlow	Units A-G, River Way Industrial Estate	Industrial	£2,317,599
Lutterworth	Unit 5320, Magna Park	Industrial	£2,924,881
London	Stanford House, 12/14 Long Acre, WC2	Retail	£751,000
Swansea	Phase II, Parc Tawe	Retail Warehouse	£1,025,893
London – City	50 Farringdon Road	Offices	£0[1]
London	Angel Gate Office Village, EC1V	Offices	£762,820
London – City	Boundary House, 7-17 Jewry Street	Offices	£951,684
Colchester	Colchester Business Park	Offices	£1,195,674
Bury	Angouleme Way	Retail Warehouse	£819,200
Washington	Vigo 250, Birtley Road	Industrial	£1,007,790
London	1-3 Chancery Lane	Offices	£614,712
Carlisle	Crown & Mitre Hotel	Retail	£453,640
Milton Keynes	401 Grafton Gate East	Offices	£748,782

1 This property is fully let but was in rent-free periods at 30 June 2012. The net passing rent per annum of the property will be £1,026,534 following the expiry of the rent-free periods.

All of the information included above, which is unaudited, has been extracted from, or is based upon, the reports set out in Part 5 (Valuation Reports) of this document, save for the note.

4.2 *Summary of tenure*

Type of tenure	*No. of property holdings*	*Per cent. of Total Market Value of Property Portfolio*
Freehold	45	58.8
Leasehold – Peppercorn rent (effective freehold)	10	27.5
Leasehold with geared ground rent	4	7.5
Mixed (part freehold/part leasehold)	2	5.3
Leasehold	3	0.9
Total	64	100

Note: The Group has two separate holdings in two of its properties, which is why the Group has 62 properties in its portfolio but has 64 property holdings.

4.3 ***Lease length***

The length of the leases as of June 2012 (to first termination) can be summarised as follows:

	Current net annual rent property portfolio Length of leases (per cent.)
0-5 years	61.6
5-10 years	21.4
10-15 years	8.9
15-25 years	5.5
25+ years	2.6
TOTAL	100

The average lease length is 6.81 years (weighted by current net rental income). This has been calculated on the earlier of the expiry date of the lease and the first tenant break option. The equivalent figure for the IPD Quarterly Benchmark was 10.0 years as at 30 June 2012.

4.4 ***Lease terms***

The leases are on terms which could reasonably be expected for properties of the type comprised in the Group's property portfolio.

4.5 ***Voids***

At the date of valuation, 30 June 2012, 10.6 per cent. of the Group's property portfolio by current estimated rental value was vacant.

4.6 ***Covenant strengths***

As stated in the IPD IRIS June 2012 Report, the covenant strength of the tenants of the properties in the Group's property portfolio on the basis of their parent company strengths can be summarised as follows:

*Covenant strength**	*Current net annual rent property portfolio (per cent.)*	*IPD Quarterly Benchmark (per cent.)*
Negligible and Government risk	53.7	50.9
Low risk	19.4	20.3
Low-medium risk	8.8	7.0
Medium-high risk	1.6	2.7
High risk	4.2	4.8
Maximum	8.8	8.6
Ineligible/not matched	0.0	0.4
Unscored	3.5	5.3
TOTAL	100	100

* IPD IRIS gives a benchmark ranking of the covenant strength of portfolios. These scores incorporate a range of variables including size and age of the business, industry sector, geographical region and adverse organisational information such as bankruptcies and negative payment information.

Source: IPD June 2012

4.7 ***Property condition***

Independent building surveys, environmental surveys and, where considered appropriate, mechanical and electrical surveys were undertaken for each property at the time of purchase or existing reports were reviewed by the Group. It is considered that the condition of the Group's property portfolio is acceptable having regard to the properties' value, age, use, type and lease terms.

4.8 ***Regional weightings***

The regional weightings of the Group's property portfolio can be summarised as follows:

	Current Capital value of the property portfolio (per cent.)
Central London	16.2
Greater London	8.2
South East	29.7
Midlands	16.8
South West	3.9
North	16.9
Wales	5.5
Scotland	2.3
Northern Ireland	0.5
TOTAL	100.0

4.9 ***Sectoral weightings***

The sectoral weightings of the Group's property portfolio can be summarised as follows:

Sector	*Current capital value of the property portfolio*
Offices	35.0
Industrial	34.8
Retail	19.2
Retail warehouse	6.9
Leisure/Other	4.1
TOTAL	100

4.10 ***Ten largest tenants (ranked by percentage of total rental income)***

Tenant (including group companies)	*Total Rental Income (per cent.)*
TNT UK Limited	10.6
Tanfield Group Plc	3.3
Cadence Design Systems Limited	3.2
Exel UK Limited	2.7
Menzies Hotels Property No. 20 Limited	2.5
British Telecommunications Plc	2.5
Edward Stanford Limited	2.2
ASDA Stores Limited	2.0
Amcor Packaging UK Limited	1.8
Exel Europe Limited	1.7
TOTAL	32.5

5 Profile of typical investor

An investment in the 2016 ZDP Shares is intended to constitute part of a diversified investment portfolio for institutional or high net worth/sophisticated investors who are seeking exposure to a wide range of sectors and markets. An investor in the 2016 ZDP Shares will be capable of evaluating the risks (including potential capital loss) and merits of such investments. Any investor must be able to accept the possibility of losses and an investment in 2016 ZDP Shares is only intended for investors who can afford to set aside the invested capital for a number of years.

6 Dividends

The Issuer

The 2016 ZDP Shares will not have any entitlement to dividends.

The Parent

Dividends on the Ordinary Shares are paid in respect of each financial year in quarterly instalments in February, May, August and November. All dividends are paid as interim dividends.

On 11 July 2012 the Board announced its intention to review the Parent's dividend policy once the refinancing exercise had been completed. The Board has stated in the Parent's annual report and accounts for the financial period ended 31 March 2012 that it intends to reach a position where the Group operates with dividend cover of at least 100 per cent., rather than pay dividends on an uncovered basis. The Board believes that, in the current economic environment, more weight should be given to strengthening the balance sheet than distributions.

7 Directors and Investment Management Team

7.1 *Directors*

The Directors of the Issuer and the Parent, all of whom are non-executive, are responsible for the determination of the Group's investment objective and policy and have overall responsibility for the Group's activities including the review of investment activity and performance.

Nicholas Thompson, age 63, was formerly director and Head of Fund and Investment Management at Prudential Property Investment Management. He is currently chairman of IPD's Investor Services Consultative Group and their Index Consultative Group, chairman of the Property Forum of the Association of Investment Companies, a director of the Lend Lease Retail Partnership and a Board Member of The Churches Conservation Trust Limited. He is a Fellow of the Royal Institution of Chartered Surveyors. Nicholas is also the Chairman of the Parent and the Issuer.

Trevor Ash, age 66, was formerly Managing Director of Rothschild Asset Management (CI) Limited (until 1999) and a non-executive director of Rothschild Asset Management Limited. He retired as a director of NM Rothschild & Sons (CI) Limited in 2007. He is a director of a number of funds managed by Merrill Lynch, Thames River Capital and Dexion Capital Management. He is also a director of Camper and Nicholsons Marina Investments Limited and Investors in Global Real Estate Limited, and is a Fellow of the Chartered Institute for Securities & Investment. Trevor is the chairman of the Parent's Management Engagement Committee.

Roger Lewis, age 65, has extensive experience in the property sector, most recently as a director of Berkeley Group Holdings plc for over 15 years, the last eight of which was as chairman, a position from which he retired at the end of July 2007. He currently acts as a consultant to the Berkeley Group and is a director of three Jersey based subsidiaries of the Berkeley Group as well as being a director of the States of Jersey Development Company Limited. Prior to this, he was UK group chief executive officer of Crest Nicholson Group plc from 1983 to 1991. He is also currently a director of Grand Harbour Marina Plc (Malta) and, along with Trevor Ash, he is a director of Camper & Nicholsons Marina Investments Ltd. Roger is the chairman of the Parent's Property Valuation Committee.

Robert Sinclair, age 62, is Managing Director of the Guernsey based Artemis Group and a director of a number of investment fund management companies and investment funds associated with clients of the Artemis Group. Robert is Chairman of Schroder Oriental Income Fund Limited, Chairman of Sirius Real Estate Limited, a director of AISI Public Realty Limited and a director of Chariot Oil & Gas Limited. He is a Fellow of the Institute of Chartered Accountants in England and Wales. Robert is the chairman of the Parent's Audit Committee.

Tjeerd Borstlap, age 57, is Chief Financial Officer of ING Real Estate located in The Hague, The Netherlands. In this capacity he is responsible for Finance, Treasury and Risk. Prior to joining ING Real Estate Investment Management in 2003, Tjeerd held various senior financial management positions within the ING Group. He graduated in Business Economics at the Erasmus University in Rotterdam and subsequently qualified as a Registered Auditor through the auditing profession with Peat Marwick & Mitchell, now KPMG. Tjeerd is not a director of the Issuer. On 28 August 2012 the Parent announced that Tjeerd will resign from the Parent's Board, with effect from 30 September 2012.

7.2 ***Investment Management team***

With effect from 1 January 2012, the Group's wholly-owned FSA regulated subsidiary, Picton Capital Limited, assumed the investment management responsibilities for the Group. Picton Capital has a team of 10 employees of which seven were previously employed by the outgoing investment manager, providing portfolio and operational continuity. The team includes five real estate and three finance professionals.

Michael Morris is the Chief Executive of Picton Capital and is responsible for devising and overseeing the implementation of all aspects of the Group's investment strategy. Formerly he was director and fund manager at ING Real Estate Investment Management (UK) Limited, and he has worked with the Group since it launched in 2005. He has over 16 years of real estate experience and is a Member of the Royal Institution of Chartered Surveyors and the Investment Property Forum. He sits on the Property Panel of the Association of Investment Companies and the CPD steering committee of the Investment Property Forum. He has obtained the Investment Management Certificate qualification and the Investment Property Forum Diploma in Property Investment.

Andrew Dewhirst joined Picton Capital as Finance Director in March 2011. Previously he was Director of Client Accounting at ING Real Estate Investment Management (UK) Limited, a role he had held since January 2006. At ING he was responsible for the accounting and administration of all the UK real estate vehicles and separate client accounts. Prior to joining ING he was Director of Securities and Property Accounting at Hermes Pensions Management Limited. He has over 24 years' experience in the real estate and financial services sector. He is an associate member of the Institute of Chartered Accountants in England and Wales and a member of the Investment Property Forum.

Jay Cable is Head of Asset Management at Picton Capital. In this role he is responsible for overseeing all asset management activities in respect of the Group's property portfolio. Formerly he was director at ING Real Estate Investment Management (UK) Limited, and has worked with the Group since it launched in 2005. He plays an active role in devising and implementing the Group's strategy and is a member of Picton Capital's Investment Committee. He has over 12 years of real estate experience and is a Member of the Royal Institution of Chartered Surveyors and of the Investment Property Forum.

Laurence Jones is a Senior Asset Manager at Picton Capital. In this role, he is responsible for delivering all the asset management initiatives required to fulfil the Group's portfolio strategy. Prior to joining Picton Capital, he worked for ING Real Estate Investment Management (UK) Limited where he worked on the Group's portfolio. He is a Member of the Royal Institution of Chartered Surveyors and the Investment Property Forum. He also holds the Investment Management Certificate qualification.

Tim Hamlin is an Asset Manager at Picton Capital. He is responsible for the formulation and implementation of asset level business plans in line with the overall portfolio strategy. Previously he worked at ING Real Estate Investment Management (UK) Limited for over three years. He is also a Member of the Royal Institution of Chartered Surveyors.

James Forman is the Financial Controller at Picton Capital. In this role, he is responsible for all the accounting and financial reporting for the Group. Prior to joining Picton Capital, he worked for ING Real Estate Investment Management (UK) Limited and has worked with the Group since 2005. He joined ING Real Estate Investment Management (UK) Limited in 1999 and has over 12 years of real estate experience. He is a member of the Association of Chartered Certified Accountants and the Association of Accounting Technicians.

Sonya Kapur joined Picton Capital Limited in January 2012. Previously she worked at BNP Paribas Real Estate as an investment analyst. She is responsible for all aspects of analysis and research within the company.

Adam Green joined Picton Capital Limited in January 2012 from Invista Real Estate Investment Management as Accounts Assistant.

8 Investment process

Picton Capital seeks to identify investment or divestment opportunities that match the Group's investment objective and strategy. Once a potential asset has been identified a preliminary report is made to the Picton Capital Investment Committee. This report summarises the key characteristics of the investment and how the property would fit within the Group's portfolio or why it should be sold.

The Picton Capital Investment Committee reviews the suitability of the proposed investment or disposal against the Group's strategy. Such review includes, *inter alia*, the size of investment, income profile, location and sector when compared with the existing and proposed portfolios including the targeted investment or disposal.

Immediately prior to signing binding documentation a formal recommendation will be made to the Parent's Board setting out the details of the transaction, the outcome of both property and legal due diligence and that Picton Capital considers that the proposed transaction continues to fulfil the Group's stated criteria and that the price is reflective of its underlying characteristics.

Once approval is given by the Parent's Board, the transaction may proceed to exchange and subsequent completion.

9 Corporate Governance

As at the date of this document, the Group complies with the provisions of the Corporate Governance Code, save as described below:

(a) a separate Nominations Committee has not been established, these duties are performed by the Board given that it is a fully non-executive board. Board members are nominated by a quorum of the Board, being a minimum of two Directors;

(b) a senior independent director has not been appointed, given that all of the Directors are considered to be independent; and

(c) the Board has considered the need for an internal audit function but has decided, given the scale of the Group's operations, a separate internal audit function is unnecessary and that additional procedures carried out by the external auditor in conjunction with the audit of the Group's accounts will provide the Board with sufficient assurance regarding the internal control systems in place. The Board continues to place reliance on the Administrator's internal control systems.

On 30 September 2011, the Guernsey Financial Services Commission published the Finance Sector Code of Corporate Governance which came into force on 1 January 2012 (the **New Guernsey Code**). The Parent, by virtue of its compliance with the Corporate Governance Code, will be deemed to meet the requirements of the New Guernsey Code.

9.1 ***Audit Committee***

The Parent's audit committee is comprised of the following members: Robert Sinclair (Chairman), Trevor Ash, Roger Lewis and Nicholas Thompson. The audit committee has the following remit: to meet bi-annually and to consider, *inter alia*: (a) the annual and interim accounts; (b) the auditor reports; and (c) the terms of appointment and remuneration for the auditor (including overseeing the independence of the auditor particularly as it relates to the provision of non-audit services).

9.2 ***Remuneration Committee***

A remuneration committee was established by the Parent's Board on 21 December 2009. Tjeerd Borstlap is currently Chairman of the remuneration committee and all the Directors of the Parent are members. The remit of the remuneration committee is to consider the remuneration payable to the Directors and oversee the remuneration process within Picton Capital.

9.3 ***Management Engagement Committee***

A management engagement committee was established by the Parent's Board on 30 September 2005. Trevor Ash is the Chairman of the Management Engagement Committee and all of the Directors of the Parent are members. The primary remit of the management engagement committee is to monitor, review and authorise all contracts placed by both the Parent e.g. the Administration, Registrar and Secretarial Agreement and the investment management agreement with Picton Capital, and those placed by Picton Capital.

9.4 ***Property Valuation Committee***

A property valuation committee was established by the Parent's Board on 5 January 2006 and is comprised of all the Directors of the Parent and Roger Lewis is chairman. The remit of the property valuation committee is to oversee the valuation process.

10 Administration and secretarial arrangements

Northern Trust International Fund Administration Services (Guernsey) Limited is the Administrator, Registrar and Secretary of the Parent pursuant to the Administration, Registrar and Secretarial Agreement. In such capacity, the Administrator is responsible for general secretarial functions required by the Companies Law and for ensuring that the Parent complies with its continuing obligations as an authorised closed-ended collective investment scheme in Guernsey and as a company listed on the Official Lists of the UKLA and the Channel Islands Stock Exchange. The Administrator is also responsible for the Parent's general administrative functions as set out in the Administration, Registrar and Secretarial Agreement.

Further details of the Administration, Registrar and Secretarial Agreement are set out in paragraph 9.3(f) of Part 7 (General Information) of this document.

The Parent retains Computershare as receiving agent in relation to the transfer and settlement of Ordinary Shares held in uncertificated form and as UK transfer agent.

PART 3

FINANCIAL INFORMATION RELATING TO THE GROUP

The following is a discussion of the results of operations and financial condition of the Group for the financial periods ended 31 March 2012, 31 December 2010 and 31 December 2009.

The discussion includes forward-looking statements that reflect the current views of the Issuer's Directors and Picton Capital, the Group's wholly-owned investment manager, and involves risks and uncertainties. The actual results of the Group could differ materially from those contained in any forward-looking statements as a result of factors discussed below and elsewhere in this document, particularly in "Risk Factors." Prospective investors should read the whole of this document and not rely just on summarised information.

The financial information contained in paragraphs 2, 3 and 4 of this Part 3 (Financial Information relating to the Group) has been extracted without material adjustment from the published annual report and audited accounts of the Group for each of the financial periods ended 31 March 2012, 31 December 2010 and 31 December 2009.

1 Introduction

Prior to a change of name with effect from 1 June 2011, the Parent was known as ING UK Real Estate Income Trust Limited, and accordingly each of the Parent's documents published prior to 1 June 2011 was published under its former name.

KPMG Channel Islands Limited has been engaged by the Group as its auditors since 20 July 2009. None of the audit opinions provided by KPMG Channel Islands Limited in respect of the financial information included or incorporated by reference in this document have been qualified.

2 Historical Financial Information

The Parent

The published annual report and audited accounts of the Group for each of the financial periods ended 31 March 2012, 31 December 2010 and 31 December 2009 included, on the pages specified in the cross-reference table below, the following information, which is incorporated by reference into this document.

	Annual report and accounts for the period ended		
	31 December 2009	*31 December 2010*	*31 March 2012*
Section	*Page No(s)*	*Page No(s)*	*Page No(s)*
Consolidated statement of comprehensive income	36	33	51
Consolidated statement of changes in equity	37	34	52
Consolidated balance sheet	38	35	53
Consolidated statement of cash flows	39	36	54
Accounting policies	40-44	37-41	55-59
Notes to the financial statements	40-60	37-57	55-78
Audit report	32-33	31	79

The Issuer

The Issuer has not commenced operations and no accounts have been made up and no dividends have been declared by the Issuer since its incorporation. The Issuer's accounting period will terminate on 31 March each year. The first accounting period will end on 31 March 2013.

3 Selected Financial Information

The key audited figures that summarise the financial condition of the Group in respect of the three financial periods ended 31 March 2012, 31 December 2010 and 31 December 2009 which have been extracted directly from the historical financial information referred to above (unless otherwise indicated in the notes below the following table), are set out in the following table.

	31 December 2009	*31 December 2010*	*31 March 2012*[1]
Total fixed assets (investments) (£m)	352.6	424.3	411.9
Total assets (£m)	412.0	466.7	449.6
Total liabilities (£m)	230.9	259.8	253.5
Net assets (£m)	181.1	206.9	196.1
Net asset value per Ordinary Share (p)	55	60	57
Earnings per Ordinary Share (p)	(5.9)	9.3	1.9
Dividends per Ordinary Share (p)	3	4	5
Revenue reserves – Group (£m)[2]	149.7	167.7	157.0

Notes: (1) The financial period ended 31 March 2012 was 15 months.
(2) Calculated as distributable reserves plus retained earnings or losses

4 Operating and Financial Review

The published annual reports and audited accounts of the Group for the three financial periods ended 31 March 2012, 31 December 2010 and 31 December 2009 included, on the pages specified in the table below, descriptions of the Group's financial condition (in both capital and revenue terms), changes in its financial condition and details of the Group's portfolio of investments for each of those periods.

	Annual report and accounts for the financial period ended		
	31 December 2009	*31 December 2010*	*31 March 2012*
Section	*Page No(s)*	*Page No(s)*	*Page No(s)*
Chairman's statement	5	7-8	5-7
Investment Manager's report	8-12	11-14	13-25
Portfolio analysis	14-17	16-20	27-28

5 Recent developments

Management internalisation

In December 2010, the Parent announced its intention to internalise the investment management function of the Group to create an aligned management team focused solely on the assets of the Group. The Group established a wholly-owned FSA regulated subsidiary, Picton Capital, to assume the responsibilities of the outgoing investment manager, CBRE Global Investors (UK) Limited (formerly named ING Real Estate Investment Management (UK) Limited).

Picton Capital has a team of 10 employees of which seven were previously employed by the outgoing investment manager, providing portfolio and operational continuity. The team includes five real estate and three finance professionals. Further details of the Group's investment management team are set out in Part 2 (Information about the Group) of this document.

The Group completed the process of the internalisation of its investment management team with effect from 1 January 2012, on which date Picton Capital assumed responsibility for the management of the Group's property portfolio.

Refinancing of secured loan facilities

On 28 June 2012 the Parent announced that it had entered into conditional agreements for two separate long term debt facilities ahead of the maturity date of its secured loan maturities in January 2013. The two new facilities, the Aviva Loan Facility and the Canada Life Facility, became unconditional and drawdown under those facilities took place on 24 July 2012.

The new facilities, which are for an aggregate amount of £209.0 million, were used to refinance the Group's securitised loan facility and bank facility, which were both due to mature in January 2013. In order to facilitate the early repayment of its securitised loan facility and RBS loan facility, the Group incurred swap break costs of £3.4 million in July 2012, along with additional arrangement and restructuring costs of approximately £4.6 million. The new facilities have a staggered maturity profile of 10, 15 and 20 years and the cost of debt is lower than the previous arrangements. The new facilities enable the Group to implement its long term debt reduction strategy, with an orderly debt repayment through an agreed amortisation profile.

In summary, the new facilities are for:

- £113.7 million of debt with Canada Life for a term of up to 15 years with £33.7 million repayable in year 10;
- £95.3 million of debt with Aviva for a term of 20 years. The loan has a scheduled annual amortisation profile of repaying approximately one third of the debt over the life of the loan.

The new loan to value covenant on both facilities is 65 per cent.

Further details of both the Aviva Facility and the Canada Life Facility are set out in paragraphs 9.1 (a) and (b) of Part 7 (General Information) of this document.

The Group has uncharged assets with an aggregate value (as at 30 June 2012) of £7.8 million.

6 Availability of Annual Report and Accounts for Inspection

Copies of the published annual reports and audited accounts of the Group for the three financial periods ended 31 March 2012, 31 December 2010 and 31 December 2009 are available for inspection at the addresses set out in paragraph 14 of Part 7 (General Information) of this document.

7 NAV calculations

The Parent publishes its NAV on a quarterly basis. This quarterly NAV is unaudited.

The Parent's most recent published NAV was as at 30 June 2012 and was £185.0 million, reflecting approximately 54 pence per Ordinary Share.

The NAV attributable to the Ordinary Shares is calculated by Picton Capital under IFRS. At an underlying property level there was an £11.3 million decrease in the property portfolio valuation, representing a like for like decrease of 2.7 per cent. over the quarter to 30 June 2012.

This NAV figure incorporates the external portfolio valuation as at 30 June 2012, which is set out in Part 5 (Valuation Reports) of this document. It includes income for the current quarter and is calculated after the deduction of dividends paid prior to 30 June 2012, but it does not include provision for the quarterly dividend of 1 pence per Ordinary Share which was paid in August 2012.

PART 4

DETAILS OF THE 2016 ZDP SHARES

The Issuer has two classes of share: 2016 ZDP Shares and ordinary shares, of which all of the issued ordinary shares are held by the Parent.

The rights attaching to each of these classes of share set out in the Issuer's Articles and certain additional protections for 2016 ZDP Shareholders contained in the 2016 Contribution Agreement, copies of which are available for inspection at the addresses set out in paragraph 14 of Part 7 (General Information) of this document, are as follows:

1 Income

1.1 The holder of the ordinary shares in the Issuer (all of which are at the date of this document, and until the 2016 ZDP Share Repayment Date will be, beneficially owned by the Parent and/or a wholly-owned subsidiary of the Parent) is entitled to receive all the revenue profits of the Issuer which are available for distribution.

1.2 The 2016 ZDP Shares carry no entitlement to any dividends or to participate in the revenue profits of the Issuer.

2 Capital

On a return of capital, a liquidation, a redemption or otherwise the surplus assets of the Issuer remaining after the payment of its liabilities (excluding, for this purpose only, the payment of the Accrued Capital Entitlement of the 2016 ZDP Shares) shall be applied in the following order of priority:

2.1 first, to the 2016 ZDP Shareholders, a sum in respect of each 2016 ZDP Share equal to 100 pence increased each day at an annual rate equal to the 2016 ZDP GRY from (and including) the date of Admission compounded daily to (but excluding) the 2016 ZDP Share Repayment Date (to the intent that on the 2016 ZDP Share Repayment Date the Accrued Capital Entitlement of each 2016 ZDP Share shall be such sum to be equal to 100 x $(1 + 2016\text{ ZDP GRY})^{(\text{Term})}$ pence, where "Term" is expressed in years as a decimal fraction);

2.2 second, to the holders of ordinary shares, any assets of the Issuer remaining after payment to the 2016 ZDP Shareholders of the amounts payable in accordance with sub-paragraph (a) above, in proportion to the number of ordinary shares held by them respectively.

3 Voting

The voting rights attached to each class of share in the Issuer are as follows:

3.1 Save in relation to any general meeting convened for the purposes of passing a resolution in relation to any matter falling within paragraph 3.2 below (but subject as provided in paragraphs 3.3 and 3.4 below), the 2016 ZDP Shareholders are not entitled to receive notice of general meetings of the Issuer or to attend or vote at any such meeting.

3.2 Save as provided in paragraphs 3.3 and 3.4 below, the Issuer shall not, without the previous sanction of an Extraordinary ZDP Resolution:

(a) issue any further shares or rights to subscribe for further shares or securities convertible into shares or reclassify any issued share capital into shares of a particular class where, in each case, such shares rank, or would on issue, conversion or reclassification rank, as to capital in priority to or *pari passu* with the 2016 ZDP Shares, save that the Issuer may, subject to the provisions of the Issuer's Articles, issue any such further shares, rights or securities provided that the Issuer's Directors shall have calculated and the auditors of the Issuer shall have reported to the Issuer's Directors on such calculations within 30 days prior to the proposed issue or reclassification that, were the further shares to be issued or the shares to be reclassified or rights of subscription or conversion to be issued and immediately exercised at the date of the report, the 2016 ZDP Shares in issue immediately thereafter would have a **ZDP Share Cover** (as defined below) of not less than 3.5 times.

For this purpose, ZDP Share Cover shall represent a fraction where:

the numerator is equal to:

> the net asset value of the Group (as set out in the Group's most recently published net asset value announcement)
>
> +
>
> the accrued entitlement of the 2016 ZDP Shares (and on all shares ranking as to capital *pari passu* therewith, save to the extent already taken into account in the calculation of the net asset value) at the date of the report.

the denominator is equal to:

> the amount which would be paid on the 2016 ZDP Shares as a class (and on all shares ranking as to capital *pari passu* therewith, save to the extent already taken into account in the calculation of the net asset value) on the 2016 ZDP Share Repayment Date.

In calculating such ZDP Share Cover, the Issuer's Directors shall:

(i) use the figures set out in the Group's most recently published net asset value announcement;

(ii) assume that the share capital or rights proposed to be issued or arising on reclassification had been issued and/or exercised and/or reclassified at the date of the Group's most recently published net asset value announcement;

(iii) adjust the net asset value of the Group at the end of the said financial period by adding the minimum gross consideration (if any) which would be received upon such issue, reclassification or exercise;

(iv) take account of the entitlements to be attached to the new shares or securities or rights to be issued;

(v) aggregate the capital entitlements of the 2016 ZDP Shares derived from the Group's most recently published net asset value announcement and the capital entitlements of the new shares or securities or rights to be issued as aforesaid; and

(vi) make such other adjustments as they consider appropriate,

and the Issuer's Directors shall have absolute discretion to determine whether the condition set out above as to the ZDP Share Cover is satisfied in any case (taking account of the auditors' report on such calculations), and no independent valuation need be carried out; or

(b) pass a resolution to reduce the capital of the Issuer (including its uncalled capital) in any manner or any resolution authorising the Directors to purchase shares in the Issuer; or

(c) pass a resolution for the voluntary winding-up of the Issuer, such winding-up to take effect prior to 31 October 2016; or

(d) save to the extent necessary for the purposes of paragraph 3.2(a), alter any objects set out in the memorandum of incorporation or amend the Issuer's Articles; or

(e) pass any resolution which authorises or permits the Directors of the Issuer to pay a dividend or other distribution out of the capital reserves of the Issuer (other than, for the avoidance of doubt, a bonus or capitalisation issue of shares); or

(f) issue any debenture stock or other loan capital; or

(g) make any material variation of any term of the 2016 Contribution Agreement or any other agreement to which the Issuer is a party or by which it is bound, which in either case relates, directly or indirectly, to the 2016 ZDP Shares or any matter requiring the sanction of the 2016 ZDP Shareholders.

3.3 Notwithstanding the provisions of paragraph 3.2 above, if all 2016 ZDP Shareholders (other than an offeror or persons acting in concert with an offeror) receive an offer (whether from the Parent or any other person) which is or has become unconditional in all respects prior to the 2016 ZDP Share Repayment Date, which offer would give such holders (or holders other than the offeror and/or persons acting in concert with the offeror) not later than the date falling 14 days after the 2016 ZDP Share Repayment Date an amount in cash not less than that to which they would be entitled on the 2016 ZDP Share Repayment Date, then (whether or not such offer is accepted in any particular case) 2016 ZDP Shareholders shall not thereafter be entitled to vote at any general meeting and the previous sanction of an Extraordinary ZDP Resolution shall not be required in any case in which it would otherwise be required by the Issuer's Articles, provided that where, notwithstanding the foregoing, such sanction is required in any case by law, all of such 2016 ZDP Shareholders present in person or by proxy or (if a corporation) by a duly authorised representative and entitled to vote at such meeting shall (in respect of the votes attached to all such shares) vote in favour of any resolution or resolutions recommended by the Directors of the Issuer and where any vote is not cast or is cast against any such resolution or resolutions it shall be deemed to have been cast in favour by virtue of this paragraph 3.3, save that these provisions relating to general meetings and class resolutions shall cease to apply as regards any 2016 ZDP Shareholder if any material term of the contract resulting from his acceptance of such offer is broken by the other party and the Directors of the Issuer consider that such default is material in the context of the offer as a whole.

3.4 Notwithstanding the provisions of paragraphs 3.2 and 3.3 above, if at any general meeting there is proposed a resolution to sanction any form of arrangement (including without limitation any arrangement under Part VIII of the Companies Law) which provides for 2016 ZDP Shareholders to receive an amount in cash not less than that to which they would be entitled on the 2016 ZDP Share Repayment Date (ignoring any option 2016 ZDP Shareholders may be given to elect to receive their entitlement otherwise than in cash) by a date falling no later than seven days after the date on which the said general meeting is due to be held, then the 2016 ZDP Shareholders shall not be entitled to sanction such arrangement.

3.5 Where by virtue of the foregoing provisions of this paragraph 3 2016 ZDP Shareholders are entitled to vote at a general meeting of the Issuer, every such holder (being an individual) present in person or by proxy or (being a corporation) by a duly authorised representative shall, on a show of hands, have one vote and, on a poll, every such holder (being an individual) present in person or by proxy or (being a corporation) by a duly authorised representative shall have one vote in respect of each 2016 ZDP Share held by him.

3.6 Holders of ordinary shares in the Issuer are entitled to receive notice of and to attend and vote at all general meetings of the Issuer and, on a show of hands, every member holding one or more ordinary shares and who (being an individual) is present in person or by proxy or (being a corporation) is present by a duly authorised representative or by proxy shall have one vote and, on a poll, one vote for each ordinary share of which he is the holder.

4 Change of control of the Parent

4.1 If any offer is made to all (or as nearly as may be practicable all) the Parent's Shareholders (or to all (or as nearly as may be practicable all)) such shareholders other than the offeror and/or any company controlled by the offeror and/or persons associated, connected or acting in concert with the offeror) to acquire the whole or any part of the Parent's Ordinary Shares and the Issuer becomes aware that the right to cast more than 50 per cent. of the votes which may ordinarily be cast on a poll at a general meeting of the Parent has or will become vested in the offeror and/or any company controlled by the offeror and/or persons associated, connected or acting in concert with the offeror that shall be a **Pending Change of Control** for the purposes of this paragraph 4.

4.2 Within 10 business days of becoming aware of a Pending Change of Control, the Directors of the Issuer shall, subject to the Issuer being able to satisfy the solvency test under the Companies Law, issue a notice (a **Buyback Notice**) to the 2016 ZDP Shareholders offering to buyback any 2016 ZDP Shares at a price equal to their accrued entitlement at the date of payment. Any 2016 ZDP Shareholder wishing to accept such buyback offer must give the Issuer written notice of such acceptance within 20 business days of receipt of such Buyback Notice and any 2016 ZDP Shareholder accepting such buyback offer will receive payment for their 2016 ZDP Shares within 10 business days of receipt of the Buyback Notice. Any 2016 ZDP Shareholder wishing to reject such buyback offer (or not giving notice of acceptance to such buyback offer) shall continue to hold their 2016 ZDP Shares.

5 Redemption

5.1 The Issuer shall (subject to the provisions of the Companies Laws) redeem all the outstanding 2016 ZDP Shares on or within 14 days before the 2016 ZDP Share Repayment Date.

5.2 On the redemption of the 2016 ZDP Shares in accordance with the provisions described in this paragraph 5, there shall be paid to the 2016 ZDP Shareholders an amount equal to the Accrued Capital Entitlement per 2016 ZDP Share determined in accordance with the provisions described in paragraph 2.1 above.

5.3 Any redemption notice shall specify the redemption amount and the address at which certificates for 2016 ZDP Shares are to be surrendered for redemption. A redemption notice may not be withdrawn without the prior class consent of the 2016 ZDP Shareholders. No defect in the redemption notice or in the giving thereof shall affect the validity of the redemption proceedings.

5.4 Unless otherwise determined by the Board, payments in respect of the amount due on redemption of the 2016 ZDP Shares shall be made by sterling cheque drawn on a bank in the City of London or, upon the request of the holder or joint holders, by transfer to a sterling account maintained by the payee with a bank in the City of London. Such payment will be made against surrender of the relevant certificate in the case of certificated 2016 ZDP Shares or, if the relevant certificate has been lost or destroyed, the giving of an appropriate indemnity in a form satisfactory to the Board, provided that the Board may determine that surrender of certificates shall not be required, in which event each certificate shall be void and of no effect as from the date of payment of the amount due on the redemption of the 2016 ZDP Shares to which the certificate relates.

6 2016 Contribution Agreement

6.1 The Parent and the Issuer entered into a contribution agreement dated 12 September 2012 pursuant to which the Parent has undertaken to contribute (by way of gift, capital contribution or otherwise) such funds to the Issuer as will ensure that the Issuer will have sufficient assets on the 2016 ZDP Repayment Date to satisfy the 2016 Final Capital Entitlement then due and to pay any operational costs or expenses incurred by the Issuer.

6.2 In addition to the rights of the 2016 ZDP Shares contained in the Issuer's Articles (as summarised in paragraphs 1 to 5 above), the 2016 Contribution Agreement contains further protections for 2016 ZDP Shareholders. In particular, the Parent undertakes to the Issuer that, for so long as the Parent's obligations under the 2016 Contribution Agreement remain outstanding:

(a) it and/or a member of the Group will remain the holder of all the ordinary shares in the Issuer from time to time in issue;

(b) it shall not vote in general meetings to pass a resolution of on any of the matters referred to in paragraph 3.2 above without the previous sanction of an Extraordinary ZDP Resolution;

(c) it shall not without the previous sanction of an Extraordinary ZDP Resolution:

(i) issue any further shares or rights to subscribe for further shares or securities convertible into shares or reclassify any issued share capital of the Parent into shares of a particular class where, in each case, such shares rank, or would on issue, conversion or reclassification rank, as to capital in priority to or *pari passu* with the Parent's payment obligations under the 2016 Contribution Agreement, save that the Parent may, subject to the provisions of the Parent's Articles, issue any such further shares, rights or securities provided that the Parent's Directors shall have calculated and the auditors of the Parent shall have reported to the Parent's Directors on such calculations within 30 days prior to the proposed issue or reclassification that, were the further shares to be issued or the shares to be reclassified or rights of subscription or conversion to be issued and immediately exercised at the date of the report, the 2016 ZDP Shares in issue immediately thereafter would have a ZDP Share Cover of not less than 3.5 times; or

(ii) redeem or repurchase any Ordinary Shares in the Parent unless the Parent's Directors shall have calculated and the auditors of the Parent shall have reported to the Parent's Directors on such calculations within 30 business days prior to the proposed redemption or repurchase that, were the proposed redemption or repurchase to take effect at the date of the report, the 2016 ZDP Shares in issue immediately thereafter would have a ZDP Share Cover of not less than 3.5 times;

(iii) pass a resolution to reduce the capital of the Parent (including its uncalled capital) in any manner or pass any resolution authorising the Directors to purchase shares in the Parent provided that the Parent's Directors shall have calculated and the auditors of the Parent shall have reported to the Parent's Directors on such calculations within 30 days prior to the proposed reduction of capital that, were the reduction of capital to take effect at the date of the report, the 2016 ZDP Shares in issue immediately thereafter would have a ZDP Share Cover of not less than 3.5 times; or

(iv) pass a resolution for the voluntary winding-up of the Parent, such winding-up to take effect prior to 31 October 2016; or

(v) alter any objects set out in the memorandum of incorporation of the Parent; or

(vi) make any distribution of capital, provided that any such distribution will be permitted where (i) the Parent's Directors determine that the 2016 ZDP Shares in issue immediately thereafter would have a ZDP Share Cover of not less than 3.5 times; or (ii) the Parent's Directors determine that such distribution would not result in the Group's aggregate third party borrowings (including, for the avoidance of doubt, the 2016 ZDP Shares at their then accrued entitlement) exceeding 65 per cent. of the Group's Gross Assets (as defined in the Parent's Articles and as determined by the then most recently published net asset value announcement); or

(vii) make any distribution of income, provided that any such distribution will be permitted where (i) the Parent's Directors determine that the 2016 ZDP Shares in issue immediately thereafter would have a ZDP Share Cover of not less than 2.5 times; or (ii) the Parent's Directors determine that such distribution would not result in the Group's aggregate third party borrowings (including, for the avoidance of doubt, the 2016 ZDP Shares at their then accrued entitlement) exceeding 65 per cent. of the Group's Gross Assets (as defined in the Parent's Articles and as determined by the then most recently published net asset value announcement),

for the purposes of this paragraph 6.2(c)(vii), any distribution made by the Parent out of the distributable reserves created by the cancellation of the Parent's share premium account following its initial public offering in 2005 shall be treated as a distribution of income; or

(viii) incur additional third party borrowings that would rank in priority or *pari passu* to the Parent's payment obligations under the 2016 Contribution Agreement if its aggregate third party borrowings that rank in priority or *pari passu* to the Issuer's payment obligations under the 2016 Contribution Agreement (including, for the avoidance of doubt, the 2016 ZDP Shares at their then accrued entitlement) would thereby exceed 65 per cent. of the Group's Gross Assets (as defined in the Parent's Articles and as determined by the then most recently published net asset value announcement); or

(ix) make any change to the Parent's investment policy which would be unusual for an investment company investing in commercial property which at the time of making such change appears likely in the reasonable opinion of the Directors of the Parent to be materially prejudicial to the holders of the 2016 ZDP Shares.

(d) except with the previous sanction of an Extraordinary ZDP Resolution or as required from time to time by the UK Listing Authority or any other relevant legal or regulatory requirement, it shall ensure that the board of directors of the Issuer as constituted from time to time comprises the same individuals who form the board of directors of the Parent;

(e) it shall notify the Issuer if a Pending Change of Control (as described in paragraph 4 above) shall occur;

(f) it shall notify the 2016 ZDP Shareholders if at any time the Parent's Directors consider that the Parent will or may be unable to meet its obligations under the 2016 Contribution Agreement in full on the 2016 ZDP Share Repayment Date; or

(g) if the 2016 Final Capital Entitlement is not repaid on the 2016 ZDP Share Repayment Date (except by reason of administrative error rectified within 7 days and disregarding any 2016 ZDP Shares which are not repaid as a result of a failure by the holder to comply with a requirement relating to repayment imposed in accordance with the Issuer's Articles) the Parent shall convene a general meeting to be held as soon as practicable and in any event within 60 days after the 2016 ZDP Share Repayment Date, at which a resolution shall be proposed requiring that the Issuer be wound up voluntarily.

PART 5

VALUATION REPORTS

This Part 5 (Valuation Reports) comprises:

(a) the Jones Lang LaSalle Valuation Report, which values certain properties owned by the Group as at 30 June 2012; and

(b) the CBRE Valuation Report, which values the certain other properties owned by the Group as at 30 June 2012.

These Valuation Reports, together, covered all of the properties owned by the Group.

SECTION A: JONES LANG LASALLE REPORT

Jones Lang LaSalle
22 Hanover Square
London W1S 1JA
TEL: +44 (0)20 7493 6040
FAX: +44 (0)20 7087 0220
www.joneslanglasalle.com

Report Date	13 September 2012
Addressees	The Directors Picton Property Income Limited (**Picton**) Trafalgar Court Les Banques St. Peter Port Guernsey
	The Directors Picton ZDP Limited (the **Company**) Trafalgar Court Les Banques St. Peter Port Guernsey
	Oriel Securities Limited (**Oriel Securities**) 150 Cheapside London EC2V 6ET
Valuation Date	30 June 2012
Capacity of Valuer	External

The Properties

Certain property assets of the Group.

Instruction

To value on the basis of Market Value the Properties as at the Valuation Date in accordance with Picton's instructions.

We understand that this valuation report (the "Valuation Report") is required for inclusion in a prospectus (the "Prospectus") which is to be published by the Company on or about 13 September 2012.

Purpose of Valuation

We understand that the Valuation Report is required firstly, to confirm to the directors of Picton the current Market Value of the property assets of the Group, secondly, for inclusion in the Prospectus in respect of the listing on the Official List of the UKLA and admission to trading on the main market of the London Stock Exchange of the 2016 ZDP Shares to be issued by the Company and, thirdly, by Oriel Securities in relation to its obligations as broker and bookrunner in connection with the Issue.

Market Value

£337,985,000 exclusive of VAT, which may be summarised as follows:

Freehold	** Long Leasehold*	*** Short Leasehold*
£214,985,000	£116,000,000	£7,000,000
(30 properties)	(10 properties)	(1 property)

** more than 80 years unexpired*
*** less than 80 years unexpired*

We have valued the properties individually and no account has been taken of any discount or premium that may be negotiated in the market if all or part of the portfolio was to be marketed simultaneously, either in lots or as a whole.

Our opinion of Market Value is based upon the Scope of Work and Valuation Assumptions attached, and has been primarily derived using comparable recent market transactions on arm's length terms.

We have reviewed our valuation as at 30 June 2012 and confirm that there has been no material change to the aggregate valuation from that date to the date of this letter.

Report Format

The Appendix to this Valuation Report comprises relevant details of the properties which individually comprise more than 2.2 per cent. of Picton's portfolio. It comprises the 14 largest assets in Picton's property portfolio (save for assets acquired as part of the acquisition of Rugby REIT) by Market Value as at the Valuation Date (the "Material Properties").

Compliance with Valuation Standards

The valuations have been prepared in accordance with the RICS Valuation – Professional Standards, (March 2012) published by The Royal Institution of Chartered Surveyors.

Market Conditions

The values stated in this Valuation Report represent our objective opinion of Market Value in accordance with the definition set out below as of the date of valuation. Amongst other things, this assumes that the properties had been properly marketed and that exchange of contracts took place on the Valuation Date.

Assumptions

The property details on which each valuation is based are as set out in this Valuation Report. We have made various assumptions as to tenure, letting, town planning, and the condition and repair of buildings and sites – including ground and groundwater contamination – as set out below. If any of the information or assumptions on which the valuation is based is subsequently found to be incorrect, the valuation figures may also be incorrect and should be reconsidered.

Variation from Standard Assumptions

None.

Valuer

The properties have been valued by a valuer who is qualified for the purpose of the valuation in accordance with the RICS Valuation – Professional Standards, (March 2012).

Independence

The total fees, including the fee for this assignment, earned by Jones Long LaSalle (or other companies forming part of the same group of companies within the UK) from Picton is less than 5.0 per cent. of the total UK revenues.

Responsibility

For the purposes of Prospectus Rule 5.5.3R(2)(f), we are responsible for this Valuation Report and accept responsibility for the information contained in this Valuation Report and confirm that to the best of our knowledge (having taken all reasonable care to ensure that such is the case), the information contained in this Valuation Report is in accordance with the facts and contains no omissions likely to affect its import. This Valuation Report complies with Rule 5.6.5G of the Prospectus Rules 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 n° 809/2004.

Disclosure

In May 2011 King Sturge LLP, Picton's external valuer since September 2005, merged its operations with Jones Lang LaSalle and the resulting merged entity trades as Jones Lang LaSalle.

Reliance and Publication

This Valuation Report has been prepared for inclusion in the Prospectus. The contents of this Valuation Report may only be used for the specific purpose to which they refer. Before the Valuation Report, or any part thereof, is reproduced or referred to, in any document, circular or statement, the valuer's written approval as to the form and context of such publication or disclosure must first be obtained such approval not to be unreasonably withheld or delayed. Such publication or disclosure will not be permitted unless, where relevant it incorporates the Assumptions referred to here.

Yours faithfully

M J Penlington MRICS
Director
For and on behalf of
Jones Lang LaSalle

SCOPE OF WORK & SOURCES OF INFORMATION

Sources of Information

We have carried out our work based upon information supplied to us by Picton, as set out within this Valuation Report, which we have assumed to be correct and comprehensive.

The Properties

Our Valuation Report contains a brief summary of the property details on which our valuation has been based.

Inspections

We have inspected the properties internally during the last twelve months.

Areas

We have not measured the properties but have relied upon the floor areas provided, which we understand have been measured in compliance with the RICS Code of Measuring Practice, 6th Edition.

Environmental Matters

We have not undertaken, nor are we aware of the content of, any environmental audit or other environmental investigation or soil survey which may have been carried out on the properties and which may draw attention to any contamination or the possibility of any such contamination. We have not carried out any investigations into the past or present uses of the properties, nor of any neighbouring land, in order to establish whether there is any potential for contamination and have therefore assumed that none exists. We have assumed that the Properties possess current Energy Performance Certificates (EPCs) as required under the Government's Energy Performance of Buildings Directive.

Repair and Condition

We have not carried out building surveys, tested services, made independent site investigations, inspected woodwork, exposed parts of the structure which were covered, unexposed or inaccessible, nor arranged for any investigations to be carried out to determine whether or not any deleterious or hazardous materials or techniques have been used, or are present, in any part of the properties. We are unable, therefore, to give any assurance that the Properties are free from defect.

Town Planning

We have not undertaken planning enquiries.

Titles, Tenures and Lettings

Details of title/tenure under which the properties are held and of lettings to which they are subject are as supplied to us. We have not generally examined nor had access to all the deeds, leases or other documents relating thereto. Where information from deeds, leases or other documents is recorded in this report, it represents our understanding of the relevant documents. We should emphasise, however, that the interpretation of the documents of title (including relevant deeds, leases and planning consents) is the responsibility of your legal adviser. We have not conducted credit enquiries on the financial status of any tenants. We have, however, reflected our general understanding of purchasers' likely perceptions of the financial status of tenants.

VALUATION ASSUMPTIONS

Capital Values

Each valuation has been prepared on the basis of "Market Value" which is defined as: "The estimated amount for which an asset or liability should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing where the parties had each acted knowledgeably, prudently and without compulsion". No allowances have been made for any expenses of realization nor for taxation which might arise in the event of a disposal. Acquisition costs have not been included in our valuation. No account has been taken of any inter-company leases or arrangements, nor of any mortgages, debentures or other charges. No account has been taken of the availability or otherwise of capital based Government or European Community grants.

All property is considered as if free and clear of all mortgages or other charges, which may be secured thereon. No allowance is made for the possible impact of potential legislation which is under consideration.

It does not necessarily represesent the amount that might be agreed by negotiation, or determined by an Expert, Arbitration or Court, at rent review or lease renewal.

The properties have been valued by adopting the investment approach where we apply a capitalisation rate, as a multiplier, against the current rent and, if any, reversionary income streams. Where there is an actual exposure or a risk or irrecoverable costs, including those of achieving a letting, an allowance is reflected in the valuation.

Rental Values

Rental values indicated in our Valuation Report are those which have been adopted by us as appropriate in assessing the capital value and are not necessarily appropriate for other purposes, nor do they necessarily accord with the definition of Market Rent, as defined in the RICS Valuation – Professional Standards, (March 2012).

The Properties

Where appropriate we have regarded the shop fronts of retail and showroom accommodation as forming an integral part of the building. Landlord's fixtures such as lifts, escalators, central heating and other normal service installations have been treated as an integral part of the building and are included within our valuations. Process plant and machinery, tenants' fixtures and specialist trade fittings have been excluded from our valuations. All measurements, areas and ages quoted in our Valuation Report are approximate.

Environmental Matters

In the absence of any information to the contrary, we have assumed that:

(a) the properties are not contaminated and are not adversely affected by any existing or proposed environmental law; and

(b) any processes which are carried out on the properties which are regulated by environmental legislation are properly licensed by the appropriate authorities. High voltage electrical supply equipment may exist within, or in close proximity of, the properties.

The National Radiological Protection Board (NRPB) has advised that there may be a risk, in specified circumstances, to the health of certain categories of people. Public perception may, therefore, affect marketability and future value of the property. Our valuation reflects our current understanding of the market and we have not made a discount to reflect the presence of this equipment.

Repair and Condition

In the absence of any information to the contrary, we have assumed that:

(a) there are no abnormal ground conditions, nor archaeological remains, present which might adversely affect the current or future occupation, development or value of the properties;

(b) the Properties are free from rot, infestation, structural or latent defect;

(c) no currently known deleterious or hazardous materials or suspect techniques have been used in the construction of, or subsequent alterations or additions to, the Properties; and

(d) the services, and any associated controls or software, are in working order and free from defect.

We have otherwise had regard to the age and apparent general condition of the properties. Comments made in the property details do not purport to express an opinion about, or advise upon, the condition of uninspected parts and should not be taken as making an implied representation or statement about such parts.

Title, Tenure, Planning and Lettings

Unless stated otherwise within this Valuation Report, and in the absence of any information to the contrary, we have assumed that:

(a) the properties possess a good and marketable title free from any onerous or hampering restrictions or conditions;

(b) all buildings have been erected either prior to planning control, or in accordance with planning permissions, and have the benefit of permanent planning consents or existing use rights for their current use;

(c) the Properties are not adversely affected by town planning or road proposals;

(d) all buildings comply with all statutory and local authority requirements including building, fire and health and safety regulations;

(e) only minor or inconsequential costs will be incurred if any modifications or alterations are necessary in order for occupiers of each Property to comply with the provisions of the Disability Discrimination Act 1995;

(f) all rent reviews are upward only and are to be assessed by reference to full current market rents;

(g) there are no tenant's improvements that will materially affect our opinion of the rent that would be obtained on review or renewal;

(h) tenants will meet their obligations under their leases, and are responsible for insurance, payment of business rates, and all repairs, whether directly or by means of a service charge;

(i) there are no user restrictions or other restrictive covenants in leases which would adversely affect value;

(j) where more than 50 per cent. of the floorspace of a property is in residential use, the Landlord and Tenant Act 1987 (the "Act") gives certain rights to defined residential tenants to acquire the freehold/head leasehold interest in the property. Where this is applicable, we have assumed that necessary notices have been given to the residential tenants under the provisions of the Act, and that such tenants have elected not to acquire the freehold/head leasehold interest. Disposal on the open market is therefore unrestricted;

(k) where appropriate, permission to assign the interest being valued herein would not be withheld by the landlord where required; and

(l) vacant possession can be given of all accommodation which is unlet or is let on a service occupancy.

APPENDIX 1: DETAILS OF MATERIAL PROPERTIES

Property	*Location and Description*	*Floor Area*	*Ownership Interest*	*Net Passing Rent per annum*
UNITS A-G & FLEET HOUSE RIVER WAY INDUSTRIAL ESTATE, HARLOW, ESSEX CM20 2DP	The property is held freehold. The property comprises 11 industrial units arranged along a T-shaped service road. Most of the units are of a standard steel portal frame construction with two storey integral office accommodation, with good yard areas and average site densities. Harlow is located 32 km (20 miles) north of Central London, just off the M11 Motorway. River Way Industrial Estate is located in the established Temple Fields industrial area to the north east of the Town Centre.	41,733 sq m (445,995 sq ft)	Freehold	£2,317,599
UNIT 5320, MAGNA PARK, LUTTERWORTH, LEICESTERSHIRE LE17 4XN	The property is held on a long leasehold dated 2 April 2002 expiring 31 August 2988 (976 years unexpired). The freeholder is Gazeley Properties Limited. The rent, if demanded, is one peppercorn per annum. Built in 2006, the property comprises a purpose built distribution warehouse unit totalling 38,153 sq m (410,686 sq ft) GIA. The construction comprises high bay steel portal frame building incorporating two storey offices. There 210 car parking spaces and 100 HGV spaces. Internally, the offices are generally fitted out to a high standard. Magna Park is situated at the junction of the A5 and a short distance from Junction 20 of the M1 Motorway.	38,153 sq m (410,686 sq ft)	Long Leasehold	£2,924,881

Property	*Location and Description*	*Floor Area*	*Ownership Interest*	*Net Passing Rent per annum*
PHASE II, PARC TAWE, LINK ROAD, SWANSEA SA1 2AL	The Property is held long leasehold. 150 years from 29 September 1996 (134 years unexpired) at a peppercorn rent. Seven out of town retail units completed in circa 1997. The units are arranged in an 'L' shape configuration around the customer car park. The units have been fitted out by the individual tenants. The property is prominently situated fronting the Parc Tawe Road (B4290) at its junction with the New Cut Road (A483), to the east of the City Centre.	10,842 sq m (116,710 sq ft)	Long Leasehold	£1,025,893
FARRINGDON COURT, 50 FARRINGDON ROAD, LONDON EC1M 3NH	The property is held long leasehold for a term of 999 years from 28 February 1995 (982 years unexpired), in return for one pebble of ballast if demanded. The property comprises office accommodation on ground and two upper floors with plant rooms at basement one level and plant rooms and car-parking at lower basement level. Internally, the accommodation is of good specification. Following a comprehensive refurbishment programme in 2011 the property is fully let to three tenants, who are currently benefiting from a rent free period. The property is located on the east side of Farringdon Road backing onto the Farringdon Road Underground Station and forming part of a single development with Smith New Court House, 20 Farringdon Road.	2,972 sq m (31,992 sq ft)	Long Leasehold	£0

Property	*Location and Description*	*Floor Area*	*Ownership Interest*	*Net Passing Rent per annum*
BOUNDARY HOUSE, 7-17 JEWRY STREET, LONDON EC3N 2HP	The property is held freehold. Originally constructed in the 1950's, the building was partly refurbished in 2001 and is arranged over basement, ground and seven upper floors. The specification ranges from centrally heated with solid floors to air conditioned with raised floors and metal tiled suspended ceilings. The property is located within the EC3 district of the City of London. It is located on the west side of Jewry Street in the eastern sector of the City in close proximity to Fenchurch Street Station.	4,198 sq m (45,183 sq ft)	Freehold	£951,684
COLCHESTER BUSINESS PARK, THE CRESCENT, COLCHESTER, ESSEX CO4 4YQ	The property is held on various long leases for 250 years from 1 February 1991 (229 years unexpired). There are six separate leases held between the company and Colchester Borough Council. The annual rent payable is equivalent to 15 per cent of the net income for each relevant period (31 March each year). The properties were built in the 1990's. The property comprises seven modern, self contained office buildings and one warehouse unit. The Business Park is a development of office and industrial buildings located to the north of Colchester Town Centre.	13,917 sq m (149,802 sq ft)	Leasehold with geared ground rent	£1,195,674

Property	*Location and Description*	*Floor Area*	*Ownership Interest*	*Net Passing Rent per annum*
ANGEL GATE OFFICE VILLAGE, CITY ROAD, LONDON EC1V 2PT	This property is multi-let to a variety of tenants, some of which hold long 999-year ground. The office building occupies part of an island site just outside the City core. The buildings were constructed in three phases, with the first phase being completed in 1989. The buildings typically comprise office accommodation on ground and three to four upper floors. A car-park provides 81 parking spaces and one disabled car parking space, being located below the office village. The property is located in the northern fringe of the City of London, within the sub-district of Islington.	9,119 sq m (98,161 sq ft)	Freehold	£762,820
ANGOULEME WAY, BURY BL9 0BZ	The property is held part freehold and part long leasehold. The rent payable attributable to the leasehold element of this property is reviews at 5 yearly intervals to a proportion of the rents receivable from the occupational tenants. In the past, the rent has been reviewed to 12.5 per cent of the sum of the occupational rents. The property comprises three separate buildings that have been divided to provide five out of town retail units. There is a large customer car park to the front, with service yards located at the rear of the units. Each unit has been fitted out by the individual retailers to suit their particular requirements, with a trading mezzanine level installed in the TK Maxx unit.	7,084 sq m (76,247 sq ft)	Mixed (Part Freehold/Part Leasehold)	£819,200

Property	*Location and Description*	*Floor Area*	*Ownership Interest*	*Net Passing Rent per annum*
	The property is located on the edge of the Town Centre, in a prominent position fronting Angouleme Way (A158), with access off George Street. The property forms part of a larger cluster of retail warehousing.			
VIGO 250, BIRTLEY ROAD, WASHINGTON NE38 9DA	The property is held freehold. The property is a high specification, production/warehouse facility on a self-contained site with 290 car parking spaces. The property is located in a highly prominent position near Junction 64 of the A1(M) Motorway, immediately to the west of Washington.	22,923 sq m (246,752 sq ft)	Freehold	£1,007,790
1-3 CHANCERY LANE, LONDON WC2A 1LF	The property is held part freehold and part long leasehold. The rent payable attributable to the leasehold element of this property has reviews at five yearly intervals to a proportion of the rents receivable form the occupational tenants. Internally, the accommodation is of good specification. The property is located in the City of London at the southern end of Chancery Lane at its junction with Fleet Street.	1,421 sq m (15,301 sq ft)	Mixed freehold/part leasehold	£614,712
CROWN & MITRE COMPLEX, 57 CASTLE ST 2/12 ENGLISH ST 12-21 ST CUTHBERTS LANE, CARLISLE CUMBRIA CA3 8HZ	The property is held freehold. The property is a substantial retail/hotel block to the south west side of Greenmarket. The 94 bedroom Crown and Mitre Hotel occupies the majority of the upper floor accommodation. The subject property occupies a prominent position in the City's retail core, with primary frontage to the pedestrian sections of English Street and Castle Sreet.	2,661 sq m (28,648 sq ft)	Freehold	£453,640

Property	*Location and Description*	*Floor Area*	*Ownership Interest*	*Net Passing Rent per annum*
401 GRAFTON GATE EAST, MILTON KEYNES MK9 1AQ	The property is held freehold. The property is a high specification L-shaped modern office building arranged over ground and three upper floors. There is car parking to the rear of the building. The building is multi let to five tenants with two suites currently vacant. Built in 1998, the building is located in a prominent corner position, within the heart of the Central Business District, and is in close proximity to the Train Station.	5,329 sq m (57,358 sq ft)	Freehold	£748,782
17/19 FISHERGATE, PRESTON, LANCASHIRE PR1 3NN	The property is held freehold. Constructed in the 1960s the building is of concrete frame, with brick external walls and concrete floors. Retail accommodation is provided on the ground, first and second floors, with the third floor being storage. The subject property occupies a prime trading position on the south side of Fishergate, the prime retailing pitch within the town, with a return frontage to Cannon Street.	5,568 sq m (59,933 sq ft)	Freehold	£600,000
REGENCY WHARF, BROAD STREET, BIRMINGHAM, B1 2DS	The property is held leasehold with 140 years unexpired. The buildings were constructed in 2001. The property comprises a purpose built leisure/restaurant development divided into two separate areas. Internally the units are fitted out to the tenant's specification.	3,980 sq m (42,840 sq ft)	Leasehold	£366,702

Property	*Location and Description*	*Floor Area*	*Ownership Interest*	*Net Passing Rent per annum*
	The subject property occupies a prominent position in Birmingham's leisure and entertainment district.			

Note: The Group has 100 per cent ownership of each of the above assets.

SECTION B: CBRE REPORT

Properties acquired by the acquisition of Rugby REIT

The Directors
Picton Property Income Limited (**Picton**)
Trafalgar Court
Les Banques
St. Peter Port
Guernsey

The Directors
Picton ZDP Limited (the **Company**)
Trafalgar Court
Les Banques
St. Peter Port
Guernsey

Oriel Securities Limited (**Oriel Securities**)
150 Cheapside
London EC2V 6ET

13 September 2012

Dear Sirs

VALUATION OF THE PICTON PORTFOLIO AS AT 30 JUNE 2012

1 Introduction

In accordance with the Group's instructions, we have carried out a valuation of certain properties (the **Properties** and each a **Property**) owned by the Group in order to advise you of our opinion of the Market Value (as defined below) of the freehold and leasehold interests in each of the Properties which are located throughout the UK, subject to and with the benefit of the various occupational leases to which the Properties may be subject, as at 30 June 2012 (the "**Valuation**").

For the purposes of the Prospectus Rules, we are responsible for this Valuation Report and we will accept responsibility for the information contained in this Valuation Report and confirm that to the best of our knowledge (having taken all reasonable care to ensure that such is the case), the information contained in this Valuation Report is in accordance with the facts and contains no omissions likely to affect its import. This Valuation Report complies with, and is prepared in accordance with, and on the basis of, the Prospectus Rules.

2 Inspections

The Properties have been inspected externally over the past 12 months and a sample have been inspected internally during this period.

3 Compliance with RICS Valuation Standards

We confirm that the valuations have been made by us in accordance with the RICS Valuation Standards, 7th Edition (the **Red Book**) issued by the Royal Institution of Chartered Surveyors (**RICS**) as well as in accordance with the relevant provisions of the Listing Rules and Prospectus Rule 5.6.5G of the Prospectus Rules issued by the United Kingdom Listing Authority (the **UKLA**) 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 n° 809/2004.

We confirm that we have sufficient current local and national knowledge of the particular property market involved, and have the skills and understanding to undertake the valuation competently.

4 Status of valuer

We confirm that we have undertaken the Valuation acting as an External Valuer (as defined in Appraisal and Valuation Standards (7th Edition) issued by the RICS) for the purposes of valuing the Properties.

5 Purpose of the Valuation

We confirm that the Valuation has been prepared for a Regulated Purpose as defined in the Red Book. We understand that our valuation report and the Appendix to it (together the **Valuation Report**) is required for inclusion in the prospectus to be published by the Company on or about 13 September 2012 in respect of the listing on the Official List of the UKLA and the Admission to trading on the main market of the London Stock Exchange of the 2016 ZDP Shares to be issued by the Company.

The effective date of the Valuation is 30 June 2012 (the **Valuation Date**).

In accordance with the UK Practice Statement 5.4 of the Red Book (**UKPS 5.4**) we have made certain disclosures in connection with this valuation instruction and our relationship with Picton. These are included in item 6 below.

6 Disclosures required under the provisions of UKPS 5.4

6.1 ***Signatories***

CBRE Limited (**CBRE**) has continuously been carrying out valuation instructions for the Properties since 2007.

6.2 ***CBRE Limited's relationship with client***

CBRE has carried out Valuation, Agency and Professional services on behalf of Picton since April 2010.

6.3 ***Fee income from Picton***

In CBRE's financial year to 31 December 2011, the proportion of total fees payable by Picton to the total fee income of CBRE was less than 1 per cent. It is not anticipated that this situation will vary in the financial year to 31 December 2012. We do not consider that any conflict of interest arises for us in preparing this Valuation Report.

We confirm that we do not have any material interest in Picton or any of the Properties.

7 Report format

The Appendix to this Valuation Report comprises details of the Properties which individually comprise in excess of 2.2 per cent., of the total property assets of the Picton Group by value (the **Material Properties**). This comprises only one asset valued by CBRE, being an asset acquired by the Picton Group as part of its acquisition of Rugby REIT.

8 Basis of valuation

Our opinion of the Market Value of each of the Properties has been primarily derived using comparable recent market transactions on arm's-length terms.

9 Market Value

The value of each of the Properties has been assessed separately and not as part of a portfolio in accordance with the Red Book. In particular, we have assessed Market Value in accordance with Practice Statement 3.2 contained within the Red Book. Under these provisions, the term "Market Value" means "The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion". The total valuation of the Properties represents the aggregate of the individual values. No allowances are made for any expenses of realisation that would be incurred on a sale, or to reflect the balance of any outstanding mortgages, either in respect of capital or interest accrued thereon. Costs of acquisition are not included in our valuations.

10 Taxation and costs

We have not made any adjustments in our valuations to reflect any liability to taxation that may arise on rental income from Properties (if any), corporation tax, capital gains tax, any other property-related tax, notional sale prices or any gains whether existing or that may be realised on development or disposals, nor for any costs associated with disposals incurred by Picton deemed or otherwise. No allowance has been made to reflect any liability to repay any government or other grants, taxation allowance or lottery funding that may arise on disposals.

We have made deductions from our valuations to reflect purchasers' acquisition costs.

11 VAT

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

12 Assumptions and sources of information

An assumption is stated in the Glossary to the Red Book to be a "supposition taken to be true" ("Assumption"). Assumptions are facts, conditions or situations affecting the subject of, or approach to, a valuation that, by agreement, need not be verified by a valuer as part of the valuation process. In undertaking our valuations, we have made a number of Assumptions and have relied on certain sources of information.

The Company has confirmed and we confirm that our Assumptions are correct so far as the Company and we, respectively, are aware. In the event that any of these Assumptions prove to be incorrect then our valuations should be reviewed. The principal Assumptions we have made for the purposes of our valuations are referred to below.

12.1 *Title*

We have not had access to the title deeds or leases of any of the Properties nor to any Certificates of Title and as a result we have made an Assumption that Picton is possessed of good and marketable freehold or long leasehold title in each case and that the Properties are free from any unusually onerous rights of way or easements, restrictions, restrictive covenants, burdens, disputes or onerous or unusual outgoings which would adversely affect the value of the relevant interests. We have, where supplied, examined sample title documents and other relevant information. We have also assumed that the Properties are free from mortgages, charges or other encumbrances and any pending litigation.

Legal issues, and in particular the interpretation of matters relating to title and leases, may have a significant bearing on the value of an interest in Property. No responsibility or liability will be accepted for the true interpretation of the legal position of our client or other parties. Where we express an opinion upon legal issues affecting the Valuation, then such opinion should be subject to verification by the client with a suitable qualified lawyer. In these circumstances, we accept no responsibility or liability for the true interpretation of the legal position of the client or other parties in respect of the Valuation as it relates to any Property.

12.2 *Condition of structure and services, deleterious materials, plant and machinery and goodwill*

In undertaking our valuations, due regard has been paid to the apparent state of repair and condition of each of the Properties, but building condition surveys have not been undertaken, nor have woodwork or other parts of the structures which are covered, unexposed or inaccessible, been inspected. Any readily apparent defects or items of disrepair noted during our inspection will, unless otherwise stated, be reflected in our valuations, but we are unable to offer any assurance that any of the Properties are free from defect. We have assumed that those parts which have not been inspected would not reveal material defects which would cause us to alter our valuations. Therefore, we are unable to confirm that the Properties are structurally sound or free from any defects. We have made an Assumption that the Properties are free from any rot, infestation, adverse toxic chemical treatments, and structural or design defects other than as may be mentioned in our Valuation Report.

We have not arranged for investigations to be made to determine whether high alumina cement concrete ("HAC"), calcium chloride additive, asbestos, wood wool slabs, or any other deleterious materials or methods have been used in the construction or any alterations, and therefore we cannot confirm that the Properties are free from risk in this regard.

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

No mining, geological or other investigations have been undertaken to certify that the sites are free from any defect as to foundations nor to determine the suitability of ground conditions and services. We have not undertaken environmental, archaeological or geotechnical surveys. Unless notified to the contrary, our valuations are on the basis that these aspects are satisfactory and that the site is clear of underground mineral or other works, methane gas or other noxious substances. We have made an Assumption that the load bearing qualities of the sites of the Properties are sufficient to support the buildings constructed (or to be constructed) thereon without the need for additional and expensive foundations or drainage systems. Furthermore, we have assumed in such circumstances that no unusual costs will be incurred in the demolition and removal of any existing structure on the Properties. We have also made an Assumption that there are no services on, or crossing the sites in a position which would inhibit development or make it unduly expensive, and that there are no abnormal ground conditions, nor archaeological remains present, which might adversely affect the present or future occupation, development or value of any of the Properties.

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

No allowance has been made in our valuations for any items of plant or machinery not forming part of the service installations of the buildings on the Properties. We have specifically excluded all items of process, plant, machinery and equipment installed wholly or primarily in connection with the occupants' businesses and normally considered to be the property of the tenant. We have also excluded furniture and furnishings, fixtures, fittings, vehicles, stock and loose tools but have included boilers, heating, lighting, sprinklers, ventilation systems and lifts.

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

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

12.3 ***Environmental matters***

Electromagnetic fields

There is high voltage electrical supply equipment close to some of the Properties. The possible effects of electromagnetic fields have been the subject of media coverage. The National Radiological Protection Board (**NRPB**), an independent body with responsibility for advising on electromagnetic fields, has advised that, following studies in 2000 and 2001, there may be a risk in specified circumstances, to the health of certain categories of people. Public perception may, therefore, affect marketability and future value of the Properties. In our valuations, we have not taken into account any likely effect on the future marketability and value of the Properties due to any change in public perception of the health implications.

Other environmental matters

We have been instructed not to make any investigations in relation to the presence or potential presence of contamination in land or buildings, and to make an Assumption that if investigations were made to an appropriate extent then nothing would be discovered sufficient to affect value. We have not carried out any investigation into past or present uses, either of the Properties or any adjacent or nearby land to establish whether there is any potential for contamination from such uses or sites. Therefore, we have assumed that no contaminative or potentially contaminative use is, or has been, carried out at the Properties.

In practice, purchasers in the property market do require knowledge about contamination. A prudent purchaser of these Properties would be likely to require appropriate investigations to be made to assess any risk before completing a transaction. Should it be established that contamination does exist, this might reduce the values now reported.

Flooding

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

12.4 ***Areas***

The Company has provided us with the floor areas of the Properties that are relevant to our Valuation. As instructed, we have relied on these areas and have not checked them on site.

12.5 ***Statutory requirements and planning***

Enquiries have not been made of the relevant local planning authorities in whose areas the Properties lie as to the possibility of highway proposals, comprehensive development schemes and other ancillary planning matters that could affect property values.

We have made an Assumption that the buildings have been constructed in full compliance with valid town planning and building regulations approvals, that where necessary they have the benefit of current Fire Risk Assessments compliant with the requirements of the Regulatory Reform (Fire Safety) Order 2005. We have made a further Assumption that the Properties comply with all relevant statutory enactments and Building Acts and Regulations. Similarly, we have also made an Assumption that the Properties are not subject to any outstanding statutory notices as to their construction, use or occupation. Unless our enquiries have revealed the contrary, we have made a further Assumption that the existing uses of the Properties are duly authorised or established and all necessary consents, licenses and authorisations for the use of the Properties and the process carried out therein have been obtained and will continue to subsist and are not subject to any onerous conditions and that no adverse planning conditions or restrictions apply.

No allowances have been made for rights, obligations or liabilities arising under the Defective Premises Act 1972, and we have made an Assumption that the Properties comply with all relevant statutory requirements and that only minor or inconsequential costs will be incurred if any modifications or alterations are necessary in order for occupiers of the Properties to comply with the provisions of the Disability Discrimination Act 1995.

In England and Wales, the Government has implemented the Energy Performance of Buildings Directive requiring Energy Performance Certificates (**EPC**) to be made available for all Properties, when bought or sold, subject to certain exemptions. In respect of any of the subject Properties which are not exempt from the requirements of this Directive, we have made an Assumption that the Properties possess current EPCs and that an EPC is made available, free of charge, to the purchasers of the interests which are the subject of our Valuation.

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

In instances where we have valued the Property with the benefit of a recently granted planning consent, we have made an assumption that it will not be challenged under judicial review. Such a challenge can be brought by anyone (even those with only a tenuous connection with the Property, or the area in which it is located) within a period of three months of the granting of a planning consent. When a planning consent is granted subject to a Section 106 Agreement, the three month period commences when the Section 106 Agreement is signed by all parties.

12.6 ***Leasing***

Where we have been provided with leases and related documents, these have been reviewed and reflected in our valuations. Where this information has not been provided, we have relied upon the management information that has been provided to us by Picton and made an Assumption that this is complete and accurate.

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

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

We have also made an Assumption that wherever rent reviews or lease renewals are pending or impending, with anticipated reversionary increases, all notices have been served validly within the appropriate time limits and that rent reviews are on an upward-only basis to the open market rent and that no questions of doubt arise as to the interpretation of the rent review provisions. We assume that neither the landlord nor tenant may terminate the leases prematurely, unless where we have been told otherwise by the Company or that the tenant has gone into administration or liquidation.

Unless disclosed to us, we have assumed that the Properties are subject to normal outgoings and that tenants are responsible for all repairs, the cost of insurance and payment of rates and other usual outgoings, either directly or by means of service charge provisions.

In respect of leasehold properties, we will assume that any landlords will give any necessary consents to an assignment.

12.7 ***Information***

We have made an Assumption that any information the Company, its professional advisers or any third party at the Company's instigation have supplied to us in respect of the Properties is full, correct and comprehensive, and can be safely relied upon by us in preparing our valuation.

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

For the purposes of the Prospectus Rules we are responsible for this Valuation Report and we will accept responsibility for the information contained in it and confirm that to the best of our knowledge (having taken all reasonable care to ensure that such is the case), the information contained in this Valuation Report is in accordance with the facts and contains no omissions likely to affect its import. This Valuation Report complies with and is prepared in accordance with, and on the basis of, the Prospectus Rules.

12.8 ***Properties in the course of development or requiring refurbishment***

We have relied upon information relating to construction and associated costs in respect of both the work completed and the work necessary for completion, together with a completion date, as advised by the Company and its professional advisers. Our valuations have been based on an Assumption that all works of construction have been satisfactorily carried out in accordance with the building contract and specifications, current British Standards and any relevant codes of practice. We have also made an Assumption that a duty of care and all appropriate warranties will be available from the professional team and contractors, which will be assignable to third parties.

12.9 ***Landlord and Tenant Act 1987***

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

12.10 ***Portfolios and letting***

We have, as instructed, valued the Properties on the assumption that the portfolio will continue to remain in existing ownership. As a result we have made no reduction or addition to the valuations to reflect the possible effect of flooding the market were the portfolio, or a substantial number of Properties within it, to be placed on the market at the same time.

13 Valuation of the Properties as at 30 June 2012

Having regard to the foregoing we are of the opinion that the aggregate of the Market Values of those Properties held by the Group that were acquired as part of its acquisition of Rugby REIT, as at 30 June 2012, totalled £65,200,000 (sixty-five million, two hundred thousand pounds)

Exclusive of VAT, as shown in the Schedule of Capital Values set out below.

Freehold	**Long Leasehold*	***Short Leasehold*	*Total*
£42,795,000	£22,405,000	£0	£65,200,000
(16 properties)	(7 properties)	(0 properties)	(23 properties)

* more than 50 years unexpired

** less than 50 years unexpired

There are no negative values to report.

We have reviewed our valuation as at 30 June 2012 and confirm that there has been no material change to the valuation from that date to the date of this letter.

14 Confidentiality and disclosure and publication

The contents of this Valuation Report may be used only for the specific purpose to which they refer. Before this Valuation Report, or any part thereof, is reproduced or referred to, in any document, circular or statement, and before its contents, or any part thereof, are disclosed orally or otherwise to a third party, the valuer's written approval as to the form and context of such publication or disclosure must first be obtained, provided always that the contents of this Valuation Report may be disclosed to the extent that disclosure is required by law or regulatory authorities or for insurance purposes or such disclosure is necessary in the view of the disclosing person to establish any defence in any legal or regulatory proceeding or investigation or otherwise to comply with its or their own regulatory obligations. For the avoidance of doubt such approval is required whether or not CBRE is referred to by name and whether or not the contents of our Valuation Report are combined with others.

We hereby give our consent to the inclusion of this Valuation Report in the Prospectus and to the references to this Valuation Report and our name therein in the form and context in which they appear.

Yours faithfully

Nick Knight
Executive Director

for and on behalf of
CBRE Limited

APPENDIX

DETAILS OF MATERIAL PROPERTIES*

VALUATION AS AT 30 JUNE 2012

Property	*Location and Description*	*Floor Area*	*Ownership Interest*	*Net Annual Rent Receivable*
Stanford House, 12-14 Long Acre, London, WC2	Stanford House comprises a six storey Grade II listed mixed retail, office and residential property located in Covent Garden. The property is multi-let with three units currently vacant.	1,688 m2 (18,170 ft2)	Freehold	£751,000

* Properties which individually comprise more than 2.2 per cent., of the total property assets of the Group by Market Value as at the Valuation Date.

(1) The term "Net Annual Rent Receivable" when used in the Appendix to this Valuation Report means the contracted rent receivable as opposed to the deemed rent. The term is inclusive of rent subject to a rent free period, but excludes any assumed settled rent where there is an outstanding rent review as at the Valuation Date.

PART 6

PRINCIPAL BASES AND ASSUMPTIONS

Unless otherwise indicated, the statistics contained in this document relating to the 2016 ZDP Shares have been calculated on the following principal bases and assumptions:

- The unaudited Gross Assets and Net Asset Value of the Parent as at 30 June 2012 were £438.0 million and £185.0 million respectively
- The balance sheet for the purpose of calculating the Final Net Asset Cover, Final Debt Cover and Hurdle Rate of the 2016 ZDP Shares reflects the balance sheet of the Parent as at 30 June 2012, adjusted for:
  - the drawdown of the Aviva Facility and the Canada Life Facility
  - the repayment of the securitised loan facility, bank facility and liquidity facility
  - the payment of the associated fees, including a £3.4m swap break cost
  - the payment of interim dividend of 1 pence per share announced on 31 July 2012
  - the expected costs of the Issue, which are approximately £0.7 million
  - the maximum number of 22 million 2016 ZDP Shares are issued pursuant to the Placing and Rollover Offer
  - the repayment and/or rollover of the 2012 ZDP Shares
- The net proceeds of the Placing and the Parent's existing cash facilities are used to finance the 2012 Final Capital Entitlement
- The capital accrual of a 2012 ZDP Share is 6.875 per cent., compounded from an issue date of 14 May 2010 up to (but not including) its repayment date. The 2012 Final Capital Entitlement of 76.6 pence per 2012 ZDP Share is payable on 31 October 2012
- The capital accrual of a 2016 ZDP Share is the 2016 ZDP GRY, compounded from its issue date (expected to be 15 October 2012) up to (but not including) its repayment date. The 2016 Final Capital Entitlement is payable on 15 October 2016
- Management costs, interest on borrowings and running expenses are charged 100 per cent. to revenue and the gross revenue is at least equal to these costs
- No redemption, conversions or repurchases of any Ordinary Shares are made prior to the redemption of the 2016 ZDP Shares
- Final Net Asset Cover is calculated as the ratio of: (a) total assets less prior charges, 2016 ZDP wind up costs, management costs and interest costs charged to capital; to (b) the 2016 ZDP Final Capital Entitlement
- Final Debt Cover is calculated as the ratio of: (a) total assets less prior charges due before 31 October 2016; to (b) the sum of the 2016 Final Capital Entitlement, 2016 ZDP wind up costs, management costs and interest costs charged to capital and prior charges due after the 2016 ZDP Share Repayment Date
- The Hurdle Rate is calculated as the annualised rate of growth of the Gross Assets required to fully cover the 2016 Final Capital Entitlement, assuming zero growth, and after accounting for wind up costs, and interest and management charges accrued to capital over the remaining life and the prior charges
- Wind up costs equal to one per cent. of the issue size

PART 7

GENERAL INFORMATION

1 Responsibility

The Issuer

1.1 The Issuer and the Issuer's Directors, whose names are set out on page 32 of this document, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Issuer and the Issuer's Directors (who have taken all reasonable care to ensure that such is the case), such information is in accordance with the facts and does not omit anything likely to affect the import of such information.

The Parent

1.2 The Parent and the directors of the Parent, being Nicholas Thompson, Trevor Ash, Tjeerd Borstlap, Roger Lewis and Robert Sinclair, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Parent and the Directors of the Parent (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

2 The Issuer and the Group

The Issuer

2.1 The Issuer was incorporated on 3 September 2012 with the name Picton ZDP Limited and registered number 55586 with liability limited by shares in Guernsey under the Companies Law. The Issuer is domiciled in Guernsey. The Issuer has been incorporated with an unlimited life. The registered office of the Issuer is Trafalgar Court, Les Banques, St Peter Port, Guernsey GY1 3QL and the telephone number is 01481 745 001. The Issuer operates under the Companies Law and ordinances and regulations made thereunder and has no employees.

2.2 The principal legislation under which the Issuer operates is the Companies Law. The Issuer is not authorised by the Guernsey Financial Services Commission.

The Parent

2.3 The Parent was incorporated on 15 September 2005 with the name ING UK Real Estate Income Trust Limited and registered number 43673 with liability limited by shares in Guernsey under the Companies Law. The Parent is domiciled in Guernsey. The Parent has been incorporated with an unlimited life. The registered office of the Parent is Trafalgar Court, Les Banques, St Peter Port, Guernsey GY1 3QL and the telephone number is 01481 745 001. The Parent operates under the Companies Law and ordinances and regulations made thereunder and has no employees.

2.4 The principal legislation under which the Parent operates is the Companies Law. The Parent is authorised by the Guernsey Financial Services Commission as an authorised closed-ended investment scheme under the Authorised Closed-ended Investment Schemes Rules 2008.

Principal Subsidiary Undertakings

2.5 The PropCo and the SPV are Guernsey companies wholly-owned by the Parent. The PropCo holds 99 per cent. of the units in the GPUT and the SPV holds the remaining 1 per cent. Until 24 July 2012, save for the real estate assets acquired as a result of the Rugby REIT acquisition, all of the Group's real estate assets were held indirectly by the GPUT. On 24 July 2012, the Parent completed the refinancing of the Group's securitised loan facility and RBS facility. As part of that refinancing, the Group undertook a corporate restructuring to create two separate security pools of assets, one relating to the Aviva Loan Facility and the other relating to the Canada Life Facility. One of these security pools contains assets held by an English limited partnership (**LP2**) and PropCo No.2 and the other security pool contains assets held by another English limited partnership (**LP3**) and PropCo No.3. The GPUT is the only limited partner in, and owns 99.9 per cent. of the partnership interests in, each of LP2 and LP3. The Group's uncharged property assets are held by SPV 2.

The PropCo

2.6 The PropCo was incorporated on 29 September 2005 with registered number 43741 with liability limited by shares in Guernsey under the Companies Law. The registered office of the PropCo is Trafalgar Court, Les Banques, St Peter Port, Guernsey GY1 3QL. The PropCo operates under the Companies Law and ordinances and regulations made thereunder and has no employees. The PropCo is wholly-owned by the Parent.

The SPV

2.7 The SPV was incorporated on 30 September 2005 with liability limited by shares in Guernsey under the Companies Law. The registered office of the SPV is Trafalgar Court, Les Banques, St Peter Port, Guernsey GY1 3QL. The SPV operates under the Companies Law and ordinances and regulations made thereunder and has no employees. The SPV is wholly-owned by the Parent.

The GPUT

2.8 The GPUT is a property unit trust established in Guernsey. The registered address of the GPUT is at Trafalgar Court, Les Banques, St Peter Port, Guernsey GY1 3QL. 99 per cent. of the units of the GPUT are held by the PropCo and the remaining 1 per cent. is held by the SPV.

2.9 The GPUT is constituted pursuant to the Amended and Restated Unit Trust Instrument, further details of which are set out in paragraph 9.3(g) of this Part 7 (General Information).

2.10 The GPUT was established to effect the acquisition of a property portfolio from subsidiaries of Abbey National Plc, completion of which took place on 19 August 2005.

2.11 Following the completion of the refinancing of the Group's securitised loan facility and RBS facility on 24 July 2012 and the related restructuring, the GPUT does not hold any property directly but is the only limited partner in each of LP2 and LP3, holding 99.9 per cent. of the partnership interests of each.

LP2 and LP3

2.12 Each of LP2 and LP3 is a limited partnership established in England. The principal place of business of both LP2 and LP3 is 1st Floor, 28 Austin Friars, London EC2N 2QQ. 99.9 per cent. of the partnership interests in both LP2 and LP3 is held by the GPUT as limited partner. The remaining 0.1 per cent. of the partnership interests in LP2 is held by Picton (General Partner) No.2 Limited, as general partner. The remaining 0.1 per cent. of the partnership interests in LP3 is held by Picton (General Partner) No.3 Limited, as general partner. Both Picton (General Partner) No.2 Limited and Picton (General Partner) No.3 Limited are wholly-owned within the Group.

2.13 SPV 2

SPV 2 was incorporated on 20 October 2006 with liability limited by shares in Guernsey under the Companies Law. The registered office of SPV 2 is Trafalgar Court, Les Banques, St Peter Port, Guernsey GY1 3QL. SPV 2 operates under the Companies Law and ordinances and regulations made thereunder and has no employees. SPV 2 is wholly-owned by the Parent.

IRET Securities Limited

2.14 IRET Securities is a limited company incorporated under the laws of Guernsey of which all of the issued ordinary shares are owned by the Issuer. IRET Securities was incorporated by the Parent in April 2010 as the vehicle for the acquisition of Rugby REIT and issued 46,556,800 2012 ZDP Shares as part of the consideration for the acquisition of Rugby REIT.

2.15 On 12 September 2012, the Parent transferred the 1,498,481.8 ordinary shares in IRET Securities held by it (representing all of the ordinary shares in IRET Securities in issue) to the Issuer.

2.16 On 29 December 2010, the Parent purchased 5,902,317 2012 ZDP Shares.

Picton Capital Limited

2.17 Picton Capital Limited is a limited company incorporated under the laws of England and Wales and is wholly-owned by the Parent. Picton Capital is authorised and regulated in the United Kingdom by the Financial Services Authority and was established by the Parent to take over the management of the Group's property portfolio on the expiry of ING Real Estate Investment Management (UK) Limited's notice period, on 31 December 2011. All of the employees of the Group are employed by Picton Capital. Since 1 January 2012, Picton Capital has been the investment manager of the Group.

2.18 Picton Capital provides property management services to the property-holding members of the Group under investment management agreements, further details of which are set out in paragraphs 9.3(b) to (d) of this Part 7.

2.19 In addition, Picton Capital provides investment advisory services to the Parent under an investment management agreement, further details of which are set out in paragraph 9.3(a) of this Part 7.

3 Share Capital

The Issuer

3.1 The Issuer's share capital comprises:

(i) an unlimited number of ordinary shares of £1.00 each; and

(ii) an unlimited number of 2016 ZDP Shares of 0.0001 pence each, further details of which are set out in Part 4 (Details of the 2016 ZDP Shares) of this document,

of which 1 such ordinary share is in issue and fully paid and none of such 2016 ZDP Shares has been issued.

3.2 The Issuer does not hold any shares in treasury.

3.3 There are no provisions of Guernsey law which confer rights of pre-emption in respect of the allotment of any class of shares in the Issuer, nor are there any pre-emption provisions in the Issuer's Articles.

3.4 All of the 2016 ZDP Shares are in registered form and are eligible for settlement in CREST. Temporary documents of title will not be issued.

The Parent

3.5 The share capital of the Parent comprises an unlimited number of ordinary shares with no par value. As at 31 March 2012, the issued share capital of the Parent was as follows:

	Issued and fully paid	
	Number	*£'000*
Ordinary Shares	345,336,118	Nil

3.6 As at the Latest Practicable Date, all of the issued share capital of the Parent was fully paid up.

3.7 The Parent does not hold any shares in treasury.

3.8 As at the Latest Practicable Date, no member of the Group had any capital which was under option or agreed conditionally or unconditionally to be put under option.

3.9 The Ordinary Shares are listed on the Official List of the UK Listing Authority and trade on the London Stock Exchange under the symbol "PCTN".

3.10 The ISIN for the Ordinary Shares is GB00B0LCW208. Information about the past and future performance of the Ordinary Shares and its volatility can be obtained from the website of the London Stock Exchange at www.londonstockexchange.com.

3.11 Save for the issue of 14,934,818 Ordinary Shares in connection with the acquisition of Rugby REIT, there have been no changes to the Parent's share capital since 1 January 2009.

4 Substantial share interests

The Issuer

4.1 The Issuer is not aware of any person (other than the Parent) who, directly or indirectly, jointly or severally, owns or controls 3 per cent. or more of the issued ordinary shares of the Issuer. Major shareholders in the Issuer do not have voting rights in respect of the Issuer's share capital which differ from those of any other shareholder holding shares in the same class in the Issuer. Save for the Parent, the Issuer is not aware of any person who could, directly or indirectly, jointly or severally, exercise control over the Issuer.

4.2 Neither the Issuer nor any of the Directors is aware of any arrangements, the operation of which may at a subsequent date result in a change of control over the Issuer.

The Parent

4.3 As at the close of business on the Latest Practicable Date, in so far as is known to the Parent, the following persons (other than the Directors) were directly or indirectly interested in 3 per cent. or more of its issued share capital:

Shareholder	*Number of Parent Shares*	*Percentage of Issued Share Capital*
Investec Wealth and Investment Limited	29,443,332	8.53
Rathbone Investment Management Limited	24,847,313	7.19
J O Hambro Capital Management Limited	23,579,289	6.83
Schroder Investment Management Limited	14,514,231	4.20
Brewin Dolphin Limited	14,130,228	4.09
BlackRock Inc.	13,476,603	3.90
Legal and General Investment Management Limited	12,567,767	3.64
Premier Asset Management Limited	11,147,150	3.23
Reech AIM Partners LLP	11,100,000	3.21

4.4 Those persons referred to in paragraph 4.3 do not have voting rights in respect of the Parent's share capital which differ from those of any other shareholder. The Parent is not aware of any person who could, directly or indirectly, jointly or severally, exercise control over the Parent.

4.5 Neither the Parent nor any of the Directors is aware of any arrangements, the operation of which may at a subsequent date result in a change of control over the Parent.

5 The Directors of the Issuer and the Parent

The Issuer

5.1 None of the Issuer's Directors is entitled to be paid any remuneration (including any contingent or deferred compensation) or to be granted any benefits in kind by the Issuer for his services as a Director of the Issuer.

5.2 No remuneration is permitted to be paid to the Issuer's Directors under the Issuer's Articles.

5.3 There are no existing or proposed service contracts between any of the Directors and the Issuer.

5.4 No amounts have been set aside or accrued by the Issuer to provide pension retirement or similar benefits for the Issuer's Directors.

5.5 The Issuer's Directors were appointed as non-executive directors of the Issuer by letters dated 3 September 2012 in the case of Robert Sinclair, 5 September 2012 in the case of Nicholas Thompson and Roger Lewis and 12 September 2012 in the case of Trevor Ash that state that their appointment and any subsequent termination or retirement shall be subject to the Issuer's Articles.

The Issuer's Directors' appointment letters provide that upon the termination of a Director's appointment, that Director must resign in writing and all records remain the property of the Issuer. A Director's appointment can be terminated in accordance with the Issuer's Articles and without compensation. There is no notice period specified in the Issuer's Articles for the removal of Directors. The Issuer's Articles provide that the office of Director shall be terminated, amongst other things if: he ceases to be a director of the Parent; or he becomes bankrupt or makes an arrangement or compromise with his creditors; or he becomes resident for tax purposes in the United Kingdom and, as a result thereof, a majority of the Directors are resident for tax purposes in the United Kingdom or he is requested by a majority of the other Directors (not being less than two in number) to vacate office or he is removed from office by an ordinary resolution.

5.6 No loan has been granted to, nor any guarantee provided for the benefit of, any of the Issuer's Directors by any member of the Group.

5.7 None of the Issuer's Director has, or has had, any interest in any transaction which is or was unusual in its nature or conditions or significant to the business of the Group and which has been effected by the Group since incorporation and which remains in any way outstanding or unperformed.

5.8 None of the Issuer's Directors has an interest in the share capital of the Issuer or in any options in respect of such capital.

The Parent

5.9 The aggregate of the remuneration (including any contingent or deferred compensation) paid and benefits in kind granted to the Parent's Directors by the Parent in respect of the 15 month financial period ended 31 March 2012 was £195,065, made up as follows:

Directors	*£*
Nicholas Thompson	76,150
Trevor Ash	33,250
Tjeerd Borstlap*	12,415
Roger Lewis	33,750
Robert Sinclair	39,500

* Tjeerd Borstlap has given notice to the Parent that he will resign as a director with effect from 30 September 2012.

5.10 The maximum aggregate amount of remuneration payable to the Parent's Directors permitted under the Parent's Articles is £300,000 per annum.

5.11 There are no existing or proposed service contracts between any of the Parent's Directors and the Parent.

5.12 No amounts have been set aside or accrued by the Parent to provide pension retirement or similar benefits for the Parent's Directors.

5.13 The Parent's Directors were appointed as non-executive directors of the Parent by letters dated 4 April 2007 in case of Tjeerd Borstlap, 31 March 2010 in the case of Roger Lewis and 3 October 2005 for the other Directors of the Parent. These letters state that the Parent's Directors' appointment and any subsequent termination or retirement shall be subject to the Parent's Articles. The Parent's Directors' appointment letters provide that upon the termination of a Director's appointment, that Director must resign in writing and all records remain the property of the Parent. A Director's appointment can be terminated in accordance with the Parent's Articles and without compensation. There is no notice period specified in the Parent's Articles for the removal of Directors. The Parent's Articles provide that the office of Director shall be terminated, amongst other things if: he becomes bankrupt or makes an arrangement or compromise with his creditors; or he becomes resident for tax purposes in the United Kingdom and, as a result thereof, a majority of the Directors are resident for tax purposes in the United Kingdom or he is requested by a majority of the other Directors (not being less than two in number) to vacate office or he is removed from office by an ordinary resolution.

5.14 No loan has been granted to, nor any guarantee provided for the benefit of, any of the Parent's Director by any member of the Group.

5.15 None of the Parent's Directors has, or has had, any interest in any transaction which is or was unusual in its nature or conditions or significant to the business of the Group and which has been effected by the Group since incorporation and which remains in any way outstanding or unperformed.

5.16 Save as set out in this Part 7 (General Information), none of the Parent's Directors, including any connected person, the existence of which is known to or who could with reasonable diligence be ascertained by that Director whether or not held through another party, has an interest in the share capital of the Parent or in any options in respect of such capital.

5.17 As at the date of this document, there are no potential conflicts of interest between any duties to the Parent of the Parent's Directors and their private interests and/or other duties.

5.18 As at the Latest Practicable Date, the following Directors of the Parent have interests in the Parent:

Directors	*Number of Ordinary Shares*	*Shareholding percentage*
Nicholas Thompson	63,693	0.018
Trevor Ash	150,000	0.043
Roger Lewis	150,000	0.043
Robert Sinclair	15,000	0.004

In addition, Mrs Elizabeth Thompson, wife of Nicholas Thompson, owns 39,433 of the Parent's Shares, or 0.011 per cent. of the issued share capital of the Parent.

5.19 The Parent maintains directors' and officers' liability insurance for the benefit of the Directors of the companies within the Group.

The Management team of Picton Capital have the following interests in the Parent:

Employee	*Number of Ordinary Shares*	*Shareholding percentage*
Michael Morris	25,000	0.007
Andrew Dewhirst	11,964	0.003
Jay Cable	7,030	0.002

In addition, Mrs Joanne Morris, wife of Michael Morris, owns 28,596 Picton Shares, or 0.008 per cent. of the issued share capital of the Parent.

The Directors

5.20 As at the date of this document, none of the Directors has:

(a) any convictions in relation to fraudulent offences for at least the previous five years;

(b) been bankrupt or been a director of any company or been a member of the administrative, management or supervisory body of a company or a senior manager of a company at the time of any receivership or compulsory or creditors' voluntary liquidation for at least the previous five years; or

(c) been subject to any official public incrimination of him by any statutory or regulatory authority (including designated professional bodies) nor has he been disqualified by a court from acting as a director of a company or from acting as a member of the administrative, management or supervisory bodies of a company or from acting in the management or conduct of the affairs of any company, for at least the previous five years; or

(d) any family relationship with any of the other Directors.

5.22 In addition to their directorships of the Issuer and the Parent, the Directors hold or have held the following directorships, and are or were partners in the following partnerships over or within the past five years:

Director	*Current Directorships and Partnerships*	*Past Directorships and Partnerships*
Nicholas Thompson	Churches Conservation Trust Ltd Thorpe House School Trust Ltd Lend Lease Europe G.P. Ltd	Berkshire Nominee 1 Limited Berkshire GP Limited Berkshire Nominee 2 Limited M&G Investment Management Limited Stockley Park Investments Limited Chelsfield White City SALP Limited Chelsfield White City SAGP Limited White City (Shepherds Bush) General Partner Limited Cathedral Investment Properties Limited Euro Salas Properties Limited Scottish Amicable Investment Property Limited Briggait Company Limited 100 Old Broad Street Limited City Tower Limited Dunestown Limited Edger Investment Limited Legalfuture Limited Number 90 Queen Street Limited Prudential Development Management Limited Prudential Property Investments Limited Queen Street Properties Limited Smithfield Limited Westwacker Limited Stockley Park Consortium Limited 5 The Square Limited Prudential Property Investment Managers Limited The Wilson Centre West Northamptonshire Development Corporation
Trevor Ash	Blackpoint Management Limited Blackpoint PCC Limited Camper & Nicholson Marina Investments Limited Cazenove European Alpha Absolute Return Fund Limited Cazenove European Equity Absolute Return Fund Limited Cazenove Leveraged UK Equity Absolute Return Fund Cazenove UK Dynamic Absolute Return Fund Limited Cazenove UK Equity Absolute Return Fund Limited Cazenove Worldwide Absolute Return Fund Limited	Thames River Topaz Fund Limited Thames River Garret Fund Limited Cowry Global Financials Limited N M Rothschild & Sons (C.I.) Limited Global Strategic Equities Fund Limited Paladin Investments Limited Economic Lifestyle Property Investment Company Limited Insight Investment International Fund Limited Insight Investment International Currency Fund Limited Absolute Insight Plus Tactical Asset Allocation Limited Syndicate Asset Management (CI) Limited

Director	*Current Directorships and Partnerships*	*Past Directorships and Partnerships*
	Close Enhanced Commodities Fund 11 Limited CQS Rig Finance Fund Limited Dexion Absolute Limited ELDeRS Limited FxPro Group Limited Hillside Apex Fund Limited Insight Consumer Debt Recovery GP1 Limited Insight Consumer Debt Recovery GPII Limited Insight Global Farmlands Fund Limited Investors in Global Real Estate Limited Invista Real Estate Investment Management (C.I.) Limited J P Morgan Private Equity Limited (formerly Bears Stearns Private Equity Fund Limited) JPMorgan Specialist Funds Nemrod Diversified Holdings Limited Sherborne Investors (Guernsey) A Limited Thames River Apex Fund SPC Thames River Hillside Apex II Fund Limited Thames River Isis Fund Limited (formerly Nevsky Fund Limited) Thames River Legion Fund Limited Thames River Longstone Fund Limited Thames River Property Growth & Income Fund Limited	Zenith International Reserves Limited Zenith International Bond Funds Limited Zenith International Multi-Manager Fund Limited Thames River Tybourne Fund Limited Thames River Edo Fund Limited The Accelerated Return Fund Limited European Value and Income Fund Limited Thames River ZeCo Fund Limited Thames River Origin Fund Limited Grand Harbour Marina Limited Thames River 2X Currency Alpha Fund Limited Thames River Argentum Fund Limited Thames River Kingsway Fund Limited Kingsway Fund Limited Thames River Hedge Ventures Limited Thames River Kingsway Plus Fund Limited Merrill Lynch FTSE 100 Stepped Growth & Income Limited The Accelerated Return Fund Limited India Strategic Assets Fund Limited Absolute Plus Insight Limited Absolute Insight Plus Emerging Market Debt Limited Absolute Insight Plus UK Equity Market Neutral Limited Absolute Insight Plus Europe Equity Market Neutral Limited Absolute Insight Plus Currency Limited Absolute Insight Plus Bond Limited Absolute Insight Plus International Equity Market Neutral Limited

Director	*Current Directorships and Partnerships*	*Past Directorships and Partnerships*
Tjeerd Borstlap	Avista Property Holdings No. 19 Inc. ING Canadian Retail Fund I GP Inc. ING Clarion Capital Holdings, LLC ING Clarion Realty Services Holdings, Inc. ING Industrial Canadian Custodian SPV Ltd ING Real Estate B.V. ING Real Estate GOF Holdco B.V. ING Real Estate GOF Ivy Mall B.V IRET Securities Investments Limited Ivy Retail SRL Nationale-Nederlanden Intervest II B.V. (NNI US Inc.) Realty Holding II GP Inc SREIT (288 Baseline Road) Ltd SREIT (5500 Dixie) Ltd SREIT (Avista No. 8) Ltd SREIT (Baseline Lands) Ltd SREIT (Baseline Village) Ltd SREIT (Beaumont) Ltd SREIT (Bird's Hill) Ltd SREIT (Cole Harbour) Ltd SREIT (Commerce Place) Ltd SREIT (Gloucester Land Lease) Ltd SREIT (Landco) Ltd SREIT (Lloydminster) Ltd SREIT (LP3 Mezz) Ltd SREIT (McNicoll Avenue) Ltd SREIT (Meadowbrook) Ltd SREIT (Mezzanine) Ltd SREIT (Migneron) Ltd SREIT (Milton Mall) Ltd SREIT (North Battleford) Ltd SREIT (Nugget No. 1)Ltd SREIT (Olds) Ltd SREIT (Park West Centre) Ltd SREIT (Quest Calgary) Ltd SREIT (Quest Edmonton) Ltd SREIT (Quest Letourneau) Ltd SREIT (Quest Saskatchewan) Ltd SREIT (Royal) Ltd SREIT (Truro Mall) Ltd SREIT (Westland Market) Ltd SREIT (Westminster A) Ltd SREIT (York Centre II) Ltd	ING Canada Realty Guernsey Management Ltd ING Clarion Real Estate Securities LLC ING Clarion Partners, LLC ING Clarion Realty Services, LLC ING Liquidity Management Solutions B.V ING Real Estate Canada Holdco Inc. ING Real Estate Investment Management (NL) B.V. ING Real Estate Investment Management Europe B.V. ING Real Estate Investment Management Holding B.V. ING Real Estate GOF Argyle Street B.V ING Real Estate Woning - Winkelfonds V B.V ING Real Investment Management Group (UK) Ltd ING RE I Clarion Holding, Inc. ING Value-add Canadian Retail Fund I GP Inc. ING-CRA Real Estate Securities Holdings, Inc. I.P Real Estate Asset Management (Guernsey) Ltd Ocmador Asia NV SREIT (Havelock) Ltd SREIT (Meadowlands) Ltd SREIT (Sackville Commercial Center) Ltd

Director	*Current Directorships and Partnerships*	*Past Directorships and Partnerships*
Roger Lewis	Berkeley Commercial Investment Properties (Jersey) Limited Berkeley Property Investments Limited BRP Investments No.1 Limited BRP Investments No.2 Limited Camper and Nicholsons Marina Investments Limited Grand Harbour Marina plc Hulton Consultants Limited Hulton Investments Limited Hulton Pensions Limited Hulton Properties Limited States of Jersey Development Company	Ancestral Homes Limited Berkeley (Inner-City Partnerships) Limited Berkeley (Virginia Water) Limited Berkeley Affordable Homes Limited Berkeley Asset MSA Limited Berkeley Build Limited Berkeley Carlton Holdings Limited Berkeley Commercial Investments Limited Berkeley Commercial Limited Berkeley Enterprises Limited Berkeley Festival Investments Limited Berkeley Five Limited Berkeley Forty-Five Limited Berkeley Forty-Four Plc Berkeley One Hundred and Twenty-One Limited Berkeley One Hundred and Twenty-Seven Limited Berkeley One Hundred and Twenty-Six Limited Berkeley One Hundred and Twenty-Three Limited Berkeley One Hundred and Twenty-Two Limited Berkeley One Hundred and Two Limited Berkeley One Hundred Limited Berkeley Residential Limited Berkeley Seven Limited Berkeley Sixty-Nine Limited Berkeley Special Projects Limited Berkeley Strategic Land Limited Berkeley Thirty-Three Limited Berkeley Three Limited Berkeley Twenty-Four Limited Berkeley Twenty-Seven Limited Berkeley Twenty-Three Limited Berkeley Twenty-Two Limited BM (Swinton) Limited Charco 143 Limited Clare Homes Limited Community Housing Action Limited Crosby Heritage Developments Limited Crosby Lend Lease Construction Limited Diniwe One Limited Diniwe Two Limited Halefield Securities Limited Hertfordshire Homes Limited PEL Investments Limited Retirement Homes Limited Royal Clarence Yard (Phase B) Limited SAAD Berkeley Investment Properties Limited Sandgates Developments Limited Sitesecure Limited

Director	*Current Directorships and Partnerships*	*Past Directorships and Partnerships*
		St Edward Homes Limited St Edward Limited St George pic St George's Hill Property Company Limited St James Group Limited The Beaufort Homes Development Group Limited The Berkeley Clarence Dock Company Limited The Millennium Festival Leisure Company Limited
Robert Sinclair	Abbeygate Resources Limited Adelphi Management Limited Aisi Realty Public Limited Alufer Mining Limited Antilles Windward Holdings Limited APN Management Limited Aquaterra Group SA Artemis Corporate Services Limited Artemis Holdings Limited Artemis Nominees Limited Artemis Secretaries Limited Artemis Societe Avec Responsabilite Limitee Artemis Trustees Limited Ashtone Investments Limited Bella Resources Limited Benzu Resources Limited Bibby Ship Management Services Limited Bravo Securities Limited Brefney Investment Holdings Limited Centrale Oil & Gas Limited Centrale Oil and Gas Investments Limited Chadstone Management Inc. Chariot Oil & Gas Investments (Gabon) Limited Chariot Oil & Gas Investments (Mauritania) Limited Chariot Oil & Gas Investments (Morocco) Limited Chariot Oil & Gas Investments (Namibia) Limited Chariot Oil & Gas Limited Commonwealth SPC DDS Lime BV Delstone Management Limited Devoran Trustees Limited DH Property Holdings Limited Evans Randall Capital Partners International Limited	31SJP Investments Limited Abbeygate Resources Alufer Limited Anghiti Holdings Limited Arcus European Infrastructure Fund GP Aruana Inc Atticus Management Limited Barents Global Fund Ltd Barnes Properties Limited Beleta Worldwide Limited Bibby Offshore (Guernsey) Limited Bibby Ship Management (Guernsey) Limited BIL (SCB) Holdings Limited Breezes Beach Club Limited (BVI) Breezes Beach Club Limited (Gsy) Brookdelle Limited Calpurnia Partners Ltd Centenary Investments Limited Chromex Mining PLC CHS Aviation Limited Churchmore Limited CoMiCo (BVI) Limited Coupland Overseas Limited Crocketfort Limited Delta Securities Holdings Limited DFDS Tor Line (Guernsey) Limited Diamond Worldwide Finance Limited Duinn Limited Elmina Group Limited First CHT Limited Foreland Shipping (Guernsey) Limited G & J Hamilton Limited Global Drilling and Production Limited Global High Yield Bond Trust Limited Goldworthy Investments Limited Gottex Market Neutral Trust Limited Greendale Universal Holdings Limited Hallbourgh Investments Limited Hanover Group Limited Hebridean (Guernsey) Limited

Director	*Current Directorships and Partnerships*	*Past Directorships and Partnerships*
	Evans Randall International Limited Evans Randall International Limited Financial and International Investment Group Limited Flow East Limited Fortuitous Limited Genel Energy Holding Company Limited Genel Energy Limited Gerel Investment Corp GMS Guernsey Pension Plans Limited Golden Square Investments Limited GRP Investments Limited Guinness Energy Fund Limited Guinness Energy Master Fund Limited Hallbourgh International Limited Helios Oil & Gas Limited Hightrees Inc International Copper Resources Limited Jermyn Pte Limited JNR Limited Kaouat Iron Limited Kilrieco Limited Kirkland Limited Lawon Trading Corp Lunga Resources (BVI) Limited Madini Resources Limited Management Construction & Technical Services SARI Mantova Limited Marba Brinkmann BV Marba Catalpa BV Marba Dutch Holdings BV Marba HAG BV Marba Hornbeam BV Matobo Energy Holdings Limited Merrydown Properties Inc Millennium Asset Management Limited Millennium Global (Japan) Limited Millennium Global Emerging Credit GP Limited Millennium Group Holdings Limited Millennium Multi Strategy Fund Montessa Investments Limited Narrowpeak Consultants Limited Ottilia Investments Limited Pella Resources Limited Pennycross Limited Pichard Holdings Limited	Holland Holdings Limited Hotel Tourism Management Limited Idlerock Investments Limited ING Atlas Infrastructure (Guernsey General Partner) Limited Inprop Management Limited International Copper Resources Limited Iris Air Limited Kahill Holdings Limited Kilvarock Limited Kintyre Investments Limited Kiribati Investments Limited Life Science Capital Limited Life Science Investments Limited Mandley Enterprises Limited Maritime Adriatic Limited Matsu Overseas Limited Miranda Properties Limited Mukuba Resources Limited Narcissus Investments Limited Navite Holdings Limited New Earth Holdings Limited Newway Property Holdings Limited NFL Catering Services Limited NR Securities Limited Opus Investments Limited Park Capital Limited Pearltona Enterprises Limited Premier Limited Pritchard-Gordon Tankers (Guernsey) Limited Proctor International Limited R.M.S. Investments Limited Rainbow Group Services Limited Revax Art Investment Limited Rosanna Resources Limited Rushington Investments Limited Sanderton Limited Stadun Limited Terracina Properties Limited Thunderbird Management Limited Toro Gold Gabon Limited Travino Ventures Limited Truscott Investments Limited Unipro International Limited United European Car Carriers (Guernsey) Limited Vallar Holding Company Limited Vallar Limited Vallares PLC VB Investments Limited Veradale Group Limited Voltaire Distribution Limited Wotan Limited

Director	*Current Directorships and Partnerships*	*Past Directorships and Partnerships*
	Pilden Holding Inc.	Yrrah Investments Limited
	Postillion Investments Limited	Zimvest Limited
	Rainbow International Resources Limited	
	Rainbow Rare Earths Limited	
	Razario Resources Ltd	
	Red Earth Resources Limited	
	Schroder Oriental Income Fund Limited	
	Scout Aviation (Bermuda) Limited	
	Sirius Ash BV	
	Sirius Cooperatief UA	
	Sirius Four BV	
	Sirius Investment Management (GP) Limited	
	Sirius Mannheim BV	
	Sirius One BV	
	Sirius Real Estate Limited	
	Sirius Three BV	
	Sirius Two BV	
	Sirius Willow BV	
	Solaris Limited	
	South Sudan Mining Company Limited	
	South Sudan Oil Company Limited	
	Tintoretto Limited	
	Toro East Africa Limited	
	Toro Gold Limited	
	Ufford PCC Limited	
	Vallar Investments Limited	
	Vallares Advisers GP Limited	
	Webster Finance Corporation Limited	
	Zenta Investments Limited	
	Zodiac Business Corp	

6 The City Code

The City Code applies to the Parent. Under the City Code, if an acquisition of shares were to increase the aggregate holding of the acquirer and any parties acting in concert with it to shares carrying 30 per cent. or more of the voting rights in the Parent, the acquirer and, depending on the circumstances, its concert parties (if any) would be required (except with the consent of the Panel) to make a cash offer for shares not already owned by the acquirer or its concert parties (if any) at a price not less than the highest price paid for shares by the acquirer or its concert parties (if any) during the previous 12 months or (where there has been no acquisition of shares of the relevant class) at a comparable price agreed by the Panel. A similar obligation to make such a mandatory cash offer would also arise on the acquisition of shares by a person holding (together with its concert parties, if any) shares carrying at least 30 per cent. but not more than 50 per cent. of the voting rights in the Parent or if the effect of such acquisition were to increase the percentage of the aggregate voting rights held by the acquirer and its concert parties (if any).

The City Code does not apply to the Issuer.

7 Memorandum and Articles of incorporation of the Issuer

Memorandum of incorporation

The memorandum of incorporation of the Issuer does not limit the objects of the Issuer. A copy of the memorandum of incorporation is available for inspection at the address specified in paragraph 14 of this Part 7 (General Information).

Articles of Incorporation

The Issuer's Articles contain provisions, *inter alia*, to the following effect:

7.1 ***Share capital***

(a) The share capital of the Issuer is represented by:

(i) an unlimited number of ordinary shares of £1.00 each having the rights hereinafter described; and

(ii) an unlimited number of 2016 ZDP Shares of 0.0001 pence each having the rights hereinafter described;

(b) The holders of ordinary shares shall have the following rights:

(i) *Dividends*

Holders of ordinary shares are entitled to receive, and participate in, any dividends or other distributions and resolved to be distributed in respect of any accounting period or other period.

(ii) *Winding up*

On a winding up, the holders of ordinary shares shall be entitled to the surplus assets remaining after payment of all the creditors of the Issuer, payment to the holders of 2016 ZDP Shares of the amounts described in paragraph 7.15(b) of this Part 7 (General Information).

(iii) *Voting*

The holders of ordinary shares shall have the right to receive notice of and to attend and vote at general meetings of the Issuer and each holder of ordinary shares being present in person or by proxy or by a duly authorised representative (if a corporation) at a meeting shall upon a show of hands have one vote and upon a poll each such holder present in person or by proxy or by a duly authorised representative (if a corporation) shall have one vote in respect of each ordinary share held by him.

(A) Subject to the provisions of the Companies Law:

1) any shares may with the sanction either of the Board or an ordinary resolution be issued on terms that they are, or at the option of the Issuer or the holder are liable to be, redeemed on such terms and in such manner as the Issuer before the issue may by ordinary resolution determine and subject to and in default of such determination as the Board may determine; and

2) the Issuer and any of its subsidiary companies may give financial assistance directly or indirectly for the purpose of or in connection with the acquisition of shares in the Issuer or any subsidiary or in connection with reducing or discharging any liability incurred in connection with the purchase of shares in the Issuer.

(B) Subject to the provisions of the Companies Law, the terms and rights attaching to any class of shares, the Articles and any guidelines established from time to time by the Board, the Issuer may from time to time purchase its own shares and may hold any such shares as treasury shares provided that:

1) the number of shares held as treasury shares shall not at any time exceed ten per cent. of the total number of shares of that class in issue at that time; and

2) on any re-issue of treasury shares by the Board, the amount payable on each share shall not be less than the net asset value per share on the date of re-issue of the shares then in issue.

(c) The holders of the 2016 ZDP Shares shall have the rights described in Part 4 (Details of the 2016 ZDP Shares) of this document.

7.2 ***Variation of Rights***

The provisions in the Articles concerning the rights of holders of 2016 ZDP Shares, and any variation thereto, are described at paragraph 3.2 of Part 4 (Details of the 2016 ZDP Shares) of this document. The 2016 Contribution Agreement contains further protections for 2016 ZDP Shareholders and these are described at paragraph 6.2 of Part 4 (Details of the 2016 ZDP Shares) of this document.

7.3 ***Issues of shares***

(a) Subject to the Articles, shares for the time being unallotted and unissued shall be under the control of the Directors, who may allot, grant options over or dispose of the same to such persons, at such times, on such terms and in such manner as they may think fit.

(b) Subject to the Companies Law, on any issue of shares, the Issuer may pay any brokerage or commission of such amount as may from time to time be determined by the Directors.

(c) No person shall be recognised by the Issuer as holding any share upon any trust and the Issuer shall not be bound by or recognise (even when having notice thereof) any equitable, contingent, future or partial interest in any share (except as provided by the Articles or the Companies Law), any other right in respect of any share, except an absolute right thereto in the registered holder.

7.4 ***Notification of interests in shares***

(a) Each member shall comply with the notification obligations to the Issuer contained in Chapter 5 of the Disclosure and Transparency Rules of the United Kingdom Financial Services Authority as if the Issuer was a United Kingdom issuer for the purposes of such rules.

(b) If it shall come to the notice of the Directors that any member has not, within the requisite period, made or, as the case may be, procured the making of any notification as described in paragraph 7.4(a), above, the Issuer may serve a notice on such member and the provisions of paragraph 7.5, below, shall apply.

7.5 ***Power of the Issuer to investigate interests in shares***

(a) The Issuer may by notice in writing (a **Disclosure Notice**) request any person whom the Issuer knows or has reasonable cause to believe to be or, at any time during the three years immediately preceding the date on which the Disclosure Notice is issued, to have been interested in shares comprised in the Issuer's share capital:

(i) to confirm that fact or (as the case may be) to indicate whether or not it is the case; and

(ii) where he holds or has during that time held an interest in shares so comprised, to give such further information as may be requested in accordance with paragraph 7.5(b), below.

(b) The Disclosure Notice may request the person to whom it is addressed:

(i) to give particulars of his own past or present interest in shares comprised in the Issuer's share capital (held by him at any time during the three-year period);

(ii) where the interest is a present interest and any other interest in the shares subsists or, in any case, where another interest in the shares subsisted during that three year period at any time when his own interest subsisted, to give (so far as lies within his knowledge) such particulars with respect to that other interest as may be requested by the Disclosure Notice including the identity of persons interested in the shares in question; and

(iii) where his interest is a past interest, to give (so far as lies within his knowledge) particulars of the identity of the person who held that interest immediately upon his ceasing to hold it.

(c) The Disclosure Notice shall request any information given in response to the Disclosure Notice to be given in writing within such reasonable time as may be specified in the Disclosure Notice.

7.6 ***Failure to disclose interests in shares***

(a) If a member, or any other person appearing to be interested in shares held by that member, has been issued with a Disclosure Notice and has failed in relation to any shares (the default shares) to give the Issuer the information required within the prescribed period from the service of the Disclosure Notice, the following sanctions shall apply unless the Board otherwise determines:

(i) the member shall not be entitled, in respect of the default shares to be present or to vote (either in person or by representative or by proxy) at any general meeting or at any separate meeting of the holders of any class of shares or on any poll, or to exercise any other right conferred by membership in relation to any such meeting or poll; and

(ii) where the default shares represent at least 0.25 per cent. in nominal value of the issued shares of their class:

(A) any dividend or other money payable in respect of the shares shall be withheld by the Issuer, which shall not have any obligation to pay interest on it; and

(B) no transfer, (other than an excepted transfer), of any shares held by the member shall be registered unless:

1) the member is not himself in default as regards supplying the information required; and

2) the member proves to the satisfaction of the Board that no person in default as regards supplying such information is interested in any of the shares the subject of the transfer.

(b) The abovementioned sanctions shall cease to have effect (and any dividends withheld there under shall become payable):

(i) if the shares are transferred by means of an excepted transfer but only in respect of the shares transferred; or

(ii) at the end of a period of 7 days (or such shorter period as the Board may determine) following receipt by the Issuer of the information required by the Disclosure Notice and the Board being fully satisfied that such information is full and complete.

(c) Where, on the basis of information obtained from a member in respect of any share held by him, the Issuer issues a notice to any other person, it shall at the same time send a copy of the notice to the member.

(d) Where default shares in which a person appears to be interested are held by a Depositary, the provisions of paragraph 7.6 shall be treated as applying only to those shares held by the Depositary in which such person appears to be interested and not (insofar as such person's apparent interest is concerned) to any other shares held by the Depositary.

(e) Where the member on which a notice is served is a Depositary acting in its capacity as such, the obligations of the Depositary as a member of the Issuer shall be limited to disclosing to the Issuer such information relating to any person appearing to be interested in the shares held by it, as has been recorded by it pursuant to the arrangements entered into by the Issuer, or approved by the Board pursuant to which it was appointed as a Depositary.

7.7 ***CREST***

The Articles provide that the Directors may implement such arrangements as they may think fit in order for any class of shares to be admitted to settlement by means of the CREST system. If the Directors implement any such arrangements no provision of the Articles shall apply or have effect to the extent that it is in any respect inconsistent with:

(a) the holding of shares of that class in uncertificated form;

(b) the transfer of title to shares of that class by means of the CREST system; or

(c) the CREST Guernsey Requirements.

Where any class of shares is for the time being admitted to settlement by means of the CREST system such securities may be issued in uncertificated form in accordance with and subject as provided in the CREST Guernsey Requirements. Unless the Directors otherwise determine, such securities held by the same holder or joint holder in both certificated form and uncertificated form shall be treated as separate holdings. Such securities may be changed from uncertificated to certificated form and from certificated to uncertificated form in accordance with and subject as provided in the CREST Guernsey Requirements. Title to such shares as are recorded on the register as being held in uncertificated form may be transferred only by means of the CREST system. Every transfer of shares from a CREST account of a CREST member to a CREST account of another CREST member shall vest in the transferee a beneficial interest in the shares transferred, notwithstanding any agreements or arrangements to the contrary, however and whenever arising and however expressed.

Subject as provided below, any member may transfer all or any of his shares which are in certificated form by instrument of transfer in any form which the Directors may approve. The instrument of transfer of a share shall be signed by or on behalf of the transferor. The Directors may refuse to register any transfer of certificated shares unless the instrument of transfer is lodged at the registered office accompanied by the relevant share certificate(s) and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer. The Directors may refuse to register any share which is not fully paid up or on which the Issuer has a lien provided that this would not prevent dealings from taking place on an open and proper basis. The Directors may also refuse to register any transfer of shares which is prohibited by the provisions described in paragraph 7.6(a)(ii)(B) of this Part 7 (General Information) above or any transfer of shares unless such transfer is in respect of one class of share only, is in favour of no more that four transferees and is lodged at the registered office or such other place as the Directors may appoint.

Subject to the Guernsey CREST Requirements, the registration of transfer may be suspended at such time and for such periods as the Directors may determine, provided that such suspension shall not be for more than 30 days in any year.

If it shall come to the notice of the Directors that any shares are owned directly or beneficially by a Non-Qualified Holder (as defined in the Articles), the Directors may require such person (i) to provide the Directors within thirty days with sufficient satisfactory documentary evidence to satisfy the Directors that such person does not fall within the definition of a Non-Qualified Holder and in default of such evidence (ii) to sell or transfer his shares to a person qualified to own the same within thirty days and within such thirty days to provide the Directors with satisfactory evidence of such sale or transfer.

7.8 ***Alteration of capital***

Subject to paragraph 3.2 of Part 4 (Details of the 2016 ZDP Shares) of this document, the Issuer may by special resolution reduce its share capital account in any manner permitted by and with and subject to any consent required by the Companies Law.

7.9 ***Notice of general meetings***

Notice for any general meeting shall be sent by the secretary or officer of the Issuer or any other person appointed by the Board not less than ten days before the meeting. The notice must specify the time and place of the general meeting and, in the case of any special business, the general nature of the business to be transacted. With the consent in writing of all the holders of Ordinary Shares, a general meeting may be convened by a shorter notice or at no notice in any manner they think fit. The accidental omission to give notice of any meeting or the non-receipt of such notice by any member of the Issuer shall not invalidate any resolution, or any proposed resolution otherwise duly approved, passed or proceeding at any meeting.

7.10 ***Directors' interests and conflicts of interest***

(a) A Director must, immediately after becoming aware of the fact that he is interested in a transaction or proposed transaction with the Issuer, disclose to the Board (i) if the monetary value of the Director's interest is quantifiable, the nature and monetary value of that interest, or (ii) if the monetary value of the Director's interest is not quantifiable, the nature and extent of that interest, in each case unless the transaction or proposed transaction is between the Director and the Issuer, and is to be entered into in the ordinary course of the Issuer's business and on usual terms and conditions.

(b) A Director may not vote (or be counted in the quorum) in respect of any resolution of the Directors or committee of the Directors concerning a contract, arrangement, transaction or any other proposal to which the Issuer is or is to be a party and in which he has an interest which (together with any person connected with him) is, to his knowledge, a material interest (otherwise than by virtue of his interests in shares or debentures or other securities of or otherwise in or through the Issuer) but, in the absence of some other material interest than is mentioned below, this prohibition does not apply to a resolution concerning any of the following matters:

(i) the giving of any guarantee, security or indemnity in respect of money lent or obligations incurred by him or any other person for the benefit of the Issuer or any of its subsidiaries;

(ii) the giving of any guarantee, security or indemnity in respect of a debt or obligation of the Issuer or any of its subsidiaries for which the Director himself has assumed responsibility in whole or in part and whether alone or jointly with others under a guarantee or indemnity or by the giving of security;

(iii) a contract, arrangement, transaction or proposal concerning an offer of shares, debentures or other securities of the Issuer or its subsidiaries for subscription or purchase, in which offer he is or may be entitled to participate or in the underwriting or sub-underwriting of which he is to participate;

(iv) a contract, arrangement, transaction or proposal to which the Issuer is or is to be a party concerning another company (including a member of the Group) in which he (and any person connected with him) is interested and whether as an officer, shareholder, creditor or otherwise, if he does not to his knowledge hold an interest in shares representing one per cent. or more of a class of the equity share capital (or of any third party company through which his interest is derived) or of the voting rights in the relevant company; and

(v) a contract, arrangement, transaction or proposal concerning the purchase and/or maintenance of any insurance policy for the benefit of Directors or for the benefit of persons including the Directors.

A Director, notwithstanding his interest, may be counted in the quorum present at any meeting whereat he or any other Director is appointed to hold any such office or place of profit under the Issuer, or whereat the terms of any such appointment are arranged or whereat any contract in which he is interested is considered, and he may vote on any such appointment or arrangement other than his own appointment or the arrangement of the terms thereof. Where proposals are under consideration concerning the appointment (including without limitation fixing or varying the terms of appointment or its termination) of two or more Directors to offices or places of profit with the Issuer or a company in which the Issuer is interested, such proposals shall be divided and a separate resolution considered in relation to each Director. In such case each of the Directors concerned (if not otherwise debarred from voting under these provisions) is entitled to vote (and be counted in the quorum) in respect of each resolution except that concerning his own appointment.

(c) A Director may hold any other office or place of profit under the Issuer (other than as auditor) in conjunction with his office of Director for such period and on such terms (as to remuneration and otherwise) as the Board may determine and no Director or intending Director shall be disqualified by his office from contracting with the Issuer either with regard to his tenure of any such other office or place of profit or as vendor purchaser or otherwise nor shall any such contract or any contract or arrangement entered into by or on behalf of the Issuer in which any Director is in any way interested be liable to be avoided nor shall any Director so contracting or being so interested be liable to account to the Issuer for any profits realised by any such contract or arrangement by reason of such Director holding that office or of the fiduciary relationship thereby established.

(d) Any Director may act by himself or by his firm in a professional capacity for the Issuer, other than as auditor, and he or his firm shall be entitled to remuneration for professional services as if he were not a Director.

(e) Any Director may continue to be or become a director, managing director, manager or other officer or member of any company promoted by or in which the Issuer may be interested, and any such Director shall not be accountable to the Issuer for any remuneration or other benefits received by him as a director, managing director, manager or other officer or member of any such company. The Directors may exercise the voting power conferred by the shares in any other company held or owned by the Issuer or exercisable by them as directors of such other company, in such manner in all respects as they think fit (including the exercise thereof in favour of any resolution appointing themselves or any of them directors, managing directors, managers or other officers of such company, or voting or providing for the payment of remuneration to themselves as directors, managing directors, managers or other officers of such company) and any Director of the Issuer may vote in favour of the exercise of such voting rights in the manner aforesaid, notwithstanding that he may be or be about to be appointed a director, managing director, manager or other officer of such other company, and as such is or may become interested in the exercise of such voting rights in the manner aforesaid. If a question arises at any time as to the materiality of a Director's interest or as to his entitlement to vote and such question is not resolved by his voluntarily agreeing to abstain from voting, such question shall be referred to the chairman of the meeting and his ruling in relation to any Director other than himself shall be final and conclusive except in a case where the nature or extent of the interest of such Director has not been fairly disclosed.

7.11 ***Remuneration of Directors***

(a) The Directors shall not be entitled to remuneration.

(b) A Director may hold any other office or place of profit under the Issuer (other than the office of auditor) in conjunction with his office of Director on such terms as to tenure of office and otherwise as the Directors may determine.

(c) The Directors may from time to time appoint one or more of their body to be a managing director or managing directors of the Issuer on such terms and for such periods as they may determine.

(d) Where proposals are under consideration concerning the appointment (including fixing or varying the terms of appointment) of two or more Directors to offices or employment with the Issuer or any company in which the Issuer is interested, such proposals may be divided and considered in relation to each Director separately and in such case each of the Directors concerned (if not debarred from voting under the proviso to paragraph 7.10(b)(iv) above) shall be entitled to vote (and be counted in the quorum) in respect of each resolution except that concerning his own appointment.

7.12 ***Nomination, Appointment and Removal of Directors***

(a) The Directors shall have power at any time and from time to time to appoint any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors but so that no person shall be appointed as a Director unless that person is also a director of the Parent. Any Director so appointed shall hold office only until the next following annual general meeting and shall then be eligible for re-election.

(b) The office of a Director shall be vacated in any of the following events namely:

(i) if he ceases to be a director of the Parent;

(ii) if he resigns his office by notice in writing signed by him and left at the registered office;

(iii) if he becomes bankrupt or makes any arrangement or composition with his creditors generally;

(iv) if he ceases to be a Director by virtue of, or becomes prohibited from being a Director by reason of, an order made under the provisions of any law or enactment;

(v) if subsequent to his appointment he becomes resident in the United Kingdom and as a result thereof a majority of the Directors are resident in the United Kingdom;

(vi) if he be requested by a majority of the other Directors (not being less than two in number) to vacate office; or

(vii) if he is removed from office by an ordinary resolution of the Issuer in general meeting.

(c) The Issuer at any general meeting at which a Director retires or is removed shall fill the vacated office by electing a Director unless the Issuer shall determine to reduce the number of Directors.

(d) At least seven days' notice in writing shall be given to the Issuer of the intention of any member to propose any person other than a retiring Director for election to the office of Director and such notice shall be accompanied by a notice in writing signed by the person to be proposed confirming his willingness and eligibility to be appointed.

(e) At a general meeting a motion for the appointment of two or more persons as Directors by a single resolution shall not be made unless a resolution that it shall be so made has been first agreed to by the meeting without any vote being given against it.

7.13 ***Retirement of Directors***

(a) A third of the Directors shall be subject to re-election every year.

(b) A Director shall not be required to hold any qualification shares.

(c) No Director shall be required to vacate his office at any time by reason of the fact that he has attained any specific age.

7.14 ***Dividends***

(a) The Directors may from time to time authorise the payment of dividends and other distributions to be paid to the members in accordance with the procedure set out in the Companies Law. The declaration of the Directors as to the amount available for distribution to the members shall be final and conclusive.

(b) No dividend or other amount payable on or in respect of a share shall bear interest against the Issuer. All unclaimed dividends and other amounts payable as aforesaid may be invested or otherwise made use of for the benefit of the Issuer until claimed. Payment by the Issuer of any unclaimed dividend or other amount payable in respect of a share into a separate account shall not constitute the Issuer a trustee in respect thereof. Any dividend unclaimed on the earlier of (1) seven years from the date when it first became payable or (2) the date on which the Issuer is wound up, shall be forfeited automatically for the benefit of the Issuer, without the necessity for any declaration or other action by the Issuer.

(c) The Directors may carry forward to the accounts of the Issuer for the succeeding year or years any balance of profits which they shall not think fit to place on reserve.

(d) The Articles permit up to 100 per cent. of management and administration fees, finance costs and all other expenses to be charged to capital.

7.15 ***Winding-Up***

(a) If the Issuer is wound up, the surplus assets remaining after payment of all creditors, including the repayment of bank borrowings, shall be divided among the members as follows:

(i) first, in paying to the holders of the 2016 ZDP Shares, a sum in respect of each 2016 ZDP Share equal to 100 pence increased each day at an equivalent annual rate equal to the 2016 ZDP GRY from (and including) the date of Admission compounded daily to (but excluding) the 2016 ZDP Share Repayment Date (to the intent that on the 2016 ZDP Share Repayment Date the Accrued Capital Entitlement of each 2016 ZDP Share shall be such sum to be equal to $100 \times (1 + 2016\ \text{ZDP GRY})^{\text{Term}}$ pence, where the "Term" is expressed in years as a decimal fraction); and

(ii) second, in paying to the holders of the ordinary shares, any assets of the Issuer remaining after payment to the holders of the 2016 ZDP Shares of the amounts payable in accordance with paragraph 7.15(a)(i) above, in proportion to the number of ordinary shares held by them respectively.

(b) Subject to the rights of the 2016 ZDP Shares and ordinary shares described in paragraph 7.15(a) above, if the Issuer is wound up, the liquidator may with the authority of an extraordinary resolution, and any other authority or sanction required by the Companies Law, divide among the members or any of them in specie the whole or any part of the assets of the Issuer, and whether or not the assets shall consist of property of a single kind, and may for such purposes set such value as he deems fair upon any one or more class or classes of property, and may determine how such division shall be carried out as between the members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefits of the members as the liquidator, with the like authority, shall think fit, and the liquidation of the Issuer may be closed and the Issuer dissolved, but so that no member shall be compelled to accept any asset in respect of which there is liability.

7.16 ***Borrowing***

The Issuer's Articles do not include a borrowing limit as the Parent's borrowing limit (65 per cent. of Gross Assets) applies to the Group, including the Issuer.

7.17 ***Register of Shareholders and other statutory records***

The register of Shareholders is the hard copy register of Shareholders kept at the Issuer's registered office pursuant to the Companies Law. The other statutory records of the Issuer are kept at the same address.

7.18 ***Change of control of the Parent***

The provisions in the Articles concerning a change of control of the Parent are described in paragraph 4 of Part 4 (Details of the 2016 ZDP Shares) of this document.

8 Litigation

8.1 There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) which may have, or have had in the 12 months preceding the date of this document, a significant effect on the financial position or profitability of the Issuer.

8.2 There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Parent is aware) which may have, or have had in the 12 months preceding the date of this document, a significant effect on the financial position or profitability of the Group.

9 Material contracts

The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by the Issuer or any other member of the Group within the two years immediately preceding the date of this document and are, or may be, material. There are no other contracts entered into by the Issuer or any member of the Group which include an obligation or entitlement which is material to the Issuer as at the date of this document.

9.1 ***Financing Agreements***

(a) *Aviva Loan Facility*

(i) Aviva Facility Agreement

On 27 June 2012, PropCo No. 3 and LP3 (together, the **Aviva Borrowers**) entered into an English law governed sterling term loan facility agreement with Aviva as lender (the **Aviva Facility Agreement**). The Aviva Facility Agreement provides for a term loan facility of £95,300,000 (**Aviva Facility**).

The purpose of the Aviva Facility was to finance (a) in part, the acquisition of certain properties by PropCo No. 3; (b) in part, the acquisition of the beneficial interest in certain properties by LP3; (c) in part, the acquisition of certain of the units in certain Jersey property unit trusts by LP3; (d) in part, the acquisition of the entire issued share capital in Picton (UK) Listed Real Estate Limited (**Picton UK**); and (e) all other costs and expenses approved in writing by Aviva.

The Aviva Borrowers must make repayments of the principal amount outstanding under the Aviva Facility Agreement in accordance with an amortisation schedule issued by Aviva under which approximately one third of the Aviva Facility will be repaid on an annuity basis over the life of the Aviva Facility. The remaining principal amount outstanding under the Aviva Facility Agreement must be repaid in full on 24 July 2032.

Interest accrues on the principal amount outstanding under the Aviva Facility Agreement at a fixed rate of 4.38 per cent. per annum. If the Aviva Borrowers fail to pay any amount payable by them, interest accrues on the unpaid sum at a rate which is 2 per cent. higher than the rate which would have been payable if the overdue amount had, during the period of non-payment, constituted part of the loan under the Aviva Facility. An arrangement fee of £997,000 was paid to Aviva under the Aviva Facility Agreement.

The maximum loan to value and minimum debt service cover ratio covenants are 65 per cent. and 140 per cent. respectively.

There are a number of events of default which give Aviva the ability to cancel the Aviva Facility and demand the repayment of all amounts outstanding under the Aviva Facility Agreement and related documents. These include non-payment, breach of other obligations, misrepresentation, cross-default, insolvency, insolvency proceedings, delisting of the Parent from the main exchange of the London Stock Exchange and material adverse change. In addition, the existing corporate structure of the Aviva Borrowers, Picton Property Nominee (No 3) Limited, Picton Property Nominee (No 4) Limited, Picton UK and the Merbrook Trusts (together, the **Aviva Borrower Group**) must, with certain limited exceptions, remain the same unless the prior written consent of Aviva is obtained.

(ii) Aviva Security

In connection with the Aviva Facility Agreement, each member of the Aviva Borrower Group has entered into a deed of legal charge dated 24 July 2012 with Aviva and charged all of its present and future rights, title and interest in and to the assets which it owns or in which it has an interest, including the grant of legal mortgages over each property owned by it as well as certain other English, Guernsey and Jersey law security documents. In addition, the Parent charged the shares it holds in PropCo No. 3 and the GPUT charged its partnership interest in LP3.

(b) *Canada Life Facility*

(i) Canada Life Facility Agreement

On 27 June 2012, PropCo No. 2 and LP2 (together, the **Canada Life Borrowers**) together with, among others, Canada Life as lender, entered into an English law governed sterling term loan facility agreement (the **Canada Life Facility Agreement**). The Canada Life Facility Agreement provides for a £113,700,000 term loan facility (**Canada Life**).

The purpose of the Canada Life Facility was to finance (a) the acquisition of the beneficial interest in certain properties by LP2; (b) the refinancing of PropCo No. 2's existing indebtedness owed to The Royal Bank of Scotland plc; and/or (c) the acquisition of Datapoint, Cody Road, London E16 4SR by PropCo No. 2.

The Canada Life Borrowers must repay on 20 October 2022 an amount sufficient to ensure that the principal amount then outstanding under the Canada Life Facility Agreement is not greater than £80,000,000. Any part of the Canada Life Facility which is repaid may not be re-borrowed. The remaining principal amount outstanding under the Canada Life Facility Agreement must be repaid in full on 20 October 2027.

Interest accrues on the principal amount outstanding under the Canada Life Facility Agreement at a fixed rate of 4.08 per cent. per annum. If the Canada Life Borrowers fail to pay any amount payable by them, interest accrues on the unpaid sum at a rate which is 2.50 per cent. higher than the rate which would have been payable if the overdue amount had, during the period of non-payment, constituted part of the loan under the Canada Life Facility. An arrangement fee of £852,885 was paid to Canada Life under the Canada Life Facility Agreement.

The maximum loan to value and minimum interest cover ratio covenants are 65 per cent. and 175 per cent. respectively. If at any time there occurs a change of control event, the Canada Life Borrowers shall promptly notify Canada Life upon becoming aware of the event and Canada Life may immediately cancel the Canada Life Facility and declare all amounts outstanding, together with accrued interest, and all other amounts accrued under the finance documents immediately due and payable. A "change of control" means where (a) the Parent ceases to be the ultimate beneficial owner of the shares in PropCo No. 2 or Picton (General Partner) No 2 Limited, or the partnership interest in LP2; (b) the Parent ceases to be listed on the London Stock

Exchange; or (c) Picton Capital ceases to be the investment manager of the Canada Life Borrowers and a new investment manager acceptable to Canada Life is not appointed in accordance with the Canada Life Facility Agreement.

The Canada Life Facility Agreement contains the usual events of default which give the facility agent the ability to cancel the Canada Life Facility and demand the repayment of all amounts outstanding under the Canada Life Facility Agreement and related documents. These include non-payment, breach of other obligations, misrepresentation, cross-default, insolvency, insolvency proceedings and material adverse change.

(ii) Security

In connection with the Canada Life Facility Agreement, each of the Canada Life Borrowers, Picton (General Partner) No 2 Limited, Picton (UK) Listed Real Estate Nominee (No. 1) Limited and Picton (UK) Listed Real Estate Nominee (No. 2) Limited has entered into a debenture dated 24 July 2012 with Canada Life and charged all of its present and future rights, title and interest in and to the assets which it owns or in which it has an interest, including the grant of legal mortgages over each property owned by it as well as certain other English, Guernsey and Scots law security documents. In addition, the Parent charged the shares it holds in PropCo No. 2 and the GPUT charged its partnership interest in LP2.

(c) *2012 ZDP Shares*

2012 Contribution Agreement

The 2012 Contribution Agreement dated 15 April 2010 between the Parent and IRET Securities pursuant to which the Parent has undertaken to contribute (by way of gift, capital contribution or otherwise) such funds to IRET Securities as will ensure that IRET Securities will have sufficient assets on the 2012 ZDP Share Repayment Date to satisfy the 2012 Final Capital Entitlement of the 2012 ZDP Shares then due and to pay any operational costs or expenses incurred by IRET Securities.

(d) *2016 ZDP Shares*

(i) 2016 Contribution Agreement

The contribution agreement dated 12 September 2012 between the Issuer and the Parent pursuant to which the Parent has undertaken to contribute (by way of gift, capital contribution or otherwise) such funds to the Issuer as will ensure that the Issuer will have sufficient assets on the 2016 ZDP Share Repayment Date to satisfy the 2016 Final Capital Entitlement of the 2016 ZDP Shares then due and to pay any operational costs or expenses incurred by the Issuer.

(ii) 2016 Loan Agreement

The 2016 Loan Agreement dated 12 September 2012 between the Issuer and the Parent pursuant to which the Issuer agrees to make an interest free loan to the Parent of an aggregate amount equal to the net proceeds of the Placing (whether to another member of the Group or to a third party), such amounts to be advanced by the Issuer to the Parent on receipt by the Issuer. Amounts advanced under the 2016 Loan Agreement will be repayable in full on the 2016 ZDP Share Repayment Date and otherwise on the terms and conditions set out in the 2016 Loan Agreement.

(e) *Loan Notes*

(i) Loan Note Instrument in respect of £2,580,379 Unsecured Loan Notes 2012

A loan note instrument dated 26 September 2010 was executed by the Parent constituting £2,580,379 Unsecured Loan Notes 2012 (**£2,580,379 Unsecured Loan Notes**). £2,132,533 of the £2,580,379 Unsecured Loan Notes remained outstanding at the date of this document.

Unless repaid or redeemed earlier in accordance with their terms, the £2,580,379 Unsecured Loan Notes are redeemable on the Parent giving at least four months' prior written notice to expire at any time after 30 September 2012. Holders of the £2,580,379 Unsecured Loan Notes are entitled to redeem their £2,580,379 Unsecured Loan Notes at par on each interest payment date, being 31 March and 30 September in each year (provided such date falls at least six months' after the date of issue of the notes), on giving not less than four months' prior written notice. The £2,580,379 Unsecured Loan Notes are also repayable on demand on the occurrence of certain events of default.

The Parent may also redeem the £2,580,379 Unsecured Loan Notes on four months' notice in writing at par plus accrued interest when £500,000 or less of the aggregate nominal value of the £2,580,379 Unsecured Loan Notes remains outstanding. Interest at a rate of 0.5 per cent. above LIBOR is payable on the £2,580,379 Unsecured Loan Notes.

(ii) Loan Note Instrument in respect of £733,735 Unsecured Loan Notes 2012

A loan note instrument dated 26 September 2010 was executed by the Parent constituting £733,735 Unsecured Loan Notes 2012 (**£733,735 Unsecured Loan Notes 2012**). £72,198 of the £733,735 Unsecured Loan Notes 2012 remained outstanding at the date of this document.

Unless repaid or redeemed earlier in accordance with their terms, the £733,735 Unsecured Loan Notes 2012 are repayable on 30 September 2012. The £733,735 Unsecured Loan Notes 2012 holders are entitled to redeem their £733,735 Unsecured Loan Notes 2012 at par on each interest payment date, being 31 March and the Unsecured Loan Notes 2012 are also repayable on the occurrence of certain events of default. Interest at a rate of 0.75 per cent. below the base rate from time to time of RBS is payable on the £733,735 Unsecured Loan Notes 2012.

9.2 ***Property Agreements***

The Managing Agents Agreements:

(i) between Picton Capital, SPV 2 and CBRE dated 24 July 2012;

(ii) between Picton Capital, LP3, PropCo No. 3, Bristol Property Trustees No. 1 Limited and Bristol Property Trustees No. 2 Limited (as trustees of the Merbrook Bristol Property Unit Trust), Business Property Trustees No. 1 Limited and Business Property Trustees No. 2 Limited (as trustees of the Merbrook Business Property Unit Trust) and Prime Retail Property Trustees No. 1 Limited and Prime Retail Property Trustees No. 2 Limited (as trustees of the Merbrook Prime Retail Property Unit Trust), Swindon Property Trustee No. 1 Limited and Swindon Property Trustee No. 2 Limited (as trustees of Merbrook Swindon Property Unit Trust), Picton Capital (Guernsey) Limited and CBRE dated 24 July 2012; and

(iii) between Picton Capital, PropCo No. 2 and CBRE dated 24 July 2012.

Under these agreements CBRE agrees to provide property management services to (i) SPV 2; (ii) LP3, PropCo No. 3 and the Merbrook Trusts; and (iii) LP2 and PropCo No. 2 respectively in respect of certain properties specified in each agreement. Such property management services include regular inspections of the properties, arranging for the demand and collection of rent, administering service charge funds and ensuring that the landlord's lease obligations to the tenants are fulfilled. Each agreement continues until terminated and may be terminated on 3 months' notice by any of the parties.

Each agreement contains an indemnity in favour of CBRE in respect of all costs and expenses reasonably incurred by CBRE in the employment or termination of employment of certain employees of CBRE based on-site at the properties. CBRE's liability under each agreement is capped at £20 million or, in certain circumstances, the sub-limits stated in CBRE's insurance policies as applicable to the relevant liability. CBRE is obliged to maintain insurance in an amount of at least £20 million.

The fees payable for the provision of the services are specified in each agreement on a property by-property basis.

9.3 ***Other Agreements***

(a) *Investment Management Agreement*

The Investment Management Agreement dated 24 July 2012 between the Parent and Picton Capital under which the Parent appointed Picton Capital to provide certain investment management services to the Parent on the terms and subject to the conditions set out in the agreement.

In consideration for providing the management services to the Parent, Picton Capital is entitled to retain a fee of £150,000 per annum (ex VAT) or such other amount as may be agreed between the parties.

The Parent has given certain market standard indemnities in favour of Picton Capital in respect of its potential losses incurred in performing its obligations under the agreement.

Subject to the early termination rights detailed below, the agreement is in force for an initial term of 12 months and thereafter for successive periods of 12 months unless terminated by either party upon not less than 12 months written notice. The agreement may be terminated by either party with immediate effect if the other party (a) commits a material breach of the agreement and (where such breach is capable of remedy) fails to remedy such a breach within 30 days of being given written notice of it by the other party; or (b) has a receiver, administrator or other similar officer appointed over the whole or a material part of its assets or a resolution passed or order made for its winding up (otherwise than for the purposes of its solvent amalgamation or reconstruction); or (c) ceases or threatens to cease to carry on its business or enters into voluntary liquidation; or (d) becomes insolvent. In addition, the agreement may be terminated by the Parent with immediate effect if such a termination is required by law or by any relevant regulatory authority.

Picton Capital must maintain professional indemnity insurance in an amount of not less than £10 million.

(b) *Security Pool B Investment Management Agreement*

The Security Pool B Investment Management Agreement dated 24 July 2012 between LP2, PropCo No. 2 and Picton Capital under which LP2 and PropCo No. 2 severally appointed Picton Capital to provide certain investment management services in respect of the properties beneficially owned directly or indirectly by LP2 and PropCo No. 2 respectively on the terms and subject to the conditions of the agreement.

Picton Capital is entitled to receive a monthly management fee comprised of an aggregate amount equal to all costs, charges and expenses properly incurred by it in providing the investment management services, plus an amount equal to 10 per cent. of those costs. The management fee shall be apportioned between LP2 and PropCo No. 2 in the same proportion as the value of the properties owned by each of them bears to the aggregate value of the property portfolio.

LP2 and PropCo No. 2 have given certain market standard indemnities in favour of Picton Capital in respect of its potential losses incurred in performing its obligations under the agreement.

Subject to the early termination rights detailed below, the agreement is in force for an initial term of 12 months and thereafter for successive periods of 12 months unless terminated by any party upon not less than 12 months written notice. The agreement may be terminated by any party with immediate effect if any other party (a) commits a material breach of the agreement and (where such breach is capable of remedy) fail to remedy such a breach within 30 days of being given written notice of it by the other party; or (b) has a receiver, administrator or other similar officer appointed over the whole or a material part of its assets or a resolution passed or order made for its winding up (otherwise than for the purposes of its solvent amalgamation or reconstruction); or (c) ceases or threatens to cease to carry on its business or enters into voluntary liquidation; or (d) becomes insolvent. In addition, the agreement may be terminated by LP2 or PropCo No. 2 with immediate effect if such a termination is required by law or by any relevant regulatory authority.

Picton Capital must maintain professional indemnity insurance in an amount of not less than £10 million.

(c) *Security Pool C Investment Management Agreement*

The Security Pool C Investment Management Agreement dated 24 July 2012 between LP3, PropCo No. 3, Picton Capital (Guernsey) Limited (the **Trust Manager**), Picton Capital and the trustees of the Merbrook Trusts (the **Trustees**) under which LP3, PropCo No. 3 and the Trustees severally appointed Picton Capital to provide certain investment management services in respect of the properties beneficially owned directly or indirectly by LP3, PropCo No. 3 and the Merbrook Trusts respectively on the terms and subject to the conditions set out in the agreement.

Picton Capital is entitled to receive a monthly management fee comprised of an aggregate amount equal to all costs, charges and expenses properly incurred by it in providing the investment management services, plus an amount equal to 10 per cent. of those costs. The management fee is apportioned between LP3, PropCo No. 3 and the Merbrook Trusts in the same proportion as the value of the properties owned by each of them bears to the aggregate value of the property portfolio.

LP3, PropCo No. 3, the Trust Manager and the Trustees have given certain market standard indemnities in favour of Picton Capital in respect of its potential losses incurred in performing its obligations under the agreement.

Subject to the early termination rights detailed below, the agreement is in force for an initial term of 12 months and thereafter for successive periods of 12 months unless terminated by any party upon not less than 12 months written notice. The agreement may be terminated by any party with immediate effect if any other party (a) commits a material breach of the agreement and (where such breach is capable of remedy) fails to remedy such a breach within 30 days of being given written notice of it by the other party; or (b) has a receiver, administrator or other similar officer appointed over the whole or a material part of its assets or a resolution passed or order made for its winding up (otherwise than for the purposes of its solvent amalgamation or reconstruction); or (c) ceases or threatens to cease to carry on its business or enters into voluntary liquidation; or (d) becomes insolvent. In addition, the agreement may be terminated by LP3, PropCo No. 3 or the Merbrook Trusts with immediate effect if such a termination is required by law or by any relevant regulatory authority.

Picton Capital must maintain professional indemnity insurance in an amount of not less than £10 million.

(d) *Unsecured assets Investment Management Agreement*

The Investment Management Agreement in relation to the uncharged properties dated 24 July 2012 between SPV 2 and Picton Capital under which SPV 2 appointed Picton Capital to provide or procure certain investment management services to SPV 2 in relation to those properties beneficially owned (directly or indirectly) by SPV 2 on the terms and subject to the conditions of the agreement and SPV 2's articles of association. Picton Capital is entitled to receive a monthly management fee comprised of an aggregate amount equal to all costs, charges and expenses properly incurred by it in providing the investment management services, plus an amount equal to 10 per cent. of those costs.

SPV 2 has given certain market standard indemnities in favour of Picton Capital in respect of its potential losses incurred in performing its obligations under the agreement.

Subject to the early termination rights set out below, the agreement is in force for an initial term of 12 months and thereafter for successive periods of 12 months unless terminated by either party upon not less than 12 months written notice. The agreement may be terminated by either party with immediate effect if the other party (a) commits a material breach of the agreement and (where such breach is capable of remedy) fails to remedy such a breach within 30 days of being given written notice of it by the other party; or (b) has a receiver, administrator or other similar officer appointed over the whole or a material part of its assets or a resolution passed or order made for its winding up (otherwise than for the purposes of its solvent amalgamation or reconstruction); or (c) ceases or threatens to cease to carry on its business or enters into voluntary liquidation; or (d) becomes insolvent. In addition, the agreement may be terminated by SPV 2 with immediate effect if such a termination is required by law or by any relevant regulatory authority.

Picton Capital must maintain professional indemnity insurance in an amount of not less than £10 million.

(e) *Internal Administration Agreement*

The Internal Administration Agreement dated 3 October 2005 between the Parent, the PropCo and the SPV whereby the PropCo and the SPV agree to act as a property investment holding company of the Group and to acquire and dispose of assets on behalf of the Group. Pursuant to the Internal Administration Agreement, the Parent agreed to fund the PropCo and the SPV by share and/or loan capital in amounts to be determined from time to time for the purposes of acquiring the property portfolio described in the Parent's prospectus dated 4 October 2005 (through the acquisition of units in the GPUT) and otherwise dealing with and maintaining the assets of the Group.

(f) *Administration, Registrar and Secretarial Agreement*

The Administration, Registrar and Secretarial Agreement dated 3 October 2005 between the Parent, Picton Capital and the Administrator whereby the Parent appointed the Administrator to act as the Parent's registrar and to provide certain administrative and secretarial services to the Group. The Administration, Registrar and Secretarial Agreement contains an unlimited indemnity in favour of the Administrator against claims by third parties except to the extent that the claim is due to the bad faith, negligence, wilful default or fraud of the Administrator. The Administration, Registrar and Secretarial Agreement may be terminated by any party giving to the other not less than 90 days' notice in writing or otherwise in circumstances, *inter alia*, where one of the parties goes into liquidation.

(g) *Amended and Restated Unit Trust Instrument*

The Amended and Restated Unit Trust Instrument dated 24 July 2012 between the Trust Manager and Northern Trust Fiduciary Services (Guernsey) Limited (the **Trustee**) constituting the GPUT and pursuant to the terms of which the Trustee agreed hold the interests in LP2 and LP3 forming the GPUT property, on trust for the holders of the units *pari passu* according to the number of units held by each and on the terms and subject to the powers and provisions of the trust instrument. In consideration of performing its services under the trust instrument, the Trust Manager is entitled to retain a fee of £20,000 per annum (ex VAT) or such other amount as agreed between the parties. In consideration of acting as trustee of the GPUT, the Trustee is entitled to retain for its benefit a fee of £30,000 per annum (ex VAT) or such other amount as agreed between the parties plus such additional fees (not exceeding £10,000 per annum) as may be approved by the Trust Manager.

(h) *Limited Partnership Agreement – LP2*

The Limited Partnership Agreement relating to LP2 dated 18 June 2012 between Picton (GP) No.2 Limited (as general partner) and SPV 2 (as the initial limited partner) whereby the parties established LP2 as a limited partnership in England and Wales pursuant to the Limited Partnerships Act 1907 subject to the terms of the limited partnership agreement for the purposes of investing, directly or indirectly, in properties in the UK, Isle of Man or the Channel Islands.

(i) *Limited Partnership Agreement – LP3*

The Limited Partnership Agreement relating to LP3 dated 18 June 2012 between Picton (GP) No.3 Limited (as general partner) and SPV 2 (as the initial limited partner) whereby the parties established LP3 as a limited partnership in England and Wales pursuant to the Limited Partnerships Act 1907 subject to the terms of the limited partnership agreement for the purposes of investing, directly or indirectly, in properties in the UK, Isle of Man or the Channel Islands.

(j) *The Placing Agreement*

The placing agreement dated 13 September 2012 between the Parent, the Issuer and Oriel Securities pursuant to which Oriel Securities has agreed to use its reasonable endeavours to to procure subscribers for 2016 ZDP Shares at the Issue Price.

Under the Placing Agreement the maximum fees and commissions payable by the Parent to Oriel Securities is £360,000 plus any out of pocket expenses

The Parent and the Issuer have given certain market standard warranties and indemnities to Oriel Securities concerning, *inter alia*, the accuracy of the information in this document.

10 Taxation

10.1 *General*

The following information is general in nature and relates only to Guernsey and United Kingdom taxation in relation to holders of ZDP Shares who hold their ZDP Shares as an investment, who are resident or ordinarily resident in the United Kingdom (except where expressly stated), who are the beneficial owners of ZDP Shares and who do not (alone or together with connected persons) hold more than 10 per cent. of any particular class of share in the Parent. The comments may not apply to certain classes of persons, such as dealers, collective investment schemes and insurance companies. The information is based on existing law and practice at the date of this document and may be subject to subsequent change.

If you are in any doubt about your tax position, or if you may be subject to tax in a jurisdiction other than Guernsey or the United Kingdom, you should consult your professional adviser.

10.2 *Guernsey taxation*

(a) *The Issuer*

Under current law and practice in Guernsey, the Issuer is eligible for and has been granted exemption from Income Tax in Guernsey under the Income Tax (Exempt Bodies) (Guernsey) Ordinance 1989 (the **Ordinance**). Under the provisions of the Ordinance, the Issuer will be treated as if it were not resident in Guernsey for the purposes of liability to Guernsey income tax and will not be liable to income tax in Guernsey save in respect of income arising in Guernsey (other than bank deposit interest). It is anticipated that no income other than bank deposit interest will arise in Guernsey and therefore the Issuer should not incur any additional liability to Guernsey tax. It is intended to conduct the affairs of the Issuer so as to ensure it retains such exempt status which is granted on application on an annual basis and on payment of the annual fee, currently £600 per application, and provided the Issuer continues to qualify under the applicable legislation for exemption.

Guernsey currently does not levy taxes upon capital inheritances, capital gains, gifts, sales or turnover (unless the varying of investments and the turning of such investments to account is a business or part of a business), nor are there any estate duties, (save for registration fees and ad valorem duty for a Guernsey Grant of Representation where the deceased dies leaving assets in Guernsey which require presentation of such a Grant).

No stamp duty is chargeable in Guernsey on the issue, transfer or redemption of shares in the Issuer.

Future Changes

In keeping with its ongoing commitment to meet international standards, Guernsey is currently undertaking a review of its corporate tax regime. Until such time as the review is complete, the existing corporate tax regime remains in place. At the date of this document, no announcements have been made regarding specific changes to Guernsey's tax regime or the time of implementation of any changes that may arise as a result of the review.

European Savings Directive

Although not a Member State of the European Union, Guernsey, in common with certain other jurisdictions, entered into agreements with EU Member States on the taxation of savings income. From 1 July 2011 paying agents in Guernsey must automatically report to the Director of Income Tax in Guernsey any interest payment to individuals resident in the contracting EU Member States which falls within the scope of the EU Savings Directive (2003/48/EC) (the **Directive**) as applied in Guernsey. However, whilst such interest payments may include distributions from the proceeds of shares or units in certain collective investment schemes which are equivalent to a UCITS, guidance notes issued by the States of Guernsey on the implementation of the bilateral agreements indicate that the Issuer is not equivalent to a UCITS. Accordingly, any payments made by the Issuer to Shareholders will not be subject to reporting obligations pursuant to the agreements between Guernsey and EU Member States to implement the Directive in Guernsey.

The scope and operation of the Directive is currently being reviewed in accordance with the European Council's findings published on 13 November 2008. Any review will affect EU Member States. Guernsey, along with other dependent and associated territories, will consider the effect of any proposed changes to the Directive in the context of existing bilateral treaties and domestic law, once the outcome of that review is known. If changes are implemented, the position of Shareholders in relation to the Directive as applied in Guernsey may be different to that set out above.

(b) *Holders of ZDP Shares*

Holders of ZDP Shares resident in Guernsey

Holders of ZDP Shares who are resident for tax purposes in Guernsey (which includes Alderney and Herm) will incur Guernsey income tax at the applicable rate on a distribution paid to them by the Issuer. The Issuer will be required to provide the Director of Income Tax in Guernsey such particulars relating to any distribution paid to Guernsey resident holders of ZDP Shares as the Director of Income Tax may require, including the names and addresses of the Guernsey resident holders of ZDP Shares, the gross amount of any distribution paid and the date of the payment. Provided the Issuer maintains its exempt status, there would currently be no requirement for the Issuer to withhold tax from the payment of a distribution to a Guernsey resident holder of ZDP Shares. Furthermore, exempt companies are currently not subject to the deemed distribution provisions of the Income Tax (Guernsey) Law, 1975, as amended.

Holders of ZDP Shares not resident in Guernsey

In the case of holders of ZDP Shares who are not resident in Guernsey for tax purposes and provided the Issuer maintains its exempt status the Issuer's distributions can be paid to such holders of ZDP Shares without giving rise to a liability to Guernsey income tax, nor will the Issuer be required to withhold Guernsey tax on such distributions.

10.3 ***United Kingdom Taxation***

(a) *The Issuer*

The Directors intend to continue to conduct the affairs of the Issuer so that it does not become resident in the United Kingdom for United Kingdom tax purposes. Accordingly, and provided that the Issuer does not carry on a trade in the United Kingdom (whether or not through a branch, agency or permanent establishment situated there), it should not be subject to United Kingdom income tax or corporation tax other than on certain types of United Kingdom source income.

(b) *Holders of ZDP Shares Capital Gains Tax – Rollover Offer*

A UK resident or, in the case of an individual, ordinarily resident holder of 2012 ZDP Shares in IRET Securities who does not hold (either alone or together with other persons connected with him) more than 5 per cent. of, or of any class of, shares in or debentures of IRET Securities should not be treated as having made a disposal or part disposal of his 2012 ZDP Shares in IRET Securities for the purposes of UK taxation of chargeable gains as a result of the Rollover Offer. Instead any chargeable gain or allowable loss which would otherwise have arisen on a disposal of such holder's 2012 ZDP Shares in IRET Securities should be "rolled over" into the 2016 ZDP Shares which he acquires as a result of the Rollover Offer. As a result, those 2016 ZDP Shares should be treated as the same asset and as having been acquired at the same time and for the same consideration as the 2012 ZDP Shares from which they derived.

A UK resident, or in the case of an individual, ordinarily resident holder of 2012 ZDP Shares who holds (either alone or together with other persons connected with him) more than 5 per cent. of, or any class of, shares in or debentures of IRET Securities should qualify for the "roll over" treatment described above provided the Rollover Offer is effected for *bona fide* commercial reasons and does not form part of a scheme or arrangement of which the main purpose, or one of the main purposes, is avoidance of a liability to UK capital gains tax or corporation tax. Such holders of 2012 ZDP Shares are advised that no application for clearance has been made to HMRC under section 138 of the Taxation of Chargeable Gains Act 1992 that these conditions have been met in respect of the Rollover Offer. The Issuer considers that the Rollover Offer is being effected for *bona fide* commercial reasons and does not form part of a scheme or arrangement of which the main purpose, or one of the main purposes, is avoidance of a liability to UK capital gains tax or corporation tax.

(c) *Holders of ZDP Shares Capital Gains Tax – 2016 ZDP Shares*

Receipt of the 2016 Final Capital Entitlement, or of any other amount on a disposal, by a UK resident or ordinarily resident individual 2016 ZDP Shareholder will constitute proceeds of a disposal of 2016 ZDP Shares for the purposes of UK taxation of chargeable gains which may, depending on the 2016 ZDP Shareholder's individual circumstances (including the availability of exemptions and allowable losses), give rise to a liability to UK taxation of capital gains.

2016 ZDP Shareholders within the charge to UK corporation tax should be subject to UK corporation tax on chargeable gains on receipt of the 2016 Final Capital Entitlement or other disposal of the 2016 ZDP Shares in accordance with their circumstances, provided that the provisions of Chapter 2A (Disguised Interest) and Chapter 6A (Shares Accounted for as Liabilities) of Part 6 of the Corporation Tax Act 2009 do not apply (as to which please see "Other United Kingdom Tax Considerations" below).

The Issuer's Directors have been advised that, based upon the current structure and management of the Issuer, it should not be an offshore fund for the purposes of the United Kingdom offshore fund rules. Should the Issuer be regarded as being subject to the offshore fund rules, this may have adverse tax consequences for 2016 ZDP Shareholders who may as a result be subject to UK income tax on any gain realised on disposal of their 2016 ZDP Shares.

(d) *ISAs, UK SSAS and SIPPs*

Subject to applicable subscription limits (currently £11,280), the 2016 ZDP Shares should be eligible for inclusion in a Stocks and Shares ISA provided that the ISA manager has acquired the 2016 ZDP Shares by purchase in the market. The Directors intend to manage the affairs of the Issuer so as to maintain the eligibility of the 2016 ZDP Shares for inclusion in an ISA.

The Directors have been advised that the 2016 ZDP Shares should be eligible for inclusion in a UK SSAS or a UK SIPP.

(e) *Stamp Duty and Stamp Duty Reserve Tax (**SDRT**)*

Provided that the 2016 ZDP Shares are not registered in any register of the Issuer kept in the United Kingdom, are not paired with shares issued or raised by a UK company and any document transferring the 2016 ZDP Shares is not executed or brought into the UK, no United Kingdom stamp duty or SDRT will be payable on the issue or transfer of the 2016 ZDP Shares or an agreement to transfer the 2016 ZDP Shares.

The above statement is intended as a general guide to the current stamp duty and SDRT position and does not relate to persons such as market makers, brokers, dealers, intermediaries and persons connected with depositary arrangements and clearance services.

(f) *Other United Kingdom Tax Considerations*

2016 ZDP Shareholders who are subject to UK corporation tax should note the provisions of Chapter 2A (Disguised Interest) and 6A (Shares Accounted for as Liabilities) of Part 6 of the Corporation Tax Act 2009. Where these provisions apply, sums paid to such 2016 ZDP Shareholders on redemption or other disposal of the 2016 ZDP Shares will not be treated as capital receipts but will instead be treated as a return economically equivalent to a return on an investment at interest and will be taxed under the UK loan relationships regime. Shareholders who may be affected by these provisions should consult their own tax advisers.

The attention of companies resident in the UK is drawn to the controlled foreign companies legislation contained in Chapter IV, Part XVII of the Income and Corporation Taxes Act 1988, in respect of accounting periods commencing on or after 1 January 2013, Part 9A of the Taxation (International and Other Provisions) Act 2010. Broadly, under the legislation applying to accounting periods commencing on or after 1 January 2013, a charge may arise to UK tax resident companies if the Issuer is controlled directly or indirectly by persons who are resident in the UK, it has profits which are attributable to its significant people functions and one of the exemptions does not apply.

The attention of individuals ordinarily resident in the United Kingdom for United Kingdom tax purposes is drawn to the provisions of Chapter 2 of Part 13 of the Income Tax Act 2007, which may render them liable to income tax in respect of any undistributed income of the Issuer or any capital sum received from the Issuer.

It is anticipated that the shareholdings in the Issuer will be such as to ensure that it would not be a "close company" if it were resident in the United Kingdom (broadly, controlled by five or fewer participants). If, however, the Issuer would be a close company if so resident, capital gains accruing to it may be apportioned to United Kingdom resident or ordinarily resident Shareholders, under the provisions of section 13 Taxation of Chargeable Gains Act 1992, who may thereby become chargeable to capital gains tax, or corporation tax on chargeable gains, on the gains apportioned to them.

11 Working Capital

11.1 The Issuer is of the opinion that the Group does not have sufficient working capital for its present requirements, that is, for at least the next 12 months from the date of the publication of this document.

11.2 The Group currently has 40,654,483 2012 ZDP Shares in issue which have a final capital repayment date of 31 October 2012 and a total redemption cost payable to third parties of approximately £31.1 million and the Group does not have sufficient working capital to meet this in full[1]. The Directors believe that the Group has a maximum funding shortfall of £20 million and are therefore undertaking the Issue in order (i) to reduce the Group's liability in respect of the 2012 Final Capital Entitlement through the Rollover Offer; and (ii) to provide additional funds in order to meet such liability of the Group through the Placing.

11.3 The Directors believe that if valid elections under the Rollover Offer and/or applications under the Placing are received in respect of 2016 ZDP Shares with an aggregate value at the Issue Price of at least £20 million, the Group would have sufficient funds in order to meet the 2012 Final Capital Entitlement and have sufficient working capital for its present requirements, that is, for at least the next 12 months from the date of the publication of this document. The Directors have considered a number of potential funding options and, following discussions with a number of 2012 ZDP Shareholders, and based on initial indications of interest, the Group is sufficiently confident that the minimum issue size of £20 million is achievable. However, the final outcome of the Issue will not be known until the closing of the Issue.

11.4 If the Issue does not proceed and the Parent is unable to meet its obligation under the 2012 Contribution Agreement to contribute such funds to IRET Securities as will ensure that IRET Securities has sufficient assets on the 2012 ZDP Share Repayment Date to satisfy the 2012 Final Capital Entitlement, and an agreement cannot be reached with the Senior Lenders, this will be an event of default under the Senior Debt Facility Agreements. Such an event of default would entitle the Senior Lenders (i) to demand immediate repayment of the amounts advanced to the Group under the Senior Debt Facility Agreements together with accrued interest and/or (ii) to enforce their security over those assets of the Group secured to each of them. The Group would seek to enter into discussions with its Senior Lenders prior to such an event of default, and on the basis of the Group's on-going ability to service its Senior Debt requirements, it would seek to reach an agreement with the Senior Lenders to provide the Group with sufficient time to complete an alternative form of funding.

11.5 If the Issue does not proceed, the Group will immediately seek to discuss its funding shortfall with the 2012 ZDP Shareholders, with a view to agreeing a strategy to address the Group's funding shortfall. Such a strategy may include any, or a combination, of: renegotiating the repayment terms of the 2012 ZDP Shares, negotiating a subordinated debt facility, raising additional equity capital, disposing of properties in the Group's portfolio and/or suspending the dividend paid on the Ordinary Shares. However, there can be no certainty that any of these proposals would be successful in addressing the Group's funding shortfall.

11.6 The Group has started discussions with alternative debt providers to address the Group's working capital shortfall through the provision of a subordinated debt facility, in the event the Issue does not proceed. Whilst the Company has received a number of non-binding indicative proposals, there can be no guarantee that alternative debt financing will be agreed prior to, or post, 31 October 2012.

11.7 If the Issue does not proceed and the Group is unable to reach agreement with the 2012 ZDP Shareholders prior to 31 October 2012, the Group will not be able to trade as a going concern.

---

1 This excludes the 5,902,317 2012 ZDP Share held by the Group reflecting a redemption value of approximately £4.5 million. No payment will be required in the respect of the 2012 ZDP Shares held by the Group

12 Capitalisation and Indebtedness

The Parent

12.1 Set out below is a statement of capitalisation and indebtedness in relation to the Group.

The indebtedness information set out below has been extracted without material adjustment from the Parent's unaudited management accounts as at 31 July 2012. The capitalisation information set out below has been extracted without material adjustment from the Parent's audited annual report and accounts for the financial period ended 31 March 2012.

Indebtedness	*As at 31 July 2012 £ million*
Total current debt	
Guaranteed	—
Secured	0.9
Unguaranteed/Unsecured	32.8
Total current debt	33.7
Total non-current debt	
Guaranteed	—
Secured	209.8
Unguaranteed/Unsecured	—
Total non-current debt	209.8

Capitalisation	*As at 31 March 2012 £ million*
Shareholders' equity	
Share Capital	39.1
Legal reserve	157.0
Total capitalisation	196.1

12.2 As at the date of this document, there has been no material change to the capitalisation of the Parent since 31 March 2012.

Net Indebtedness	*As at 31 July 2012 £ million*
Cash	31.3
Cash equivalent	—
Trading securities	—
Liquidity	31.3
Current financial receivable	
Current bank debt	—
Other current financial debt	33.7
Current financial debt	33.7
Net current financial indebtedness	2.4
Other non current loans	209.8
Non current financial indebtedness	209.8
Net financial indebtedness	212.2

The Issuer

12.3 As at the date of this document, the issued and fully paid up share capital of the Issuer is £1.00 represented by 1 ordinary share of £1.00.

12.4 As at the date of this document, the Issuer does not have any guaranteed, unguaranteed, secured or unsecured indebtedness, including indirect and contingent indebtedness.

13 Miscellaneous

13.1 Save for the increase in non-current liabilities of £208.1 million and decrease in current liabilities of £197.7 million as a result of the refinancing described in Part 1 (Letter from the Chairman) of this document and the decrease in the value of the Group's property portfolio described in paragraph 7 of Part 3 (Financial Information relating to the Group), there has been no significant change in the financial or trading position of the Group since 31 March 2012, being the date of the last published audited annual report and accounts of the Parent.

13.2 There has been no significant change in the financial or trading position of the Issuer since its incorporation.

13.3 The principal place of business, the business address for the Directors and the registered office of both the Issuer and the Parent is Trafalgar Court, Les Banques, St Peter Port, Guernsey.

13.4 CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by written instrument. The Issuer's Articles permit the holding of 2016 ZDP Shares under the CREST system. The Directors intend to apply for the 2016 ZDP Shares to be admitted to CREST with effect from Admission. Accordingly, it is intended that settlement of transactions in the 2016 ZDP Shares following Admission may take place within the CREST system if the relevant 2016 ZDP Shareholders so wish. CREST is a voluntary system and 2016 ZDP Shareholders who wish to receive and retain share certificates will be able to do so.

13.5 Jones Lang LaSalle was incorporated as private limited a company in England and Wales on 25 October 1974 with registered number 01188567. Jones Lang LaSalle is not a shareholder in the Issuer.

13.6 Jones Lang LaSalle accepts responsibility for its report set out in Section A of Part 5 (Valuation Reports) of this document. Jones Lang LaSalle declares that, having taken all reasonable care to ensure that such is the case, the information contained in Section A of Part 5 (Valuation Reports) of this document, for which it is responsible is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

13.7 Jones Lang LaSalle has given and not withdrawn its written consent to the inclusion in this document of its report in Section A of Part 5 (Valuation Reports) of this document and to the issue of this document with references to its name in the form and context in which such references appear and has authorised the contents of its report in Section A of Part 5 (Valuation Reports) of this document, in the form and context in which it is included, and references to it for the purposes of the Prospectus Rules.

13.8 CBRE was incorporated as a private limited company in England and Wales on 27 March 1998 with registered number 03536032. CBRE is not a shareholder in the Issuer.

13.9 CBRE accepts responsibility for its report set out in Section B of Part 5 (Valuation Reports) of this document. CBRE declares that, having taken all reasonable care to ensure that such is the case, the information contained in Section B of Part 5 (Valuation Reports) of this document, for which it is responsible is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

13.10 CBRE has given and not withdrawn its written consent to the inclusion in this document of its report in Section B of Part 5 (Valuation Reports) of this document and to the issue of this document with references to its name in the form and context in which such references appear and has authorised the contents of its report in Section B of Part 5 (Valuation Reports) of this document, in the form and context in which it is included, and references to it for the purposes of the Prospectus Rules.

13.11 The address of the registered office of Picton Capital is 1st Floor 28 Austin Friars, London, United Kingdom EC2N 2QQ. The telephone number is 020 7628 4800. Picton Capital is a private limited company and was incorporated under the laws of England and Wales on 23 February 2011 with registered number 07540107.

13.12 The Issuer confirms that no material change has occurred to the value of the property assets of the Group since 30 June 2012, the effective date of the reports in Part 5 (Valuation Reports) of this document.

13.13 Oriel Securities has given and has not withdrawn its written consent to the issue of this document and the references to them in the form and context in which such references appear.

13.14 Where information contained in this document has been sourced from a third party, the Issuer confirms that such information has been accurately reproduced and, so far as the Issuer is aware and is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

13.15 The Group has 10 employees and owns the premises at 1st Floor, 28 Austin Friars, London EC2N 2QQ which is occupied by Picton Capital, the Parent's wholly-owned management subsidiary.

13.16 KPMG Channel Islands Limited whose address is 20 New Street, St. Peter Port, Guernsey was appointed as the auditor of the Parent from 15 July 2009.

13.17 Save as disclosed in:

(a) note 24 on page 59 of the published annual report and audited accounts of the Group for the financial year ended 31 December 2009, which have been incorporated into this document by reference;

(b) note 25 on page 57 of the published annual report and audited accounts of the Group for the financial year ended 31 December 2010, which have been incorporated into this document by reference; and

(c) note 29 on page 78 of the published annual report and audited accounts of the Group for the financial year ended 31 March 2012, which have been incorporated into this document by reference,

the Parent was not a party to, nor had any interest in, any related party transaction (as defined in the Standards adopted to the Regulation (EC) No. 1606/2002) at any time during the three financial periods ended 31 December 2009, 31 December 2010 and 31 March 2012 or during the period from 1 April 2012 to the date of this document, other than the Parent being a party to the 2016 Contribution Agreement described in paragraph 9.1(d)(i) of this Part 7 (General Information) and the 2016 Loan Agreement described in paragraph 9.1(d)(ii) of this Part 7 (General Information).

13.18 Save for:

(a) the 2016 Contribution Agreement (further details of which are set out in paragraph 9.1(d)(i) of this Part 7 (General Information));

(b) the 2016 Loan Agreement (further details of which are set out in paragraph 9.1(d)(ii) of this Part 7 (General Information)),

the Issuer has not entered into any related party transaction in the period from the date of its incorporation to the date of this document

14 Documents available for inspection

14.1 Copies of the following documents will be available for inspection at the registered office of the Issuer and at the offices of Norton Rose LLP at 3 More London Riverside, London SE1 2AQ and at the registered office of the Issuer at Trafalgar Court, Les Banques, St Peter Port, Guernsey GY1 4BZ during business hours on any weekday from the date of this document (Saturdays and public holidays excepted) for a period of not less than 14 days following Admission:

(a) the memorandum of incorporation and Articles of the Issuer;

(b) the Group's audited annual financial statements for the financial years ended 31 March 2012, 31 December 2010 and 31 December 2009;

(c) the valuation reports set out in Part 5 (Valuation Reports) of this document

(d) the consent letters referred to in paragraph 13 above; and

(e) this document.

15 Availability of this document

Copies of this document will be made available free of charge to the public at the offices of Norton Rose LLP at 3 More London Riverside, London SE1 2AQ and from the Issuer's registered office in Guernsey during normal business hours until the close of business on 15 October 2012.

Date: 13 September 2012

PART 8

CHECKLIST OF DOCUMENTATION INCORPORATED BY REFERENCE

Information incorporated by reference	*Picton's document reference*	*Page No. in Prospectus*
ING UK Real Estate Income Trust Limited Annual Report and Accounts for the year ended 31 December 2009	ING UK Real Estate Income Trust Limited Annual Report and Accounts for the year ended 31 December 2009 (pages 2 to 60)	52 to 53 and page 120
ING UK Real Estate Income Trust Limited Annual Report and Accounts for the year ended 31 December 2010	ING UK Real Estate Income Trust Limited Annual Report and Accounts for the year ended 31 December 2010 (pages 2 to 60)	52 to 53 and page 120
Picton Annual Report and Accounts for the 15 month period ended 31 March 2012	Picton Annual Report and Accounts for the 15 month period ended 31 March 2012 (pages 1 to 82)	52 to 53 and page 120

Note: Prior to a change of name with effect from 1 June 2011, the Parent was known as ING UK Real Estate Income Trust Limited, and accordingly each of the Parent's documents published prior to 1 June 2011 was published under its former name.

DEFINITIONS

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

2012 Contribution Agreement	the contribution agreement between IRET Securities and the Parent dated 15 April 2010, further details of which are set out in paragraph 9.1(c) of Part 7 (General Information) of this document
2012 Final Capital Entitlement	the accrued capital entitlement of a 2012 ZDP Share on the 2012 ZDP Share Repayment Date
2012 ZDP Share	zero dividend preference shares of 0.0001 pence each issued by IRET Securities that entitle their holders to a capital repayment of 76.6 pence per share on 31 October 2012
2012 ZDP Shareholders	holders of 2012 ZDP Shares
2012 ZDP Share Repayment Date	31 October 2012
2016 Contribution Agreement	the contribution agreement between the Issuer and the Parent dated 12 September 2012, further details of which are set out in paragraph 6 of Part 4 (Details of the 2016 ZDP Shares) and paragraph 9.1(d)(i) of Part 7 (General Information) of this document
2016 Final Capital Entitlement	the accrued capital entitlement of a 2016 ZDP Share on the 2016 ZDP Share Repayment Date
2016 Loan Agreement	the loan agreement between the Issuer and the Parent dated 12 September 2012, further details of which are set out in paragraph 9.1(d)(ii) of Part 7 (General Information) of this document
2016 ZDP GRY	the Gross Redemption Yield of the 2016 ZDP Shares to be announced by the Parent, on or around 10 October 2012, by way of an announcement through a Regulated Information Service
2016 ZDP Share	zero dividend preference shares of 0.0001 pence each issued by the Issuer that entitle their holders to a capital repayment equal to the Accrued Capital Entitlement on 15 October 2016
2016 ZDP Shareholders	holders of 2016 ZDP Shares
2016 ZDP Share Repayment Date	15 October 2016
Acrued Capital Entitlement	means the entitlement of a ZDP Share on any particular date reflecting the issue price plus the amount accrued at the relevant Gross Redemption Yield
Administration, Registrar and Secretarial Agreement	the administration, registrar and secretarial agreement between the Parent, Picton Capital and the Administrator dated 3 October 2005, a summary of which is set out in paragraph 9.3(f) of Part 7 (General Information) of this document
Admission	the admission of the 2016 ZDP Shares to a standard listing on the Official List and to trading on the London Stock Exchange's main market for listed securities

Amended and Restated Unit Trust Instrument	the amended and restated unit trust instrument between Picton Capital (Guernsey) Limited and Northern Trust Fiduciary Services (Guernsey) Limited dated 24 July 2012, a summary of which is set out in paragraph 9.3(g) of Part 7 (General Information) of this document
Articles	means articles of incorporation
Assumptions	the assumptions set out in Part 6 (Principal Bases and Assumptions) of this document
Aviva	Aviva Commercial Finance Limited
Aviva Facility	the term loan facility for £95,300,000 pursuant to the Aviva Facility Agreement
Aviva Facility Agreement	the facility agreement dated 27 June 2012 entered into between PropCo No. 3 and LP3 (as borrowers) and Aviva (as lender), further details of which are set out in paragraph 9.1(a) of Part 7 (General Information) of this document
Board or **the Directors**	the board of directors of the Issuer and/or the Parent and **Director** means any one of them
Business Day	a day not being a Saturday or a Sunday on which banks are open for business in the City of London and in Guernsey
Canada Life	Canada Life Limited
Canada Life Facility	the term loan facility for £113,700,000 pursuant to the Canada Life Facility Agreement
Canada Life Facility Agreement	the facility agreement dated 27 June 2012 entered into between PropCo No. 2 and LP2 (as borrowers) and Canada Life (as lender), further details of which are set out in paragraph 9.1(b) of Part 7 (General Information) of this document
CBRE	CBRE Limited
City Code	the City Code on Takeovers and Mergers, administered by The Panel on Takeovers and Mergers
Closing Date	the closing time for elections under the Rollover Offer, being 5.00 p.m. on 2 October 2012
Companies Law	the Companies (Guernsey) Law, 2008 (as amended from time to time)
Corporate Governance Code	the UK Corporate Governance Code, published by the Financial Reporting Council
CREST	the computerised settlement system operated by Euroclear UK & Ireland, which facilitates the transfer of title to securities in uncertificated form
CREST Guernsey Requirements	Rule 8 and such other rules and requirements of Euroclear as may be applicable to issuers as from time to time specified in the CREST Manual
CREST Regulations	the Uncertificated Securities Regulations 2001 (SI 2001 No. 3755), as amended from time to time

Eligible ZDP Shareholders	registered holders of 2012 ZDP Shares on the Record Date who are not Overseas ZDP Shareholders
Euroclear	Euroclear UK & Ireland Limited
Extraordinary ZDP Resolution	an extraordinary resolution of the 2016 ZDP Shareholders passed at a separate meeting of such holders, convened and held in accordance with the Issuer's Articles
Final Debt Cover	has the meaning set out in Part 6 (Principal Bases and Assumptions) of this document
Final Net Asset Cover	has the meaning set out in Part 6 (Principal Bases and Assumptions) of this document
Form of Election	the form of election for use by Eligible ZDP Shareholders in connection with the Rollover Offer
FSA	the Financial Services Authority
FSMA	Financial Services and Markets Act 2000
GPUT	Picton (UK) Listed Real Estate, a Guernsey unit trust constituted by the Amended and Restated Unit Trust Instrument
Gross Assets	the aggregate value of the assets of the Group as defined in the Parent's Articles
Gross Redemption Yield or GRY	in respect of a ZDP Share, the annually compounded rate of return at which the total discounted values of future payments of capital equate to its actual or assumed value at the date of calculation
Group	the Parent and all of its subsidiaries from time to time, including the Issuer
Hurdle Rate	has the meaning set out in Part 6 (Principal Bases and Assumptions) of this document
Initial Capital Entitlement in uncertificated form	the capital entitlement on the date of issue of a ZDP Share recorded in the register of members as being held in uncertificated form in CREST and title to which may be transferred by means of CREST
IFRS	International Financial Reporting Standards
IPD	Investment Property Databank Limited
IRET Securities	IRET Securities Limited, a subsidiary of the Issuer
Issue	the Rollover Offer and the Placing
Issue Price	100 pence per 2016 ZDP Share
Issuer	Picton ZDP Limited, a wholly-owned subsidiary of the Parent
Jones Lang LaSalle	Jones Lang LaSalle Limited
Latest Practicable Date	means 10 September 2012
LIBOR	the London Interbank Offered Rate
Listing Rules	the listing rules of the UK Listing Authority made under section 73A of FSMA

London Stock Exchange	London Stock Exchange plc
LP2	Picton No.2 Limited Partnership, a limited partnership established under the laws of England and Wales, acting through its general partner, Picton (GP) No.2 Limited
LP3	Picton No.3 Limited Partnership, a limited partnership established under the laws of England and Wales, acting through its general partner, Picton (General Partner) No.3 Limited
LTV	loan to value
Merbrook Trusts	Merbrook Business Property Unit Trust, Merbrook Bristol Property Unit Trust, Merbrook Prime Retail Property Unit Trust and Merbrook Swindon Property Unit Trust
NAV	net asset value
Official List	the official list of the UK Listing Authority
Ordinary Shares	ordinary shares of no par value in the capital of the Parent
Oriel Securities	Oriel Securities Limited
Overseas 2012 ZDP Shareholders	save as otherwise determined by the Directors, registered holders of 2012 ZDP Shares on the Record Date who are resident in, or citizens, residents or nationals of, jurisdictions outside the United Kingdom, Channel Islands and the Isle of Man
Panel	the Panel on Takeovers and Mergers
Parent or **Picton**	Picton Property Income Limited
Picton Capital	Picton Capital Limited, a wholly-owned subsidiary of the Parent and the Group's investment manager
Placing	the proposed placing of up to 22 million 2016 ZDP Shares, less any 2016 ZDP Shares issued pursuant to the Rollover Offer as described in this document
Placing Agreement	the placing agreement dated 13 September 2012 entered into between the Issuer and Oriel Securities Limited, the terms of which are summarised in paragraph 9.3(j) of Part 7 (General Information) of this document
PropCo	Picton UK Real Estate Trust (Property) Limited, a wholly-owned subsidiary of the Parent
PropCo No. 2	Picton UK Real Estate Trust (Property) No.2 Limited, a wholly-owned subsidiary of the Parent
PropCo No. 3	Picton Property No.3 Limited, a wholly-owned subsidiary of the Parent
Prospectus	this document issued by the Issuer dated 13 September 2012 prepared in accordance with the Listing Rules and the Prospectus Rules of the Financial Services Authority
Prospectus Rules	the prospectus rules made by the FSA under section 73A of FSMA
Receiving Agent	Computershare Investor Services PLC

Record Date	2 October 2012
Register	the register of members of Picton ZDP
Registrars	Computershare Investor Services (Jersey) Limited
Rollover Date	the date on which 2012 ZDP Shares validly elected and accepted to participate under the Rollover Offer will be exchanged into 2016 ZDP Shares, expected to be 15 October 2012
Rollover Offer	the offer being made to Eligible ZDP Shareholders to exchange part or all of their holding of 2012 ZDP Shares into 2016 ZDP Shares
Rugby REIT	Rugby Estates Investment Trust plc
Senior Debt	the Aviva Facility and the Canada Life Facility
Senior Debt Facility Agreements	the Aviva Facility Agreement and the Canada Life Facility Agreement
Senior Lenders	Aviva and Canada Life
Shareholders	holders of Ordinary Shares
SIPP	a self-invested personal pension
SPV	Picton (UK) REIT (SPV) Limited, a wholly-owned subsidiary of the Parent
SPV 2	Picton (UK) REIT (SPV No.2) Limited, a wholly-owned subsidiary of the Parent
SSAS	a small self-administered scheme
sterling	the lawful currency of the United Kingdom
Strike GRY	the gross redemption yield at which elections pursuant to the Rollover Offer or applications pursuant to the Placing can be made reflecting an order at the clearing GRY following the book-build to set the 2016 ZDP GRY
UK or **United Kingdom**	the United Kingdom of Great Britain and Northern Ireland
UKLA or **UK Listing Authority**	the Financial Services Authority acting in its capacity as the competent authority for the purposes of Part VI of FSMA
VAT	value added tax
ZDP Shares	zero dividend preference shares
ZDP Share Cover	has the meaning given to it in paragraph 3.2(a) of Part 4 (Details of the 2016 ZDP Shares) of this document