

# UK Commercial Property Trust Limited

Placing and Offer for Subscription and Introduction

February 2007

**Resolution**  
Asset Management

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

This document comprises a prospectus relating to UK Commercial Property Trust Limited (the "Company") prepared in accordance with the prospectus rules and listing rules of the UK Listing Authority made under section 73A of the Financial Services and Markets Act 2000.

Application has been made for consent under the Control of Borrowing (Bailiwick of Guernsey) Ordinances, 1959 to 1989, for the circulation of this document insofar as it relates to the issue of the Ordinary Shares and to the raising of money by the issue of such shares. Neither the Guernsey Financial Services Commission nor the States of Guernsey Policy Council accept any responsibility for the financial soundness of the Company or for the correctness of any of the statements made or opinions expressed with regard thereto.

The Directors of the Company, whose names appear on page 10 of this document, and the Company each accept responsibility for the information contained in this document. Having taken all reasonable care to ensure that such is the case, the information contained in this document is, to the best of the knowledge of the Directors and the Company, in accordance with the facts and contains no omission likely to affect its import.

---

# **UK COMMERCIAL PROPERTY TRUST LIMITED**

*(an investment company incorporated in Guernsey with registration number 45387)*

## **PLACING AND OFFER FOR SUBSCRIPTION**

of 97 million new ordinary shares of 25p each at 103p per share

and

## **INTRODUCTION**

of 253 million new ordinary shares of 25p each

**Sponsored by  
DICKSON MINTO W.S.**

**Investment Manager  
RESOLUTION INVESTMENT SERVICES LIMITED**

---

Applications have been made to the UK Listing Authority for all of the new Ordinary Shares to be admitted to the Official List and to the London Stock Exchange for those shares to be admitted to trading on the London Stock Exchange's market for listed securities. It is expected that such admissions will become effective and that dealings in the new Ordinary Shares will commence on 1 March 2007.

This Prospectus does not constitute, and may not be used for the purposes of, an offer or solicitation to anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation. The distribution of this Prospectus and the offering of new Ordinary Shares in certain jurisdictions may be restricted and accordingly persons into whose possession this document comes are required to inform themselves about and to observe such restrictions. The new Ordinary Shares have not been, and will not be, registered under the United States Securities Act of 1933 (as amended) or under any of the relevant securities laws of Canada, Australia or Japan. Accordingly, the new Ordinary Shares may not (unless an exemption from such Act or such laws is available) be offered, sold or delivered, directly or indirectly, in or into the USA, Canada, Australia or Japan. The Company will not be registered under the United States Investment Company Act of 1940 (as amended) and investors will not be entitled to the benefits of such Act.

Dickson Minto W.S., which is authorised and regulated in the United Kingdom by the Financial Services Authority, is the sponsor and solicitor to the Company. Dickson Minto W.S. is not acting for any other person in connection with the Placing and Offer and Introduction, will not be responsible to anyone other than the Company for providing the protections afforded to clients of Dickson Minto W.S. and is not advising any other person in relation to any transaction contemplated in or by this document.

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

Potential investors should consult their stockbroker, bank manager, solicitor, accountant or other independent financial adviser before investing in the Company. Potential investors should also consider the risk factors relating to the Company set out on pages 6 to 8 of this document.

## Contents

	<i>Page</i>
<b>Summary</b>	3
<b>Risk Factors</b>	6
<b>Expected Timetable</b>	9
<b>Directors, Investment Manager and Advisers</b>	10
<b>Definitions</b>	11
<b>Part 1 The Company</b>	13
Introduction	13
Investment objective and policy	13
The Property Portfolio	13
The UK commercial property market	14
Capital structure	14
Dividend policy	15
Net asset value	16
Discount policy and share buy backs	16
<b>Part 2 Additional Information</b>	17
Group structure	17
Directors	18
Investment Manager	18
Administration and secretarial arrangements	20
Annual expenses	20
Accounting policy	20
Shareholder information	20
Corporate governance	20
Relationship with the Resolution Group	21
The Issue	21
Extraordinary General Meeting	23
Taxation	23
Investment restrictions	26
Principal bases and assumptions	27
<b>Part 3 Details of the Property Portfolio</b>	28
<b>Part 4 Valuation Reports</b>	37
<b>Part 5 Accountants' Report</b>	63
<b>Part 6 General Information</b>	74
<b>Terms and Conditions of Application under the Offer</b>	87
<b>Notes on how to complete the Application Form</b>	92
<b>Application Form</b>	

## Summary

This summary should be read as an introduction to the Prospectus. Any decision to invest in the new Ordinary Shares should be based on consideration of the Prospectus as a whole by the investor. Where a claim relating to the information contained in the Prospectus is brought before a court, the plaintiff investor might, under the national legislation of the EEA States, have to bear the costs of translating the Prospectus before the legal proceedings are initiated. Civil liability attaches to those persons who are responsible for this summary, including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the Prospectus.

### Introduction

UK Commercial Property Trust Limited (the “Company”) is a closed-ended, Guernsey registered investment company which was launched in September 2006 and whose assets are managed by Resolution Investment Services Limited. The Company invests in UK commercial property, which will principally be held through the Property Subsidiary, the GLP and other property holding subsidiaries. The Company has a single class of shares in issue, which are listed on the Official List and traded on the London Stock Exchange’s market for listed securities, and currently has no long term borrowings. The Company will have an indefinite life.

The Group has agreed with PLL to acquire the New Property Portfolio, for an aggregate consideration of £341,412,000, conditional on the Proposals being approved by Shareholders and on Admission. The consideration will take the form of cash and the Consideration Shares. The New Property Portfolio comprises a portfolio of ten UK commercial properties and, following the Acquisition, the Group will remain fully invested.

### Investment objective and policy

The Company’s investment objective is to provide Ordinary Shareholders with an attractive level of income together with the potential for capital and income growth from investing in a diversified portfolio of UK commercial properties.

It is intended that the Group will hold a diversified portfolio of freehold and long leasehold (over 60 years remaining at the time of acquisition) UK commercial properties. The Group intends to invest in income producing investments. The Group will principally invest in three commercial property sectors: office, retail and industrial. The Group will be permitted to invest up to 15 per cent. of its Total Assets in indirect property funds but will not invest in other listed investment companies. The Group will be permitted to invest cash, held by it for working capital purposes and awaiting investment, in cash deposits, gilts and money market funds.

### The Property Portfolio

#### *The Existing Property Portfolio*

The Existing Property Portfolio comprises 20 properties with an aggregate Market Value of £515.2 million. The Existing Property Portfolio generates a current net annual rent of £25.6 million (being a running income return of 4.96 per cent. on its Market Value) and a reversionary yield, based on the Estimated Net Annual Rent, of 5.78 per cent. on its Market Value. In addition, the Existing Property Portfolio has a number of occupational leases which are currently in rent free periods with a total net annual rent of £2.2 million.

The Properties comprised in the Existing Property Portfolio have been ranked in the 10th percentile of portfolios for covenant strength in the independent IPD IRIS. The average unexpired lease term of the occupational leases of these Properties (weighted by current gross annual rent) is approximately 10 years and four months and all of the rent review provisions in the occupational leases of the Properties are upwards only or based on turnover.

#### *The New Property Portfolio*

The Group has agreed with PLL to acquire a portfolio of properties, the New Property Portfolio, for an aggregate consideration of £341,412,000. The New Property Portfolio comprises ten properties with an aggregate Market Value of £350.4 million. The New Property Portfolio generates a current net annual rent of £17.6 million (being a running income return of 5.02 per cent. on its Market Value) and a reversionary yield, based on the Estimated Net Annual Rent, of 5.19 per cent. on its Market Value.

The Properties comprised in the New Property Portfolio have been ranked in the 1st percentile of portfolios for covenant strength in the independent IPD IRIS. The average unexpired lease term of the occupational leases of these Properties (weighted by current gross annual rent) is approximately 13 years and one month and all of the rent review provisions in occupational leases of the Properties are upwards only.

In the event that the Proposals are approved by Shareholders, it is expected that the New Property Portfolio will be acquired by the Group immediately prior to Admission for a consideration of £341,412,000. The consideration will be satisfied by the issue to PLL at the Issue Price of 253 million new Ordinary Shares and a cash payment for the balance of the consideration.

### *The Combined Property Portfolio*

In the event that the Proposals are approved by Shareholders, the Group will hold the Combined Property Portfolio comprising 30 properties with an aggregate Market Value of £865.6 million. The Combined Property Portfolio will generate a current net annual rent of £43.2 million (being a running income return of 4.99 per cent. on its Market Value) and a reversionary yield, based on the Estimated Net Annual Rent, of 5.54 per cent. on its Market Value.

The Properties comprised in the Combined Property Portfolio have been ranked in the 6th percentile of portfolios for covenant strength in the independent IPD IRIS. The average unexpired lease term of the occupational leases of these Properties (weighted by current gross annual rent) is approximately 11 years and five months, compared to the equivalent figure for an average commercial property portfolio, as represented by IPD, of 9 years.

### **Capital structure**

The Company's share capital structure consists solely of Ordinary Shares. The Company has the power under its Articles to borrow an amount up to 65 per cent. of the Group's gross assets as defined in its Articles. It is the present intention of the Directors that such borrowings will be limited to borrowings amounting to a maximum of 10 per cent. of the Group's net assets at the time of drawdown. No borrowings will be incurred to finance the acquisition of the New Property Portfolio.

### **Dividend policy**

The Directors expect that, on the basis of the Assumptions and in the absence of unforeseen circumstances, the Company will pay gross dividends totalling 6.70p\* per Ordinary Share in respect of the period from the launch of the Company to 31 December 2007. No UK tax credits will be attached to dividends paid to Ordinary Shareholders. In the absence of capital and/or income growth in the Property Portfolio, the expected dividend policy of the Company will lead to a reduction in the net asset value per Ordinary Share.

\* This forecast relates to dividends only, is not a profit forecast and is based on the Assumptions.

### **Investment Manager**

Resolution Investment Services Limited is a wholly owned asset management subsidiary of Resolution plc. It manages assets on behalf of a wide range of clients. The Investment Manager and its associates within the asset management division of the Resolution Group currently have approximately £60 billion of assets under management, of which approximately £2.9 billion are commercial property assets. The Investment Manager manages the commercial property assets of Resolution plc (including the assets of the Phoenix life companies and the Resolution Group Pension Scheme) and also manages ResolutionAsset UK Property Fund, an authorised unit trust with gross assets of approximately £675 million.

### **The Issue**

The Company is offering 97 million new Ordinary Shares under the Issue. The Issue comprises the Placing and the Offer for Subscription. The Issue, which is not underwritten, is conditional upon admission of the new Ordinary Shares to the Official List and to trading on the London Stock Exchange becoming effective, on 97 million new Ordinary Shares being subscribed for under the Issue and the Proposals being approved by Shareholders. No commission is payable to new investors under the Issue. The new Ordinary Shares will be issued at an issue price of 103p. G&N has agreed to use its reasonable endeavours to procure placees in the Placing for 97 million new Ordinary Shares. Issue Costs (which include the costs of the acquisition of the New Property Portfolio and stamp duty land tax) will be £19.1 million.

### **Risk factors**

The principal risk factors relating to the Company and the Ordinary Shares are as follows:

- The performance of the Company would be adversely affected by a downturn in the property market in terms of market value or a weakening of rental yields. In the event of default by a tenant, or during any other void period, the Company will suffer a rental shortfall and incur additional expenses until the property is re-let. These expenses could include legal and surveyor's costs in re-letting, refurbishment or upgrading costs, maintenance costs, insurances, rates and marketing costs.
- The Company's ability to pay dividends will be dependent principally upon its rental income. Rental income and the market value of properties are generally affected by overall conditions in the relevant local economy, such as growth in gross domestic product, employment trends, inflation and changes in interest rates. Changes in gross domestic product may also impact employment levels, which in turn may impact the demand for premises.
- Certain of the Properties, in particular the Property at Colmore Row, Birmingham, currently have, and some other properties owned by the Group may have, significant levels of vacancy. Certain of the Group's properties may be specifically suited to the particular needs of a certain type of tenant. The Group may have difficulty in obtaining a new tenant for any vacant space it has in its properties, particularly if prospective

tenants have negative perceptions of the attractiveness or other features of any property. The Group may need to incur additional capital expenditure on a property to attract tenants. The Assumptions regarding the length of void periods may underestimate the actual void periods suffered by the Group. If the vacancy continues for a longer period of time, the Group may suffer reduced revenues resulting in less income available to be distributed to Shareholders. In addition, the market value of a property could be diminished because the value of a particular property will depend principally upon the value of the leases of such property.

- Given the relatively near term concentration of a number of lease expiries within the Existing Property Portfolio, there is a risk that a significant proportion of leases may be re-let at rental values lower than those prevailing under the current leases, or that void periods may be experienced on a significant proportion of the Property Portfolio.
- The value of property and property-related assets is inherently subjective due to the individual nature of each property. As a result, valuations are subject to substantial uncertainty. There is no assurance that the valuations of the properties will reflect the actual sale price even where such sales occur shortly after the relevant valuation date.
- The levels of, and reliefs from, taxation may change. The tax reliefs referred to in this document are those currently available and their value depends on the individual circumstances of investors. Any change in the Group's tax status or in taxation legislation in Guernsey or the United Kingdom or any other tax jurisdiction affecting Shareholders or investors could affect the value of the investments held by the Group or affect the Company's ability to achieve its investment objective for the Ordinary Shares or alter the post tax returns to Shareholders.
- Dividend growth on the Ordinary Shares will depend principally on growth in rental income received from the underlying assets. There is no guarantee that the expected dividend in respect of the period to 31 December 2007 or any other periods will be paid. In the absence of capital and/or income growth in the Property Portfolio, the expected dividend policy of the Company will lead to a reduction in the net asset value per Ordinary Share.
- The market value of, and the income derived from, the Ordinary Shares can fluctuate. There is no guarantee that the market value of the Ordinary Shares will fully reflect their underlying net asset value. Investors may not get back the full value of their investment. The market value of the Ordinary Shares, as well as being affected by their net asset value, also takes into account their dividend yield and prevailing interest rates. As such, the market value of an Ordinary Share may vary considerably from its underlying net asset value.

**An investment in new Ordinary Shares is only suitable 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 any losses which may arise therefrom (which may be equal to the whole amount invested). Such an investment should be seen as long term in nature and complementary to existing investments in a range of other financial assets and should not form a major part of an investment portfolio.**

## Risk Factors

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

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

### General

An investment in new Ordinary Shares is only suitable 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 any losses which may arise therefrom (which may be equal to the whole amount invested). Such an investment should be seen as long term in nature and complementary to existing investments in a range of other financial assets and should not form a major part of an investment portfolio.

The market value of, and the income derived from, the Ordinary Shares can fluctuate. There is no guarantee that the market value of the Ordinary Shares will fully reflect their underlying net asset value. Investors may not get back the full value of their investment.

The market value of the Ordinary Shares, as well as being affected by their net asset value, also takes into account their dividend yield and prevailing interest rates. As such, the market value of an Ordinary Share may vary considerably from its underlying net asset value.

The Company does not have a fixed winding up date and, therefore, unless Shareholders vote to wind up the Company, Shareholders will only be able to realise their investment through the market.

There can be no guarantee that the investment objectives of the Group will be met.

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

The Assumptions are assumptions only and may or may not be realised.

### Dividends

Dividend growth on the Ordinary Shares will depend principally on growth in rental income received from the underlying assets. There is no guarantee that the expected dividend in respect of the period to 31 December 2007 or any other periods will be paid. In the absence of capital and/or income growth in the Property Portfolio, the expected dividend policy of the Company will lead to a reduction in the net asset value per Ordinary Share.

If under Guernsey law or under the UKLA's Listing Rules there were to be a change to the basis on which dividends could be paid by Guernsey companies, this could have a negative effect on the Company's ability to pay dividends.

### Taxation

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

Under current United Kingdom tax law, UK letting agents are required to withhold amounts on account of, or to account to HM Revenue & Customs for, United Kingdom income tax in respect of rent collected on behalf of a landlord which has a normal place of abode outside the United Kingdom, unless a direction (a "Direction") has been given by HM Revenue & Customs confirming that payments to such a landlord may be made without withholding or deduction for or on account of United Kingdom income tax and that no such obligation to account to HM Revenue & Customs arises. The Property Subsidiary and the GP have both received a Direction.

In the event that a Direction in respect of the Property Subsidiary, the GP or any other member of the Group is withdrawn, the UK letting agent will be required to make payment to HM Revenue & Customs on account of the United Kingdom income tax liability of the Property Subsidiary, the GP or such member of the Group.

UK tax legislation contains transfer pricing provisions which can have the effect of reducing the amount of interest which is treated as deductible in computing the tax on rental and other income received by the Group. It is possible that HM Revenue & Customs could challenge the deductibility of some of the interest which is being paid and, in the event of a challenge being successful, more of the Group's rental income may be taxable, thereby reducing the income of the Company.

The Group is currently operated and managed so as not to be subject to UK capital gains tax in respect of dealings in UK property. If the present UK tax treatment of non-resident investors in UK property were to change, the Group could be subject to UK tax on capital gains.

In the event that the ownership structure of the GLP is amended in the period of three years from the launch of the Company, stamp duty land tax at the rate of 4 per cent. on the market value of the Existing Property Portfolio at the time of the launch would be payable.

### **Gearing**

Prospective investors should be aware that, whilst the use of borrowings should enhance the net asset value of the Ordinary Shares where the value of the Company's underlying assets is rising, it will have the opposite effect where the underlying asset value is falling. In addition, in the event that the rental income of the Property Portfolio falls for whatever reason, including tenant defaults, the use of borrowings will increase the impact of such fall on the net revenue of the Company and accordingly will have an adverse effect on the Company's ability to pay dividends to Shareholders. Prospective investors should also be aware that the Group will be entitled to invest up to 15 per cent. of its Total Assets in funds which themselves invest in UK commercial property and may be entitled to incur borrowings.

At some point the Company is likely to need to incur further borrowings to fund its cash flow requirements, including the payment of dividends. There is no certainty that such borrowing will be made available to the Company, either at all or on acceptable terms.

### **Property and property related assets**

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

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

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

The Company's ability to pay dividends will be dependent principally upon its rental income. Rental income and the market value of properties are generally affected by overall conditions in the relevant local economy, such as growth in gross domestic product, employment trends, inflation and changes in interest rates. Changes in gross domestic product may also impact employment levels, which in turn may impact the demand for premises.

Rent reviews may not be at the then Estimated Net Annual Rent.

Both rental income and market values may also be affected by other factors specific to the commercial property market, such as competition from other property owners, the perceptions of prospective tenants of the attractiveness, convenience and safety of properties, the inability to collect rents because of the bankruptcy or insolvency of tenants or otherwise, the periodic need to renovate, repair and re-lease space and the costs thereof, the costs of maintenance and insurance, and increased operating costs. In addition, certain significant expenditures, including operating expenses, must be met by the owner even when the property is vacant.

Any change to the laws and regulations relating to the UK commercial property market may have an adverse effect on the market value of the Property Portfolio and/or the rental income of the Property Portfolio.

Certain of the Properties, in particular the Property at Colmore Row, Birmingham, currently have, and some other properties owned by the Group may have, significant levels of vacancy. Certain of the Group's properties may be specifically suited to the particular needs of a certain type of tenant. The Group may have difficulty in obtaining a new tenant for any vacant space it has in its properties, particularly if prospective tenants have negative perceptions of the attractiveness or other features of any property. The Group may need to incur additional capital expenditure on a property to attract tenants. The Assumptions regarding the length of void periods may underestimate the actual void periods suffered by the Group. If the vacancy continues for a longer period of time, the Group may suffer reduced revenues resulting in less income available to be distributed to Shareholders. In addition, the market value of a property could be diminished because the value of a particular property will depend principally upon the value of the leases of such property.

Given the relatively near term concentration of a number of lease expiries within the Existing Property Portfolio, there is a risk that a significant proportion of leases may be re-let at rental values lower than those prevailing under the current leases, or that void periods may be experienced on a significant proportion of the Property Portfolio.



The Group may undertake development (including redevelopment) of property or invest in property that requires refurbishment prior to renting the property. The risks of development or refurbishment include, but are not limited to, delays in timely completion of the project, cost overruns, poor quality workmanship, and inability to rent or inability to rent at a rental level sufficient to generate profits.

The Group may face significant competition from UK or other foreign property companies or funds. Competition in the property market may lead either to an over-supply of commercial premises through over-development or to prices for existing properties or land for development being driven up through competing bids by potential purchasers. Accordingly, the existence of such competition may have a material adverse impact on the 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 prices.

Investments in property and certain property related assets are relatively illiquid and more difficult to realise than equities or bonds.

## Expected Timetable

	2007
Offer for Subscription opens	12 February
Record date for the second interim dividend expected to be	23 February
Latest time and date for applications under the Offer*	11.00 a.m. on 23 February
Latest time and date for receipt of forms of proxy	11.00 a.m. on 25 February
Latest time and date for commitments under the Placing*	3.00 p.m. on 26 February
Extraordinary General Meeting	11.00 a.m. on 27 February
Admission and dealings in the new Ordinary Shares commence	1 March
Crediting of CREST accounts in respect of the new Ordinary Shares	1 March
Share certificates in respect of the new Ordinary Shares despatched (if applicable)	by 9 March

\* A maximum of 97 million new Ordinary Shares are available under the Placing and Offer for Subscription. In the event that commitments under the Placing and valid applications under the Offer reach 97 million new Ordinary Shares, no further commitments or applications will be accepted and the Placing and Offer will be closed.

## Directors, Investment Manager and Advisers

<b>Directors</b>	Christopher Martin Walter Hill (Chairman) Keith Dorrian Christopher Norman Fish John Ewart Robertson Andrew Luis Wilson  all non-executive and of Trafalgar Court, Les Banques, St. Peter Port, Guernsey GY1 3QL
<b>Investment Manager</b>	Resolution Investment Services Limited Resolution House 50 Bothwell Street Glasgow G2 6HR
<b>Placing Agent</b>	G&N Collective Funds Services Limited 14 Alva Street Edinburgh EH2 4QG
<b>Sponsor and UK Legal Adviser</b>	Dickson Minto W.S. 16 Charlotte Square Edinburgh EH2 4DF
<b>Administrator, Secretary and Registrar</b>	Northern Trust International Fund Administration Services (Guernsey) Limited Trafalgar Court Les Banques St. Peter Port Guernsey GY1 3QL
<b>Guernsey Legal Adviser</b>	Ozannes 1 Le Marchant Street St. Peter Port Guernsey GY1 4HP
<b>Auditors</b>	Ernst & Young LLP 14 New Street St. Peter Port Guernsey GY1 4AF
<b>Tax Adviser</b>	Ernst & Young LLP Ten George Street Edinburgh EH2 2DZ
<b>Property Valuer</b>	CB Richard Ellis Limited St. Martin's Court 10 Paternoster Row London EC4M 7HP
<b>Principal Banker</b>	The Royal Bank of Scotland plc 2 <sup>1</sup> / <sub>2</sub> Devonshire Square London EC2M 4XJ
<b>Receiving Agent and UK Transfer Agent</b>	Computershare Investor Services PLC PO Box 859 The Pavilions Bridgwater Road Bristol BS99 1XZ

## Definitions

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

“Acquisition”	the acquisition of the New Property Portfolio in accordance with the terms of the Acquisition Agreement
“Acquisition Agreement”	the conditional agreement to acquire the New Property Portfolio between the Company, the Property Subsidiary and PLL, a summary of which is set out in Section B of Part 3 of this document
“Administration and Secretarial Agreement”	the administration and secretarial agreement between the Company, the Property Subsidiary and the Administrator, a summary of which is set out in paragraph 5.2 of Part 6 of this document
“Administrator”	Northern Trust International Fund Administration Services (Guernsey) Limited
“Admission”	the admission of the new Ordinary Shares, issued pursuant to the Issue, to the Official List of the UK Listing Authority and to trading on the London Stock Exchange
“Articles”	the articles of association of the Company, a summary of which is set out in paragraph 3 of Part 6 of this document
“Assumptions”	the principal bases and assumptions set out on page 27 of this document, except in Part 4 of this document where “Assumption” shall have the meaning defined in that Part 4
“Board” or “Directors”	the directors of the Company
“Combined Property Portfolio”	the Existing Property Portfolio and the New Property Portfolio
“Company”	UK Commercial Property Trust Limited
“Consideration Shares”	253 million new Ordinary Shares to be issued to PLL as part consideration for the acquisition of the New Property Portfolio, as more fully described in Section B of Part 3 of this document
“Estimated Net Annual Rent”	is based on the current rental value of a property: <ul style="list-style-type: none"><li>(i) ignoring any special receipts or deductions arising from the property;</li><li>(ii) excluding Value Added Tax and before taxation (including tax on profits and any allowances for interest on capital or loans);</li><li>(iii) after making deductions for superior rents (but not for amortisation), and any disbursements including, if appropriate, expenses of managing the property and allowances to maintain it in a condition to command its rent; and</li><li>(iv) where a property, or part of it, is let at the date of valuation, the rental value reflects the terms of the lease and, where a property, or part of it, is vacant at the date of valuation, the rental value reflects the rent the valuer considers would be obtainable on an open market letting as at the valuation date</li></ul>
“Existing Property Portfolio”	the Property Portfolio as at the date of this document
“Existing Shareholders”	registered holders of Ordinary Shares prior to the Proposals becoming effective
“Extraordinary General Meeting”	the extraordinary general meeting of the Company to be held at 11.00 a.m. on 27 February 2007 at which a resolution will be proposed to approve the Proposals
“First Issue”	the issue of 530 million Ordinary Shares by the Company which became effective on 22 September 2006
“G&N”	G&N Collective Funds Services Limited
“GP”	UK Commercial Property GP Limited
“GLP”	UKCPT Limited Partnership
“Group”	the Company, the Property Subsidiary, the GLP, the GP and any other direct or indirect subsidiary undertakings of the Company from time to time
“Introduction”	the admission of the Consideration Shares to the Official List of the UK Listing Authority and to trading on the London Stock Exchange by way of an introduction

“Investment Management Agreement”	the investment management agreement between the Group and the Investment Manager, a summary of which is set out in paragraph 5.1 of Part 6 of this document
“Investment Manager”	Resolution Investment Services Limited
“IPD”	Investment Property Databank Limited
“IPD IRIS”	the IPD Rental Information Service
“ISA”	Individual Savings Account for the purposes of section 694 Income Tax (Trading and Other Income) Act 2005
“Issue”	the issue of Ordinary Shares pursuant to the Placing and Offer
“Issue Costs”	the costs and expenses payable in respect of the Issue and the acquisition of the New Property Portfolio
“Issue Price”	103p per Ordinary Share
“JPUT”	The 176-206 High Street Kensington Unit Trust, a Jersey Property Unit Trust which holds the Property at Kensington High Street, London
“Law”	The Companies (Guernsey) Laws, 1994 to 1996
“London Stock Exchange”	London Stock Exchange plc
“Market Value”	the aggregate of the market value of the Properties comprised in the Existing Property Portfolio, the New Property Portfolio and/or the Combined Property Portfolio, as the context requires, as at 31 December 2006, as set out in the Valuer’s reports in Part 4 of this document, or the aggregate market value of part only of such portfolios, as the context requires
“new Ordinary Shares”	Ordinary Shares issued pursuant to the Proposals
“New Property Portfolio”	the portfolio of properties to be acquired by the Group from PLL immediately prior to Admission, as more fully described in Part 3 of this document
“New Shareholders”	investors who acquire new Ordinary Shares
“Offer” or “Offer for Subscription”	the offer for subscription of Ordinary Shares at the Issue Price, as described in this document
“Official List”	the Official List of the UK Listing Authority
“Ordinary Shareholders” or “Shareholders”	holders of the Ordinary Shares
“Ordinary Shares” or “Shares”	ordinary shares of 25p each in the capital of the Company
“PALAL”	Phoenix & London Assurance Limited, a member of the Resolution Group
“Placing”	the placing of Ordinary Shares at the Issue Price, as described in this document
“PLL”	Phoenix Life Limited, a member of the Resolution Group
“Properties”	the properties comprised in the Existing Property Portfolio, the New Property Portfolio and/or the Combined Property Portfolio, as more fully described in Part 3 of this document, or any of them as the context requires
“Property Portfolio”	the direct and indirect property assets of the Group from time to time
“Property Subsidiary”	UK Commercial Property Holdings Limited
“Proposals”	the proposals for the Acquisition and the Placing and Offer
“Prospectus”	this document
“Receiving Agent”	Computershare Investor Services PLC
“Resolution”	Resolution plc
“Resolution Asset Management” or “RAM”	the trading name of Resolution Investment Services Limited
“Resolution Group”	Resolution and its directly and indirectly wholly owned subsidiaries
“Total Assets”	the aggregate value of the assets of the Group less current liabilities of the Group (which shall exclude any proportion of the principal amounts borrowed for investment or amounts borrowed for working capital treated as current liabilities and any liability of an intra-group nature)
“UKLA” or “UK Listing Authority”	the Financial Services Authority, acting in its capacity as the competent authority for the purposes of Part VI of the Financial Services and Markets Act 2000
“Valuer”	CB Richard Ellis Limited

## Part 1

### The Company

#### Introduction

UK Commercial Property Trust Limited is a closed-ended, Guernsey registered investment company which was launched in September 2006 and whose assets are managed by Resolution Investment Services Limited. The Company invests in UK commercial property, which will principally be held through the Property Subsidiary, the GLP and other property holding subsidiaries. The Company has a single class of shares in issue, which are listed on the Official List and traded on the London Stock Exchange's market for listed securities, and currently has no long term borrowings. The Company will have an indefinite life.

The Group has agreed with PLL to acquire the New Property Portfolio for an aggregate consideration of £341,412,000, conditional on the Proposals being approved by Shareholders and on Admission. The consideration will take the form of cash and the Consideration Shares. The New Property Portfolio comprises a portfolio of ten UK commercial properties and, following the Acquisition, the Group will remain fully invested.

#### Investment objective and policy

The Company's investment objective is to provide Ordinary Shareholders with an attractive level of income together with the potential for capital and income growth from investing in a diversified portfolio of UK commercial properties.

It is intended that the Group will hold a diversified portfolio of freehold and long leasehold (over 60 years remaining at the time of acquisition) UK commercial properties. The Group intends to invest in income producing investments. The Group will principally invest in three commercial property sectors: office, retail and industrial. The Group will be permitted to invest up to 15 per cent. of its Total Assets in indirect property funds but will not invest in other listed investment companies. The Group will be permitted to invest cash, held by it for working capital purposes and awaiting investment, in cash deposits, gilts and money market funds.

Following the acquisition of the New Property Portfolio described below, the Group will remain fully invested.

Any material change to the investment policy of the Company may only be made with Shareholders' approval.

#### The Property Portfolio

##### *The Existing Property Portfolio*

The Existing Property Portfolio comprises 20 properties with an aggregate Market Value of £515.2 million. The Existing Property Portfolio generates a current net annual rent of £25.6 million (being a running income return of 4.96 per cent. on its Market Value) and a reversionary yield, based on the Estimated Net Annual Rent, of 5.78 per cent. on its Market Value. In addition, the Existing Property Portfolio has a number of occupational leases which are currently in rent free periods with a total net annual rent of £2.2 million.

The Properties comprised in the Existing Property Portfolio have been ranked in the 10th percentile of portfolios for covenant strength in the independent IPD IRIS. The average unexpired lease term of the occupational leases of these Properties (weighted by current gross annual rent) is approximately 10 years and four months and all of the rent review provisions in the occupational leases of the Properties are upwards only or based on turnover.

##### *The New Property Portfolio*

The Group has agreed with PLL to acquire a portfolio of properties, the New Property Portfolio, for an aggregate consideration of £341,412,000. The New Property Portfolio comprises ten UK commercial properties with an aggregate Market Value of £350.4 million.

The New Property Portfolio generates a current net annual rent of £17.6 million (being a running income return of 5.02 per cent. on its Market Value) and a reversionary yield, based on the Estimated Net Annual Rent, of 5.19 per cent. on its Market Value.

The Properties comprised in the New Property Portfolio have been ranked in the 1st percentile of portfolios for covenant strength in the independent IPD IRIS. The average unexpired lease term of the occupational leases of the Properties (weighted by current gross annual rent) is approximately 13 years and one month and all of the rent review provisions in occupational leases of the Properties are upwards only.

##### *The Combined Property Portfolio*

In the event that the Proposals are approved by Shareholders, the Group will hold the Combined Property Portfolio comprising 30 properties with an aggregate Market Value of £865.6 million. The Combined Property Portfolio will generate a current net annual rent of £43.2 million (being a running income return of 4.99 per cent. on its Market Value) and a reversionary yield, based on the Estimated Net Annual Rent, of 5.54 per cent. on its Market Value.

The Properties comprised in the Combined Property Portfolio have been ranked in the 6th percentile of portfolios for covenant strength in the independent IPD IRIS. The average unexpired lease term of the occupational leases of these Properties (weighted by current gross annual rent) is approximately 11 years and five months, compared to the equivalent figure for an average commercial property portfolio, as represented by IPD, of 9 years.

The Directors believe that the Combined Property Portfolio provides a stable capital base with the potential for both capital and income growth.

Further details of the Existing Property Portfolio, the New Property Portfolio and the Combined Property Portfolio are set out in Part 3 of this document.

#### *The Acquisition of the New Property Portfolio*

If the Proposals are approved by Shareholders, the New Property Portfolio will be acquired by the Group immediately prior to Admission for a consideration of £341,412,000. The consideration will be satisfied by the issue to PLL at the Issue Price of 253 million new Ordinary Shares and a cash payment for the balance of the consideration.

The Directors believe that the acquisition of the New Property Portfolio offers the opportunity for the Company to improve the prospects for income and capital growth in the Property Portfolio, to diversify further the Property Portfolio and to obtain the benefit of an increase in the size of the Group.

Further details on the terms of the acquisition of the New Property Portfolio are set out in Section B of Part 3 of this document. The Properties comprised in the New Property Portfolio have been externally valued by the Valuer with a market value of £350.4 million as at 31 December 2006. The valuation report is set out in Part 4 of this document.

#### **The UK commercial property market**

UK commercial property has outperformed UK equities and gilts over one, five and ten years. The total return on UK commercial property over ten years was 13.6 per cent. per annum and over the last twelve months was 18.1 per cent.

Over the last ten years annualised volatility in the returns of UK commercial property has been less than that of both UK equities and gilts. The lack of correlation of commercial property with other asset classes offers diversification for investors. Investment in mainstream commercial property also benefits over the longer term from a relatively high and stable income stream.

The consensus forecast is for the UK economy to grow by 2.5 per cent. in 2007, which is close to the long term trend for UK economic growth. Medium term prospects are for a continuation of low inflation and low interest rates with growth in the UK gross domestic product remaining close to its long term trend of around 2.5 per cent. per annum.

The Investment Manager anticipates some slowing of performance for UK commercial property over the next 12 to 18 months after the strong returns in 2004, 2005 and 2006. Improving fundamentals in many office markets are expected to lead to increasing rental values and further office sector capital growth over the short to medium term.

Over the short term the Investment Manager expects a reduction in retail sector returns, particularly in high street shops. Industrial property should continue to deliver satisfactory income returns, particularly in areas where supply is constrained.

The Directors believe that the stable UK economic outlook will continue to underpin positive returns in the UK commercial property market over the next few years. The Directors also believe that the diversification in the Combined Property Portfolio together with the average lease length, covenant profile and prospects for letting of current voids should give the Company income stability over the first financial period and over the medium term.

#### **Capital structure**

##### *Share capital and duration*

The Company's share capital structure consists solely of Ordinary Shares. The Company does not have a fixed life. At the annual general meeting of the Company held in 2016, the Directors will propose an ordinary resolution for the continuation of the Company. If the continuation resolution is not passed, the Directors will be obliged to convene an extraordinary general meeting within six months to consider the winding up of the Company or a reconstruction of the Company which offers all Shareholders the opportunity to realise their investment. If the continuation resolution is passed, the Directors will propose a similar resolution at the annual general meeting of the Company five yearly thereafter.

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

The Directors have authority to allot all of the authorised but unissued share capital of the Company. Such authority shall only be exercised at prices which are not less than the published net asset value of the Ordinary Shares. If the Proposals are approved by Shareholders, the authorised share capital of the Company will be increased to £350 million comprising 1.4 billion Ordinary shares of 25p each.

### Borrowings

The Company has the power under its Articles to borrow an amount up to 65 per cent. of the Group's gross assets as defined in its Articles (equal to up to 186 per cent. of the Group's net assets). It is the present intention of the Directors that such borrowings will be limited to a maximum of 10 per cent. of the Group's net assets at the time of drawdown. No borrowings will be incurred to finance the acquisition of the New Property Portfolio.

### Dividend policy

It is the Directors' intention to pay an attractive level of dividend income to Shareholders on a quarterly basis. The Directors intend to set the proposed level of dividend after taking into account the long term income return of the Property Portfolio, the diversity and covenant strength of the tenants and the length of the leases of the Properties. In accordance with typical accounting policies for investment companies, the Directors expect that they will effectively charge a proportion of the Group's expenses to capital. Dividends will not be paid out of surpluses arising on the realisation of investments.

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

The Directors expect that, on the basis of the Assumptions and in the absence of unforeseen circumstances, the Company will pay gross dividends totalling 6.70p\* per Ordinary Share in respect of the period from 22 September 2006, the date of the First Issue, to 31 December 2007.

It is intended that the second interim dividend in respect of the three month period from 1 January 2007 to 31 March 2007, which was expected to be paid in May 2007, will be split into a second interim dividend and a third interim dividend both of which will be paid on the same day in May 2007. It is expected that the second interim dividend and third interim dividend will in aggregate amount to 1.3125p per share\*.

Existing Shareholders will qualify for payment of both the second and third interim dividends in respect of their existing holdings of Ordinary Shares and the third interim dividend in respect of any holdings of new Ordinary Shares. New Shareholders will only qualify for the third interim dividend in respect of their holdings of new Ordinary Shares. The respective amounts of such dividends will reflect the fact that the new Ordinary Shares will be issued part way through the second quarter of the Company's financial year ending 31 December 2007. On the assumption that Admission occurs on 1 March 2007, the Directors expect that the second interim dividend will be 0.8604p\* per Ordinary Share and the third interim dividend will be 0.4521p\* per Ordinary Share. It is expected that the record date for the second interim dividend will be 23 February 2007. Accordingly, the Directors expect that, on the basis of the Assumptions and in the absence of unforeseen circumstances, the Company will pay gross dividends totalling 4.3896p\* per new Ordinary Share in respect of the period from 1 March 2007 to 31 December 2007, representing an equivalent annual gross dividend of 5.1 per cent.\* on the Issue Price of 103p per new Ordinary Share. Save as referred to above, the new Ordinary Shares will rank *pari passu* in all respects with the existing Ordinary Shares.

No UK tax credits will be attached to dividends paid to Ordinary Shareholders. For further information on the tax treatment of an investment in the Company, please refer to the paragraphs headed "Taxation" on pages 23 to 26 of this document.

It is expected that the dividends in respect of this period will be paid as follows:

Ex-dividend	Payment month	Gross amount per Ordinary Share*
February 2007	March 2007	1.45p†
February 2007	May 2007	0.8604p†
May 2007	May 2007	0.4521p
August 2007	August 2007	1.3125p
November 2007	November 2007	1.3125p
February 2008	February 2008	1.3125p
	TOTAL	6.70p

\* These forecasts relate to dividends only, are not profit forecasts and are based on the Assumptions.

† New Shareholders will not be entitled to receive these dividends in respect of the new Ordinary Shares.

In the absence of capital and/or income growth in the Property Portfolio, the expected dividend policy of the Company will lead to a reduction in the net asset value per Ordinary Share.



### **Net asset value**

As at 31 December 2006, the unaudited net asset value of an Ordinary Share (calculated under International Financial Reporting Standards and after providing for the proposed dividend in respect of the period to 31 December 2006), was 100.11p, an increase of 3.0 per cent. over the net asset value of 97.2p immediately following the launch of the Company. This figure is 0.2p higher than the unaudited net asset value published on 9 January 2007 as a result of a provision for costs being reduced and the recognition of additional rental income received in the JPUT up to 31 December 2006.

Further information on the financial performance of the Group over the period to 31 December 2006 is set out in Part 5 of this document.

On the basis of the Assumptions and after taking into account the costs of the Proposals (including the costs of the acquisition of the New Property Portfolio), it is expected that the acquisition of the New Property Portfolio will not have a dilutive effect on the net asset value of an Ordinary Share. It is estimated that, on the basis of the Assumptions and following the Acquisition, the capital value of the Property Portfolio will need to increase by an average rate of approximately 1.5 per cent. per annum for the published net asset value of an Ordinary Share to equal the Issue Price of 103p in September 2016, being the tenth anniversary of the launch of the Company. It is estimated that, on the basis of the Assumptions and following the Acquisition, the capital value of the Property Portfolio will need to increase by an average rate of approximately 1.2 per cent. per annum for the published net asset value of an Ordinary Share to equal 100p, being the issue price under the First Issue, in September 2016. It is further estimated that, on the assumption of no growth in the Estimated Net Annual Rent or market value of the Property Portfolio and otherwise on the basis of the Assumptions, the published net asset value of an Ordinary Share would be 88.3p in September 2016.

It should be noted that the Assumptions are only assumptions and may not be realised. A number of the Assumptions are based on estimates prepared by the Investment Manager. The Assumptions are not a guarantee of performance. Neither the information in the paragraph above nor the Assumptions has been audited. Potential investors should consider the risk factors relating to the Company set out on pages 6 to 8 of this document.

### **Discount policy and share buy backs**

The Directors have authority to buy back up to 14.99 per cent. of the Company's current Ordinary Shares in issue and will seek annual renewal of this authority from Shareholders. Any buy back of Ordinary Shares will be made subject to Guernsey law and within guidelines established from time to time by the Board (which will take into account the income and cash flow requirements of the Company) and the making and timing of any buy backs will be at the absolute discretion of the Board.

Purchases of Ordinary Shares will only be made through the market for cash at prices below the prevailing published net asset value of an Ordinary Share (as last calculated) where the Directors believe such purchases will enhance shareholder value. Such purchases will also only be made in accordance with the rules of the UK Listing Authority which provide that the price to be paid must not be more than five per cent. above the average of the middle market quotations for the Ordinary Shares for the five business days before the purchase is made.

The Company may retain any Shares bought back as treasury shares for future re-issue and re-sale or transfer or may cancel any such Shares. During the period when the Company holds Shares as treasury shares, the rights and obligations in respect of those Shares may not be exercised or enforced by or against the Company. The maximum number of Shares that can be held as treasury shares by the Company is 10 per cent. of the aggregate nominal value of all of the issued Ordinary Shares. Ordinary Shares held as treasury shares will only be re-issued, re-sold or transferred at prices which are not less than the published net asset value of an Ordinary Share.

It is the intention of the Directors that the share buy back authority will be used to purchase Ordinary Shares (subject to the income and cash flow requirements of the Company) if the share price of an Ordinary Share is more than 5 per cent. below the published net asset value for a continuous period of 20 dealing days or more. In the event that such discount is more than 5 per cent. for 90 dealing days or more, the Directors will convene an extraordinary general meeting to be held within three months to consider an ordinary resolution for the continuation of the Company. If this continuation resolution is not passed, the Directors will convene a further extraordinary general meeting to be held within six months of the first extraordinary general meeting to consider the winding up of the Company or a reconstruction of the Company which offers all Shareholders the opportunity to realise their investment. If any such initial continuation resolution is passed, this discount policy, save in respect of share buy backs, would not apply for a period of one year thereafter.

## Part 2

### Additional Information

#### Group structure

##### *The Company*

The Company is an investment company without a fixed life. The share capital of the Company, consisting solely of Ordinary Shares, is listed on the Official List and traded on the main market of the London Stock Exchange. Immediately following the acquisition of the New Property Portfolio, the issued share capital of the Company will comprise 880 million Ordinary Shares.

##### *The Property Subsidiary*

The Property Subsidiary is the principal property investment holding company for the Company and will acquire properties and indirect property holdings in accordance with the Company's investment objective and policy. The Company has agreed to fund the Property Subsidiary by way of share and/or loan capital in amounts to be determined from time to time. The Property Subsidiary will acquire the New Property Portfolio under the Acquisition Agreement.

The Property Subsidiary is a Guernsey incorporated company, which is wholly owned by the Company. Its directors are the same as those of the Company and the Company is able to control the investment policy of the Property Subsidiary to ensure that it complies with the investment policies of the Company and the investment restrictions that apply to the Company. The Property Subsidiary is also a party to the Investment Management Agreement and the Administration and Secretarial Agreement.

##### *The GP*

The GP acts as an investment holding company for the Company and as the general partner of the GLP. The GP, as general partner of the GLP, holds investments in accordance with the Company's investment objective and policy. The Company has agreed to fund the GP by way of share and/or loan capital in amounts to be determined from time to time.

The GP is a Guernsey incorporated company, which is wholly owned by the Company. Its directors are the same as those of the Company and the Company is able to control the investment policy of the GP to ensure that it complies with the investment policies of the Company and the investment restrictions that apply to the Company. The GP is also a party to the Investment Management Agreement.

##### *The GLP*

The GLP is a Guernsey limited partnership established on 6 September 2006 by the GP, the Property Subsidiary and The Droit Purpose Trust, a Jersey purpose trust. The GP is the general partner of the GLP and has a partnership interest of one per cent. in the GLP. The Property Subsidiary is a limited partner of the GLP and has a partnership interest of 98.99 per cent. The Droit Purpose Trust is a limited partner of the GLP and has a partnership interest of 0.01 per cent. The GLP holds the Properties comprised in the Existing Property Portfolio and 99.5 per cent. of the units in the JPUT. The Property Subsidiary holds the remaining 0.5 per cent. of the units in the JPUT.

The objective of the GLP is to hold the Properties comprised in the Existing Property Portfolio and units in the JPUT for investment purposes in accordance with the investment objective and policy of the Group and subject to the overall supervision and direction of the Board. Under the partnership agreement of the GLP, the GP, as the general partner of the GLP, is required to act in accordance with, and to ensure that the GLP is managed so that it conforms with, the Company's investment policies and the related requirements that apply to the Company under the Prospectus and the Listing Rules. The GLP is also a party to the Investment Management Agreement.

##### *The JPUT*

The JPUT was established in March 2006 to hold the Property at Kensington High Street, London. 99.5 per cent. of the units in the JPUT are held by the GLP and 0.5 per cent. of the units in the JPUT are held by the Property Subsidiary. The trustees of the JPUT are Dominion Corporate Trustees Limited and Dominion Trust Limited. The Investment Manager is the property manager and investment adviser to the JPUT.

The objective of the JPUT is to hold the Property at Kensington High Street, London for investment purposes in accordance with the investment objective and policy of the Group and subject to the overall supervision and direction of the Board. Under its trust instrument, the trustees of the JPUT are required to ensure that the JPUT is managed so that it conforms with the Company's investment policies and the related requirements that apply to the Company under the Prospectus and the Listing Rules. The Board, through the Group's holding of all units, is able to remove the trustees at any time.

### *Further subsidiaries and investment structures*

The structure to be used for any future acquisition of property assets will be reviewed at the time of acquisition and the Group may invest in property assets by means of any structure which is considered to be appropriate in the circumstances of the proposed acquisition. Accordingly, the Company may, without limit, incorporate further subsidiaries to hold property assets or may acquire the share capital of companies, partnership interests in partnerships or units in unit trusts (or similar vehicles) which own one or more properties, all of which would be wholly owned by the Group. The Group will also be permitted to forward fund purchases of properties, make development loans and acquire options over properties.

### **Directors**

The Directors, all of whom are non-executive and, other than Mr Robertson, independent of the Investment Manager, are responsible for the determination of the investment policy of the Group and its overall supervision. The Directors are as follows:

**Christopher Hill** (Chairman) (54). Christopher Hill is a resident of Guernsey. He is an Associate of the Chartered Institute of Bankers and was managing director of Guernsey International Fund Managers Limited, part of the Barings Financial Services Group, for 8 years prior to its sale in 2005 to Northern Trust. He has over 30 years' experience in the field of offshore banking and fund administration and is a past Chairman of the Guernsey Investment Funds Association. He is Chairman of Close Fund Management Portfolios II PCC Limited and Investec Capital Accumulator Trust Limited, both listed in London.

**Keith Dorrian** (60). Keith Dorrian is a resident of Guernsey. He has over 30 years' experience in the offshore finance industry. He joined Manufacturers Hanover in 1973 before moving to First National Bank of Chicago in 1984. In 1989 he joined ANZ Bank (Guernsey) where as a director of the bank and fund management company he was closely involved in the banking and fund management services of the group. He took up the position of manager, corporate clients in Bank of Bermuda, Guernsey in 1999 and was appointed Guernsey head of global fund services and managing director of the bank's Guernsey fund administration company in 2001, retiring on 31 December 2003. He is currently a director of a number of funds and fund management companies including a property company listed on the Alternative Investment Market of the London Stock Exchange and one listed on Euronext, Amsterdam.

**Christopher Fish** (61). Christopher Fish is a resident of Guernsey. He recently retired as Managing Director of Close International Private Banking. Mr Fish has over 30 years' experience in offshore banking, asset management, treasury, trust services and fund administration. Mr Fish is non-executive Chairman of Close International Asset Management Holdings Limited and Close International Bank Holdings Limited and is Chairman of Teesland Advantage Property Income Trust Limited, a property investment company which is listed in London.

**John Robertson** (54). John Robertson is a resident of the UK. Mr Robertson has over 30 years' experience in investment management in a variety of roles, and is currently Head of Governance at Resolution Investment Services Limited with responsibility for the risk, compliance and internal audit departments. He is a current director of several hedge funds, including Resolution World Sector Fund Limited, which is listed on the Irish Stock Exchange. He is also a director of Resolution International Funds plc and Resolution Alternative Funds plc, both open ended investment companies with variable capital listed on the Irish Stock Exchange. He is a Fellow of the Chartered Association of Certified Accountants.

**Andrew Wilson** (52). Andrew Wilson is a resident of the UK. He was formerly with Richard Ellis, Royal Insurance as chief surveyor and he joined Rugby Securities as a director in 1987. He was a founder director of Rugby Estates plc in 1990 and has been chief executive officer since its flotation in 1994. Rugby Estates plc was listed on the Official List and recently moved to the Alternative Investment Market of the London Stock Exchange.

Mr Robertson, as an employee of the Investment Manager, is not independent. Mr Robertson is not a member of the audit committee or the management engagement committee of the Company. Mr Robertson is also subject to re-election by Shareholders at every annual general meeting.

### **Investment Manager**

#### *Resolution Group*

Resolution plc is London listed with a market capitalisation of £4.5 billion. Resolution plc is the largest specialist manager of UK life funds with approximately 7 million policies and combined life company assets of around £56 billion. Resolution plc acquired the UK and offshore life insurance businesses of Abbey National plc in September 2006.

#### *Resolution Investment Services Limited*

Resolution Investment Services Limited is a wholly owned asset management subsidiary of Resolution plc. It manages assets on behalf of a wide range of clients. The Investment Manager and its associates within the asset management division of the Resolution Group currently have approximately £60 billion of assets under management, of which approximately £2.9 billion are commercial property assets. The Investment Manager

manages the commercial property assets of Resolution plc (including the assets of the Phoenix life companies and the Resolution Group Pension Scheme) and also manages ResolutionAsset UK Property Fund, an authorised unit trust with net assets of approximately £675 million.

#### *Key personnel*

The property team of the Investment Manager comprises 9 investment professionals. The key property personnel who are responsible for managing the Property Portfolio are:

**John Wilson** (54), BSc, MRICS, is Head of Property at Resolution Asset Management and has overall responsibility for RAM's property funds under management. He is a chartered surveyor with 22 years' investment experience. He joined Resolution Asset Management in September 1991 to establish the property investment capability at Resolution Asset Management after several years with Scottish Amicable Investment Managers where he was a fund manager.

**Gary Hutcheson** (46), BSc, Dip. Prop. Inv, MRICS, is an investment manager at Resolution Asset Management and is the lead manager of the Company, with overall responsibility for the management of the Property Portfolio. He graduated from the University of Paisley in 1983 with a degree in Land Economics, qualifying as a Chartered Surveyor in 1984. He obtained experience in retail property development and investment with Norwich Union and Bredero Properties plc. He joined Resolution Asset Management in October 1991 and gained his postgraduate Diploma in Property Investment from Reading University in 1996. His current responsibilities include strategic management of the existing PALAL property portfolio.

**Robert Boag** (42), BSc, MRICS, is an asset manager at Resolution Asset Management and assists the lead manager of the Company. He graduated from the University of Paisley in 1986 with a degree in Land Economics. He has several years' experience operating as a property asset/investment manager throughout the UK with Scottish Metropolitan and Haslemere Estates. He joined Resolution Asset Management in 2006.

#### *Investment Management Agreement*

The Group has entered into the Investment Management Agreement with the Investment Manager under which the Investment Manager has been appointed with responsibility for the management of the Group's assets, subject to the overall supervision of the Directors, and to provide certain administrative services to the Group. The Investment Manager manages the Group's investments in accordance with the policies laid down by the Directors and in accordance with the investment restrictions referred to in the Investment Management Agreement and the Prospectus.

Under the Investment Management Agreement, the Investment Manager receives an aggregate annual fee from the Group, payable quarterly in arrears, at the rate of 0.75 per cent. per annum of the Total Assets plus an administrative fee of £100,000 per annum (which will increase annually in line with inflation). The fees of any managing agents appointed by the Investment Manager are payable out of this fee. The Investment Manager is entitled to retain any commissions received by it in respect of insurance put in place on behalf of the Group. The Investment Management Agreement is for a fixed initial period of two years from the date of the First Issue and, with effect from the first anniversary of the date of the First Issue, is terminable by any of the parties to it on 12 months' notice. Further details of the Investment Management Agreement are set out in paragraph 5.1 of Part 6 of this document.

#### *Conflicts of interest*

The Investment Manager and its officers and employees may be involved in other financial, investment or professional activities, that may on occasion give rise to conflicts of interest with the Group. In particular, the Investment Manager may provide investment management, investment advice or other services in relation to a number of funds that may have similar investment policies to that of the Group. The Investment Manager will have regard to its obligations under the Investment Management Agreement or otherwise to act in the best interests of the Group, so far as is practicable having regard to its obligations to other clients or funds, should potential conflicts of interest arise.

The Investment Manager has in place an allocation policy to ensure that it is able to resolve fairly any potential conflicts between the various property funds that it manages. This policy will generally allocate an investment opportunity to the fund whose investment criteria most closely match the investment opportunity.

The Group may acquire properties from or sell properties to members of the Resolution Group or persons or funds managed by members of the Resolution Group subject to the investment restrictions set out on page 26 of this document and the requirements of the Listing Rules in relation to related party transactions which, in certain cases, will require Shareholders' approval to such transactions. In any event, the Group will not carry out any such transaction unless it has been approved by the Board.

The information relating to the Resolution Group and the Investment Manager has been sourced from the Investment Manager.

### *Property manager*

The Investment Manager has appointed DTZ Debenham Tie Leung Limited to act as managing agents of the Property Portfolio. In addition to the investment management services to be provided by the Investment Manager and subject to the supervision of the Investment Manager, DTZ Debenham Tie Leung Limited is responsible for providing property management services in respect of the Property Portfolio as delegated to it by the Investment Manager. The fees payable to DTZ Debenham Tie Leung Limited are payable by the Investment Manager out of the fee paid to it under the Investment Management Agreement.

### **Administration and secretarial arrangements**

Northern Trust International Fund Administration Services (Guernsey) Limited has been appointed as administrator, registrar and secretary pursuant to the Administration and Secretarial Agreement. In such capacity, the Administrator is responsible for general secretarial functions required by the Law and for ensuring that the Company complies with its continuing obligations as a company listed on the Official List. The Administrator is also be responsible for the Company's general administrative functions as set out in the Administration and Secretarial Agreement.

The Administrator receives a fee of £55,000 per annum, payable quarterly in arrears. The Administration and Secretarial Agreement can be terminated by either party on 90 days' prior notice. Further details of the Administration and Secretarial Agreement are set out in paragraph 5.2 of Part 6 of this document.

The Company utilises the services of Computershare Investor Services PLC as its agent in relation to the transfer and settlement of Shares held in uncertificated form and as UK transfer agent.

Solicitors appointed by the Group will hold the property deeds on behalf of the Group.

### **Annual expenses**

The principal annual expenses of the Group will be the fees payable to the Investment Manager, the Administrator, the Valuer and the Directors. The Group will also incur regulatory fees, insurance costs, professional fees, audit fees and other expenses. On the basis of the Assumptions and following the Acquisition, it is estimated that the total expenses of the Group for the period from Admission to 31 December 2007 (excluding the Issue Costs, capital expenditure and refurbishment and irrecoverable property running costs, but including irrecoverable VAT) will reduce to 0.90 per cent. per annum of the Total Assets, annualised over this period.

### **Accounting policy**

The audited accounts of the Group will be prepared under International Financial Reporting Standards ("IFRS"). Financial statements prepared by the Company in accordance with IFRS will include an income statement, which is not required to differentiate between revenue and capital items and which also includes realised and unrealised investment gains/losses. The Company's management and administration fees, finance costs and all other expenses will be charged through the income statement.

### **Shareholder information**

The Company's annual report and accounts (which will consolidate the accounts of the Group) will be prepared up to 31 December each year and it is expected that copies will be sent to Shareholders in the following March. Shareholders will also receive an unaudited interim report covering the six months to 30 June each year, expected to be despatched in the following August. The first financial period of the Group will cover the period ending 31 December 2007. The first financial report and accounts that Shareholders will receive will be the unaudited interim report for the period ending 30 June 2007.

Properties are valued by an external valuer quarterly in accordance with The Royal Institution of Chartered Surveyors' Appraisal and Valuation Standards. The net asset value attributable to the Ordinary Shares is published quarterly based on the properties' most recent valuation and under IFRS. The net asset value will be calculated by the Investment Manager and published through a Regulatory Information Service as soon as practicable after the end of the relevant quarter.

### **Corporate governance**

All of the Directors, other than Mr Robertson, are members of the audit committee. The terms of reference of the audit committee include reviewing the annual report and accounts and the interim report and considering the appointment and remuneration of the auditors of the Company.

All of the Directors, other than Mr Robertson, are members of the management engagement committee. The management engagement committee considers the appointment and remuneration of the Investment Manager.

The Company does not have a remuneration committee.

There are no specific corporate governance requirements in Guernsey. However, the Company will comply with the Combined Code to the extent applicable to investment companies and as required by the Listing Rules.

## Relationship with the Resolution Group

PLL, a wholly owned subsidiary of Resolution, currently owns the New Property Portfolio. The Group has, conditional on the Proposals being approved by Shareholders and on the admission of the new Ordinary Shares to the Official List of the UK Listing Authority, agreed with PLL to acquire the New Property Portfolio. The consideration for the New Property Portfolio will be £341,412,000. The consideration is payable in a mixture of cash and the issue at the Issue Price of the Consideration Shares, being 253 million new Ordinary Shares.

As at the date of this document PALAL, a wholly owned subsidiary of Resolution, and PLL also own 347,780,000 Ordinary Shares and 30,220,000 Ordinary Shares respectively. Clients of the Investment Manager may also acquire up to £30 million worth of new Ordinary Shares under the Issue, being approximately 29 million new Ordinary Shares. Accordingly, following the Acquisition, subsidiaries of Resolution will own or control up to approximately 75.0 per cent. of the issued share capital of the Company. PALAL and PLL have both indicated that their holding of Ordinary Shares will form a core part of their respective property portfolios.

PALAL and PLL have each entered into the Relationship Agreement with the Company which provides, *inter alia*, that, for so long as PALAL, PLL and their associates exercise, or control the exercise of, 30 per cent. or more of the voting rights of the Company, they will not, and will procure that their associates will not:

- (i) seek to nominate directors to the Board who are not independent of the Resolution Group save that they shall be permitted to nominate one director to the Board (and replace such nominee) that is not independent of the Resolution Group;
- (ii) take, in their capacity as a beneficial holder of any Ordinary Shares, any action which would be detrimental to the general body of Shareholders;
- (iii) take any action which may result in the Investment Manager or any of the Directors not being able to carry out its or their duties independently of the Resolution Group; or
- (iv) permit any member of the Resolution Group to enter into any transaction or relationship with the Group other than at an arm's length and on a normal commercial basis.

For this purpose, any action which has the support or recommendation of a majority of the Directors, or voting by any member of the Resolution Group at any general meeting convened by the Board, shall be deemed not to be detrimental. Full details of the Relationship Agreement are set out in paragraph 5.7 of Part 6 of this document.

The Board of the Company comprises four independent Directors and one non-independent Director. The Board has overall responsibility for the Company's activities and supervises the relationship between the Company and the Resolution Group as the majority shareholder.

Resolution owns 100 per cent. of the issued share capital of the Investment Manager. The Board has established a management engagement committee (the "Management Engagement Committee") consisting of all of the directors, other than the non-independent Director, Mr Robertson. The Management Engagement Committee is responsible for supervising the Investment Manager's performance of its duties under the Investment Management Agreement.

The Directors are of the opinion that the Company will be at all times capable of carrying on its business independently of PALAL, PLL and the Investment Manager and that all transactions and relationships between the Company and PALAL, PLL and the Investment Manager are, and will be, at an arm's length and on a normal commercial basis.

## The Issue

### *General*

The Company is offering 97 million new Ordinary Shares under the Issue. The Issue comprises the Placing and the Offer for Subscription. The Issue, which is not underwritten, is conditional upon admission of the new Ordinary Shares to the Official List and to trading on the London Stock Exchange becoming effective, and on 97 million new Ordinary Shares being subscribed for under the Issue and the Proposals being approved by Shareholders.

No commission is payable to new investors under the Issue.

The Directors intend to apply the net proceeds of the Issue to acquire the New Property Portfolio and to pay the Issue Costs.

The Directors believe that the profile of a typical investor in the Company is an institution or professionally advised individual who is seeking income and capital growth from investing in a diversified portfolio of commercial property and who understands and accepts the risks inherent in the Company's investment policy. The Issue and the issue of the Consideration Shares will result in a dilution to the percentage holdings of Ordinary Shares of Existing Shareholders of 40 per cent.

The new Ordinary Shares will be issued at an issue price of 103p.

### *Placing*

G&N has agreed to use its reasonable endeavours to procure places in the Placing for 97 million new Ordinary Shares, which will raise approximately £99.9 million based on the Issue Price.

### *Offer for Subscription*

The Directors are also proposing to offer new Ordinary Shares under the Offer for Subscription.

Investors (save for certain overseas investors) may apply for new Ordinary Shares through the Offer. The aggregate subscription price is payable in full on application. Individual applications must be for a minimum of 3,000 new Ordinary Shares with a minimum aggregate value at the Issue Price of £3,090 and applications in excess of that amount should be made in multiples of 1,000 new Ordinary Shares.

The procedure for, and the terms and conditions of, application under the Offer for Subscription are set out at the end of this document and an application form for use under the Offer for Subscription is attached.

Completed application forms in relation to the Offer for Subscription must be posted or delivered by hand (during normal business hours) to Computershare Investor Services PLC, PO Box 859, The Pavilions, Bridgwater Road, Bristol BS99 1XZ so as to be received by 11.00 a.m. on 23 February 2007.

### *Scaling back*

A maximum of 97 million new Ordinary Shares are available under the Placing and Offer for Subscription. In the event that commitments under the Placing and valid applications under the Offer reach 97 million new Ordinary Shares, no further commitments or applications will be accepted and the Placing and Offer will be closed.

The result of the Issue will be announced immediately prior to Admission through a Regulatory Information Service. The balance of subscription monies in the event of scaling back will be posted to applicants by cheque at the applicant's own risk.

### *Fractions*

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

### *Listing and dealing*

It is expected that the new Ordinary Shares will be admitted to the Official List and to trading on the main market of the London Stock Exchange on 1 March 2007. No dealings will commence before this date.

New Ordinary Shares issued pursuant to the Issue will be issued in registered form and may be held either in certificated form or settled through CREST. It is expected that definitive certificates in respect of the new Ordinary Shares will, where requested or where required by law, be despatched by 9 March 2007. Temporary documents of title will not be issued. Pending despatch of such certificates, transfers will be certified against the register. The Issue cannot be revoked after dealings have commenced on 1 March 2007. The ISIN number for the new Ordinary Shares is GB00B19Z2J52.

### *Issue Costs*

Issue Costs (which include the costs of the acquisition of the New Property Portfolio, including stamp duty land tax of £13.7 million) will be £19.1 million.

### *Overseas investors*

The new Ordinary Shares have not been, nor will be, registered under the United States Securities Act of 1933, as amended (the "Securities Act") or under the securities legislation of any state or other political sub-division of the United States and the relevant clearances have not been and will not be, obtained from the securities commission of any province or territory of Canada, Australia or Japan and they may not, subject to certain exceptions, be offered or sold directly or indirectly in, into or within the USA, Canada, Australia or Japan or to, or for the account or benefit of, a US Person (as defined in the Securities Act) or any national, citizen or resident of the USA, Canada, Australia or Japan. This document does not constitute an offer to sell or issue, or the solicitation of an offer to purchase or subscribe for, new Ordinary Shares in any jurisdiction in which such offer or solicitation is unlawful.

The making of the Offer to overseas investors may be affected by the laws or regulatory requirements of relevant jurisdictions. Overseas investors who wish to subscribe for new Ordinary Shares under the Offer are referred to paragraphs 22 and 23 of the Terms and Conditions of Application under the Offer set out at the end of this document. Potential investors who are in any doubt as to their position in this respect are strongly recommended to consult their own professional advisers as soon as possible.

## Extraordinary General Meeting

The Proposals are conditional on the approval of Shareholders. An Extraordinary General Meeting has been convened for 11.00 a.m. on Tuesday, 27 February 2007 at which an ordinary resolution will be proposed:

- (i) to approve the proposed acquisition by the Property Subsidiary of the New Property Portfolio;
- (ii) to approve the issue by the Directors of 350 million new Ordinary Shares in connection with the Placing and Offer and the Acquisition, including the issue under the Issue of up to £30 million worth of new Ordinary Shares to clients of the Investment Manager at the Issue Price; and
- (iii) subject to the Proposals becoming effective, to increase the authorised share capital of the Company to £350 million by the creation of an additional 650 million Ordinary Shares.

Save in relation to the allotment of new Ordinary Shares in connection with the Proposals, the Directors have no present intention of issuing any further Ordinary Shares.

PALAL and PLL, which hold in aggregate approximately 71 per cent. of the issued Ordinary Shares, have agreed to abstain from voting at the Extraordinary General Meeting and have undertaken to take all reasonable steps to ensure that their associates will not vote on such resolution.

## Taxation

The information below, which is of a general nature only and which relates only to United Kingdom and Guernsey taxation, is applicable to the Company, the Property Subsidiary and the GP and to persons who are resident or ordinarily resident in the United Kingdom (except where indicated) and who hold Ordinary Shares as an investment. It is based on existing law and practice and is subject to subsequent changes therein. Any change in the Company's, the Property Subsidiary's or the GP's tax status or in taxation legislation in Guernsey or the United Kingdom or any other tax jurisdiction affecting Shareholders or investors could affect the value of the investments held by the Company, the Property Subsidiary or the GP or affect the Company's ability to achieve its investment objective for the Ordinary Shares or alter the post tax returns to Shareholders. If you are in any doubt as to your tax position, you should consult your own professional adviser without delay.

### (i) The Group

The Company, the Property Subsidiary and the GP will apply on an annual basis for tax exempt status in Guernsey pursuant to the Income Tax (Exempt Bodies) (Guernsey) Ordinance 1989. The Administrator of Income Tax in Guernsey has confirmed, based on the proposed activities, that the Company, the Property Subsidiary and the GP will qualify. As exempt companies they will be taxable in Guernsey on local source income only, excluding bank interest. It is not anticipated that any income other than bank interest will arise in Guernsey and therefore there will be no tax in Guernsey. A fee (currently £600 per annum) is payable in respect of each company's exempt status.

No charge to Guernsey taxation will arise on capital gains.

It is the intention of the Directors to conduct the affairs of the Group so that the management and control of the Company, the Property Subsidiary and the GP is not exercised in the United Kingdom and so that none of them is resident in the United Kingdom for taxation purposes and so that none of them carries on any trade in the United Kingdom (whether or not through a permanent establishment situated there). Accordingly, the Company, the Property Subsidiary and the GP will not be liable for United Kingdom taxation on their income or gains other than certain income deriving from a United Kingdom source.

Each of the Property Subsidiary and the GP will be subject to United Kingdom income tax on income arising on the Property Portfolio after deduction of its debt financing costs and allowable expenses (or those of the GLP). The Property Subsidiary, the GP and the trustees of the JPUT have applied to HM Revenue and Customs ("HMRC") and been granted approval to receive rental income gross.

The GLP will be treated as transparent for the purposes of Guernsey taxation. Accordingly, the underlying business activity of the GLP will be treated as being carried on by the partners, rather than by the GLP. The profits or losses of the property rental business will be apportioned out to the partners in accordance with the profit-sharing ratios in force.

As all of the partners in the GLP will be non-UK resident, the GLP will not be resident in the UK for UK tax purposes.

It is understood that HMRC accept that, generally, a Guernsey limited partnership is to be transparent for UK tax purposes, so that, as described above, the activities of the partnership will be treated as being carried on by the partners, rather than the firm. Accordingly, all income arising to the GLP will be treated, for the purposes of UK taxation, as arising to the partners in proportion to their respective interests in the GLP's profits.



Provided the partners are not regarded as being resident in the UK, nor deemed to be carrying on a trade in the UK through a permanent establishment, their exposure to UK direct taxation will be limited to income tax on any UK source income and any UK tax deducted at source on UK source income. Interest on cash deposited from time to time with UK banks will not, under current legislation, be chargeable to UK taxation.

Non-UK resident partners in a non-UK resident partnership will not be within the UK charge to tax on capital gains unless the partnership is trading in the UK through a permanent establishment, in which case UK tax is chargeable on disposals of assets situated in the UK.

In November 2002, the Advisory and Finance Committee (now the Policy Council) of the States of Guernsey announced a proposed framework for a structure of corporate tax reform within an indicative timescale. The proposals, which were approved by the States at the end of June 2006, confirm the earlier recommendations that the general rate of income tax paid by Guernsey companies (save for a few specified types of banking business) would be reduced to 0 per cent. in respect of the tax year 2008 and subsequent years, and that exempt status would be abolished for the majority of companies. However, the States of Guernsey Administrator of Income Tax has advised that it is intended that collective investment schemes and close ended investment vehicles will continue to be able to apply for exempt status for Guernsey tax purposes after 31 December 2007. The Company will therefore be able to continue to apply for exempt status. Detailed legislation in respect of the proposals has yet to be enacted. The States is expected to confirm further details in Spring 2007.

The Policy Council has stated that it may consider further revenue raising measures in 2011/2012, including possibly the introduction of a goods and services tax, depending on the state of Guernsey's public finances at that time.

The changes, if implemented, will mean that the Company will be able to continue to apply for exempt status and the Property Subsidiary and the GP will become Guernsey resident companies subject to a zero rate of Guernsey tax. No further changes are proposed that would impact upon the position of non-Guernsey resident Shareholders. Such holders will not be subject to Guernsey tax on the redemption or disposal of their holding of Ordinary Shares.

Guernsey does not levy taxes upon capital inheritances, capital gains, gifts, sales or turnover, nor are there any estate duties, save for an *ad valorem* fee for the grant of probate or letters of administration.

Document duty is payable on the creation or increase of authorised share capital at the rate of one half of one per cent. of the authorised share capital of a company incorporated in Guernsey up to maximum of £5,000 in the lifetime of a company. No stamp duty is chargeable in Guernsey on the issue, transfer, switching or redemption of Shares.

## (ii) Investors

### (a) *Taxation of Dividends on Ordinary Shares*

Ordinary Shareholders will receive dividends without deduction of Guernsey income tax. UK resident individual Ordinary Shareholders will be liable to income tax on the dividends received. No UK tax credit will be attached to dividends received by Ordinary Shareholders. UK resident corporate Ordinary Shareholders will be liable to corporation tax on dividends received from the Company.

The income tax charge in respect of dividends for United Kingdom resident individual Ordinary Shareholders, other than higher rate taxpayers, will be at the rate of 10 per cent. A higher rate taxpayer will be liable to income tax on dividends received from the Company (to the extent that, taking the dividend as the top slice of his income, it falls above the threshold for the higher rate of income tax) at the rate of 32.5 per cent. United Kingdom resident Ordinary Shareholders who are not liable to income tax on their income and those who hold their Ordinary Shares through a Personal Equity Plan or ISA will not be subject to tax on dividends.

Shareholders who are resident in Guernsey will incur Guernsey tax on any dividends paid on Ordinary Shares owned by them. The Company will be required to make a return to the Administrator of Income Tax of such particulars relating to any dividend paid to Guernsey resident Shareholders as the Administrator may require, including the names and addresses of the Shareholders and gross amounts of any distributions.

### (b) *Taxation of Capital Gains*

The Company, as a closed-ended investment company, should not as at the date of this Prospectus be treated as an "offshore fund" for the purposes of United Kingdom taxation. Accordingly, the provisions of sections 757 to 764 of the Income and Corporation Taxes Act 1988 (the "Taxes Act") should not apply. Any gains on disposals by UK resident or ordinarily resident holders of the Ordinary Shares may, depending on their individual circumstances, give rise to a liability to United Kingdom taxation on capital gains. Neither non-Guernsey resident nor Guernsey resident Ordinary Shareholders will suffer any liability to capital gains tax in Guernsey.

Any gains on disposals by individual Shareholders who are resident or ordinarily resident in the UK for taxation purposes may, depending on their individual circumstances, give rise to a liability to UK taxation on capital gains. Such Shareholders will benefit from an annual exemption which currently exempts the first £8,800 of any gains from charge to capital gains tax. The Ordinary Shares may attract taper relief depending on the overall period of holding of the Ordinary Shares.

Shareholders which are bodies corporate resident in the UK for taxation purposes may benefit from an indexation allowance which permits movements in the Retail Price Index to be taken into account in calculating capital gains.

(c) *Individual Savings Accounts*

Ordinary Shares will be eligible to be held in the stocks and shares component of an ISA, subject to applicable subscription limits, and provided the ISA manager has acquired the shares by purchase in the market or by application for shares publicly offered for sale or subscription. Accordingly, only Ordinary Shares acquired under the Offer (but not the Placing) will be eligible to be held in an ISA. Gains on, and dividends received in respect of, shares held within an ISA are exempt from capital gains tax and income tax.

It is the intention of the Directors that the Company will operate so as to ensure that the Ordinary Shares continue to qualify for inclusion within an ISA. Ordinary Shares acquired under the Offer (but not the Placing) or by purchase in the market will qualify for inclusion in existing Personal Equity Plans.

(d) *Stamp Duty and Stamp Duty Reserve Tax*

The following comments are intended as a guide to the general stamp duty and stamp duty reserve tax position and do not relate to persons such as market makers, brokers, dealers, intermediaries and persons connected with voluntary arrangements or clearance services, to whom special rules apply. No Guernsey or UK stamp duty, or stamp duty reserve tax, will be payable on the issue of the Ordinary Shares. Regardless of whether Ordinary Shares are held in certificated or uncertificated form, United Kingdom stamp duty (at the rate of 0.5 per cent. of the amount of the value of the consideration for the transfer rounded up where necessary to the nearest £5) is payable on any instrument of transfer of the Ordinary Shares executed within, or in certain cases brought into, the United Kingdom. On the basis that the Ordinary Shares will not be registered in any register of the Company kept in the United Kingdom, any agreement to transfer the Ordinary Shares will not be subject to United Kingdom stamp duty reserve tax. In the event of the death of a sole holder of Ordinary Shares, a Guernsey grant of probate or administration may be required in respect of which certain fees will be payable to the Ecclesiastical Registrar in Guernsey.

(e) *Other United Kingdom tax considerations*

The attention of individuals ordinarily resident in the United Kingdom is drawn to the provisions of sections 739 to 745 of the Taxes Act under which the income accruing to the Company may be attributed to such a shareholder and may (in certain circumstances) be liable to UK income tax in the hands of the shareholder. However, the provisions do not apply if such a shareholder can satisfy HMRC that, either:

- (1) the purpose of avoiding liability to UK taxation was not the purpose or one of the purposes of his investment in the Company; or
- (2) the investment was a *bona fide* commercial transaction and was not designed for the purpose of avoiding UK taxation.

As it is probable that the Company will be owned by a majority of persons resident in the UK, the legislation applying to controlled foreign companies may apply to any corporate Ordinary Shareholders who are resident in the UK. Under these rules, part of any undistributed income accruing to the Company, the Property Subsidiary or the GP may be attributed to such a shareholder, and may in certain circumstances be chargeable to UK corporation tax in the hands of the shareholder. However, this will only apply if the apportionment to that shareholder (when aggregated with persons connected or associated with them) is at least 25 per cent. of the Company's, the Property Subsidiary's or the GP's relevant profits. These provisions will not, however, apply so long as the Company, the Property Subsidiary and the GP follow an acceptable distribution policy (i.e. when each company distributes at least 90 per cent. of income profits arising in each accounting period). As it is the Group's policy to distribute substantially all income profits, it is anticipated that it will normally satisfy such requirement.

This paragraph applies only to Ordinary Shareholders who are resident or ordinarily resident in the UK and whose interest (when aggregated with persons connected with them) in the chargeable gains of the Company exceeds one-tenth. In the event that the Company would be treated as "close" if it were resident in the UK, then part of any chargeable gain accruing to the Company, the Property Subsidiary or the GP may be attributed to such a shareholder and may (in certain circumstances) be liable to UK tax on capital gains in the hands of the shareholder. The part attributed to the shareholder corresponds to the shareholder's proportionate interest in the Company.

(f) *EU Savings Directive*

Although not a Member State of the European Union, Guernsey in common with certain other jurisdictions has agreed to apply equivalent measures to those contained in the EU Savings Tax Directive (2003/48/EC), with the exception that the EU resident individual to whom interest is paid will suffer a retention tax on such payment (currently set at a rate of 15 per cent.) where they have not agreed to exchange certain information about their identity, residence and savings income with the tax authorities in their Member State of residence.

However, no retentions or exchanges of information under the EU Savings Directive are expected to apply to holdings of Ordinary Shares.

**Investment restrictions**

Subject as noted below, in accordance with the Listing Rules of the UK Listing Authority:

- (a) distributable income of the Group will be principally derived from investment (neither the Company nor any subsidiary will conduct a trading activity which is significant in the context of the Group as a whole);
- (b) save for the purpose of funding the Property Subsidiary, the GP, the GLP and other subsidiary undertakings in their capacities as the property holding companies of the Company, not more than 20 per cent. of the gross assets of the Company will be lent to or invested in the securities of any one company or group (including loans to or shares in the Company's own subsidiaries) at the time the investment or loan is made; for this purpose any existing holding in the company concerned will be aggregated with the proposed new investment;
- (c) dividends will not be paid unless they are covered by income received from underlying investments and/or interest on intra group loans and, for this purpose, a share of profit of an associated company is unavailable unless and until distributed to the Company;
- (d) the distribution as dividend of surpluses arising from the realisation of investments will be prohibited;
- (e) the Company will be a passive investor and will not (save in respect of the Property Subsidiary, the GP, the GLP or other subsidiary undertakings which may be established from time to time) seek to take legal or management control of any companies or businesses in which it invests; and
- (f) the Company will not be a dealer in investments.

As the Company is a property investment company for the purposes of the Listing Rules, subject as noted below, the following investment restrictions will be adhered to:

- (a) the borrowings of the Group (excluding intra group loans) shall not exceed 65 per cent. of the gross assets of the Group (consolidated where applicable);
- (b) no one property (including all adjacent or contiguous properties) shall at the time of Admission or, if later, at the time of acquisition, represent more than 15 per cent. of the gross assets of the Group (consolidated where applicable);
- (c) income receivable from any one 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;
- (d) at least 90 per cent. by value of properties held shall be in the form of freehold, heritable title or long leasehold (over 60 years remaining at the time of Admission or, if later, at the time of acquisition) properties or the equivalent;
- (e) the proportion of the 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; and
- (f) the Company shall not retain more than 15 per cent. of its net profits (before gains and losses on the disposal of properties and other investments).

A breach of any of the investment restrictions set out above will immediately be notified to Shareholders by means of a Regulatory Information Service announcement.

It should be noted that the UKLA is currently consulting on changes to the Listing Rules that would apply to the Company, including the investment restrictions referred to above. The Company intends to comply with the investment restrictions that will apply to the Company after any changes are made to the Listing Rules as a result of such consultation process.

## Principal bases and assumptions

The principal bases and assumptions used in this document (other than in Part 4 of this document and in relation to the working capital statement set out in paragraph 6.10 of Part 6 of this document) are that:

- (a) Admission occurs on 1 March 2007 and the New Property Portfolio is acquired as described in Section B of Part 3 of this document immediately prior to Admission;
- (b) the Total Assets immediately following Admission amount to £887 million;
- (c) 97 million new Ordinary Shares of the Company are issued pursuant to the Issue at an Issue Price of 103p per share and 253 million Consideration Shares are issued;
- (d) any borrowings of the Group will bear interest at 5.75 per cent. per annum and uninvested cash shall earn interest at the rate of 4.50 per cent. per annum;
- (e) the Issue Costs equal £19.1 million;
- (f) the annual running costs of the Group (including investment management and administration fees, directors' fees, insurance costs, professional fees and other costs of running the Group and irrecoverable VAT but excluding the Issue Costs, capital expenditure and refurbishment and irrecoverable property running costs) are 0.90 per cent. per annum of the Total Assets of the Group and are paid quarterly in arrears;
- (g) the Company pays dividends totalling 6.70p in respect of the financial period ending 31 December 2007 as described in Part 1 of this document and thereafter the Company pays an annual dividend in each financial year of 5.25p on each issued Ordinary Share in four equal instalments in May, August, November and February (these forecasts relate to dividends only and are not profit forecasts); and the issued share capital of the Company does not change following Admission;
- (h) neither the Company nor the Property Subsidiary incurs any material liability to taxation on income or gains and neither suffers any liability to UK withholding taxes;
- (i) all tenant leases are accounted for as operating leases and the income return on the Combined Property Portfolio is 4.99 per cent. on the Market Value;
- (j) Estimated Net Annual Rent of the Property Portfolio grows in line with IPD projections in respect of the period from Admission to 31 December 2011, save that the growth rate has been reduced where the Investment Manager believes that property specific matters justify a reduction, (such growth rates equalling an annualised rate over this period of 2.4 per cent. in respect of Properties in the retail sector, 3.4 per cent. in respect of Properties in the office sector and 1.8 per cent. in respect of Properties in the industrial sector) and thereafter Estimated Net Annual Rent of the Property Portfolio grows at 2.0 per cent. per annum;
- (k) the Property Portfolio does not change following Admission;
- (l) rent reviews (including rent reviews that are currently outstanding) and re-lettings are at the then (or current) Estimated Net Annual Rent or, if higher in relation to an existing lease, the current passing rent;
- (m) the value of the Property Portfolio is calculated in September 2016 on a basis that implies an outward shift in yields on the whole Property Portfolio of approximately 75 basis points, in respect of the growth required to return 103p, and 93 basis points, in respect of the growth required to return 100p, on average from the yield on which the value of the Properties comprised in the Property Portfolio was calculated as at 31 December 2006;
- (n) an allowance is made of 1.0 per cent. per annum of rental income to reflect loss of income through unexpected tenant defaults;
- (o) where voids currently exist in the Property Portfolio, there is a period of 12 months until re-letting occurs and where leases have a break option or leases expire within the next 10 years, there is a period of 12 months until re-letting occurs, save that there is a longer period until re-letting occurs where the Investment Manager believes that property specific matters justify a longer void period;
- (p) there is no depreciation applied to the value of the properties comprised in the Property Portfolio and refurbishment and capital expenditure related to the Property Portfolio is incurred in accordance with the Investment Manager's current estimates for such expenses; and
- (q) the Property Subsidiary, the GP and any other subsidiary undertakings which may be established from time to time will be registered for UK VAT purposes, and 96 per cent. (by current net annual rent) of the properties within the Property Portfolio will be opted to tax for UK VAT purposes.

## Part 3

### Details of the Property Portfolio

#### A. SUMMARY OF THE INITIAL PROPERTY PORTFOLIO, THE NEW PROPERTY PORTFOLIO AND THE COMBINED PROPERTY PORTFOLIO

The information contained in this Part 3 is unaudited. Unless otherwise stated, all of the information is stated as at 31 December 2006 other than the information sourced from IPD which is stated as at 30 September 2006.

##### 1. Summary description of the Property Portfolio

Properties	Sector	Region	Current Net Annual Rent	Estimated Net Annual Rent	Income Return	Market Value
<b>Existing Property Portfolio</b>						
BIRMINGHAM, Colmore Row	Offices	West Midlands	£81,000 <sup>(1)</sup>	£1,725,000	0.35%	£23,025,000
BRISTOL, WCA Building, Redcliffe Street ‡	Offices	South West	£42,007	£41,000	5.45%	£770,000
BRISTOL, Freshford House, Redcliffe Street ‡	Offices	South West	£542,754	£528,079	5.73%	£9,475,000
BRISTOL, Plot CD05, Temple Quay, Rivergate	Offices	South West	£1,300,000	£1,450,000	4.83%	£26,900,000
CARDIFF, 109-119 Queen Street	Retail	Wales	£1,316,350	£1,349,500	5.24%	£25,125,000
EDINBURGH, 87-88 Princes Street †	Retail	Scotland	£619,999	£569,999	5.30%	£11,700,000
HEMEL HEMPSTEAD, Network House & Meadows House, Brindley Way	Offices	South East	£0 <sup>(2)</sup>	£1,563,268	0%	£27,250,000
HORSHAM, Broadbridge Retail Park	Retail Warehouse	South East	£1,308,379	£1,348,379	4.76%	£27,500,000
LONDON, 176-206 Kensington High St & 2a Philimore Gardens	Retail	London West End	£2,745,385 <sup>(3)</sup>	£2,976,650	4.99%	£55,050,000
LONDON, 15 Great Marlborough Street	Offices	London West End	£1,896,488	£1,925,000	4.53%	£41,900,000
LONDON, 13 Great Marlborough Street	Offices	London West End	£717,000	£850,000	4.38%	£16,375,000
LOUDWATER, Knaves Beech Industrial Estate, Knaves Beech Way	Industrial	South East	£315,725	£525,500	4.21%	£7,500,000
MANCHESTER, Pall Mall Court, King Street	Offices	North West	£1,294,131 <sup>(4)</sup>	£1,680,512	5.00%	£25,900,000
MARLOW, 14-22 West Street	Retail	South East	£495,000	£515,000	4.95%	£10,000,000
SLOUGH, 1 Brunel Way	Offices	South East	£1,605,000	£1,032,000	7.66%	£20,950,000
SUNBURY ON THAMES, Dolphin Estate, Dolphin Road	Industrial	South East	£2,751,571	£3,134,500	6.16%	£44,650,000
SWINDON, 1-57 The Parade & 37-41 Bridge Street †	Retail	South West	£4,233,142	£4,537,226	5.74%	£73,750,000
UXBRIDGE, 6-13, 6-17 & 21-23 High St	Retail	South East	£497,433	£536,500	5.80%	£8,570,000
UXBRIDGE, 60-61 Vine Street	Leisure	South East	£87,179	£110,005	5.35%	£1,630,000
UXBRIDGE, Charter Place, Vine Street †	Offices	South East	£3,721,105	£3,406,550	6.51%	£57,200,000
<b>Existing Property Portfolio Total</b>			<b>£25,569,648</b>	<b>£29,804,668</b>	<b>4.96%</b>	<b>£515,220,000</b>

Properties	Sector	Region	Current Net Annual Rent	Estimated Net Annual Rent	Income Return	Market Value
<b>New Property Portfolio</b>						
BRISTOL, Plot CD04D, Temple Quay, Rivergate	Offices	South West	£1,330,000	£1,560,000	4.29%	£31,000,000
EDINBURGH, 81/85 George Street	Offices	Scotland	£1,284,000	£1,355,980	4.92%	£26,100,000
HATFIELD, Ocado Distribution Unit, Hatfield Business Area	Industrial	South East	£2,503,984	£2,532,586	5.41%	£46,300,000
LONDON, 6 Arlington Street	Offices	London WE	£559,640 <sup>(6)</sup>	£878,000	3.25%	£17,200,000
LONDON, Bracton House, 34-36 High Holborn	Offices	London MT	£825,000	£676,600	5.50%	£15,000,000
LONDON, 5/7 Chancery Lane	Offices	London MT	£2,572,300	£2,767,000	4.95%	£52,000,000
LONDON, 3/7 King William Street	Offices	City	£1,650,740 <sup>(6)</sup>	£1,197,966	6.88%	£24,000,000
LUTTERWORTH, Argos Unit, Magna Park	Industrial†	East Midlands	£1,865,000	£1,973,000	5.27%	£35,400,000
NORTHAMPTON, Brackmills	Industrial†	South East	£1,499,999	£1,499,999	5.44%	£27,550,000
TUNBRIDGE WELLS, Great Lodge Retail Park	Retail Warehouse	South East	£3,498,481	£3,741,900	4.61%	£75,825,000
<b>New Property Portfolio Total</b>			£17,589,144	£18,183,031	5.02%	£350,375,000
<b>Combined Property Portfolio Total</b>			£43,158,792	£47,987,699	4.99%	£865,595,000

† Part freehold, part leasehold.

‡ Leasehold.

NB Where there is an outstanding rent review the current passing rent has been stated rather than the anticipated Estimated Net Annual Rent. The above information is stated as at the valuation date, being 31 December 2006. Where a lease was subject to a rent free period as at 31 December 2006, it is not included in the figures for current net annual rent shown above. Details of expiries of rent free periods are set out below.

- (1) Currently partly in a rent free period. An additional net annual rent of £117,297 is payable from 1 June 2007, an additional net annual rent of £265,526 is payable from 1 August 2007 and an additional net rental of £113,202 is payable 23 May 2007.
- (2) Currently in a rent free period. Net annual rent of £607,068 payable from 12 April 2007 and additional net annual rent of £956,200 payable from 12 November 2007.
- (3) Trailfinders Limited is currently holding over in relation to a lease on a property with £320,000 passing rent and £350,000 ERV. Certain other leases at this property will expire in May and June of 2007 (as set out on page 30) including a property leased by the Secretary of State for the Environment with a passing rent of £248,750 and ERV of £263,000 which expires on 31 May 2007.
- (4) Currently partly in a rent free period. An additional rent of £101,829 is payable from 4 December 2007.
- (5) Stated without including passing rent of £144,750 from Cayman Islands (ERV of £174,900) in relation to a lease which is currently holding over.
- (6) £1,650,740 represents 47.164 per cent. of the rent received from the under tenant.

## 2. Details of the ten largest Properties

Set out below is a brief description of the ten largest Properties in the Combined Property Portfolio.

<i>Tunbridge Wells, Great Lodge Retail Park</i>			
Modern bulky goods retail park anchored by B&Q Warehouse/Garden Centre with terrace of 3 smaller retail warehouse units.			
Tenancies	Lease term	Lease expiry/ break option	Rent review
B&Q plc	25 years	24 March 2028	25 March 2008
DSG Retail Ltd	25 years	24 March 2028	25 March 2008
DSG Retail Ltd	25 years	24 March 2028	25 March 2008
DFS Furniture Company plc	25 years	24 March 2028	25 March 2008
Current Net Annual Rent £3,498,481	Estimated Net Annual Rent £3,741,900		Market Value £75,825,000

<i>Swindon, 1-57 The Parade &amp; 37-41 Bridge Street</i>			
A multi-let pedestrianised shopping parade with 30 separate units, a multi-storey self contained office block and a 95-room hotel. The retail units are arranged along an open mall with canopies.			
Top five tenancies	Lease term	Lease expiry/ break option	Rent review
British Home Stores Limited	35 Years	22 December 2022	14 April 2006*
Debenhams Properties Ltd	98 Years	20 September 2064	1 October 2007**
Monsoon Accessorize Ltd	10 Years	18 December 2015	19 December 2010
Superdrug Stores Ltd	15 Years	24 December 2011	25 December 2006*
Hotel Portfolio II UK Ltd	91 Years	27 September 2064	14 February 2008
Current Net Annual Rent £4,233,142	Estimated Net Annual Rent £4,537,226		Market Value £73,750,000

\* Currently Outstanding

\*\* The Debenhams store's rental is based on a percentage of turnover and is calculated as the aggregate of a base rent of £55,000 per annum plus four per cent. of turnover of the store between £1.375m and £1.5m, two per cent. of turnover between £1.5m and £3m and three per cent. of turnover above £3m.

<i>Uxbridge, Charter Place, Vine Street</i>			
A purpose built six storey detached office block arranged around a central landscaped courtyard. Split level basement car park provides 398 spaces and office accommodation from basement to fourth floor above.			
Top five tenancies	Lease term	Lease expiry/ break option	Rent review
Coca Cola & Schweppes Beverages Ltd	24 Years	24 December 2012	25 December 2008
Coca Cola & Schweppes Beverages Ltd	25 Years	24 December 2012	25 December 2007
Coca Cola & Schweppes Beverages Ltd	25 Years	24 December 2012	25 December 2007
Nexen Petroleum UK Ltd	15 Years	24 December 2007	20 November 2007
Burger King Ltd	10 Years	24 March 2006	Holding Over
Current Net Annual Rent £3,721,105	Estimated Net Annual Rent £3,406,550		Market Value £57,200,000

<i>London, 176-206 Kensington High Street and 2e Philimore Gardens</i>			
A retail parade comprising 13 units occupying the majority of an island site together with residential upper parts sold off on a long lease.			
Top five tenancies	Lease term	Lease expiry/ break option	Rent review
The Outdoor Group Ltd	15 Years	23 March 2016	23 March 2011
Halifax Plc	20 Years	23 June 2007	-
Trailfinders Ltd	15 Years	24 September 2006	Holding Over
Secretary of State for the Environment	10 Years	31 May 2007	-
Boots the Chemist Ltd	20 Years	6 September 2018	7 September 2008
Current Net Annual Rent £2,745,385	Estimated Net Annual Rent £2,976,650		Market Value £55,050,000

<i>London, 5/7 Chancery Lane</i>			
Office building arranged over basement, ground and five upper floors constructed behind Victorian stone façade in 1985. Nine basement car spaces.			
Tenancy	Lease term	Lease expiry/ break option	Rent review
Lewis Silkin LLP	25 years	24 March 2013	25 March 2008
Current Net Annual Rent £2,572,300	Estimated Net Annual Rent £2,767,000		Market Value £52,000,000

<i>Hatfield, Ocado Distribution Unit, Hatfield Business Area</i>			
Purpose built Distribution Warehouse.			
Tenancy	Lease term	Lease expiry/ break option	Rent review
Ocado Limited*	20 years	28 September 2021	28 September 2006†
Current Net Annual Rent £2,503,984	Estimated Net Annual Rent £2,532,586		Market Value £46,300,000

\* John Lewis plc has provided a guarantee, which can also be substituted against a rent deposit of £6,750,000. This guarantee falls away if the tenant assigns the lease to a new tenant which has profits of not less than three times the annual rent payable under the lease.

† Currently Outstanding

<i>Sunbury on Thames, Dolphin Estate, Dolphin Road</i>			
An industrial estate with six warehouse blocks which have been divided to provide a total of ten units. The estate also includes a seven storey office building.			
Top five tenancies	Lease term	Lease expiry/ break option	Rent review
Fine Fragrances & Cosmetics Ltd	15 Years	20 October 2017	21 October 2007
Toshiba Information Systems (UK) Ltd	10 Years	24 December 2008	–
Access Self Storage Properties Limited	25 Years	28 September 2026	29 September 2006*
Lubkowski Saunders Associates Ltd	15 Years	25 December 2011	25 December 2006*
Fyffes Group Ltd	25 Years	23 June 2007	–
Current Net Annual Rent £2,751,571	Estimated Net Annual Rent £3,134,500		Market Value £44,650,000

\* Currently Outstanding

<i>London W1, 15 Great Marlborough Street</i>			
A purpose built office building, together with ground floor retail completed in 1999. It is arranged over basement, ground and six upper floors.			
Tenancies	Lease term	Lease expiry/ break option	Rent review
Sony Computer Entertainment Europe Limited	15 Years	11 November 2014	12 November 2009
Curzons Management Associates Ltd	35 Years	10 October 2024	11 October 2009
Haringtons Services Ltd	15 Years	29 June 2015	30 June 2010
Current Net Annual Rent £1,896,488	Estimated Net Annual Rent £1,925,000		Market Value £41,900,000



<i>Lutterworth, Argos Unit, Magna Park</i>			
High Bay Distribution Warehouse located within prime Distribution Warehouse Park.			
Tenancy	Lease term	Lease expiry/ break option	Rent review
Argos Limited	Approximately 25 years	25 December 2017	25 December 2007
Current Net Annual Rent £1,865,000	Estimated Net Annual Rent £1,973,000		Market Value £35,400,000

<i>Bristol, Plot CD04D, Temple Quay, Rivergate</i>			
A modern office building comprising four storeys of Grade A specification office accommodation with 60 car spaces provided at basement level.			
Tenancy	Lease term	Lease expiry/ break option	Rent review
Secretary of State for Transport, Local Government and the Regions	20 years	24 March 2022	25 March 2007
Current Net Annual Rent £1,330,000	Estimated Net Annual Rent £1,560,000		Market Value £31,000,000

### 3. Tenant concentration

The tenants that contribute in excess of 2 per cent. of the current net annual rent of the Combined Property Portfolio can be summarised as follows:

Property Name	Lease Name	Sector	Current Rent	%
5/7 Chancery Lane, London	Lewis Silkin LLP	Offices	£2,572,300	5.96
Ocado Distribution Unit, Hatfield Business Area	Ocado Limited	Industrial	£2,503,984	5.80
Charter Place, Vine Street, Uxbridge	Coca Cola & Schweppes Beverages Ltd	Offices	£2,136,584	4.95
Great Lodge Retail Park, Tunbridge Wells	B&Q plc	Retail Warehouse	£2,118,481	4.91
Argos Unit, Magna Park, Lutterworth	Argos Ltd	Industrial	£1,865,000	4.32
15 Gt. Marlborough Street, London	Sony Computer Entertainment Europe Ltd	Offices	£1,691,499	3.92
3/7 King William Street, London	Norwich Union Insurance Group	Offices	£1,650,740	3.82
1 Brunel Way, Slough	O2 (UK) Limited	Offices	£1,605,000	3.72
Asda, Gowerton Road, Brackmills, Northampton	Asda Storage Ltd	Industrial	£1,499,999	3.48
Plot CD04D, Temple Quay, Bristol	DETR/HMCE	Offices	£1,330,000	3.08
Temple Quay, Bristol	British Telecommunications Plc	Offices	£1,300,000	3.01
Charter Place, Vine Street, Uxbridge	Nexen Petroleum UK Limited	Offices	£1,108,620	2.57
The Parade, Swindon, Queen Street, Cardiff and Kensington High Street, London	The Outdoor Group Ltd	Retail	£973,050	2.26

† Source: Internal

#### 4. Summary of tenure

As a percentage of the aggregate Market Value, the tenure of Properties can be summarised as follows:

	Freehold/Heritable Title	Leasehold
Existing Property Portfolio	93.54%	6.46%
New Property Portfolio	82.03%	17.97%
Combined Property Portfolio	88.88%	11.12%

#### 5. Lease length

The Properties in the Existing Property Portfolio have a total of 154 tenants (excluding car parking spaces). The Properties in the New Property Portfolio have a total of 22 tenants (excluding car parking spaces). The length of the occupational leases of the Properties can be summarised as follows:

Length of leases	As a percentage of current gross annual rent			
	Existing Property Portfolio	New Property Portfolio	Combined Property Portfolio	IPD IRIS
0 – 5 years	30.03%	2.00%	18.75%	25.8%
5 – 10 years	40.79%	36.47%	37.96%	27.6%
10 – 15 years	17.83%	25.08%	22.78%	21.5%
15 – 20 years	6.43%	7.64%	6.94%	14.7%
20+ years	4.92%	28.82%	13.87%	10.4%

The average lease length of the Properties in the Existing Property Portfolio is 10 years and 4 months, in the New Property Portfolio is 13 years and 1 month and in the Combined Property Portfolio is 11 years and 5 months (weighted by current gross annual rent as at 31 December 2006). This has been calculated on the earlier of the expiry date of the lease and the first break option. The equivalent figure for an average commercial property portfolio, as represented by IPD, is 9 years.

#### 6. Lease expiration and break options

The occurrence of the earlier of lease expiries and break options of the Combined Property Portfolio can be summarised as follows:

Year of expiration or break option	No. of leases	Current gross annual rent	% of current gross annual rent	Cumulative % of current gross annual rent
Holding Over	6	£876,360	1.92%	1.92%
2007	33	£2,883,998	6.33%	8.26%
2008	11	£2,109,950	4.63%	12.89%
2009	10	£707,550	1.55%	14.44%
2010	5	£1,026,000	2.25%	16.69%
2011	10	£936,459	2.06%	18.75%
2012	10	£4,342,974	9.53%	28.28%
2013	5	£3,759,550	8.25%	36.54%
2014	6	£4,110,267	9.02%	45.56%
2015	19	£2,775,847	6.09%	51.65%
2016	10	£2,304,297	5.06%	56.71%
2017	4	£1,375,721	3.02%	59.73%
2018	4	£3,425,000	7.52%	67.25%
2019	1	£22,625	0.05%	67.30%
2020	5	£2,913,422	6.40%	73.70%
2021	3	£2,636,484	5.79%	79.49%
2022	3	£1,948,674	4.28%	83.76%
2023	–	–	–	–
2024	2	£420,725	0.92%	84.69%
2025	1	£275,000	0.60%	85.29%
2026	1	£382,850	0.84%	86.13%
2027	–	–	–	–
2028	5	£4,998,481	10.97%	97.10%
2029	–	–	–	–
2030+	10	£1,319,046	2.90%	100.00%

## 7. Voids

The voids in the Existing Property Portfolio, the New Property Portfolio and the Combined Property Portfolio can be summarised as follows:

	Void rate as a percentage of Estimated Net Annual Rent
Existing Property Portfolio	6.95%
New Property Portfolio	0%
Combined Property Portfolio	4.32%

Colmore Row, Birmingham, a recently completed office refurbishment, represents approximately 3.94 per cent. of the void exposure of the Existing Property Portfolio and will represent approximately 2.44 per cent. of the void exposure of the Combined Property Portfolio.

## 8. Covenants

The covenant strength of the tenants of the Properties can be summarised as follows:

Covenant strength†	As a percentage of current gross annual rent			
	Existing Property Portfolio	New Property Portfolio	Combined Property Portfolio	IPD IRIS
Negligible and government risk	33.1%	40.16%	36.08%	37.3%
Low risk	40.64%	53.24%*	45.75%*	33.8%
Low-medium risk	9.73%	5.02%	7.83%	8.9%
Medium-high risk	4.41%	0%	2.62%	8.7%
High risk	5.65%	0.86%	3.71%	6.8%
Unmatched	6.26%	0.71%	4.01%	3.4%

† Source: IPD IRIS. In calculating the covenant strength of the tenants, IPD takes into account the Experian credit rating of the tenants.

\* Based on the John Lewis plc covenant in respect of the Ocado Distribution Unit, Hatfield.

IPD IRIS placed the Properties comprised in the Existing Property Portfolio, the New Property Portfolio and the Combined Property Portfolio in the 10th, 1st and 6th percentiles respectively for covenant strength out of the portfolios that are in the IPD IRIS universe as at 30 September 2006.

## 9. Lease terms

The occupational leases of the Properties are on terms which could reasonably be expected for properties of the type comprised in the Combined Property Portfolio. Subject to the above and viewing the Combined Property Portfolio as a whole, the occupational leases of the Properties in the Combined Property Portfolio are in general terms institutionally acceptable.

## 10. Property condition

Independent building surveys, mechanical and electrical surveys and environmental surveys have been undertaken for each of the Properties. These have been reviewed by the Investment Manager and it is considered that the condition of the Properties is acceptable having regard to the Properties' age, use, type and lease terms.

## 11. Regional weightings

The regional weightings of the Existing Property Portfolio, the New Property Portfolio and the Combined Property Portfolio can be summarised as follows:

Region	As a percentage of market value			
	Existing Property Portfolio	New Property Portfolio	Combined Property Portfolio	IPD Monthly & Quarterly Universe
City	–	6.85%	2.77%	7.99%
Mid-Town	–	19.12%	7.74%	2.30%
West End	22.00%	4.91%	15.08%	7.93%
Inner London	–	–	–	1.24%
Outer London	–	–	–	11.85%
South East	39.84%	34.86%	37.82%	17.94%
South West	21.52%	8.85%	16.39%	5.64%
Eastern	–	–	–	8.18%
East Midlands	–	17.97%	7.27%	3.96%
West Midlands	4.47%	–	2.66%	7.48%
Yorks and Humber	–	–	–	7.30%
North West and Merseyside	5.03%	–	2.99%	7.17%
North East	–	–	–	2.23%
Scotland	2.27%	7.45%	4.37%	6.34%
Wales	4.88%	–	2.90%	2.32%
Northern Ireland	–	–	–	0.12%
Other	–	–	–	–

## 12. Sectoral weightings

The sectoral weightings of the Existing Property Portfolio, the New Property Portfolio and the Combined Property Portfolio can be summarised as follows:

Region	As a percentage of market value			
	Existing Property Portfolio	New Property Portfolio	Combined Property Portfolio	IPD Monthly & Quarterly Universe
Shopping Centres	14.30%	–	8.52%	15.69%
Retail Warehouses	5.34%	21.64%	11.94%	20.71%
High Street Retail	21.45%	–	12.76%	14.16%
Offices	48.47%	47.18%	47.95%	30.34%
Industrial	10.12%	31.18%	18.65%	15.71%
Other	0.32%	–	0.19%	3.39%

## 13. Sub-sector weightings

The sub-sector weightings of the Existing Property Portfolio, the New Property Portfolio and the Combined Property Portfolio can be summarised as follows:

Region	As a percentage of market value			
	Existing Property Portfolio	New Property Portfolio	Combined Property Portfolio	IPD Monthly & Quarterly Universe
High St Retail – South East	14.29%	–	8.51%	6.0%
High St Retail – Rest of UK	7.15%	–	4.25%	7.7%
Shopping Centres	14.31%	–	8.52%	15.0%
Retail Warehouses	5.34%	21.64%	11.94%	20.5%
Offices – City	–	25.97%	10.51%	8.1%
Offices – West End	11.31%	4.91%	8.72%	8.7%
Offices – South East	20.46%	–	12.18%	9.2%
Offices – Rest of UK	16.71%	16.30%	16.54%	5.5%
Industrials – South East	10.12%	13.21%	11.37%	8.9%
Industrials – Rest of UK	–	17.97%	7.27%	6.7%
Other	0.32%	–	0.19%	3.7%

## **B. ACQUISITION OF THE NEW PROPERTY PORTFOLIO**

The Company and the Property Subsidiary have entered into a conditional agreement with PLL dated 8 February 2007. Under this agreement, the Property Subsidiary has agreed, conditional on the Proposals being approved by Shareholders and on the approval of the admission of the new Ordinary Shares to be issued under the Placing and Offer and the Consideration Shares to the UKLA Official List and to trading on the London Stock Exchange (subject only to the allotment of the new Ordinary Shares to be issued under the Placing and Offer and the Consideration Shares), to acquire the Properties comprised in the New Property Portfolio. The aggregate consideration for these Properties is £341,412,000, adjusted to take into account accruals of rental income and charges already paid to or by PLL and subject to subsequent adjustment by way of a retention of £900,000 deducted from the aggregate consideration referred to above in relation to outstanding rent reviews on two properties. The consideration will be satisfied partly by the payment of £80,822,000 in cash and partly by the allotment to PLL of 253 million Ordinary Shares. Completion of the acquisition of these Properties is expected to occur immediately prior to Admission. The transfers of the Properties at Hatfield, Temple Quay, Bristol and Tunbridge Wells are subject to third party consents. Each party to the agreement is entitled to rescind the agreement in the event that the conditions are not satisfied by 31 March 2007.

The conditional agreement referred to above shall be available for inspection as described in paragraph 7 in Part 6 of this document.

## Part 4

### Valuation Reports

#### Section A – Valuation Report on the Existing Property Portfolio

**CBRE**  
CB RICHARD ELLIS  
CB Richard Ellis Limited  
St Martin's Court  
10 Paternoster Row  
London EC4M 7HP

The Directors  
UK Commercial Property Trust Limited  
UK Commercial Property Holdings Limited  
UK Commercial Property GP Limited  
UKCPT Limited Partnership  
Trafalgar Court  
Les Banques  
St. Peter Port  
Guernsey GY1 3QL  
  
Dickson Minto W.S.  
16 Charlotte Square  
Edinburgh EH2 4DF

9 February 2007

Dear Sirs

#### **VALUATION OF PROPERTY ASSETS HELD BY SUBSIDIARIES OF UK COMMERCIAL PROPERTY TRUST LIMITED**

##### **1. Introduction**

In accordance with our engagement letter dated 26 January 2007 with UK Commercial Property Trust Limited (the "Company"), we have considered the properties referred to in the attached schedule (the "Schedule") in order to advise you of our opinion of the Market Value (as defined in paragraph 7.1 below) as at 31 December 2006 (the "Valuation Date") of the freehold (or heritable title) or long leasehold interests (as appropriate) in each of the properties (the "Properties"). This report is dated 9 February 2007.

##### **2. Inspections**

We inspected the Properties during July and August 2006. The Properties were inspected on an internal basis with the exception of parts of some of the Properties identified in the Schedule where we were unable to gain access.

##### **3. Compliance with Appraisal and Valuation Standards and The Listing Rules**

We confirm that the valuations have been made in accordance with the appropriate sections of both the current Practice Statements ("PS"), and United Kingdom Practice Statements ("UKPS") contained within the RICS Appraisal and Valuation Standards, 5th Edition (the "Red Book") as well as The Listing Rules published by the Financial Services Authority.

##### **4. Status of valuer and conflicts of interest**

We confirm that we have undertaken the valuations acting as External Valuers as defined in the Red Book, qualified for the purpose of the valuations.

As you are aware, we currently value all of the Properties on a quarterly basis on behalf of the Company.

As you are also aware, we are currently acting on behalf of Resolution Investment Services Limited in connection with agency and other professional services.

##### **5. Purpose of the valuation report**

We understand that this valuation report and Schedule (the "Valuation Report") are required for inclusion in a prospectus concerning the proposed placing and offer and introduction of Ordinary Shares in the Company.

We also understand that this Valuation Report will be relied upon by the Company, UK Commercial Property Holdings Limited, UK Commercial Property GP Limited, UKCPT Limited Partnership and Dickson Minto W.S.

The matters referred to above are collectively defined as the "Purpose of this Valuation Report".

In accordance with UKPS 5.4, we have made certain disclosures in connection with this valuation instruction and our relationship with Resolution Investment Services Limited. These are included in item 6 below.

## **6. Disclosures required under the provisions of UKPS 5.4**

### **6.1 Previous valuations of the Properties for the Purpose of the Valuation Report**

The Properties were valued as at 31 July 2006 by CB Richard Ellis for the purposes of inclusion in a prospectus published by the Company on 11 September 2006 and the acquisition of the Existing Property Portfolio.

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

CB Richard Ellis Limited has carried out Valuation, Agency and Professional services on behalf of Resolution Investment Services Limited for between 10 and 14 years.

### **6.3 Fee income from Resolution Investment Services Limited**

The total fees, including the fee for this assignment, earned by CB Richard Ellis Limited (or other companies forming part of the same group of companies within the UK) from Resolution Investment Services Limited (or other companies forming part of the same group of companies) is less than 5.0 per cent. of the total UK revenues.

## **7. Basis of valuation and net annual rent**

### **7.1 Market Value**

The value of each of the Properties has been assessed in accordance with the relevant parts of the current RICS Appraisal and Valuation Standards. In particular, we have assessed Market Value in accordance with PS 3.2. 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".

In undertaking our valuations on the basis of Market Value, we have applied the conceptual framework which has been settled by the International Valuation Standards Committee and which is included in PS 3.2. The RICS considers that the application of the Market Value definition provides the same result as Open Market Value, a basis of value supported by previous editions of the Red Book.

### **7.2 Net annual rent**

The net annual rent ("Net Annual Rent") for each of the Properties is referred to in the Schedule. Net annual rent is defined in the Listing Rules as "the current income or income estimated by the valuer:

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

The Schedule also includes the estimated net annual rent ("Estimated Net Annual Rent") of each of the Properties. The Estimated Net Annual Rent is based on the current rental value of each of the Properties. The rental value reflects the terms of the leases where the Properties, or parts thereof, are let at the date of valuation. Where the properties, or parts thereof, are vacant at the date of valuation, the rental value reflects the rent we consider would be obtainable on an open market letting as at the date of valuation.

### **7.3 Taxation and costs**

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

We have made deductions to reflect purchasers' acquisition costs.

We have been asked to assume that there are no outstanding liabilities in respect of retention sums arising out of building contracts that precede the date of valuation.

## 8. VAT

We have been advised by the Company that the option to tax has been exercised in respect of all the Properties.

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

## 9. Assumptions and sources of information

An Assumption is stated in the Glossary to the Red Book to be a “supposition taken to be true” (“Assumption”). 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 that we may make the Assumptions for the purposes of our valuations. In the event that any of these Assumptions prove to be incorrect, then our valuations should be reviewed. The Assumptions we have made for the purposes of our valuations are referred to below:

### 9.1 Title

We have not had access to the title deeds of the Properties. Save as disclosed in the certificates of title dated 11 September 2006 prepared by Dickson Minto W.S. and Walker Morris (the “Certificates of Title”), we have made an Assumption that the Properties have good and marketable title in each case and that the Properties are free from any onerous or hampering restrictions of conditions. We have also assumed that the Properties are free from mortgages, charges or other encumbrances. 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.

The Certificates of Title are dated 11 September 2006. However, we have only reflected the information contained within the Certificates of Title which is pertinent to our valuations as at the valuation date.

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

We have been provided with copies of building condition surveys carried out on various dates between July and August 2006, prepared by TMD Building Consultancy Limited on behalf of Resolution Investment Services Limited (the “Condition Surveys”). We have reflected the contents of the Condition Surveys in undertaking our valuations.

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. For the purposes of these valuations, unless otherwise informed by the Company or its advisers, we have made an Assumption that any such investigation would not reveal the presence of such materials in any adverse condition.

No mining, geological or other investigations have been undertaken to certify that the sites of the Properties are free from any defect as to foundations. We have made an Assumption that the load bearing qualities of the sites of the Properties are sufficient to support the buildings constructed (or to be constructed) thereon. In the absence of any information to the contrary, we have also made an Assumption 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 and that the Properties are free from rot infestation or structural or latent defect.

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 been provided with copies of reports on the mechanical and electrical services dated variously between July and August 2006 prepared by ACDP (Integrated Building Services) Limited on behalf of Resolution Investment Services Limited in respect of office and shopping centre Properties. We have reflected the contents of these reports in undertaking our valuations. We have made an Assumption that, save as disclosed in the reports, all services to the Properties are functioning satisfactorily.

No allowance has been made in these valuations for any items of plant or machinery not forming part of the service installations of the Properties. We have specifically excluded all items of plant, machinery and equipment installed wholly or primarily in connection with the occupants' businesses. We have also excluded furniture and furnishings, fixtures, fittings, vehicles, stock and loose tools. Further, no account has been taken in our valuations of any goodwill that may arise from the present occupation of any of the Properties. Where appropriate we have regarded the shop fronts of retail and showroom accommodation as forming an integral part of the building.

All measurements, areas and ages quoted in our report are approximate.



It is a condition of CB Richard Ellis 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. We have otherwise had regard to the age and apparent general condition of the Properties but 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.

### **9.3 Environmental matters**

We have been provided with Environmental Assessments for each of the properties prepared by Wardell Armstrong LLP. For those properties with contamination, our valuation includes our opinion of the market's likely perception of the issues involved.

However, should it be established subsequently that contamination exists on any of the properties or on any neighbouring land, or that they have been or are being put to any contaminative use other than revealed in the Environmental Assessments, this might reduce the values reported.

Accordingly and in the absence of any information in the Environmental Assessments to the contrary, we have assumed the following:

- (i) the properties are not contaminated and are not adversely affected by any existing or proposed environmental law; and
- (ii) any processes carried out on any of the properties which are regulated by environmental legislation are properly licensed by the appropriate authorities.

### **9.4 Areas**

We have measured certain of the Properties, or parts of Properties, on site and have calculated the floor areas in accordance with the current Code of Measuring Practice prepared by the Royal Institution of Chartered Surveyors (the "Code").

Resolution Investment Services Limited has provided us with the floor areas of the remaining Properties or parts thereof. As instructed, we have relied on these areas and have made an Assumption that they have been calculated in accordance with the Code.

### **9.5 Statutory requirements and planning**

In all instances, we have read the Certificates of Title, which refer to planning matters.

We have made an Assumption that, save as disclosed in the Certificates of Title, the buildings have been constructed in full compliance with valid town planning, and with all statutory and local authority requirements including building, fire and health and safety regulations, and that the Properties are not subject to any outstanding statutory notices as to their construction, use or occupation. Unless the Certificates of Title have revealed the contrary, we have made a further Assumption that the existing uses of the Properties are duly authorised or established and that no adverse planning conditions or restrictions apply. We have also made the Assumption that only minor or inconsequential costs will be incurred if any modifications or alterations are necessary in order for each Property to comply with the provisions of the Disability Discrimination Act 1995.

No allowances have been made for rights, obligations or liabilities arising under the Defective Premises Act 1972, and, save as disclosed in the Certificates of Title, we have made an Assumption that the Properties comply with all relevant statutory requirements.

### **9.6 Leasing**

We have not read copies of the leases or other related documents. However, we have relied on the tenancy summaries contained in the Certificates of Title for the purposes of our valuations.

We have not undertaken credit enquiries into the financial status of the tenants. Unless we have become aware by general knowledge, or we have been specifically advised to the contrary, we have made an Assumption that the tenants are financially in a position to meet their obligations. Unless otherwise informed by Resolution Investment Services Limited, we have also made an Assumption that there are no material arrears of rent or service charges, breaches of covenants, or 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 a purchasers' likely perception of the financial status of the tenants.

## 9.7 Lettings

Except to the extent disclosed in the Certificates of Title, we have made an Assumption that:

- (i) 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;
- (ii) all rent reviews are upward only and are to be assessed by reference to full current market rents;
- (iii) there are no tenants' improvements that will materially affect our opinion of the rent that would be obtained on review or renewal;
- (iv) tenants will meet their obligations under their leases, and are responsible for insurance and payments of business rates; and are responsible for all repairs, whether directly or by means of a service charge;
- (v) there are no user restrictions or other restrictive covenants in leases which would adversely affect value;
- (vi) where more than 50 per cent. of the floor space 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, and therefore disposal into the open market is unrestricted;
- (vii) appropriate permission to assign the interest being valued herein would not be withheld by the landlord where required; and
- (viii) vacant possession can be given of all accommodation which is unlet or is let on a service occupancy.

## 9.8 Information

In undertaking our valuations, we have carried out our work based upon information supplied to us by Resolution Investment Services Limited and their advisors, including building surveyors' reports, environmental reports and solicitors' Reports on Title. We have also relied on information and advice supplied by Resolution Investment Services Limited in respect of outstanding costs or retentions where works have been completed or are ongoing. We have relied on information and advice supplied by Resolution Investment Services Limited in respect of costs by way of planning obligations affecting the Properties either as a result of development that has occurred or in respect of future planning obligations in the case of development which may occur in the future. Similarly, we have relied on information and advice supplied by Resolution Investment Services Limited relating to future development costs and the likely irrecoverable cost of works and repairs to defects revealed by the various Condition Surveys. In each case, we have reflected this advice in our valuations.

We have made an Assumption that the information Resolution Investment Services Limited and its professional advisers have supplied to us in respect of the Properties is both full and correct. It follows that we have made an Assumption that details of all matters likely to affect value within their collective knowledge such as prospective lettings, rent reviews, outstanding requirements under legislation and planning decisions have been made available to us and that the information is up to date.

## 10. Valuation

We are of the opinion that the aggregate of the Market Values as at the Valuation Date, being 31 December 2006, of the freehold (or heritable title) or leasehold interests in each of the Properties described in the Schedule, subject to the Assumptions and comments in this Valuation Report, was as follows:

Freehold	£481,950,000	(four hundred and eighty one million nine hundred and fifty thousand pounds)
Long Leasehold	£33,270,000	(thirty three million two hundred and seventy thousand pounds)
<b>TOTAL</b>	<b>£515,220,000</b>	<b>(five hundred and fifteen million two hundred and twenty thousand pounds)</b>

Three of the properties we have valued above are part freehold (or heritable title) and part leasehold. We have undertaken a notional apportionment of the aggregate of the Market Values of these properties between the freehold and leasehold elements and this is set out as follows:

**Part Freehold (or Heritable Title)/Part Leasehold Properties**

Freehold (or Heritable Title)	£137,925,000	(one hundred and thirty seven million nine hundred and twenty five thousand pounds)
Long Leasehold	£4,725,000	(four million seven hundred and twenty five thousand pounds)
<b>TOTAL</b>	<b>£142,650,000</b>	<b>(one hundred and forty two million six hundred and fifty thousand pounds)</b>

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.

**11. Confidentiality and disclosure**

The contents of this Valuation Report and Schedule may be used only for the Purpose of this Valuation Report. Before this Valuation Report, or any part thereof, is reproduced or referred to, in any document, circular or statement, and before its contents, or any part thereof, are disclosed orally or otherwise to a third party, the Valuer's written approval as to the form and context of such publication or disclosure must first be obtained. For the avoidance of doubt such approval is required whether or not CB Richard Ellis are referred to by name and whether or not the contents of our Valuation Report are combined with others.

Yours faithfully

**Edward Hiller**  
**Director**  
For and on behalf of  
CB Richard Ellis Limited

## Schedule to the Valuation Report

Address	Description and Tenure	Occupational Tenancies	Current Net Annual Rent Receivable	Estimated Net Annual Rent	Market Value
BIRMINGHAM Colmore Court, 9 Colmore Row	<p>The property consists of a purpose built office block constructed in the mid 1980s arranged over basement, ground and nine upper floors, with a supermarket on the ground floor. The building is of concrete frame construction with brick and tinted glass clad elevations. The property benefits from sixty-four car parking spaces.</p> <p>The building was extensively internally refurbished recently and the internal specification includes suspended ceilings, recessed fluorescent lighting, raised floors, gas fired central heating and air conditioning.</p> <p>Floor Area: 6,523 sq m (70,533 sq ft).</p> <p>LEASEHOLD – 999 year lease from 28 January 1983 on a peppercorn rent.</p>	<p>The ground floor is let to Somerfield Stores Limited on a lease expiring on 1 October 2010.</p> <p>The 8th, 9th, 1st and part mezzanine floors are currently let to three different tenants on leases expiring in May 2016, November 2016 (with tenants break in November 2011) and December 2020 respectively. Both these lettings are currently subject to a rent free period.</p> <p>The remainder of the building is currently vacant.</p>	£81,000	£1,725,000	£23,025,000
BRISTOL WCA Building, Redcliffe Street	<p>The subject building adjoins the western end of Freshford House and consists of a small period building constructed in 1897 which is grade II listed.</p> <p>The office accommodation was refurbished less than two years ago providing air conditioning and suspended ceilings.</p> <p>Floor Area: 222 sq m (2,385 sq ft).</p> <p>LEASEHOLD – 125 year lease from 2 April 1982 on a peppercorn rent.</p>	<p>Let on a single lease to The First Secretary of State – OFSTED expiring July 2020, with a tenant's break option in July 2015.</p> <p>The occupational lease is on an FRI basis.</p>	£42,007	£41,000	£770,000

Address	Description and Tenure	Occupational Tenancies	Current Net Annual Rent Receivable	Estimated Net Annual Rent	Market Value
BRISTOL Freshford House, Redcliffe Street	<p>The subject building comprises a purpose built office block constructed in the early 1980s arranged over ground and two upper floors. The building is of frame construction with brick faced walls under a pitched tile roof.</p> <p>The office accommodation was refurbished less than two years ago with raised floors, air conditioning, and suspended ceilings. The property benefits from twenty-two car parking spaces.</p> <p>Floor Area: 2,940 sq m (31,642 sq ft).</p> <p>LEASEHOLD – 125 year lease from 2 April 1982, reviewed 5 yearly to 10% of ERV. Current rent is £44,000 pa.</p>	<p>Let on a single lease to The First Secretary of State OFSTED expiring July 2020, with a tenant's break option in July 2015.</p> <p>The occupational lease is on an FRI basis.</p>	£542,754	£528,079	£9,475,000
BRISTOL Temple Quay, Rivergate	<p>The subject building comprises five storeys of office accommodation with 85 car spaces providing a ratio of 1:76.2 sq m (1:820 sq ft) provided at basement level.</p> <p>This modern building has a high specification and internal fit incorporating air conditioning, suspended ceilings, raised floors and automatic blinds to reduce solar glare in the atrium area.</p> <p>The building is serviced by three 13 person passenger lifts and a 1000 kg goods lift.</p> <p>Floor Area: 6,451 sq m (69,436 sq ft).</p> <p>FREEHOLD</p>	<p>Let on a single lease to British Telecommunications Plc expiring May 2018.</p> <p>The occupational lease is on an FRI basis with provision for 5 yearly rent reviews. Rent review effective November 2006 is outstanding.</p>	£1,300,000	£1,450,000	£26,900,000

Address	Description and Tenure	Occupational Tenancies	Current Net Annual Rent Receivable	Estimated Net Annual Rent	Market Value
CARDIFF 109-119 Queen Street	<p>The property comprises seven retail units on the ground and first floors with three floors of self-contained offices above that are accessed from a ground floor entrance fronting Windsor Place.</p> <p>The retail units were let in shell form and have been fitted out in the tenants' corporate style. The first floors are predominantly used for storage and provide male and female toilets.</p> <p>The office accommodation has suspended ceilings, carpeted floors and central heating. There is no car parking.</p> <p>Floor Area: 4,113 sq m (44,272 sq ft).</p> <p>FREEHOLD</p>	<p>The retail units are let to seven different tenants. Five leases expire in 2009, while the other two expire in November 2017 and September 2020.</p> <p>The offices are let on a single lease to Barclays Bank plc until June 2010.</p> <p>There are three outstanding rent reviews.</p>	£1,316,350	£1,349,500	£25,125,000
EDINBURGH 87-88 Princes Street	<p>The subject property comprises two retail units situated on Princes Street, Edinburgh's prime retailing location. The property is of concrete framed construction with block infill and concrete cladding to the upper floors.</p> <p>Floor Area: 261 sq m (2,804 sq ft).</p> <p>No 87 – LEASEHOLD – 125 years from 28 November 1966 at a fixed rent of £1 per annum.</p> <p>No 88 – HERITABLE TITLE</p>	<p>Let on two separate leases expiring on May 2010 and April 2016.</p>	£619,999	£569,999	£11,700,000
HEMEL HEMPSTEAD Network House & Meadowside House, Brindley Way	<p>Two office buildings constructed in the mid/late 1980s, of framed construction with concrete floors, curtain wall elevations and a low pitched roof. Basement and surface car parking is provided. Both have been extensively refurbished recently to provide a specification including suspended ceilings with recessed fluorescent lighting, air conditioning, raised floors and double glazed windows.</p> <p>Network House is a three storey building arranged over lower ground, ground and first floors, and Meadowside is a two storey office building arranged over ground and first floors.</p> <p>Floor Area: 10,374 sq m (111,662 sq ft).</p> <p>FREEHOLD</p>	<p>Let on two leases to Hertfordshire County Council expiring in 2020 and 2021.</p> <p>The occupational leases are on an FRI basis and are currently subject to rent free periods.</p>	£0	£1,563,268	£27,250,000

Address	Description and Tenure	Occupational Tenancies	Current Net Annual Rent Receivable	Estimated Net Annual Rent	Market Value
HORSHAM Broadbridge Retail Park, West Sussex	<p>Three retail warehouse units developed in the late 1980s of steel frame construction, brick clad with a tiled covered mansard roof, and with 299 car spaces providing a ratio of 1:22.2 sq m (1:238 sq ft).</p> <p>All units have been fitted out to the corporate style of the occupiers, and the Homebase unit incorporates an external area used as a garden centre.</p> <p>Floor Area: 6,564 sq m (70,654 sq ft).</p> <p>FREEHOLD</p>	<p>Let on three separate leases. One is to Homebase Limited expiring in December 2017, and the others are to Halfords Limited and Carpetright plc, both expiring in September 2014.</p> <p>The occupational leases are on an FRI basis.</p>	£1,308,379	£1,348,379	£27,500,000
LONDON W14 176/206 Kensington High Street and 2a Philimore Gardens	<p>The subject property occupies the majority of an island site bounded by Argyll Road, Philimore Walk, Philimore Gardens and Kensington High Street.</p> <p>The site comprises 13 retail units let on 15 leases to various tenants including Halifax Plc, Boots The Chemist Limited and The Outdoor Group Ltd.</p> <p>Floor Area: 5,405 sq m (58,182 sq ft).</p> <p>FREEHOLD</p>	<p>The retail units are let to a variety of different tenants with a range of leases expiring between May 2007 and January 2019. One tenant is currently holding over after their lease expired.</p> <p>The upper parts are let on long leases until December 2101 at a low rent with fixed increases.</p>	£2,745,385	£2,976,650	£55,050,000
LONDON W1 15 Great Marlborough Street	<p>The offices have been fitted out to a high specification and benefit from full air conditioning throughout, raised floors and metal tiled suspended ceilings, and inset Category two lighting.</p> <p>The property comprises a purpose built office building arranged over basement, lower ground, ground and six upper floors that was completed in 1999.</p> <p>The property is arranged with a retail unit and health club on the lower ground and ground floors, open plan offices on the upper floors, and basement storage.</p> <p>Floor Area: 4,462 sq m (48,033 sq ft).</p> <p>FREEHOLD</p>	<p>The offices are single let to Sony Computer Entertainment Europe expiring November 2014.</p> <p>The gym is let to Curzons Management Associates Ltd until October 2034 and the retail unit is let to Haringtons Services Ltd expiring June 2015.</p>	£1,896,488	£1,925,000	£41,900,000

Address	Description and Tenure	Occupational Tenancies	Current Net Annual Rent Receivable	Estimated Net Annual Rent	Market Value
LONDON W1 13 Great Marlborough Street	<p>The property was built in 1992/93 and is of framed construction clad in cream metal and stone. The building provides 2056.8 sq m (22,140 sq ft) of office accommodation over ground and seven upper floors with basement car parking and plant rooms.</p> <p>The office specification is similar throughout providing full access raised floors, metal tiled suspended ceilings, air conditioning, aluminium framed double glazing and generous floor to ceiling heights.</p> <p>Floor Area: 2,048 sq m (22,042 sq ft).</p> <p>FREEHOLD</p>	<p>Single let to Sony Music Entertainment UK Ltd on a lease expiring in September 2018, with a tenant's break option in September 2008.</p> <p>The occupational lease is on an FRI basis.</p>	£717,000	£850,000	£16,375,000
LOUDWATER Knaves Beech Industrial Estate, Blocks B&C	<p>Block B comprises a two bay portal framed warehouse unit with two storey integral offices at the front and rear.</p> <p>Block C comprises a four bay portal-framed warehouse unit with an eaves height of 6.29 metres. One bay provides two storey offices and the tenants have carried out various improvements including adding mezzanine areas and have converted part of the property to a showroom with retail sales to the public.</p> <p>Floor Area: 6,809 sq m (73,295 sq ft).</p> <p>FREEHOLD</p>	<p>Block C is let to Dreams plc on a lease expiring in December 2024.</p> <p>Block B is currently vacant.</p>	£315,725	£525,500	£7,500,000
MANCHESTER Pall Mall Court, King Street	<p>The property comprises a substantial office premises constructed on basement, ground and ten upper floors of concrete frame with glazed curtain walling and brick elevations under a variety of flat roofs.</p> <p>Internally the specification includes suspended ceilings, inset fluorescent and spot lights, solid carpeted floors and centrally heated radiators. There are male and female toilets on alternate floors and the property benefits from three lifts in the main block and a single lift in the Marsden Street wing.</p> <p>Floor Area: 7,774 sq m (83,680 sq ft).</p> <p>FREEHOLD</p>	<p>The ground to 5th floor of the office tower is let to AWG Property Limited on a lease guaranteed by AWG Group Ltd expiring in March 2029 with a tenant's break option in April 2020</p> <p>Floor 6 is let to Rapleys LLP on a lease expiring September 2016 with tenants break option in September 2011. This lease is subject to a rent free period until December 2007.</p> <p>Floors 7 to 10 are let on four separate leases to Thomas Karl Jackson and Others, all expiring in March 2025 with tenants' break options in March 2015.</p> <p>The remaining space is currently vacant.</p>	£1,294,131	£1,680,512	£25,900,000



Address	Description and Tenure	Occupational Tenancies	Current Net Annual Rent Receivable	Estimated Net Annual Rent	Market Value
MARLOW 14-22 West Street	<p>The property comprises a two storey supermarket behind a period façade providing retail accommodation on the ground floor with front and rear customer access, loading facilities and limited customer car parking. Ancillary accommodation including offices, storage and staff facilities is provided at first floor level.</p> <p>Floor Area: 2,522 sq m (27,151 sq ft).</p> <p>FREEHOLD</p>	<p>Let on a single lease to Sainsburys Supermarkets Ltd on FRI basis expiring December 2034 with 5 yearly rent review cycle.</p> <p>Lease provides for stepped rent as follows:</p> <p>To 24 December 2007 £495,000.</p> <p>From 25 December 2007 to 24 December 2008 £522,000.</p> <p>From 25 December 2008 to 24 December 2009 £550,000.</p> <p>Rent review at 25 December 2009 to higher of open market rental value or £600,000.</p>	£495,000	£515,000	£10,000,000
SLOUGH 1 Brunel Way, Berkshire	<p>The subject property comprises a purpose built office block constructed in 1989. The building is arranged over ground and three upper floors and provides 206 car parking spaces on the basement and ground floor level.</p> <p>Internally the offices are arranged around a central atrium and benefit from air conditioning, suspended ceilings with recessed diffused strip lights and raised floors.</p> <p>Floor Area: 5,815 sq m (62,595 sq ft).</p> <p>FREEHOLD</p>	<p>Let on a single lease to O2 (UK) Ltd which expires in September 2014.</p> <p>The occupational lease is on an FRI basis.</p>	£1,605,000	£1,032,000	£20,950,000
SUNBURY ON THAMES Dolphin Estate, Dolphin Road	<p>The property comprises an industrial estate with six warehouse blocks which have been divided to provide a total of ten units. The estate also includes a seven storey office building.</p> <p>The industrial units are of steel frame construction with profiled metal sheet and brick cladding beneath a profiled metal sheet roof.</p> <p>The offices, Dolphin House, comprise a seven storey concrete frame building with brick cladding beneath a flat roof.</p> <p>Floor Area: 29,972 sq m (322,617 sq ft).</p> <p>FREEHOLD</p>	<p>The property is let to a variety of different tenants on a range of leases expiring between June 2007 and September 2026.</p> <p>Two industrial units are currently vacant.</p>	£2,751,571	£3,134,500	£44,650,000

Address	Description and Tenure	Occupational Tenancies	Current Net Annual Rent Receivable	Estimated Net Annual Rent	Market Value
SWINDON 1-57 The Parade & 37-41 Bridge Street, Wiltshire	<p>The property comprises a shopping parade with 31 separate units, a multi-storey self contained office block and a hotel. The retail units are arranged along an open mall, adorned by central canopies.</p> <p>The hotel has 50 standard rooms, 43 double rooms and two suites. The rooms have painted and papered walls and ceilings. There are two 8-person passenger lifts.</p> <p>The office building has all services decommissioned.</p> <p>Floor Area: 30,065 sq m (323,618 sq ft).</p> <p>FREEHOLD</p> <p>A small part of the property is held leasehold for a term of 200 years expiring 2173 at a fixed rent of £1 per annum.</p>	<p>The property is let to a variety of different tenants on a range of leases expiring between September 2006 and September 2064.</p> <p>Two tenants are currently holding over.</p> <p>The hotel is let on a lease until February 2064.</p> <p>The office block, two retail units and a kiosk are all currently vacant.</p>	£4,233,142	£4,537,226	£73,750,000
UXBRIDGE 6-13, 16-17 & 21-23 High Street	<p>The property comprises a split terrace of retail units, of two and three storey construction beneath flat and pitched roofs. The units generally comprise a retail unit at ground floor level with offices above.</p> <p>The specification varies between units, but generally includes fully glazed shop front, fluorescent lighting, radiator central heating and timber sash windows.</p> <p>Floor Area: 1,919 sq m (20,655 sq ft).</p> <p>FREEHOLD</p>	<p>The property is let to a variety of different tenants on a range of leases expiring between September 2007 and March 2057.</p> <p>One tenant is currently holding over.</p> <p>The library is let on a long lease expiring March 2986 at a fixed rent of £5 per annum.</p>	£497,433	£536,500	£8,570,000
UXBRIDGE The Leisure Building, 60-61 Vine Street	<p>The subject property is constructed over ground and three upper floors comprising car parking and reception at ground floor level, with a gym and fitness centre on the upper floors.</p> <p>The property was built in the mid 1980s and is of a framed construction with brick faced walls and plastic coated aluminium windows beneath a tiled pitched roof.</p> <p>Floor Area: 1,700 sq m (18,298 sq ft).</p> <p>FREEHOLD</p>	<p>The gym is let on a single lease to Holmes Place Healthclubs Limited which expires in December 2022.</p> <p>The car parking spaces are let on a long lease expiring May 2984 at £5 pa.</p>	£87,179	£110,005	£1,630,000

Address	Description and Tenure	Occupational Tenancies	Current Net Annual Rent Receivable	Estimated Net Annual Rent	Market Value
UXBRIDGE Charter Place, Vine Street	<p>The subject property comprises a purpose built five storey detached office block arranged around a central landscaped courtyard.</p> <p>There is a split level basement car park providing 398 car parking spaces and office accommodation from ground to fourth floor above.</p> <p>The office accommodation benefits from under floor air conditioning, suspended ceilings with recessed diffused strip lighting and raised floors.</p> <p>Floor Area: 14,455 sq m (155,595 sq ft).</p> <p>FREEHOLD (Although it includes 78 car parking spaces held on a 25 year lease from 7 March 1988. Current rent payable is £31,018 pa)</p>	<p>The property is let to a variety of different tenants on a range of leases expiring between November 2006 and June 2015.</p> <p>One tenant is currently holding over and one lease is subject to a rent free period expiring September 2006.</p>	£3,721,105	£3,406,550	£57,200,000

## Section B – Valuation Report on the New Property Portfolio

**CBRE**  
CB RICHARD ELLIS  
CB Richard Ellis Limited  
St Martin's Court  
10 Paternoster Row  
London EC4M 7HP

The Directors  
UK Commercial Property Trust Limited  
UK Commercial Property Holdings Limited  
Trafalgar Court  
Les Banques  
St. Peter Port  
Guernsey GY1 3QL

Dickson Minto W.S.  
16 Charlotte Square  
Edinburgh EH2 4DF

9 February 2007

Dear Sirs

### **VALUATION OF PROPERTY ASSETS TO BE ACQUIRED BY A SUBSIDIARY OF UK COMMERCIAL PROPERTY TRUST LIMITED**

#### **1. Introduction**

In accordance with our engagement letter dated 26 January 2007 with UK Commercial Property Trust Limited (the "Company"), we have considered the properties referred to in the attached schedule (the "Schedule") in order to advise you of our opinion of the Market Value (as defined in paragraph 7.1 below) as at 31 December 2006 (the "Valuation Date") of the freehold (or heritable title) or long leasehold interests (as appropriate) in each of the properties (the "Properties"). This report is dated 9 February 2007.

#### **2. Inspections**

We inspected the Properties in January 2007. The Properties were inspected on an internal basis with the exception of parts of some of the Properties identified in the Schedule where we were unable to gain access.

#### **3. Compliance with Appraisal and Valuation Standards and The Listing Rules**

We confirm that the valuations have been made in accordance with the appropriate sections of both the current Practice Statements ("PS"), and United Kingdom Practice Statements ("UKPS") contained within the RICS Appraisal and Valuation Standards, 5th Edition (the "Red Book") as well as The Listing Rules published by the Financial Services Authority.

#### **4. Status of valuer and conflicts of interest**

We confirm that we have undertaken the valuations acting as External Valuers as defined in the Red Book, qualified for the purpose of the valuations.

As you are aware, it is proposed that we will be appointed as External Valuer to the Company to undertake quarterly valuations of the Properties with effect from 31 March 2007.

As you are also aware, we are currently acting on behalf of Resolution Investment Services Limited in connection with agency and other professional services.

#### **5. Purpose of the valuation report**

We understand that this valuation report and Schedule (the "Valuation Report") are required, firstly, in connection with the acquisition of the Properties by a subsidiary of the Company and, secondly, for inclusion in a prospectus concerning the proposed placing and offer and introduction of Ordinary Shares in the Company.

We also understand that this Valuation Report will be relied upon by the Company, UK Commercial Property Holdings Limited and Dickson Minto W.S.

The matters referred to above are collectively defined as the "Purpose of this Valuation Report".

In accordance with UKPS 5.4, we have made certain disclosures in connection with this valuation instruction and our relationship with Resolution Investment Services Limited. These are included in item 6 below.

## **6. Disclosures required under the provisions of UKPS 5.4**

### **6.1 Previous valuations of the Properties for the Purpose of the Valuation Report**

The Properties have not been valued previously by CB Richard Ellis for the same purpose as the Purpose of this Valuation Report.

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

CB Richard Ellis Limited has carried out Valuation, Agency and Professional services on behalf of Resolution Investment Services Limited for between 10 and 14 years.

### **6.3 Fee income from Resolution Investment Services Limited**

The total fees, including the fee for this assignment, earned by CB Richard Ellis Limited (or other companies forming part of the same group of companies within the UK) from Resolution Investment Services Limited (or other companies forming part of the same group of companies) is less than 5.0 per cent. of the total UK revenues.

## **7. Basis of valuation and net annual rent**

### **7.1 Market Value**

The value of each of the Properties has been assessed in accordance with the relevant parts of the current RICS Appraisal and Valuation Standards. In particular, we have assessed Market Value in accordance with PS 3.2. 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".

In undertaking our valuations on the basis of Market Value, we have applied the conceptual framework which has been settled by the International Valuation Standards Committee and which is included in PS 3.2. The RICS considers that the application of the Market Value definition provides the same result as Open Market Value, a basis of value supported by previous editions of the Red Book.

### **7.2 Net annual rent**

The net annual rent ("Net Annual Rent") for each of the Properties is referred to in the Schedule. Net annual rent is defined in the Listing Rules as "the current income or income estimated by the valuer:

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

The Schedule also includes the estimated net annual rent ("Estimated Net Annual Rent") of each of the Properties. The Estimated Net Annual Rent is based on the current rental value of each of the Properties. The rental value reflects the terms of the leases where the Properties, or parts thereof, are let at the date of valuation. Where the properties, or parts thereof, are vacant at the date of valuation, the rental value reflects the rent we consider would be obtainable on an open market letting as at the date of valuation.

### **7.3 Taxation and costs**

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

We have made deductions to reflect purchasers' acquisition costs.

We have been asked to assume that there are no outstanding liabilities in respect of retention sums arising out of building contracts that precede the date of valuation.

## 8. VAT

We have been advised by the Company that the option to tax has been exercised in respect of all the Properties with the exception of 3/7 King William Street, London EC4.

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

## 9. Assumptions and sources of information

An Assumption is stated in the Glossary to the Red Book to be a “supposition taken to be true” (“Assumption”). 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 that we may make the Assumptions for the purposes of our valuations. In the event that any of these Assumptions prove to be incorrect, then our valuations should be reviewed. The Assumptions we have made for the purposes of our valuations are referred to below:

### 9.1 Title

We have not had access to the title deeds of the Properties. Save as disclosed in the certificates of title dated 9 February 2007 prepared by Dickson Minto W.S. and Walker Morris (the “Certificates of Title”), we have made an Assumption that the Properties have good and marketable title in each case and that the Properties are free from any onerous or hampering restrictions of conditions. We have also assumed that the Properties are free from mortgages, charges or other encumbrances. 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.

The Certificates of Title are dated 9 February 2007. However, we have only reflected the information contained within the Certificates of Title which is pertinent to our valuations as at the valuation date.

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

We have been provided with copies of building condition surveys carried out on various dates in January 2007, prepared by TMD Building Consultancy Limited on behalf of Resolution Investment Services Limited (the “Condition Surveys”). We have reflected the contents of the Condition Surveys in undertaking our valuations.

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. For the purposes of these valuations, unless otherwise informed by the Company or its advisers, we have made an Assumption that any such investigation would not reveal the presence of such materials in any adverse condition.

No mining, geological or other investigations have been undertaken to certify that the sites of the Properties are free from any defect as to foundations. We have made an Assumption that the load bearing qualities of the sites of the Properties are sufficient to support the buildings constructed (or to be constructed) thereon. In the absence of any information to the contrary, we have also made an Assumption 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 and that the Properties are free from rot infestation or structural or latent defect.

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 been provided with copies of reports on the mechanical and electrical services dated variously in January 2007 prepared by ACDP (Integrated Building Services) Limited on behalf of Resolution Investment Services Limited in respect of the Properties. We have reflected the contents of these reports in undertaking our valuations. We have made an Assumption that, save as disclosed in the reports, all services to the Properties are functioning satisfactorily.

No allowance has been made in these valuations for any items of plant or machinery not forming part of the service installations of the Properties. We have specifically excluded all items of plant, machinery and equipment installed wholly or primarily in connection with the occupants' businesses. We have also excluded furniture and furnishings, fixtures, fittings, vehicles, stock and loose tools. Further, no account has been taken in our valuations of any goodwill that may arise from the present occupation of any of the Properties. Where appropriate we have regarded the shop fronts of retail and showroom accommodation as forming an integral part of the building.

All measurements, areas and ages quoted in our report are approximate.

It is a condition of CB Richard Ellis 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. We have otherwise had regard to the age and apparent general condition of the Properties but 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.

### **9.3 Environmental matters**

We have been provided with Environmental Assessments for each of the properties prepared by Wardell Armstrong LLP. For those properties with contamination, our valuation includes our opinion of the market's likely perception of the issues involved.

However, should it be established subsequently that contamination exists on any of the properties or on any neighbouring land, or that they have been or are being put to any contaminative use other than revealed in the Environmental Assessments, this might reduce the values reported.

Accordingly and in the absence of any information in the Environmental Assessments to the contrary, we have assumed the following:

- (i) the properties are not contaminated and are not adversely affected by any existing or proposed environmental law; and
- (ii) any processes carried out on any of the properties which are regulated by environmental legislation are properly licensed by the appropriate authorities.

### **9.4 Areas**

We have measured the Properties, or parts of Properties, on site and have calculated the floor areas in accordance with the current Code of Measuring Practice prepared by the Royal Institution of Chartered Surveyors (the "Code").

### **9.5 Statutory requirements and planning**

In all instances, we have read the Certificates of Title, which refer to planning matters.

We have made an Assumption that, save as disclosed in the Certificates of Title, the buildings have been constructed in full compliance with valid town planning, and with all statutory and local authority requirements including building, fire and health and safety regulations, and that the Properties are not subject to any outstanding statutory notices as to their construction, use or occupation. Unless the Certificates of Title have revealed the contrary, we have made a further Assumption that the existing uses of the Properties are duly authorised or established and that no adverse planning conditions or restrictions apply. We have also made the Assumption that only minor or inconsequential costs will be incurred if any modifications or alterations are necessary in order for each Property to comply with the provisions of the Disability Discrimination Act 1995.

No allowances have been made for rights, obligations or liabilities arising under the Defective Premises Act 1972, and, save as disclosed in the Certificates of Title, we have made an Assumption that the Properties comply with all relevant statutory requirements.

### **9.6 Leasing**

We have not read copies of the leases or other related documents. However, we have relied on the tenancy summaries contained in the Certificates of Title for the purposes of our valuations.

We have not undertaken credit enquiries into the financial status of the tenants. Unless we have become aware by general knowledge, or we have been specifically advised to the contrary, we have made an Assumption that the tenants are financially in a position to meet their obligations. Unless otherwise informed by Resolution Investment Services Limited, we have also made an Assumption that there are no material arrears of rent or service charges, breaches of covenants, or 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 a purchasers' likely perception of the financial status of the tenants.

## 9.7 Lettings

Except to the extent disclosed in the Certificates of Title, we have made an Assumption that:

- (i) 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;
- (ii) all rent reviews are upward only and are to be assessed by reference to full current market rents;
- (iii) there are no tenants' improvements that will materially affect our opinion of the rent that would be obtained on review or renewal;
- (iv) tenants will meet their obligations under their leases, and are responsible for insurance and payments of business rates; and are responsible for all repairs, whether directly or by means of a service charge;
- (v) there are no user restrictions or other restrictive covenants in leases which would adversely affect value;
- (vi) where more than 50 per cent. of the floor space 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, and therefore disposal into the open market is unrestricted;
- (vii) appropriate permission to assign the interest being valued herein would not be withheld by the landlord where required; and
- (viii) vacant possession can be given of all accommodation which is unlet or is let on a service occupancy.

## 9.8 Information

In undertaking our valuations, we have carried out our work based upon information supplied to us by Resolution Investment Services Limited and their advisors, including building surveyors' reports, environmental reports and solicitors' Reports on Title. We have also relied on information and advice supplied by Resolution Investment Services Limited in respect of outstanding costs or retentions where works have been completed or are ongoing. We have relied on information and advice supplied by Resolution Investment Services Limited in respect of costs by way of planning obligations affecting the Properties either as a result of development that has occurred or in respect of future planning obligations in the case of development which may occur in the future. Similarly, we have relied on information and advice supplied by Resolution Investment Services Limited relating to future development costs and the likely irrecoverable cost of works and repairs to defects revealed by the various Condition Surveys. In each case, we have reflected this advice in our valuations.

We have made an Assumption that the information Resolution Investment Services Limited and its professional advisers have supplied to us in respect of the Properties is both full and correct. It follows that we have made an Assumption that details of all matters likely to affect value within their collective knowledge such as prospective lettings, rent reviews, outstanding requirements under legislation and planning decisions have been made available to us and that the information is up to date.

## 10. Valuation

We are of the opinion that the aggregate of the Market Values as at the Valuation Date, being 31 December 2006, of the freehold (or heritable title) or leasehold interests in each of the Properties described in the Schedule, subject to the Assumptions and comments in this Valuation Report, was as follows:

Freehold (or Heritable Title)	£287,425,000	(two hundred and eighty seven million four hundred and twenty five thousand pounds)
Long Leasehold	£62,950,000	(sixty two million nine hundred and fifty thousand pounds)
<b>TOTAL</b>	<b>£350,375,000</b>	<b>(three hundred and fifty million three hundred and seventy five thousand pounds)</b>



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.

**11. Confidentiality and disclosure**

The contents of this Valuation Report and Schedule may be used only for the Purpose of this Valuation Report. Before this Valuation Report, or any part thereof, is reproduced or referred to, in any document, circular or statement, and before its contents, or any part thereof, are disclosed orally or otherwise to a third party, the Valuer's written approval as to the form and context of such publication or disclosure must first be obtained. For the avoidance of doubt such approval is required whether or not CB Richard Ellis are referred to by name and whether or not the contents of our Valuation Report are combined with others.

Yours faithfully

**Edward Hiller**  
**Director**  
For and on behalf of  
CB Richard Ellis Limited

## Schedule to the Valuation Report

Address	Description and Tenure	Occupational Tenancies	Current Net Annual Rent Receivable	Estimated Net Annual Rent	Market Value
BRISTOL Plot CD04D, Temple Quay, Rivergate	<p>The subject property comprises a five storey modern office built in 2002.</p> <p>It has a high specification and internal fit incorporating air conditioning, raised floors and suspended ceilings incorporated LG3 Category 2 lighting.</p> <p>Floor Area: 6,517 sq m (70,149 sq ft).</p> <p>FREEHOLD</p>	<p>Let on a single lease to The Secretary of State for Transport, Local Government and The Regions expiring in March 2022 and subject to 5 yearly rent reviews. The next review is in March 2007.</p>	£1,330,000	£1,560,000	£31,000,000
EDINBURGH 81- 85 George Street	<p>The property is a multi-let mixed use building re-developed in the early 1990's behind a listed Georgian stone façade.</p> <p>The property provides two adjacent modern retail units arranged over ground and basement floors. There are three modern open-plan offices on first, second and third floors with a reception area at ground floor level. The property benefits from 13 car parking spaces.</p> <p>The office accommodation has carpeted raised floors; suspended ceilings with recessed fluorescent lighting; double glazed windows, ceiling mounted air conditioning and gas fired heating systems.</p> <p>Floor Area: 4,341 sq m (46,726 sq ft).</p> <p>FREEHOLD</p>	<p>Let on three separate leases. The offices are let entirely to Commercial Union on a lease expiring November 2016. The retail units are let to Waterstones on a lease expiring in July 2016 and to ESPC on a lease expiring in May 2015.</p> <p>The office floors are currently sub-let.</p> <p>There are also two car spaces held on licences.</p>	£1,284,000	£1,355,980	£26,100,000

Address	Description and Tenure	Occupational Tenancies	Current Net Annual Rent Receivable	Estimated Net Annual Rent	Market Value
<p>HATFIELD Ocado Distribution Unit, Hatfield Business Area</p>	<p>The property comprises a large modern distribution warehouse developed approximately five years ago, of steel structural frame construction with profiled composite steel cladding. The warehouse has been fitted with a number of mezzanine floors.</p> <p>The unit has 20 metre eaves height, a floor slab with a loading of 50kN/m<sup>2</sup> and is fitted with a sprinkler system. 16 hydraulic, 10 mechanical and 4 electric loading doors service the warehouse.</p> <p>A two storey office block is attached to the front of the building. The ground floor contains a reception area, facilities for warehouse staff and warehouse control room. First floor office space is open plan.</p> <p>Large staff car parks are located to the front of the warehouse and on its southern side.</p> <p>Floor Area: 27,368 sq m (294,586 sq ft).</p> <p>FREEHOLD</p>	<p>Let entirely to Ocado Limited expiring in September 2021. John Lewis Plc have provided a rent guarantee until the tenant can satisfy a profits test.</p> <p>The rent is currently subject to an outstanding review from 28 September 2006.</p>	<p>£2,503,984</p>	<p>£2,532,586</p>	<p>£46,300,000</p>

Address	Description and Tenure	Occupational Tenancies	Current Net Annual Rent Receivable	Estimated Net Annual Rent	Market Value
LONDON SW1 6 Arlington Street	<p>The property comprises six storey plus mansard level office building constructed on the 1920's to a Georgian style. It is of framed construction with brick and stucco rendered elevations at ground and lower ground floor levels.</p> <p>The ground floor and basement level are used as an art gallery.</p> <p>A staircase and passenger lift to the east of the building provides access to all floors. The upper floors each have WC facilities. The top floor mansard level comprises two residential flats. No access was gained to one of the flats.</p> <p>Floor Area: 1,499 sq m (16,140 sq ft) excluding residential flats.</p> <p>FREEHOLD</p>	<p>Currently let on seven separate leases. The four office floors are held on leases, expiring between 2007 and 2015.</p> <p>The ground and first floor is let to Holland Park Galleries Ltd, expiring July 2025.</p> <p>The two residential leases both expire in June 2033 without further reviews.</p>	£559,640	£878,000	£17,200,000
LONDON WC2 Bracton House, 34/36 High Holborn	<p>A purpose built office building constructed in the late 1980's.</p> <p>Accommodation comprises offices arranged over part of the ground floor and the six upper floors; a retail unit on the ground floor fronting High Holborn and basement storage.</p> <p>The specification of the office accommodation includes raised floors, air conditioning, suspended ceilings, flush mounted fluorescent lights and double glazing. Two 8 person Otis lifts service the building. The basement is in a poor condition.</p> <p>Floor Area: 1,994 sq m (21,465 sq ft).</p> <p>FREEHOLD</p>	<p>Let to Royal and Sun Alliance Insurance plc on lease expiring April 2013, with a further review in May 2008.</p> <p>The retail unit and offices are separately sublet.</p>	£825,000	£676,600	£15,000,000

Address	Description and Tenure	Occupational Tenancies	Current Net Annual Rent Receivable	Estimated Net Annual Rent	Market Value
LONDON WC2 5/7 Chancery Lane	<p>The property comprises purpose built offices constructed in the late 1980's behind a retained façade and built over basement, lower ground floor and six upper floors. The floors are arranged around a large central atrium and the property was refurbished in phases from September 2003 to August 2004.</p> <p>The building provides modern open plan office accommodation serviced via two main staircases and five lifts, one of which is a passenger/goods lift. There is a large ground floor reception with meeting rooms behind, a staff canteen, offices, library and ancillary areas at lower ground floor level.</p> <p>Floor Area: 7,691 sq m (82,784 sq ft).</p> <p>FREEHOLD</p>	<p>Originally let to the individual partners of Denton Hall Burgin and Warrens on a lease expiring March 2013.</p> <p>The lease has been subsequently assigned to Lewis Silkin and there is a further rent review in March 2008.</p>	£2,572,300	£2,767,000	£52,000,000
LONDON EC4 3/7 King William Street	<p>The property is a concrete framed building substantially redeveloped in the mid 1980's behind the original Grade II listed Portland stone façade. The building provides accommodation on two basement levels, ground, mezzanine and first to fifth floors.</p> <p>The office specification includes double glazing, VAV air conditioning, suspended ceilings with integral lighting and fully accessible raised floors. There are three passenger lifts serving all floors, and a goods lift.</p> <p>There is also a restaurant and ancillary staff facilities in the basement. There are ten on-site parking spaces.</p> <p>Floor Area: 7,662 sq m (82,474 sq ft).</p> <p>FREEHOLD</p>	<p>Let on a single lease to Norwich Union Insurance Group expiring in March 2234.</p> <p>The Freeholder receives a set proportion of the income from any subtenants.</p> <p>The building is sub-let to Daiwa, on a lease expiring in March 2012.</p>	<p>£1,650,740*</p> <p>* represents 47.164 per cent. of the rent received from the under-tenant as well as 47.164 per cent. of ERV.</p>	£1,197,966	£24,000,000

Address	Description and Tenure	Occupational Tenancies	Current Net Annual Rent Receivable	Estimated Net Annual Rent	Market Value
LUTTERWORTH Argos Unit, Magna Park	<p>The property comprises a large distribution warehouse with 4 storey integral offices built in 1993. The building is of steel framed construction with profiled metal sheet clad elevations, and a shallow pitch clad roof incorporating translucent roof lights.</p> <p>The warehouse has an eaves height of circa 14.25 m (46 ft), 42 dock levellers and 8 surface level doors. The ancillary office specification comprises suspended ceilings, raised floors and double glazed aluminum framed windows. There are two loading yards and a two storey car park providing parking for approximately 341 cars.</p> <p>Floor Area: 35,532 sq m (382,466 sq ft).</p> <p>LEASEHOLD – 995 year lease from April 1993 on a peppercorn rent.</p>	<p>Let on a single lease to Argos Limited expiring December 2017 with the next review in December 2007.</p>	£1,865,000	£1,973,000	£35,400,000
NORTHAMPTON Brackmills	<p>The property is a high bay distribution warehouse with integral office block on ground and first floors built around 1996. The warehouse is of steel portal frame construction with profiled steel roof and cladding and an eaves height of approximately 15.4 m (50 ft). It has 28 dock level loading doors, a mix of fluorescent and tungsten lighting, a gas fired blower heating system and a vented ceiling.</p> <p>The office element benefits from suspended ceilings, Category 2 lighting, comfort cooling, radiator heating and raised floors. There is a single passenger lift, a ground floor restaurant and separate Children's Nursery.</p> <p>Floor area: 27,764 sq m (298,850 sq ft).</p> <p>LEASEHOLD - 999 year lease from 16 January 1998 on a peppercorn rent.</p>	<p>Let on a single lease to Asda Storage Ltd expiring November 2028.</p> <p>There is a fixed rent increase to £1,525,000 per annum effective 16 November 2007 and the next review is due in November 2008.</p>	£1,499,999	£1,499,999	£27,550,000

Address	Description and Tenure	Occupational Tenancies	Current Net Annual Rent Receivable	Estimated Net Annual Rent	Market Value
TUNBRIDGE WELLS Great Lodge Retail Park	<p>The subject property comprises a purpose built retail warehouse park constructed in 2003.</p> <p>The park incorporates four modern warehouse units of steel portal frame construction with brick faced external walls under a pitched profiled metal sheet roof. The property benefits from approximately 500 car parking spaces.</p> <p>Floor Areas: 15,703 sq m (169,002 sq ft).</p> <p>FREEHOLD</p>	<p>Let on four separate occupational leases which all expire March 2028. Two of the leases are to DSG Retail Ltd, trading as Currys and PC World respectively. The remaining units are let to DFS Furniture Company Ltd and B&amp;Q Plc</p>	£3,498,481	£3,741,900	£75,825,000

## Part 5

### Accountants' Report



Ernst & Young LLP  
P.O. Box 9  
14 New Street  
St Peter Port  
Guernsey GY1 4AF  
Channel Islands

Phone: 01481 717400  
Fax: 01481 713901 (Audit)  
01481 717496 (Tax)  
email: eyguernsey@uk.ey.com  
www.ey.com/channel\_islands

UK Commercial Property Trust Limited  
Trafalgar Court  
Les Banques  
St Peter Port  
Guernsey  
GY1 3QL

9 February 2007

Dear Sirs,

#### Introduction

We report on the financial information on UK Commercial Property Trust Limited and its subsidiaries (the "Group") set out on pages 65 to 73. This financial information has been prepared in accordance with International Financial Reporting Standards for inclusion in the Prospectus dated 9 February 2007 of UK Commercial Property Trust Limited on the basis of the accounting policies set out in Note 1 to the financial information. This report is required by Annex 1 item 20.1 of the Prospectus Regulation and is given for the purpose of complying with that paragraph and for no other purpose.

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

#### Responsibilities

The Directors of UK Commercial Property Trust Limited are responsible for preparing the financial information on the basis of accounting set out in Note 1 to the financial information.

It is our responsibility to form an opinion as to whether the financial information gives a true and fair view, for the purposes of the Prospectus and to report our opinion to you.

#### Basis of opinion

We conducted our work in accordance with Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.



INVESTOR IN PEOPLE

The UK firm Ernst & Young LLP is a limited liability partnership Registered in England and Wales with registered number 0C300001 and is a member practice of Ernst & Young Global. A list of members' names is available for inspection at 1 More London Place, London SE1 2AF, the firm's principal place of business and registered office.



We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

**Opinion**

In our opinion, the financial information gives, for the purposes of the Prospectus dated 9 February 2007, a true and fair view of the state of affairs of the Group as at the date stated and of its profits, cash flows and changes in equity for the period then ended in accordance with the basis of accounting as set out in Note 1 to the financial information.

**Declaration**

For the purposes of Prospectus Rule 5.5.3R(2)(f) we are responsible for this report as part of the Prospectus and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import.

The declaration is included in the Prospectus in compliance with item 1.2 of Annex 1 of the Prospectus Regulation.

Yours faithfully

Ernst & Young LLP

# UK Commercial Property Trust Limited

## Consolidated income statement

For the period from 24 August 2006 to 31 December 2006

	<i>Notes</i>	<i>Total £'000</i>
<b>Income</b>		
Rental income		6,752
Unrealised gains on revaluation of investment properties	7	11,670
Interest revenue receivable		265
Distributions receivable from unit trust		764
<b>Total income</b>		<u>19,451</u>
<b>Expenditure</b>		
Investment management fee	2	(1,119)
Other expenses	3	(763)
<b>Total expenditure</b>		<u>(1,882)</u>
<b>Net operating profit before finance costs</b>		<u>17,569</u>
<b>Net finance costs</b>		
Finance costs	4	(96)
<b>Net profit from ordinary activities before taxation</b>		<u>17,473</u>
<b>Taxation on profit on ordinary activities</b>	5	—
<b>Net profit for the period</b>		<u>17,473</u>
<b>Earnings per share</b>	6	<u>3.30p</u>

# UK Commercial Property Trust Limited

## Consolidated balance sheet

As at 31 December 2006

	<i>Notes</i>	<i>£'000</i>
<b>Non-current assets</b>		
Investment properties at fair value through profit or loss	7	<u>515,220</u>
<b>Current assets</b>		
Trade and other receivables	9	4,066
Cash and cash equivalents	10	<u>26,677</u>
		<u>30,743</u>
<b>Total assets</b>		<u>545,963</u>
<b>Current liabilities</b>		
Trade and other payables	11	<u>(7,674)</u>
<b>Total liabilities</b>		<u>(7,674)</u>
<b>Net assets</b>		<u>538,289</u>
<b>Represented by:</b>		
Share capital	12	132,500
Special distributable reserve	12	388,306
Capital reserve	1	11,670
Revenue reserve	1	<u>5,803</u>
<b>Equity shareholders' funds</b>		<u>538,279</u>
Minority interest		<u>10</u>
		<u>538,289</u>
<b>Net asset value per share</b>	13	<u>101.56p</u>

## Consolidated statement of changes in equity

For the period from 24 August 2006 to 31 December 2006

	<i>Share Capital £'000</i>	<i>Share Premium Account £'000</i>	<i>Special Distributable Reserve £'000</i>	<i>Capital Reserve £'000</i>	<i>Revenue Reserve £'000</i>	<i>Minority Interest £'000</i>	<i>Total £'000</i>
Issue of Ordinary Shares	132,500	397,500					530,000
Issue costs		(7,685)	(1,509)				(9,194)
Conversion of Share premium account		(389,815)	389,815				-
Net profit for the period					17,473		17,473
Minority interest						10	10
Transfer in respect of gains on investment properties				11,670	(11,670)		-
<b>At 31 December 2006</b>	<u>132,500</u>	<u>-</u>	<u>388,306</u>	<u>11,670</u>	<u>5,803</u>	<u>10</u>	<u>538,289</u>

# UK Commercial Property Trust Limited

## Consolidated cash flow statement

For the period from 24 August 2006 to 31 December 2006

	<i>Notes</i>	<i>£'000</i>
<b>Cash flows from operating activities</b>		
Net operating profit for the period before finance costs		17,569
Adjustments for:		
Unrealised gains on revaluation of investment properties	7	(11,670)
(Increase) in operating trade and other receivables		(4,066)
Increase in operating trade and other payables		7,674
		<u>9,507</u>
Loan interest paid	4	<u>(96)</u>
Net cash inflow from operating activities		<u>9,411</u>
<b>Cash flows from investing activities</b>		
Purchases of investment properties		<u>(503,550)</u>
Net cash (outflow) from investing activities		<u>(503,550)</u>
<b>Cash flows from financing activities</b>		
Proceeds from issue of ordinary shares	12	530,000
Issue costs of ordinary share capital	12	(9,194)
Minority interest		10
Net cash inflow from financing activities		<u>520,816</u>
<b>Closing cash and cash equivalents</b>		<u>26,677</u>

The accompanying notes are an integral part of this statement.

# UK Commercial Property Trust Limited

## Notes to the financial statements

For the period from 24 August 2006 to 31 December 2006

### 1. Accounting policies

A summary of the principal accounting policies, all of which have been applied consistently throughout the period, is set out below.

#### (a) Basis of Accounting

The consolidated accounts have been prepared in accordance with International Financial Reporting Standards issued by, or adopted by, the International Accounting Standards Board (the 'IASB'), interpretations issued by the International Financial Reporting Standards Committee, applicable legal and regulatory requirements of Guernsey law and the Listing Rules of the UK Listing Authority.

#### (b) Basis of Consolidation

The consolidated accounts comprise the accounts of the Company and its subsidiaries drawn up to 31 December each year.

Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

#### (c) Functional and Presentation Currency

Items included in the financial statements of the Group are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in pounds sterling, which is the Group's functional and presentation currency. All figures in the financial statements are rounded to the nearest thousand.

#### (d) Revenue Recognition

Rental income, excluding VAT, arising on investment properties is accounted for in the Income Statement on a straight-line basis over the lease term of ongoing leases.

Surrender lease premiums paid are required to be recorded as a current asset and amortised over the period from the date of lease commencement to the earliest termination date.

Interest income is accounted for on an accruals basis.

Income receivable from the unit trust investment is accounted for on an XD date basis.

#### (e) Expenses

Expenses are accounted for on an accruals basis. The Group's investment management and administration fees, finance costs and all other expenses are charged through the Income Statement.

#### (f) Taxation

The Company is exempt from Guernsey taxation on dividend income derived outside Guernsey under the Income Tax (Exempt Bodies) (Guernsey) Ordinance, 1989. A fixed annual fee of £600 is payable to the States of Guernsey in respect of this exemption. No charge to Guernsey taxation will arise on capital gains.

The Directors intend to conduct the Group's affairs such that the management and control is not exercised in the United Kingdom and so that neither the Company nor any of its subsidiaries carries on any trade in the United Kingdom. Accordingly, the Company and its subsidiaries will not be liable for United Kingdom taxation on their income or gains other than certain income deriving from a United Kingdom source.

The Company and its subsidiaries are subject to United Kingdom income tax on income arising on the property portfolio after deduction of its allowable debt financing costs and other allowable expenses.

#### (g) Investment Properties at fair value through profit or loss

Investment properties are initially recognised at cost, being the fair value of the consideration given, including transaction costs associated with the investment property.

After initial recognition, investment properties are measured at fair value, with unrealised gains and losses recognised in the Income Statement and transferred to the Capital Reserve. Fair value is based on the open market valuation provided by CB Richard Ellis Limited, chartered surveyors, at the balance sheet date.

Investment properties held under finance leases and leased out under property leases are classified as investment property and stated at fair value.

On derecognition, realised gains and losses on disposals of investment properties are recognised in the Income Statement and transferred to the Capital Reserve.

Derecognition occurs on the exchange of signed contracts between a willing buyer and a willing seller.

**(h) Share Issue Expenses**

Incremental external costs directly attributable to the equity transaction that would otherwise have been avoided are written off against the Share Premium Account and the Special Distributable Reserve.

**(i) Segmental Reporting**

The Directors are of the opinion that the Group is engaged in a single segment of business being property investment business and in one geographical area, the United Kingdom.

**(j) Cash and Cash Equivalents**

Cash in banks and short term deposits that are held to maturity are carried at cost. Cash and cash equivalents consist of cash in hand and short term deposits in banks with an original maturity of three months or less.

**(k) Trade and Other Receivables**

Trade receivables, which are generally due for settlement at the relevant quarter end are recognised and carried at the original invoice amount less an allowance for any uncollectable amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

**(l) Capital reserve**

The following are accounted for in this reserve:

- increases and decreases in the fair value of investment properties
- gains and losses on the disposal of investment properties.

**(m) Revenue reserve**

Any surplus arising from the net profit on ordinary activities after taxation after payment of dividends is taken to this reserve, with any deficit charged to the Special Distributable Reserve.

**(n) New standards not applied**

During the year the IASB has issued the following standards:

IFRS 7 – Financial Instruments: Disclosures (effective 1 January 2007)

Amendments to IAS 1 – Presentation of Financial Statements – Capital Disclosures (effective 1 January 2007).

**2. Fees**

	<i>Period ended 31 December 2006 £'000</i>
<b>(a) Investment management fee</b>	<u>1,119</u>

The Company's Investment Managers, Resolution Investment Services Limited, receive a fee from the Group at an annual rate of 0.75 per cent. of the total assets, plus an administration fee of £100,000 per annum (which will increase annually in line with inflation) (see note 3), payable quarterly in arrears. The fees of any managing agents appointed by the Investment Managers will be payable out of the investment management fee. The investment management agreement is for a fixed initial period of two years from 22 September 2006 and with effect from the first anniversary of that date, is terminable by any of the parties to it on 12 months' notice.

**(b) Valuers' fees**

The valuers, CB Richard Ellis Limited, have agreed to provide valuation services in respect of the property portfolio. The valuation agreement can be terminated by either party on three months' notice. An annual fee is payable equal to 0.0185 per cent. of the aggregate value of the property portfolio.

### 3. Other expenses

	£'000
Direct operating expenses of let property	397
Valuation and other professional fees	245
Directors' fees	37
Administration fee	28
Auditors remuneration for:	
– Statutory audit	10
Other	46
	<u>763</u>
Of which expenses borne by UKCPT Limited Partnership comprise:	
Direct operating expenses of let property	397
Valuation and other professional fees	92
Other	12
	<u>501</u>

### 4. Finance costs

	£'000
Interest on initial funding requirements	96

### 5. Taxation

UK Commercial Property Trust Limited owns two Guernsey tax exempt subsidiaries, UK Commercial Property GP Limited and UK Commercial Property Holdings Limited. The two subsidiaries are partners in a Guernsey Limited Partnership, UKCPT Limited Partnership. The partnership owns a portfolio of UK properties and derives rental income from those properties. As the partnership is considered tax transparent in the UK, the partners are liable to UK income tax at the rate of 22 per cent. on the partnership's net rental income.

A reconciliation of the income tax charge applicable to the results from ordinary activities at the statutory income tax rate to the charge for the period is as follows:

	<i>Period ended</i> <i>31 December</i> <i>2006</i> <i>£'000</i>
Net profit before taxation	17,473
UK income tax at a rate of 22 per cent.	3,844
Effect of:	
Capital gains on revaluation of investment properties not taxable	(2,567)
Income not taxable	(58)
Inter company loan interest	(1,591)
Distribution from unit trust	(168)
Expenditure not allowed for income tax purposes (including set-up costs)	340
Deferred tax asset not provided for	200
Total tax charge	<u>–</u>

### 6. Earnings per share

The earnings per Ordinary Share are based on the net profit for the period of £17,473,000 and on 530,000,000 Ordinary Shares, being the weighted average number of shares in issue during the year.

## 7. Investment properties

Freehold and leasehold properties	£'000
Opening valuation	0
Purchases at cost	503,550
Surplus on revaluation to fair value	11,670
Disposals at cost	0
Closing valuation	<u>515,220</u>

CB Richard Ellis Limited completed a valuation of Group investment properties at 31 December 2006 on an open market basis in accordance with the requirements of the Appraisal and Valuation Manual published by the Royal Institution of Chartered Surveyors, which is deemed to equate to fair value. Fair value is determined by reference to market based evidence, which is the amounts for which the assets could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arm's length transaction as at the valuation date. The market value of these investment properties amounted to £515,220,000 which is also the fair value.

The property valuer is independent and external to the Group. The property valuer takes account of deleterious materials included in the construction of the investment properties in arriving at its estimate of open market valuation, when the Investment Managers advise the presence of such materials.

The Group has entered into leases on its property portfolio as lessor (See note 15 for further information). No one property accounts for more than 15 per cent. of the gross assets of the Group. All leasehold properties have more than 60 years remaining on the lease term.

There are no restrictions on the realisability of the Group's investment properties or on the remittance of income or proceeds of disposal. However, the Group's investments comprise UK commercial property, which may be difficult to realise. Property and property related assets are inherently difficult to value due to the individual nature of such property. As a result, valuations are subject to substantial uncertainty. There is no assurance that the estimates resulting from the valuation process will reflect the actual sales price even where the actual sales occur shortly after the valuation date.

The Group is under no contractual obligations to purchase, construct or develop any investment property. The majority of the leases are on a full repairing basis and as such the Group is not liable for costs in respect of repairs, maintenance or enhancements to its investment properties.

## 8. Investment in subsidiary undertaking

The Company owns 100 per cent. of the issued share capital of the Property Subsidiary, a company incorporated in Guernsey whose principal business is that of an investment and property company.

In addition to its investment in the shares of the Property Subsidiary, the Company has lent £406 million to the Property Subsidiary as at 31 December 2006. The loan is repayable on 22 September 2016 and is unsecured. Interest is payable in arrears at a fixed rate of 6.5 per cent. per annum.

The company owns 100 per cent. of the issued share capital of GP, a company incorporated in Guernsey whose principal business is that of an investment and property company.

GLP is a Guernsey limited partnership, and it holds the properties comprised in the initial property portfolio. The Property Subsidiary and GP have a partnership interest of 98.99 and 1 per cent. respectively in this limited partnership. The remaining 0.01 per cent. partnership interest is held by The Droit Purpose Trust, which is a Jersey purpose trust.

## 9. Trade and other receivables

	£'000
Rents receivable (net of provision for bad debts)	3,369
Distributions receivable from unit trust	691
Other debtors and prepayments	6
	<u>4,066</u>

Rents receivable, which are generally due for settlement at the relevant quarter end are recognised and carried at the original invoice amount less an allowance for any uncollectable amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.



## 10. Cash and cash equivalents

All cash balances were held in cash, current accounts or in banks on short term deposits with an original maturity of three months or less at the year end.

## 11. Trade and other payables

	£'000
Rental income received in advance	5,546
VAT payable	655
Investment Managers' fees payable	1,119
Other payables	354
	<u>7,674</u>

The Company's payment policy is to ensure settlement of supplier invoices in accordance with stated terms.

## 12. Share capital and share premium accounts

	£'000
<b>Authorised share capital:</b>	
750,000,000 Ordinary Shares of 25 pence each	<u>187,500</u>
<b>Issued share capital:</b>	
530,000,000 Ordinary Shares of 25 pence each, fully paid	<u>132,500</u>
<b>Share premium account:</b>	
Received on the placing of Ordinary Shares	397,500
Less: issue costs charged to capital	<u>(7,685)</u>
	389,815
Conversion to special distributable reserve	<u>(389,815)</u>
Closing balance	<u>0</u>
Issued share capital and share premium account	<u>132,500</u>

### Share issue history:

	<i>No of shares issued</i>	<i>Issue price (pence)</i>	<i>Gross proceeds £'000</i>
24 August 2006 (on incorporation)	2	nil	0
22 September (on admission to London Stock Exchange)	<u>529,999,998</u>	100p	<u>530,000</u>
	<u>530,000,000</u>		<u>530,000</u>

On 1 December 2006 the Royal Court of Guernsey confirmed the reduction of capital by way of a cancellation of the Company's Share Premium Account. The amount cancelled, being £389,815,000, has been credited as a distributable reserve established in the Company's books of account and shall be available as distributable profits to be used for all purposes permitted under Guernsey law, including the buy back of shares and the payment of dividends. £1,509,000 of issue costs were charged to the special distributable reserve. Total issue costs charged against the share premium and special distributable reserve totalled £9,194,000 representing 1.74 per cent. of the initial gross assets, in line with what is stated in the prospectus.

## 13. Net asset value per share

The net asset value per ordinary share is based on net assets of £538,279,000 and 530,000,000 ordinary shares, being the number of ordinary shares in issue at the period end.

#### 14. Related party transactions

Prior to its launch, the Company entered into a costs commission agreement with Resolution Investment Services Limited. Under the agreement, if the costs and expenses in respect of the issue of Ordinary Shares pursuant to the placing and offer, and the acquisition of the initial property portfolio were less than 1.45 per cent. of the initial gross assets, the Company would pay to Resolution Investment Services Limited a commission equal to the difference. If the amount of such costs and commissions exceeded 1.45 per cent. of the initial gross assets, Resolution Investment Services would pay to the Company such excess. The outcome of this agreement was an amount payable by the Company to Resolution Investment Services Limited of £2,817,000. There is a balance of £73,000 outstanding at the period end.

No Director has an interest in any transactions which are or were unusual in their nature or significant to the nature of the Group.

Resolution Investment Services Limited received fees for its services as Investment Managers. Further details are provided in notes 2 and 3. The total charge to the Income Statement during the period was £1,147,000, inclusive of administration fees, all of which remained payable at the period end.

The Directors of the Company received fees for their services. Total fees for the period were £37,000 of which £30,000 remained payable at the period end.

All of the above transactions were undertaken on an arms length basis.

#### 15. Lease length

The Group leases out its investment properties under operating leases.

The future income based on the unexpired lessor lease length at the period end was as follows (based on annual rentals):

	£'000
Less than one year	2,121
Between two and five years	3,182
Over five years	19,837
Total	<u>25,140</u>

The largest single tenant at the period end accounted for 8.5 per cent. of the current annual rental income.

The unoccupied property expressed as a percentage of estimated total rental value was 6.56 per cent. at the period end.

The Group has entered into commercial property leases on its investment property portfolio. These properties, held under operating leases, are measured under the fair value model as the properties are held to earn rentals. The majority of these non-cancellable leases have remaining non-cancellable lease terms of between 5 and 15 years.

#### 16. Post Balance Sheet Event

Further to recent announcements on the London Stock Exchange, the Company is in discussion regarding a potential acquisition of a portfolio of properties that is significant relative to the size of the Company. The potential portfolio is similar in nature to the Company's existing portfolio of properties.

The Board has confirmed that it is anticipated that the potential equity raising will be undertaken at an issue price of 103p per new share. Further announcements will be made in February 2007 on the progress of the acquisition and the equity fund raising.

## Part 6

### General Information

#### 1. General

- 1.1 The Company is a closed-ended investment company and was incorporated with limited liability in Guernsey under the Law with registered number 45387 on 24 August 2006. The Company operates under the Law and ordinances and regulations made under the Law and its registered office is Trafalgar Court, Les Banques, St. Peter Port, Guernsey (Telephone number: 01481 745001). The Company has received consent under the Control of Borrowing (Bailiwick of Guernsey) Ordinances, 1959 to 1989 from the Guernsey Financial Services Commission. Save for compliance with the laws, ordinances and regulations referred to above, the Company is not a regulated entity in Guernsey. Clause 3 of the Memorandum of Association of the Company provides that the objects of the Company include carrying on the business of an investment company. The Memorandum of Association of the Company is available for inspection at the addresses specified in paragraph 7 below.
- 1.2 The Property Subsidiary was incorporated with limited liability in Guernsey under the Law with registered number 45386 on 24 August 2006. The Property Subsidiary operates under the Law and ordinances and regulations made under the Law and its registered office is Trafalgar Court, Les Banques, St. Peter Port, Guernsey (Telephone number: 01481 745001). The Property Subsidiary is a wholly owned subsidiary of the Company.
- 1.3 The GP was incorporated with limited liability in Guernsey under the Law with registered number 45385 on 24 August 2006. The GP operates under the Law and ordinances and regulations made under the Law and its registered office is Trafalgar Court, Les Banques, St. Peter Port, Guernsey (Telephone number: 01481 745001). The GP is a wholly owned subsidiary of the Company.
- 1.4 The GLP was established as a limited partnership in Guernsey under the Limited Partnerships (Guernsey) Law, 1995 with registered number 709 on 6 September 2006. The GLP operates under that law and its place of business is Trafalgar Court, Les Banques, St. Peter Port, Guernsey (Telephone number: 01481 745001).
- 1.5 The Investment Manager is a private limited company and was incorporated in Scotland under the Companies Act 1985 with the registered number SC101825 on 12 November 1986. The Investment Manager operates under the UK Companies Act 1985. Its registered office and principal place of business is at Resolution House, 50 Bothwell Street, Glasgow G2 6HR (Telephone number: 0141 222 8000). The Investment Manager is authorised and regulated by the Financial Services Authority.
- 1.6 The Valuer is a private limited company and was incorporated in England and Wales under the UK Companies Act 1985 with the registered number 03536032 on 27 March 1998. The Valuer operates under the UK Companies Act 1985. Its registered office and principal place of business is St Martin's Court, 10 Paternoster Row, London EC4M 7HP (Telephone number: 020 7182 2000).

#### 2. Share capital and indebtedness

- 2.1 The authorised share capital and the issued share capital of the Company (all of which will be fully paid-up) as at 31 December 2006 and immediately following the Issue and the Acquisition will be as follows:

	<i>Authorised</i>		<i>Issued</i>	
	<i>No. of</i>		<i>No. of</i>	
	<i>Ordinary Shares</i>	<i>nominal</i>	<i>Ordinary Shares</i>	<i>nominal</i>
<i>As at 31 December 2006</i>				
Ordinary Shares	750 million	£187,500,000	530 million	£132,500,000
<i>Immediately following the Issue and the Acquisition</i>				
Ordinary Shares	1.4 billion	£350 million	880 million	£220 million

- 2.2 The Company was incorporated with an authorised share capital of £187,500,000 divided into 750 million Ordinary Shares of 25p each. At incorporation, two Ordinary Shares were subscribed for, nil paid, by the subscribers to the Memorandum of Association. On 22 September 2006, 529,999,998 Ordinary Shares were issued in connection with the First Issue.
- 2.3 By way of a special resolution passed by written resolution dated 8 September 2006, it was resolved that, conditional on the Placing and Offer becoming unconditional and the approval of the Court in Guernsey, the amount standing to the credit of the share premium account of the Company following completion of the Issue and the issue of the Consideration Shares (less any issue expenses set off against the share premium account) be cancelled and the amount of the share premium account so cancelled be credited as a distributable reserve to be established in the books of account which shall be able to be applied in any manner in which the Company's profits available for distribution (as determined in accordance with the Law) are able to be applied, including the purchase of the Company's own shares and the payment of dividends. The Court confirmed the reduction of the share premium account on 1 December 2006.

- 2.4 Save pursuant to the First Issue, the Issue, the Acquisition and the subscription of the two Ordinary Shares referred to above, since the date of incorporation no share or loan capital of the Company has been issued or agreed to be issued, or is now proposed to be issued, for cash or any other consideration and no commissions, discounts, brokerages or other special terms have been granted by the Company in connection with the issue of any such capital. No share or loan capital of the Company is under option or has been agreed, conditionally or unconditionally, to be put under option.
- 2.5 Under Guernsey law, there are no statutory pre-emption rights equivalent to those in section 89(1) of the UK Companies Act 1985, as amended, or restrictions on allotment of shares equivalent to those in section 80 of the UK Companies Act 1985, as amended, and, once authorised, all authorised but unissued share capital of the Company may be issued by the Directors at their discretion.
- 2.6 The Company has authority to make market purchases of up to 14.99 per cent. of the number of Ordinary Shares currently in issue. Such authority was granted by special resolution passed on 8 September 2006. The Company may retain any shares so purchased as treasury shares for future re-issue and re-sale or transfer or may cancel any such shares.
- 2.7 It is expected that the new Ordinary Shares to be issued under the Placing and Offer and the Consideration Shares will be issued pursuant to a resolution of the Board of Directors on 28 February 2007 conditional upon admission of those shares to the Official List and to trading on the London Stock Exchange.
- 2.8 The Ordinary Shares will be in registered form and shares will be capable of being issued or settled through CREST. It is expected that definitive certificates, if applicable, will be posted to allottees by 9 March 2007. Temporary documents of title will not be issued.
- 2.9 Each Ordinary Share will be issued at a premium of 78p to the nominal value of 25p per share.
- 2.10 Following the Issue and the Acquisition the authorised but unissued share capital of the Company will be £130 million comprising 520 million Ordinary Shares, equal to 37 per cent. of the total authorised share capital.
- 2.11 Each of the Property Subsidiary and the GP has an authorised share capital of £10,000 divided into 1,000,000 ordinary shares of 1p each. The Property Subsidiary has 400 fully paid ordinary shares in issue, all of which are held by the Company, and the GP has 100 fully paid ordinary shares in issue, all of which are held by the Company.
- 2.12 The following table sets out the capitalisation and indebtedness of the Group as at 31 December 2006.

<i>Total current debt</i>		
Guaranteed		nil
Secured		nil
Unguaranteed/unsecured		nil
<i>Total Non-current debt</i>		
Guaranteed		nil
Secured		nil
Unguaranteed/unsecured		nil
<i>Shareholders' equity</i>		
Share capital		£132,500,000
Legal reserves (excl. revenue reserves)		nil
Other reserves (excl. revenue reserves)		£399,976,000
Total		£532,476,000

The following table sets out the net indebtedness of the Group in the short term and the medium-long term as at 31 December 2006.

Cash	£26,677,000
Cash equivalent	nil
Trading securities	nil
Liquidity	£26,677,000
Current Financial Receivable	nil
Current Bank debt	nil
Current portion of non-current debt	nil
Other current financial debt	nil
	<hr/> <hr/>
Current Financial Indebtedness	<hr/> nil
Net Current Financial Indebtedness	nil
Non-current Bank loans	nil
Bonds issued	nil
Other non-current loans	nil
Non-current Financial Indebtedness	nil
Net Financial Indebtedness	nil
Indirect indebtedness	nil
Contingent indebtedness	nil

The information in the tables above is unaudited information on the Group and has not been reported on by an accountant.

### 3. Articles of Association of the Company

The Articles of Association of the Company contain provisions, *inter alia*, to the following effect.

#### 3.1 Votes of members

Subject to the restrictions referred to below and subject to any special rights or restrictions for the time being attached to any class of shares, every member (being an individual) present in person or by proxy or (being a corporation) present by a duly authorised representative (other than the Company itself where it holds its own shares as treasury shares) at a general meeting has, on a show of hands, one vote and, on a poll, one vote for every share held by him. There are not any different voting rights for major shareholders.

#### 3.2 Dividends

- (i) The Company in general meeting may declare a dividend but no dividend shall exceed the amount recommended by the Directors who may, for the purposes of determining such amount, disregard any realised or unrealised losses in respect of the valuation or realisation of any property portfolio assets that are accounted for in the income of the Company under the accounting standards approved by the Board in accordance with paragraph (ii) below.
- (ii) No dividend shall be paid other than out of the income or distributable reserves of the Company as recognised by International Financial Reporting Standards or such other accounting standards as may from time to time be adopted by the Directors provided always, for so long as required by the UKLA's Listing Rules, that all monies realised on the sale or other realisation of any capital assets in excess of book value and all other monies in the nature of accretion to capital shall not be treated as profits available for dividend but subject as otherwise provided by the Articles may be used by the Company for the purchase of its own shares.
- (iii) The Directors may, if they think fit, at anytime declare and pay such interim dividends as appear to be justified by the position of the Company.
- (iv) All unclaimed dividends may be invested or otherwise made use of by the Directors for the benefit of the Company until claimed and the Company shall not be constituted a trustee thereof. No dividend shall bear interest against the Company. Any dividend unclaimed after a period of twelve years from the date of declaration of such dividend shall be forfeited and shall revert to the Company.
- (v) The Directors are empowered to create reserves before recommending or declaring any dividend. The Directors may also carry forward any profits which they think prudent not to distribute by dividend.

#### 3.3 Issue of shares

- (i) Subject to the provisions of the Articles and without prejudice to any special rights conferred on the holders of any class of shares, any share in the Company may be issued with such preferred, deferred or other special rights, or such restrictions whether in regard to dividend, return of capital, voting or otherwise as the Company may from time to time by ordinary resolution determine and, subject to and in default of such resolution, as the Board may determine.

- (ii) Subject to the Articles, the unissued shares shall be at the disposal of the Directors, and they may allot, grant options over or otherwise dispose of them to such persons, at such times and generally on such terms and conditions as they determine.
- (iii) The Company may on any issue of shares pay such commission as may be fixed by the Board and disclosed in accordance with the Law. The Company may also pay brokerages.

#### 3.4 *Variation of rights*

If at any time the capital of the Company is divided into separate classes of shares, the rights attached to any class of shares may (unless otherwise provided by the terms of issue) be varied with the consent in writing of the holders of three-fourths of the issued shares of that class (excluding any shares held as treasury shares) or with the sanction of a special resolution passed at a separate meeting of the holders of such shares. The necessary quorum shall be two persons (other than the Company itself where it holds its own shares as treasury shares) holding or representing by proxy at least one third of the issued shares of the class (excluding any shares held as treasury shares). Every holder of shares of the class concerned (other than the Company itself where it holds its own shares as treasury shares) shall be entitled at such meeting to one vote for every share of that class held by him on a poll. The special rights conferred upon the holders of any shares or class of shares issued with preferred or other rights shall not be deemed to be varied by the creation of or issue of further shares ranking *pari passu* therewith or the exercise of any power under the disclosure provisions requiring shareholders to disclose an interest in the Company's shares as set out in the Articles.

#### 3.5 *Restriction on voting*

- (i) A member of the Company shall not be entitled in respect of any share held by him to attend or vote (either personally or by representative or by proxy) at any general meeting or separate class meeting of the Company unless all calls due from him in respect of that share have been paid.
- (ii) A member of the Company shall not, if the Directors so determine, be entitled in respect of any share held by him to attend or vote (either personally or by representative or by proxy) at any general meeting or separate class meeting of the Company or to exercise any other right conferred by membership in relation to any such meeting if he has failed to comply with a notice requiring the disclosure of shareholders' interests and given under the Articles (see paragraph 3.6 below) within 14 days, in the case where the shares in question represent at least 0.25 per cent. of their class, or within 28 days, in any other case, from the date of such notice. The restrictions will continue until the information required by the notice is supplied to the Company or until the shares in question are transferred or sold in circumstances specified for this purpose in the Articles.

#### 3.6 *Notice requiring disclosure of interest in shares*

The Directors may serve notice on any member requiring that member to disclose to the Company the identity of any person (other than the member) who has an interest in the shares held by the member and the nature of such interest. Any such notice shall require any information in response to such notice to be given within such reasonable time as the Directors may determine.

The Directors may be required to exercise their powers under the relevant Article on a requisition of members holding not less than one tenth of the paid up capital of the Company carrying the right to vote at general meetings. If any member is in default in supplying to the Company the information required by the Company within the prescribed period (which is 28 days after service of the notice or 14 days if the shares concerned represent 0.25 per cent. or more of the issued shares of the relevant class), the Directors in their absolute discretion may serve a direction notice on the member. The direction notice may direct that in respect of the shares in respect of which the default has occurred (the "default shares") and any other shares held by the member, the member shall not be entitled to vote in general meetings or class meetings. Where the default shares represent at least 0.25 per cent. of the class of shares concerned the direction notice may additionally direct that dividends on such shares will be retained by the Company (without interest) and that no transfer of the shares (other than a transfer to a bona fide unconnected third party) shall be registered until the default is rectified.

#### 3.7 *Transfer of shares*

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 UK 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:

- (i) the holding of shares of that class in uncertificated form;
- (ii) the transfer of title to shares of that class by means of the CREST UK system; or
- (iii) the CREST Guernsey Requirements.

Where any class of shares is for the time being admitted to settlement by means of the CREST UK 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 of the shares as are recorded on the register as being held in uncertificated form may be transferred only by means of the CREST UK 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 Director may reasonably require to show the right of the transferor to make the transfer. The Directors may refuse to register a transfer of any share which is not fully paid up or on which the Company has a lien provided that this would not prevent dealings from taking place on an open and proper basis.

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

### 3.8 *Alteration of capital and purchase of shares*

The Company may from time to time by ordinary resolution increase its share capital by such sum to be divided into shares of such amount as the resolution may prescribe.

The Company may from time to time, subject to the provisions of the Law, purchase its own shares (including any redeemable shares) in any manner authorised by the Law.

The Company may hold any shares purchased by it out of distributable profits as treasury shares in accordance with the Companies (Purchase of Own Shares) (Treasury Shares) Ordinance 2006.

The Company may by ordinary resolution: consolidate and divide all or any of its share capital into shares of larger amounts than its existing shares; subdivide all or any of its shares into shares of a smaller amount than is fixed by the memorandum of association; and cancel any shares which at the date of the resolution have not been taken or agreed to be taken and diminish the amount of its authorised share capital by the amount of shares so cancelled.

The Company may by special resolution reduce its share capital, any capital redemption reserve fund or any share premium account in any manner and with and subject to any incident authorised, and consent required, by the Law.

### 3.9 *Interests of Directors*

- (i) Save as mentioned below, a Director may not vote or be counted in the quorum on any resolution of the Board (or a committee of the Directors) in respect of any matter in which he has (together with any interest of any person connected with him) a material interest (other than by virtue of his interest in shares or debentures or other securities of the Company).
- (ii) A Director shall be entitled to vote (and be counted in the quorum) in respect of any resolution concerning any of the following matters:
  - (1) the giving of any guarantee, security or indemnity in respect of money lent or obligations incurred by him or any other person at the request of or for the benefit of the Company or any of its subsidiaries;
  - (2) the giving of any guarantee, security or indemnity in respect of a debt or obligation of the Company 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;
  - (3) the offer of securities of the Company or its subsidiaries in which offer he is or may be entitled to participate or in the underwriting or sub-underwriting of which he is to participate;
  - (4) any proposal concerning any other company in which he is interested, directly or indirectly, as an officer or shareholder or otherwise, provided that he is not to his knowledge the holder of or beneficially interested in one per cent. or more of any class of the equity share capital of any such company or of the voting rights of such company;
  - (5) any arrangement for the benefit of employees of the Company or any of its subsidiaries which accords to the Director only such privileges and advantages as are generally accorded to the employees to whom the arrangement relates; or
  - (6) any proposal for the purchase or maintenance of insurance for the benefit of the Director or persons including the Directors.

- (iii) Any Director may act by himself or by his firm in a professional capacity for the Company and he or his firm shall be entitled to remuneration for professional services as if he were not a Director.
- (iv) Any Director may continue to be or become a director, managing director, manager or other officer or member of a company in which the Company is interested, and any such Director shall not be accountable to the Company for any remuneration or other benefits received by him.

### 3.10 *Directors*

- (i) The Directors shall be remunerated for their services at such rate as the Directors shall determine provided that the aggregate amount of such fees shall not exceed £150,000 per annum (or such sum as the Company in general meeting shall from time to time determine). The Directors shall also be entitled to be paid all reasonable expenses properly incurred by them in attending general meetings, board or committee meetings or otherwise in connection with the performance of their duties.
- (ii) A Director may hold any other office or place of profit under the Company (other than the office of auditor) in conjunction with his office of Director on such terms as the Directors may determine.
- (iii) The Directors may from time to time appoint one or more of their body (other than a Director resident in the UK) to the office of managing director or to any other executive office for such periods and upon such terms as they determine.
- (iv) 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 Company, or where the terms of appointment are arranged or any contract in which he is interested is considered or any remuneration (including pension or other benefits) is to be paid to him, and he may vote on any such appointment or arrangement other than his own appointment or the terms thereof.
- (v) The Directors may at any time appoint any person to be a Director either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until, and shall be eligible for re-election at, the next general meeting following his appointment but shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at that meeting if it is an annual general meeting. Without prejudice to those powers, the Company in general meeting may appoint any person to be a Director either to fill a casual vacancy or as an additional Director.
- (vi) At the first annual general meeting of the Company all of the Directors shall retire from office. At each annual general meeting thereafter, one-third of the Directors (or if their number is not three or an integral multiple of three), the number nearest to, but (except where there are less than three Directors) not greater than one-third shall retire from office.
- (vii) Subject to the provisions of the Articles, the Directors to retire by rotation on each occasion shall be those of the Directors who have been longest in office since their last appointment or re-appointment but, as between persons who became or were last re-appointed Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot. In addition, any Director who would not otherwise be required to retire at any annual general meeting which is the third annual general meeting after the later of his appointment by the Company in general meeting and re-election as a Director of the Company in general meeting, shall nevertheless be required to retire at such annual general meeting.
- (viii) The maximum number of Directors shall be ten and the minimum number of Directors shall be two. The majority of the Directors shall at all times be resident outside the United Kingdom.
- (ix) Unless otherwise fixed by the Company in general meeting, a Director shall not be required to hold any qualification shares.

### 3.11 *Retirement of Directors*

- (i) There is no age limit at which a Director is required to retire.
- (ii) The office of Director shall be vacated if the Director resigns his office by written notice, if he shall have absented himself from meetings of the Board for a consecutive period of six months and the Board resolves that his office shall be vacated, if he becomes of unsound mind or incapable, if he becomes insolvent, suspends payment or compounds with his creditors, if he is requested to resign by written notice signed by all his co-Directors, if the Company in general meeting by ordinary resolution shall declare that he shall cease to be a Director, or if he becomes resident in the United Kingdom and, as a result, a majority of the Directors are resident in the United Kingdom.

### 3.12 *Winding-up and continuation vote*

- (i) On a winding-up, the surplus assets remaining after payment of all creditors, including payment of bank borrowings, shall be divided *pari passu* among the members in proportion to the capital paid up or which ought to have been paid up on the shares held at the commencement of the winding-up, subject to the rights of any shares which may be issued with special rights or privileges.



- (ii) On a winding-up the liquidator may, with the authority of a special resolution, divide amongst the members in specie any part of the assets of the Company. The liquidator may with like authority vest any part of the assets in trustees upon such trusts for the benefit of members as he shall think fit but no member shall be compelled to accept any assets in respect of which there is any liability.
- (iii) Where the Company is proposed to be or is in the course of being wound up and the whole or part of its business or property is proposed to be transferred or sold to another company the liquidator may, with the sanction of an ordinary resolution, receive in compensation, or part compensation, for the transfer or sale, shares, policies or other like interests for distribution among the members or may enter into any other arrangements whereby the members may, in lieu of receiving cash, shares, policies or other like interests, participate in the profits of or receive any other benefit from the transferee.
- (iv) The Directors shall put an ordinary resolution to the shareholders to approve the continuation of the Company, in its then form, at the annual general meeting of the Company to be held in 2016 and thereafter at five yearly intervals. If at any such annual general meeting, such resolution is not passed, the Board shall, within six months of such meeting, convene an extraordinary general meeting of the Company at which a special resolution shall be proposed to the members of the Company for the winding up of the Company and/or a special resolution shall be proposed to the members of the Company for the reconstruction of the Company, provided that such resolution for the reconstruction of the Company shall, if passed, provide an option to Shareholders to elect to realise their investment in the Company in full.

### 3.13 *Borrowing powers*

The Board may exercise all the powers of the Company to borrow money up to an amount equal to 65 per cent. of the gross assets of the Group at the time of borrowing and to give guarantees, mortgage, hypothecate, pledge or charge all or part of its undertaking, property or assets and uncalled capital and to issue debentures and other securities whether outright or as collateral security for any liability or obligation of the Company or of any third party.

### 3.14 *General meetings*

Not less than fourteen days' notice specifying the time and place of any general meeting (including annual general meetings) and specifying also, in the case of any special business, the general nature of the business to be transacted shall be given by notice by post to Shareholders. Every Shareholder shall be entitled to attend and vote (other than the Company itself where it holds its own shares as treasury shares) and to speak at every general meeting. The quorum for a general meeting shall be two Shareholders (other than the Company itself where it holds its own shares as treasury shares) present in person or by proxy.

### 3.15 *Changes to the Articles of Association*

The Articles can be amended by means of a special resolution of Shareholders which requires 75 per cent. of the votes cast at a general meeting to be in favour. This requirement is the same as that required by the Law.

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

- 4.1 The aggregate of the remuneration to be paid and benefits in kind granted to the Directors by the Group for the financial period ending 31 December 2007 will not exceed £170,000.
- 4.2 Each of Christopher Hill, Keith Dorrian, Christopher Fish, John Robertson and Andrew Wilson has entered into a letter of appointment with the Company dated 25 August 2006. The letters of appointment provide for an initial period of service commencing on 25 August 2006 and expiring at the first annual general meeting of the Company, subject to renewal at that time. The Company has the right to terminate each appointment without compensation if the relevant Director is required to vacate office in accordance with the Articles and, subject thereto, the letters of appointment do not contain any contractual provisions regarding the compensation which would be payable upon early termination by the Company. The basic fees payable in respect of the financial period ending 31 December 2007 are £25,000 per annum to Christopher Hill, the Chairman, and £20,000 per annum to each of Keith Dorrian, Christopher Fish, John Robertson and Andrew Wilson. The fees will be reviewed annually and may be increased in line with usual market rates. In addition, each of the Directors, other than Mr Robertson will be paid a one-off fee of £5,000 in respect of the additional services undertaken by the Directors in respect of the Proposals. Mr Robertson's fee is payable to his employer, Resolution Investment Services Limited. The Company will also pay insurance premiums in respect of directors' and officers' insurance taken out on behalf of the Directors.
- 4.3 No Director has any interest in any transactions which are or were unusual in their nature or conditions or significant to the business of the Group and which were effected by any member of the Group since its date of incorporation or remain in any respect outstanding or unperformed.
- 4.4 No loan or guarantee has been granted or provided by any member of the Group for the benefit of any Director.

- 4.5 As at the date of this document and immediately following Admission, other than as disclosed in paragraph 4.6 below, there are no interests of any Director, including any connected persons of any Director, the existence of which is known to, or could with reasonable diligence be ascertained by, that Director whether or not held through another party, in the share capital of the Company or any options in respect of such capital.
- 4.6 As at the date of this document, the Directors have the following numbers of Ordinary Shares all of which are beneficially held:

<i>Director</i>	<i>Number of Ordinary Shares</i>	<i>Percentage of current issued Ordinary Shares</i>	<i>Number of new Ordinary Shares to be acquired under the Issue</i>	<i>Percentage of issued Ordinary Shares following Admission</i>
Christopher Hill	20,000	0.004	–	0.002
Keith Dorrian	10,000	0.002	–	0.001
Christopher Fish	10,000	0.002	–	0.001
John Robertson	10,000	0.002	–	0.001
Andrew Wilson	20,000	0.004	–	0.002

- 4.7 The Company is aware of the following persons who would be interested in three per cent. or more of the issued share capital of the Company as at the date of this document and following Admission:

	<i>Number of Ordinary Shares as at the date of this document</i>	<i>Percentage of current issued Ordinary Shares</i>	<i>Number of new Ordinary Shares to be acquired under the Proposals</i>	<i>Percentage of issued Ordinary Shares following Admission</i>
PALAL	347,780,000	65.6	–	39.5
PLL	30,220,000	5.7	253 million	32.2

Clients of Resolution Investment Services Limited may also acquire up to approximately 29 million new Ordinary Shares under the Issue at the Issue Price.

Save as described above, the Company is not aware of any person who, following Admission, will be interested directly or indirectly in three per cent. or more of any class of issued share capital of the Company or of any person or persons who, following the Issue, will or could, directly or indirectly, jointly or severally, exercise control over the Company.

- 4.8 Details of those companies and partnerships of which the Directors have been directors or partners at any time since 9 February 2002 are as follows:

(i) *Christopher Hill*

Present directorships and partnerships:

Defensive Strategies Fund Limited (The), ELDeRS Investment Company Limited, Hemisphere Defensive HF (USD) Limited, Hemisphere Defensive (USD) II Limited, Hemisphere Defensive HF PCC Limited, Uni-Hedge PCC Limited, Uni-Hedge Global Equity PCC Limited, Horizon Fund PCC Limited, India Fund (Mauritius) Limited, Investec Capital Accumulator Trust Limited, Merrill Lynch FTSE 100 Stepped Growth and Income Limited, P123 (C.I.) (Investments) Limited, P123 (C.I.) Limited, P123 (Investments) Limited, P123 Limited, P1234 Limited, Paladin Investments Limited, Prospect Asset Management (Channel Islands) Limited, Schroder Investment Management (Guernsey) Limited, Thames River Multi Hedge PCC Limited, Unigestion (Guernsey) Limited, UTI International Limited, Close Fund Management Portfolios II PCC Limited, London Asia Chinese Private Equity Fund Limited, Premier RENN US Emerging Growth Fund Limited, Dexion Alpha Strategies Limited, KKR Guernsey GP Limited, Sapphire (PCC) Limited, Sapphire IV (Investments) Limited, SVG Sapphire IV Limited and Sapphire (Investments) II Limited.

Past directorships and partnerships:

Absolute Alpha Fund III PCC Limited, Admiral Nominees Limited, AIB Investment Managers (Guernsey) Limited, Baring Asset Management (CI) Limited, Baring Peacock Fund (Mauritius) Limited (The), Baring Peacock Fund Limited, Barton Management Limited, Blue Cap (2004) Limited, BRIX Global Investment Limited, CETI Advisers Limited, CETI Managers Limited, CI Capital Limited, Concord Misr Investments (Guernsey) Limited, Control Management Limited, Copernicus Asset Management Limited, Czech Assets Finance Company Limited, Doyle Administration Limited, Egyptian Growth Investment Company Limited (The), eVerger Investments Limited, eVerger IQ

Holdings Limited, eVerger Limited, Fitzwilliam Active Management PCC Limited, Fitzwilliam International PCC Limited, Guernsey International Fund Managers Limited, Hemisphere Defensive HF PCC II Limited, Hemisphere Equity Fund (Euro) Limited, Henderson Administration (Guernsey) Limited, IJB AMI (Guernsey) Limited, International Fund Managers (Ireland) Limited, International Fund Managers (Jersey) Limited, IT-Concord-Misr Technology Venture Capital Fund Limited (The), Latin America Capital partners (Chile) Limited, Merrill Lynch International Capital Management (Guernsey) Limited, Nelson Representatives Limited, NIF Fund Holdings PCC Limited, Orion Russia/NIS Opportunity Fund, Prospect Japan Fund Limited (The), Saline Nominees Limited, Schroder India (Mauritius) Limited, Schroder Property Managers (Jersey) Limited, SCMCT (India) Mauritius Limited, Team Investments Limited, Unigestion Investments Limited, Unigestion International Limited, Wafra European Small Cap Fund Limited, Wafra Global Fund Limited, Wafra Small Cap Fund Limited and Wafra International Investment Management Limited.

(ii) *Keith Dorrian*

Present  
directorships and  
partnerships:

AB Alternative Strategies PCC Limited, AB Asia Pacific Growth Fund Limited, AB International Fund PCC Limited, Arab Bank Fund Managers (Guernsey) Limited, ACUS (Channel Islands) Ltd, Babcock and Brown Public Partnerships Limited, Helios Alternative Strategies Limited, ELVEN Investments Limited, Eagle & Dominion EuroAmerican Growth Fund Limited, Eagle & Dominion Limited, Eurocastle Investments Limited, Guernsey Training Agency Limited, HSBC Global Absolute Limited, Hermes Absolute Return Fund (Guernsey) Limited, Hermes Commodities Investment Fund Limited, HCIF Index Sub Fund Limited, Jade Asia Pacific Fund Inc, Jade (General Partner) Inc, MasterCapital Fund Limited, Montier Multi-Strategy Fund of Funds Limited, Montier Long Short Equity Fund of Funds Limited, Montier Asset Management Limited, Montier High Alpha Closed End Fund of Funds Limited, Montier Multi Strategy Closed End Fund of Funds Limited, City Road Investment PCC Ltd and KAN Consulting Limited.

Past directorships  
and partnerships:

ANZ Bank (Guernsey) Limited, ANZ Management Company (Guernsey) Limited, Ashmore Management Company (Guernsey) Limited, Asset Holder PCC No 2 Limited, Boyer Allan Japan Fund Inc, Boyer Allen Management Limited, Boyer Allan Pacific Fund Inc, Boyer Allan (Holding) Inc, Dalton Capital (Guernsey) Limited, Dalton General Partner Limited, Delphi Global Fund Limited, Finch Management and Marketing Limited, Henderson Management Company (Guernsey) Limited, H R Properties Limited, Management International (Guernsey) Limited, Port Fund Managers (Guernsey) Limited, Second India Investment Fund BV, Second India Investment Fund NV, The Finch Fund Limited, The Finch Innovation Fund Limited, The Sherpa Fund Limited and Total Return Alternative Strategies Limited.

(iii) *Christopher Fish*

Present  
directorships and  
partnerships:

Aries Trust, Blenheim Fiduciary Group Ltd, Boussard & Gavaudan Holdings Ltd, Close Fund Services Ltd, Close International Asset Managements Holdings Ltd, Close International Bank Holdings Ltd, CMA Global Hedge PCC Limited, Collette Trust, Harlequin Insurance PCC Ltd, Heritage Insurance Brokers Ltd, Hugo Trust, Icenl Ltd, LLCF Charitable Trust, Loudwater Trust Ltd, Louvre Fiduciary Group Ltd, Mannequin Insurance PCC Ltd, Montaigne Trust, Morant Wright Japan Income Trust Ltd, New Star Financial Opportunities Fund Ltd, Parkway Administration Guernsey Ltd, Polygon Insurance PCC (Guernsey) Ltd, Premier Asian Assets Trust Ltd, Prodesse Investment Ltd, Racine Charitable Trust and Teesland Advantage Property Income Trust Ltd.

Past directorships  
and partnerships:

Addison Racing Ltd, Adirondack Trust Company Ltd, Aegis Euro Fund Ltd, Aegis US\$ Fund Ltd, Alkhaldia Berth SA, Alkhaldia Land SA, Alkhaldia SA, Al Mulk Holdings Ltd, Al Shams Holdings Ltd, Arkesdon Aviation Ltd, Artem Ltd, Canaletto Holdings Ltd, Canaletto Holdings SA, Clock House Ltd, Close Bank Cayman Limited, Eaton Realty Ltd, Elstreet Limited, Glavestone Jersey Ltd, HH Berlin Residential PLC (Not launched), Kafinvest Operating Ltd, KRSF Investments Ltd, Lake Grace Ltd, Magna Holdings Ltd, Magna Petrochemicals Ltd, Mersy Investments Ltd, Merstal Limited,

Novastel Ltd, Palmyra Investments Ltd, Parfrance Holdings Ltd, Royal London Property Investment Company Limited (Not launched), Safingest International SA, Sagitta International Ltd, SKO Investments International Ltd, Samar Telecoms Ltd, Sutto Ltd, Trans Properties Ltd, Trans Securities Ltd, Teuco Consultoria Economica Sociedade Unipessoal Limitada, Tusmore Park Holdings SA, Vintem Ltd, Wahid Investments Ltd, Winstar Ltd and Zenobia Maritime Ltd.

(iv) *John Robertson*

Present directorships and partnerships:

Britannic World Markets Fund Limited, Britannic World Markets Master Fund Limited, Resolution World Sector Master Fund Limited, Resolution World Sector Fund Limited, Resolution Agency Management Limited, Resolution Alternative Funds plc, Resolution International Funds plc, Scottish Mutual International Fund Managers Limited, Scottish Mutual International Fund Managers (South Africa) (Proprietary) Limited and Scottish Mutual International Investment Fund plc.

Past directorships and partnerships:

None.

(v) *Andrew Wilson*

Present directorships and partnerships:

Rugby Estates plc, Giltrange Ltd, Forestcity Ltd, Reedrace Ltd, Floatrace Ltd, Rendour Ltd, M4 Estates Ltd (formerly Tranmac Ltd), Centralhill Ltd, Alexfleet Ltd, Evanmanor Ltd, ICP Properties Ltd, Garrick Street Properties Ltd, Rugby Union Estates Ltd, M4 Developments Ltd, Clerkenwell Properties Ltd, Clerkenwell Estates Ltd, Salomview Properties Ltd, Crimpoint Properties Ltd, Sloneplan Limited, Ventroway Limited, Dormfast Properties Ltd, Dormcare Ltd, Repesop Limited, Ediondale Limited, Edionwood Limited, Petherward Limited, Petherstone Limited, Rugby Asset Management Limited, REGP Limited, Coreday Limited, Corebrook Limited, London Industrial Partnership Limited, LIP Larkhall Ltd, Darowood Limited, Darowell Properties Limited, Fildwood Limited, Madiworth Limited, Iconic Space Limited, Cheradene Limited, Portenstar Limited, Ovalbrick, Ronahall Limited, Ronaform Limited, Arianwell Limited, Portenway Limited, Otwelve Properties Limited, Menavale Limited, Cherabrook Limited, Demrabel Limited, Fildmoor Limited and Menadorm Limited.

Past directorships and partnerships:

Jewelwood Ltd, Selbourne Court Management Company Ltd, Crimpoint Estates Limited, Crimpoint Developments Limited, Espindale Properties Limited, Espinday Limited, Melorgate Limited, Melorport Limited, Heltdale Limited, Heltplan Limited, Laminglade Limited, Laminpark Limited, Estrohill Limited, Estroway Limited, Heskglen Limited, Heskcrest Limited, Arwinbell Limited, Arwinview Properties Limited and Covent Garden Estates Ltd.

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

- (a) has any convictions in relation to fraudulent offences for at least the previous five years;
- (b) save as disclosed in paragraph 4.10 below, has been associated with any bankruptcies, receiverships or liquidations when acting in the capacity of a member of the administrative, management or supervisory body or a partner of the companies and/or partnerships referred to in paragraph 4.8 above for at least the previous five years;
- (c) has any official public incrimination and/or sanctions by statutory or regulatory authorities (including designated professional bodies) or has ever been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer for at least the previous five years.

4.10 Christopher Hill was a non-executive director of ABC Property Fund Management (Guernsey) Limited, Saudi International (Guernsey) Limited, Baring Peacock Fund (Mauritius) Limited (The), Baring Peacock Fund Limited, CETI Advisers Limited, Hemisphere Defensive HF PCC II Limited, Orion Russia/NIS Opportunity Fund, Latin America Capital Partners (Chile) Limited, IBJ AMI (Guernsey) Limited, Hemisphere Equity Fund (Euro) Limited, Absolute Alpha Fund III PCC Limited, Schroder India (Mauritius) Limited, SCMCT (India) Mauritius Limited, Wafra Global Fund Limited and Wafra Small Cap Fund Limited, all of which were the subject of solvent winding ups at the end of their scheduled lives.

4.11 There are no potential conflicts of interest between any duties of the Directors to the Company and their private interests and/or other duties. All of the Directors, other than Mr Robertson, are independent of the Investment Manager and any other company in the same group of companies as the Investment Manager.

## 5. Material contracts of the Group

The following are all of the material contracts, other than contracts entered into in the ordinary course of business, that have been entered into by any member of the Group since the date of its incorporation and any other contract, not being a contract entered into in the ordinary course of business, that has been entered into by any member of the Group which contains provisions under which any member of the Group has any obligation or entitlement which is material to the Group as at the date of this document.

- 5.1 An investment management agreement dated 8 September 2006 between the Company (1), the Investment Manager (2), the Property Subsidiary (3), the GP (4) and the GLP (5) whereby the Investment Manager is appointed, conditional on Admission, to act as investment manager of the Group, to manage the assets of the Group in accordance with the investment policy of the Company and to implement the borrowing policy from time to time approved by the Directors. Under the terms of the Investment Management Agreement, subject to the overall supervision of the Directors and certain transactional limits as set by the Board from time to time, the Investment Manager has discretion to buy, sell, retain, exchange or otherwise deal in property assets for the account of the Group. Under the terms of the Investment Management Agreement, the Investment Manager has also agreed to provide certain administrative services to the Group. The Investment Manager shall be entitled to receive a fee from the Company at the annual rate of 0.75 per cent. of the Total Assets plus an administration fee of £100,000 per annum (increased annually in line with inflation), payable quarterly in arrears. The fees of any property managers or managing agents appointed by the Investment Manager will be payable by the Investment Manager out of this fee. The Investment Manager will be entitled to retain any commissions in respect of insurance put in place by it on behalf of the Group. The Investment Manager is entitled to delegate any of its duties under the Investment Management Agreement to its associates. Under the terms of the Investment Management Agreement, the Investment Manager has agreed to act in good faith and with the reasonable skill and diligence expected of a competent and prudent property investment manager and to act in the best interests of the Group. The Investment Management Agreement contains an unlimited indemnity in favour of the Investment Manager against claims by third parties except to the extent that the claim is due to a breach by the Investment Manager of the Investment Management Agreement or to the negligence, wilful default or fraud of the Investment Manager or any party to whom the Investment Manager has delegated any of its functions. The Investment Management Agreement may be terminated by any party giving to the others not less than 12 months' notice expiring on or at any time after the second anniversary of Admission, or otherwise forthwith in circumstances, *inter alia*, where one of the parties has a receiver appointed over its assets or if an order is made or an effective resolution passed for the winding up of one of the parties or if the Investment Manager is the subject of a change of control.
- 5.2 An administration and secretarial agreement dated 8 September 2006 between the Company (1), the Administrator (2) and the Property Subsidiary whereby the Administrator is appointed, conditional upon Admission, to act as administrator, secretary and registrar of the Group. The Administrator shall be entitled to receive an annual fee of £55,000, payable quarterly in arrears. The Administrator shall also be entitled to reimbursement of fees and expenses disbursed by the Administrator on behalf of the Group. The Administration 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 and Secretarial Agreement may be terminated by any party giving to the others not less than 90 days' notice in writing or otherwise in circumstances, *inter alia*, where one of the parties goes into liquidation.
- 5.3 An internal administration agreement dated 8 September 2006 between the Company (1), the Property Subsidiary (2) and the GP (3) whereby the Property Subsidiary and the GP has each agreed to act as a property investment holding company of the Group and to acquire and dispose of assets within the Property Portfolio on behalf of the Group. Pursuant to this agreement, the Company has agreed to fund the Property Subsidiary and the GP by share and/or loan capital in amounts to be determined from time to time for the purposes of acquiring and maintaining the Property Portfolio.
- 5.4 A valuation agreement dated 4 September 2006 between the Company (1) and CB Richard Ellis Limited (2). Pursuant to this agreement, the Valuer has agreed to provide valuation services in respect of the assets comprising the Property Portfolio. This agreement can be terminated by either party on three months' notice. Under the agreement, the Valuer is entitled to receive an annual fee equal to 0.0185 per cent. of the aggregate value of the properties comprised in the Property Portfolio. The Valuer is also entitled to a one-off fee of £150,000 (excluding VAT) in respect of its valuation of the Properties comprised in the Existing Property Portfolio and the New Property Portfolio contained in Part 4 of this document.
- 5.5 The acquisition agreements entered into between the Company, the Property Subsidiary, the GLP, PALAL and PLL dated 8 September and which were summarised in the prospectus published by the Company on 11 September 2006, which is expressly incorporated by reference into this document.
- 5.6 A costs commission agreement dated 8 September 2006 between the Company (1) and the Investment Manager (2) whereby (i) if the costs and expenses in respect of the First Issue and the acquisition of the Existing Property Portfolio, excluding the placing commission and commission payable to financial intermediaries under the Offer, (the "First Issue Costs") were less than 1.45 per cent. of the value of the Ordinary Shares issued under the First Issue, the Company was obliged to pay to the Investment Manager a

commission equal to the difference; or (ii) if the amount of the First Issue Costs exceed such amount, the Investment Manager was obliged to pay to the Company such excess. Under this agreement, the Investment Manager also agreed to meet any costs or expenses payable by the Company if the First Issue did not proceed.

- 5.7 By a letter dated 31 August 2006, PALAL and PLL have each irrevocably undertaken to the Company that, at any time or times when PALAL and PLL together with their associates (as defined in the UKLA Listing Rules), are entitled to exercise, or to control the exercise of, 30 per cent. or more of the rights to vote at general meetings of the Company, they will not, and will exercise such rights as they may have to procure that none of their associates will:
- (a) seek to nominate directors to the Board who are not independent of the Resolution Group, save that they shall be permitted to nominate one director to the Board (and replace such nominee) that is not independent of the Resolution Group;
  - (b) take, in their capacity as beneficial holders of any Ordinary Shares, any action which would be detrimental to the general body of Shareholders and, for this purpose, any action which has the support or recommendation of a majority of the directors of the Company or voting by any member of the Resolution Group at any general meeting convened by the Board shall be deemed not to be detrimental;
  - (c) take any action which may result in the Investment Manager or any member of the Resolution Group which acts as the investment manager of the Group not being able to carry out its duties under the Investment Management Agreement independently of the Resolution Group at all times;
  - (d) take any action which may result in the Directors of the Company from time to time not being able to fulfil their duties as directors of the Company independently of the Resolution Group at all times or the Company not being able to carry on its business independently of the Resolution Group at all times; or
  - (e) permit any member of the Resolution Group to enter into any transaction or relationship with the Group other than at an arm's length and on a normal commercial basis.
- 5.8 A partnership agreement dated 6 September 2006 between the Property Subsidiary (1), the GP (2) and The Droit Purpose Trust (3) under which the GLP was established for the purposes of investing in UK commercial properties in accordance with the investment objectives and policies of the Group. Under this agreement the GP was appointed as general partner with responsibility for operating and managing the assets of the GLP. The Property Subsidiary, the GP and The Droit Purpose Trust each hold a partnership interest in the GLP of 98.99 per cent., 1.0 per cent. and 0.01 per cent. respectively.
- 5.9 The Acquisition Agreement, which is summarised in Section B of Part 3 of this document.
- 5.10 A costs commission agreement dated 8 February 2007 between the Company (1) and the Investment Manager (2) whereby (i) if the costs and expenses in respect of the Issue and the acquisition of the New Property Portfolio, excluding the stamp duty land tax, (the "Costs") are less than £5,407,500 (being 1.5 per cent. of the aggregate issue price of the new Ordinary Shares), the Company shall pay to the Investment Manager a commission equal to the difference; or (ii) if the amount of the Costs exceed £5,407,500, the Investment Manager shall pay to the Company such excess. Under this agreement, the Investment Manager has also agreed to meet any costs or expenses payable by the Company if the Issue does not proceed, save for certain costs not to exceed £150,000.

## 6. General

- 6.1 The total costs and expenses of and incidental to the Issue, including the costs of acquiring the New Property Portfolio, payable by the Company will be approximately 2.2 per cent. of the Total Assets following Admission being £19.1 million. This amount includes stamp duty land tax on the acquisition of the New Property Portfolio of £13.7 million.
- 6.2 It is estimated that, on the basis of the Assumptions, the net proceeds available for investment by the Company following the Issue will be £80.8 million and that these net proceeds will be used to meet the cash consideration payable under the Acquisition.
- 6.3 The Investment Manager is, or may be, a promoter of the Company. Save as disclosed in paragraphs 5.1, 5.6 and 5.10 above, no cash, securities or benefits have been paid, issued or given by any member of the Group to the Investment Manager and, other than as expressly disclosed in this document, none is proposed to be paid, issued or given to the Investment Manager in its capacity as promoter.
- 6.4 No member of the Group is or has been engaged in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) which may have, or have had in the recent past, significant effects on the Group's financial position or profitability. The New Property Portfolio is not and has not been the subject of any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) which may have, or have had in the recent past significant effects on the New Property Portfolio.
- 6.5 The Valuer declares that, having taken all reasonable care to ensure that such is the case, the information contained in Part 4 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. The Valuer has given and has not withdrawn

its written consent to the issue of this document with the inclusion of its report in Part 4 of this document and the statements attributed to it and references to it in the form and context in which they appear and has authorised the contents of its report.

- 6.6 There has been no significant change in the financial or trading position of the Group since 31 December 2006. There has been no material change in the value of the Existing Property Portfolio or the New Property Portfolio since the date of the valuation report.
- 6.7 No member of the Group has had any employees since its incorporation and, other than the Existing Property Portfolio, none of them own any premises.
- 6.8 The Company is of the opinion that the working capital available to the Group is sufficient for the Group's present requirements, that is for at least the next 12 months from the date of this document.
- 6.9 The Issue and the Acquisition constitute a significant gross change in relation to the Group. As at 31 December 2006, the Group had gross assets of £546 million and gross income of £25.5 million per annum and following the Issue and the Acquisition the Group will hold assets with a gross value of approximately £875 million which will generate gross income of approximately £43.0 million per annum as described in Part 3 of this document.
- 6.10 The information sourced from the Investment Manager has been accurately reproduced in this document and, as far as the Company is aware and is able to ascertain from information published by the Investment Manager, no facts have been omitted which would render the reproduced information inaccurate or misleading.
- 6.11 The information sourced from IPD has been accurately reproduced in this document and, as far as the Company is aware and is able to ascertain from information published by IPD, no facts have been omitted which would render the reproduced information inaccurate or misleading.
- 6.12 The Company's auditor, Ernst & Young LLP, is a member of the Institute of Chartered Accountants in England and Wales. The report prepared by Ernst & Young LLP, set out in Part 5 of this document, has been included in this document, in the form and context in which it is included, with the consent of Ernst & Young LLP.

#### **7. Documents available for inspection**

Copies of the following documents are available for inspection during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) at the offices of Dickson Minto W.S., Royal London House, 22/25 Finsbury Square, London EC2A 1DX and Ozannes, 1 Le Marchant Street, St. Peter Port, Guernsey, GY1 4HP until 16 March 2007:

- (i) the Memorandum and Articles of Association of the Company;
- (ii) the material contracts referred to in paragraph 5 above;
- (iii) the letters of appointment referred to in paragraph 4.2 above;
- (iv) the written consent referred to in paragraph 6.5 above;
- (v) the valuation reports referred to in Part 4 of this document;
- (vi) the prospectus of the Company dated 11 September 2006; and
- (vii) this document.

#### **8. Availability of Prospectus**

Copies of the Prospectus are available for inspection at the Document Viewing Facility, The Financial Services Authority, 25 The North Colonnade, Canary Wharf, London E14 5HS and, until 16 March 2007, are available for collection, free of charge, from the offices of Resolution Asset Management, 50 Bothwell Street, Glasgow G2 6HR, Dickson Minto W.S., Royal London House, 22/25 Finsbury Square, London EC2A 1DX and Northern Trust International Fund Administration Services (Guernsey) Limited, Trafalgar Court, Les Banques, St. Peter Port, Guernsey GY1 3QL.

9 February 2007

## Terms and Conditions of Application under the Offer

### Introduction

These Terms and Conditions of Application apply to any application made under the Offer. If you apply for Ordinary Shares in the Offer for Subscription, you will be agreeing with the Company, Dickson Minto W.S. and the Receiving Agent (together, the "Company and its agents") as follows.

### Offer to acquire Ordinary Shares

1. Applications must be made on the Application Form attached at the end of the Prospectus or otherwise published by the Company. All applications in the Offer must be for a minimum of 3,000 new Ordinary Shares with a minimum aggregate value at the Issue Price of £3,090 and, if your application is for more than 3,000 new Ordinary Shares, it must be for such greater sum as is a multiple of 1,000 new Ordinary Shares. There are no restrictions on multiple applications.
2. By completing and delivering an Application Form, you, as the applicant, or, if you sign the Application Form on behalf of another person or a corporation, that person or corporation:
  - 2.1 offer to subscribe for the number of Ordinary Shares that you have specified in your Application Form (or such lesser number for which your application is accepted) at 103p per Ordinary Share on the terms, and subject to the conditions, set out in the Prospectus, these Terms and Conditions of Application, the guidance notes accompanying your Application Form, and the Memorandum and Articles of Association of the Company;
  - 2.2 agree that, in consideration of the Company agreeing that it will not, prior to the date of Admission, offer any Ordinary Shares to any person other than by means of the procedures referred to in the Prospectus, your application may not be revoked until after 16 March 2007 (or such later date as the Company and its agents may agree). You agree that this paragraph constitutes an irrevocable collateral contract between you and the Company and its agents, which will become binding when your Application Form is posted or delivered by hand to the Receiving Agent, provided that you shall be entitled to revoke your application in the two working days following any publication by the Company of a supplementary prospectus relating to the Offer in accordance with section 87Q(4) of the Financial Services and Markets Act 2000;
  - 2.3 undertake to pay (by cheque or bankers' draft or such other method of payment as may be agreed with the Company) the Issue Price for the Ordinary Shares (payable in full on application) in respect of which your application is accepted and warrant that the remittance accompanying your Application Form will be honoured on first presentation and agree that if such remittance is not so honoured you will not be entitled to receive a share certificate for the Ordinary Shares applied for or to enjoy or receive any rights or distributions in respect of such Ordinary Shares unless and until you make payment in cleared funds for such Ordinary Shares and such payment is accepted by the Receiving Agent (which acceptance shall be in its absolute discretion and on the basis that you indemnify the Company and its agents against all costs, damages, losses, expenses and liabilities arising out of or in connection with the failure of your remittance to be honoured on first presentation) and the Company may (without prejudice to any other rights it may have) terminate the agreement to allocate Ordinary Shares to you, without liability to you, and may allocate them to some other person, in which case you will not be entitled to any refund or payment in respect thereof (other than the refund to you at your risk of any proceeds or remittance which accompanied your Application Form and which is received by the Receiving Agent in cleared funds, without interest);
  - 2.4 agree that any share certificate to which you may become entitled and moneys returnable may be retained, without interest, by the Receiving Agent:
    - 2.4.1 pending clearance of your remittance;
    - 2.4.2 pending investigation of any suspected breach of the warranties contained in paragraph 10 below or any other suspected breach of these Terms and Conditions of Application; or
    - 2.4.3 pending any verification of identity which is, or which the Company and its agents consider may be, required for the purposes of the Guernsey Criminal Justice (Proceeds of Crime) (Bailiwick of Guernsey) Regulations, 2002 and/or the UK Money Laundering Regulations 2003;
  - 2.5 agree that any error in the register of members of the Company arising as a result of your remittance not being honoured on first presentation or as a result of any other error in connection with your application for Ordinary Shares, or as a result of termination of any agreement to allocate Ordinary Shares pursuant to paragraphs 2.3 or 2.7 of these Terms and Conditions of Application may be rectified and, in addition and without prejudice to the foregoing, you hereby irrevocably authorise the Company, or any person appointed by it for this purpose, to execute on your behalf any instrument of transfer which may be necessary to effect any re-allocation or sale of Ordinary Shares to any other person arising as a result of



the foregoing. The right to rectify the register of members of the Company, and/or the power to re-allocate or sell Ordinary Shares contained in this paragraph, are in addition to any other rights, powers and remedies which would otherwise be available to the Company in the event of a breach by you of these Terms and Conditions of Application;

- 2.6 agree, on the request of the Company or any of its agents, to disclose promptly in writing to any of them such information as the Company or its agents may request in connection with your application and you agree that information relating to applications will be retained by the Receiving Agent in connection with the Offer and may be disclosed as contemplated by the Guernsey Criminal Justice (Proceeds of Crime) (Bailiwick of Guernsey) Regulations, 2002 and/or the UK Money Laundering Regulations 2003;
  - 2.7 agree that if evidence of identity satisfactory to the Company and its agents is not provided to the Company or its agents within a reasonable time (in the opinion of the Company) following a request therefor, any agreement with you to allocate Ordinary Shares may be terminated and, in such case, the Ordinary Shares which would otherwise have been allocated to you may be re-allocated and your application moneys will be returned to the bank or other account on which the cheque or other remittance accompanying the application was drawn without interest;
  - 2.8 agree that you are not applying on behalf of a person engaged in money laundering;
  - 2.9 undertake to ensure that, in the case of your Application Form being signed by someone other than the applicant, the original of the relevant power of attorney or other authority (or a complete copy certified by a solicitor or a bank) is enclosed with your Application Form;
  - 2.10 undertake to pay interest at the rate prescribed in paragraph 6 below if the remittance accompanying your Application Form is not honoured on first presentation;
  - 2.11 authorise the Receiving Agent on behalf of the Company to send definitive certificates in respect of the number of Ordinary Shares for which your application is accepted, and/or a crossed cheque for any moneys returnable, by post to your address as set out in your Application Form;
  - 2.12 confirm that you have read and complied with paragraphs 22 and 23; and
  - 2.13 agree that your Application Form is addressed to the Company and its agents.
3. Any application may be rejected in whole or in part at the sole discretion of the Company.

#### **Acceptance of your offer**

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

## Conditions

7. The contracts created by the acceptance of applications (in whole or in part) under the Offer will be conditional upon the admission of the Ordinary Shares, issued and to be issued, to the Official List of the UK Listing Authority and to trading on the London Stock Exchange's market for listed securities and such admissions becoming effective by 8.00 a.m. on 1 March 2007 (or such later date, not being later than 16 March 2007, as the Company and Dickson Minto W.S. may agree). The Company expressly reserves the right to determine, at anytime prior to Admission, not to proceed with the Offer.
8. You will not be entitled to exercise any remedy of rescission for innocent misrepresentation (including pre-contractual representations) at any time after acceptance. This does not affect any other rights you may have.

## Return of application moneys

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

## Warranties

10. By completing an Application Form, you:
  - 10.1 warrant that, if you sign the Application Form on behalf of somebody else or on behalf of a corporation, you have due authority to do so on behalf of that other person and that such other person will be bound accordingly and will be deemed also to have given the confirmations, warranties and undertakings contained in these Terms and Conditions of Application and undertake to enclose your power of attorney or other authority or a complete copy thereof duly certified by a solicitor or a bank;
  - 10.2 acknowledge that, if you are not resident in the United Kingdom, the Isle of Man or the Channel Islands, no action has been taken to permit a public offer in your jurisdiction and that, if the laws of any territory or jurisdiction outside the United Kingdom, the Isle of Man or the Channel Islands are applicable to your application, warrant that you have complied with all such laws, obtained all governmental and other consents which may be required, complied with all requisite formalities and paid any issue, transfer or other taxes due in connection with your application in any territory and that you have not taken any action or omitted to take any action which will result in the Company or its agents or any of their respective officers, agents or employees acting in breach of the regulatory or legal requirements, directly or indirectly, of any territory or jurisdiction outside the United Kingdom, the Isle of Man or the Channel Islands in connection with the Offer or your application;
  - 10.3 confirm that in making an application you are not relying on any information or representations in relation to the Group and the Ordinary Shares other than that contained in the Prospectus (as may be supplemented by a supplementary prospectus) on the basis of which alone your application is made, and accordingly you agree that no person responsible solely or jointly for the Prospectus or any part thereof shall have any liability for any such other information or representations;
  - 10.4 acknowledge that no person is authorised in connection with the Offer to give any information or make any representation other than as contained in the Prospectus (as may be supplemented by a supplementary prospectus) and, if given or made, any information or representation must not be relied upon as having been authorised by the Company or any of its agents;
  - 10.5 warrant that you are either a company or other body corporate duly incorporated and validly existing with authority to sign the Application Form and to apply for Ordinary Shares or an individual who is not under the age of 18 on the date of your application;
  - 10.6 agree that all documents and moneys sent by post to you, by or on behalf of the Company or any of its agents will be sent at your risk and, in the case of documents and returned moneys to be sent to you, may be sent to you at your address as set out in your Application Form;
  - 10.7 confirm that you have reviewed the restrictions contained in the section entitled "Overseas investors" in paragraphs 22 and 23 and warrant, to the extent relevant, that you (and any person on whose behalf you apply) comply or have complied with the provisions of such section;
  - 10.8 warrant that you are not in the United States, or subscribing for the Ordinary Shares for the account of any person in the United States, and are not a Canadian person, or an individual, corporation or other entity resident in Japan or Australia; and
  - 10.9 warrant that the details relating to you asset out in your Application Form are correct.

### **Allocations**

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

### **Miscellaneous**

12. To the extent permitted by law, all representations, warranties and conditions, express or implied and whether statutory or otherwise (including, without limitation, pre-contractual representations but excluding any fraudulent representations), are expressly excluded in relation to the Ordinary Shares and the Offer.
13. The rights and remedies of the Company and its agents under these Terms and Conditions of Application are in addition to any rights and remedies which would otherwise be available to them, and the exercise or partial exercise of one will not prevent the exercise of others.
14. You agree that Dickson Minto W.S. is acting for the Company in connection with the Issue and for no-one else and Dickson Minto W.S. will not treat you as its client by virtue of such application being accepted or owe you any duties concerning the price of Ordinary Shares or concerning the suitability of Ordinary Shares for you or otherwise in relation to the Issue.
15. You authorise the Receiving Agent or any person authorised by them or the Company, as your agent, to do all things necessary to effect registration of any Ordinary Shares subscribed for by you in your name and authorise any representatives of the Receiving Agent to execute and/or complete any document required therefor.
16. You agree that it is a condition of application that any information supplied by an applicant or on his behalf or derived from the processing thereof may be used by the Receiving Agent or the Company and/or disclosed to the Company, its agents or advisers in connection with and for the purposes of the Issue and, for the purposes of the Data Protection Act 1998 (or any statutory modification or substitution of that section), you provide your consent to the use and disclosure of this information.
17. You agree that a failure to receive, process or accept your application for Ordinary Shares does not give rise to any right of action by any person against the Company, Dickson Minto W.S., the Receiving Agent or any other person. You agree that the non-receipt by any person of the Prospectus or any other related document shall not invalidate the Issue in whole or in part or give rise to any right of action by any person against the Company, Dickson Minto W.S., the Receiving Agent or any other person.
18. You agree that all applications, acceptances of applications and contracts resulting therefrom under the Offer shall be governed by and construed in accordance with English law and that, for the benefit of the Company, Dickson Minto W.S. and the Receiving Agent, you submit to the non-exclusive jurisdiction of the English courts and agree that nothing shall limit the right of the Company, Dickson Minto W.S., the Receiving Agent or their agents or advisers to bring any action, suit or proceedings arising out of or in connection with any such applications, acceptances and contracts in any other manner permitted by law or in any court of competent jurisdiction.
19. Completed Application Forms, together with payment, must be returned so as to be received by post or hand (during normal business hours) to Computershare Investor Services PLC, PO Box 859, The Pavilions, Bridgwater Road, Bristol BS99 1XZ no later than 11.00 a.m. on 23 February 2007. An Application Form which is sent by post or delivered by hand (as described above) will be treated as having been received only when it is received by the Receiving Agent.

### **Money Laundering**

20. You agree that, in order to ensure compliance with the Guernsey Criminal Justice (Proceeds of Crime) (Bailiwick of Guernsey) Regulations, 2002 and the UK Money Laundering Regulations 2003, the Receiving Agent may at its absolute discretion require, and you will provide, evidence which is satisfactory to it to establish your identity or that of any person on whose behalf you are acting and/or your status. Without prejudice to the generality of the foregoing such evidence may be required if you either:
  - 20.1 tender payment by way of banker's draft or cheque or money order drawn on an account in the name of another person or persons (in which case verification of your identity may be required); or
  - 20.2 appear to the Receiving Agent to be acting on behalf of some other person (in which case verification of identity of any persons on whose behalf you appear to be acting may be required).Failure to provide the necessary evidence of identity may result in application(s) being rejected or delays in the despatch of documents.
21. Without prejudice to the generality of paragraph 20 above, verification of the identity of applicants may be required if the total price of the Ordinary Shares applied for, whether in one or more applications, exceeds £9,000 (approximately equivalent to €15,000). If in such circumstances, you use a building society cheque, banker's draft or money order, you should ensure that the bank or building society enters the name, address

and account number of the person whose account is being debited on the reverse of the cheque, banker's draft or money order and adds its stamp. If in such circumstances, you use a cheque drawn by a third party, you may be requested to provide a copy of your passport or driving licence certified by a solicitor or a recent original bank or building society statement or utility bill in your name and showing your current address (which originals will be returned by post at the applicant's risk).

#### **Overseas investors**

22. If you receive a copy of the Prospectus or an Application Form in any territory other than the United Kingdom, the Isle of Man or the Channel Islands you may not treat it as constituting an invitation or offer to you, nor should you, in any event, use an Application Form unless, in the relevant territory, such an invitation or offer could lawfully be made to you or an Application Form could lawfully be used without contravention of any registration or other legal requirements. It is your responsibility, if you are outside the United Kingdom, the Isle of Man or the Channel Islands and wishing to make an application for Ordinary Shares under the Offer, to satisfy yourself that you have fully observed the laws of any relevant territory or jurisdiction in connection with your application, including obtaining any requisite governmental or other consents, observing any other formalities requiring to be observed in such territory and paying any issue, transfer or other taxes required to be paid in such territory. The Company reserves the right, in its absolute discretion, to reject any application received from outside the United Kingdom, the Isle of Man or the Channel Islands.
23. Without limiting the above, the Ordinary Shares may not be offered, sold or delivered, directly or indirectly, within Canada, Japan or Australia or in the United States except in reliance on, or in a transaction not subject to, the registration requirements under the United States Securities Act of 1933 (as amended) or other relevant legislation. If you subscribe for Ordinary Shares in the Offer you will, unless the Company agrees otherwise in writing, be deemed to represent and warrant to the Company and its agents that you are not in the United States. No application will be accepted if it bears an address in the United States or otherwise where there is cause to believe you are in the United States.

#### **Definitions used in these Terms and Conditions of Application**

24. In these Terms and Conditions of Application and the Application Form the following terms have the meanings set out below:

"Application Form" means the application form for use in connection with the Offer for Subscription attached at the end of the Prospectus or any application form for use in connection with the Offer for Subscription otherwise published by or on behalf of the Company; and

"Prospectus" means the document comprising a prospectus of the Company dated 9 February 2007.

Save where the context requires otherwise, terms used in these Terms and Conditions of Application bear the same meaning as used in the Prospectus.

## NOTES ON HOW TO COMPLETE THE APPLICATION FORM

Applications should be returned so as to be received by 11.00 a.m. on 23 February 2007.

All Applicants should read notes 1-6. Note 7 should be read by Joint Applicants.

### 1. Application

Fill in (in figures) the aggregate subscription price for which your application for a minimum of 3,000 new Ordinary Shares is made. Your application must be for a minimum of 3,000 new Ordinary Shares with a minimum aggregate Issue Price of £3,090 or, if for more than 3,000 new Ordinary Shares, in multiples of 1,000 new Ordinary Shares.

### 2. Amount Payable

Fill in (in figures) the amount payable for the Ordinary Shares for which your application is made.

### 3. Personal Details

Fill in (in block capitals) the full name, address and daytime telephone number of the applicant. If this application is being made jointly with other persons, please read Note 7 before completing Box 3.

### 4. Signature

The applicant named in Box 3 must date and sign Box 4.

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

### 5. Cheque/Bankers' Draft Details

Attach a cheque or bankers' draft for the exact amount shown in Box 2 to your completed Application Form. Your cheque or bankers' draft must be made payable to "The Royal Bank of Scotland plc a/c UK Commercial Property Trust" and crossed "a/c Payee".

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

Your cheque or bankers' draft must be drawn in sterling on an account at a bank branch in the United Kingdom, the Channel Islands or the Isle of Man and must bear a United Kingdom bank sort code number in the top right hand corner.

An application may be accompanied by a cheque drawn by someone other than the applicant(s), but in such case any moneys returned will be sent by cheque crossed "a/c Payee" in favour of the first-named applicant.

Applications with a value of £9,000 (approximately equivalent to €15,000) or greater, which are to be settled by way of a third party payment, e.g. bankers' draft, building society cheque or a cheque drawn by someone other than the applicant, will be subject to Guernsey's and the United Kingdom's verification of identity requirements which are contained in the Guernsey Criminal Justice (Proceeds of Crime) (Bailiwick of Guernsey) Regulations, 2002 and the UK Money Laundering Regulations 2003 respectively.

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

If satisfactory evidence of identity has not been obtained within a reasonable time, and in any event (unless the Offer for Subscription is extended) by 11.00 a.m. on 23 February 2007, your application may not be accepted.

Certificates, cheques and other correspondence will be sent to the address in Box 3.

### 6. Shares in Uncertificated Form (CREST)

If you wish your Ordinary Shares to be issued in uncertificated form you should complete the Application Form as above and must also complete Box 6.

### 7. Joint Applicants

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

If you do wish to apply jointly, you may do so with up to three other persons. Boxes 3 and 4 must be completed by one applicant. All other persons who wish to join in the application must complete and sign Box 7.

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

Certificates, cheques and other correspondence will be sent to the address in Box 3.

### Instructions for Delivery of Completed Application Forms

Completed Application Forms should be returned, by post or by hand (during normal business hours), to Computershare Investor Services PLC, PO Box 859, The Pavilions, Bridgwater Road, Bristol BS99 1XZ so as to be received by no later than 11.00 a.m. on 23 February 2007, together in each case with payment in full in respect of the application. If you post your Application Form, you are recommended to use first class post and to allow at least two days for delivery. Application Forms received after this date may be returned.

# Application Form

## UK COMMERCIAL PROPERTY TRUST LIMITED

Please send the completed form by post or by hand (during normal business hours) to Computershare Investor Services PLC, PO Box 859, The Pavilions, Bridgwater Road, Bristol BS99 1XZ so as to be received no later than 11.00 a.m. on 23 February 2007.

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

ALL APPLICANTS MUST COMPLETE BOXES 1 TO 5 (SEE NOTES 1-5 OF THE NOTES ON HOW TO COMPLETE THIS APPLICATION FORM).

If you have a query concerning completion of this Application Form please call Computershare Investor Services PLC on 0870 707 1513.

### 1. Application

I/We offer to subscribe for:

new Ordinary Shares (minimum 3,000 new Ordinary Shares and thereafter in multiples of 1,000 new Ordinary Shares)

fully paid, at 103p per new Ordinary Share, subject to the Terms and Conditions of Application set out in the Prospectus dated 9 February 2007 and subject to the Memorandum and Articles of Association of the Company respectively.

### 2. Amount Payable

I/We attach a cheque or bankers' draft for the amount payable of:

(minimum £3,090 and thereafter in multiples of £1,030)

### 3. Personal Details (PLEASE USE BLOCK CAPITALS)

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

### 4. Signature

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

Signature	Dated	2007
-----------	-------	------

### 5. Cheque/Bankers' Draft Details

✓ Attach your cheque or bankers' draft for the exact amount shown in Box 2 made payable to "The Royal Bank of Scotland plc a/c UK Commercial Property Trust" and crossed "a/c payee".

### 6. Shares in Uncertificated Form (CREST)

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

CREST Participant ID: (no more than five characters)	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	CREST Member Account ID: (no more than eight characters)	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
---------------------------------------------------------	----------------------	----------------------	----------------------	----------------------	----------------------	-------------------------------------------------------------	----------------------	----------------------	----------------------	----------------------	----------------------	----------------------	----------------------	----------------------

CREST Participant's Name:
---------------------------

BOX 7 MUST ONLY BE COMPLETED BY JOINT APPLICANTS (SEE NOTE 7).

### 7. Joint Applicants (PLEASE USE BLOCK CAPITALS)

Title	Full forenames	Surname	Signature

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



