

**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 professional independent adviser authorised under the Financial Services and Markets Act 2000 if you are resident in the United Kingdom or, if you reside elsewhere, by another appropriately authorised independent financial adviser.**

The Company is an authorised closed-ended investment scheme in accordance with Section 8 of the Protection of Investors (Bailiwick of Guernsey) Law, 1987 as amended (the "Law") and the Rules. Notification of the Proposals has been given to the Commission pursuant to the Rules. The Commission has not reviewed this document and takes no responsibility for the correctness of any statements made or opinions expressed with regard to the Company.

If you have sold or otherwise transferred all your shares in Standard Life Investments Property Income Trust Limited, please forward this document, together with the accompanying Form of Proxy, as soon as practicable to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for transmission to the purchaser or transferee. If you sell or have sold or otherwise transferred your holding of existing.

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## **STANDARD LIFE INVESTMENTS PROPERTY INCOME TRUST LIMITED**

*(a non-cellular company incorporated with limited liability in Guernsey with registered number 41352)*

**Proposals to become resident in the United Kingdom for tax purposes,  
apply for entry to the UK-REIT regime and to amend the Articles**

**and**

**Notice of General Meeting**

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Your attention is drawn to the letter from the Chairman of Standard Life Investments Property Income Trust Limited which is set out in Part I of this document. The letter contains the recommendation that you vote in favour of the resolution to be proposed at the General Meeting referred to below.

Notice of a General Meeting of the Company to be held at Trafalgar Court, Les Banques, St. Peter Port, Guernsey GY1 3QL at 10.00 a.m. on 20 November 2014 is set out at the end of this document. Shareholders will find enclosed with this document a reply paid Form of Proxy for use at the General Meeting. Whether or not you intend to attend the General Meeting in person, you are requested to complete the Form of Proxy in accordance with the instructions printed on it and return it as soon as possible and in any event so as to be received by the Company's Registrars, Computershare Investor Services (Guernsey) Limited, The Pavilions, Bridgwater Road, Bristol BS99 6ZY no later than 10.00 a.m. on 18 November 2014, being 48 hours before the time appointed for the holding of the meeting.

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### EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Latest time and date for receipt of completed Form of Proxy	10.00 a.m. on 18 November 2014
General Meeting	10.00 a.m. on 20 November 2014
Anticipated date for UK-REIT notification to HMRC	during December 2014
Anticipated date of entry to UK-REIT regime	1 January 2015

#### Notes

- (1) All references to time in this document are to UK time
- (2) If any of the above times and/or dates should change, the revised times and/or dates will be notified to Shareholders by an announcement on a Regulatory Information Service

## DEFINITIONS

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

<b>“Articles”</b>	the articles of incorporation of the Company
<b>“Board” or “Directors”</b>	the board of directors of the Company
<b>“Company”</b>	Standard Life Investments Property Income Trust Limited
<b>“Commission”</b>	the Guernsey Financial Services Commission
<b>“General Meeting”</b>	the extraordinary general meeting of the Company to be held on 20 November 2014 at 10.00 a.m. (or any adjournment thereof) notice of which is set out in Part V of this document
<b>“Form of Proxy”</b>	the form of proxy issued by the Company for use by Shareholders in connection with the General Meeting
<b>“Group”</b>	the Company and Standard Life Investments Property Holdings Limited and any other direct or indirect subsidiary of the Company from time to time
<b>“HMRC”</b>	HM Revenue & Customs
<b>“IFRS”</b>	International Financial Reporting Standards adopted or issued by the International Accounting Standards Board
<b>“Non-PID Dividend”</b>	any dividend other than a PID received by a shareholder of the Company
<b>“Official List”</b>	the official list maintained by the UKLA
<b>“Ordinary Shares”</b>	ordinary shares of 1p each in the capital of the Company having the rights ascribed and being subject to the restrictions set out in the Articles
<b>“Property Income Distribution” or “PID”</b>	a dividend received by a shareholder of the Company in respect of profits and gains of the Tax Exempt Business of the UK resident members of the Group or in respect of the profits or gains of a non-UK resident member of the Group insofar as they derive from its UK qualifying rental business
<b>“property rental business”</b>	a UK property rental business within the meaning of section 205 of the Corporation Tax Act 2009 or an overseas property business within the meaning of section 206 of such act, but in each case, excluding certain specified types of business
<b>“Proposals”</b>	the proposals to become resident in the UK for tax purposes, apply for entry to the UK-REIT regime and to amend the Articles
<b>“qualifying property rental business”</b>	a property rental business fulfilling the conditions in section 529 of the Corporation Tax Act 2010
<b>“Registrars”</b>	Computershare Investor Services (Guernsey) Limited
<b>“Rules”</b>	the Authorised Closed-Ended Collective Investment Schemes Rules 2008
<b>“Shareholders”</b>	holders of Ordinary Shares
<b>“Substantial Shareholder”</b>	a company who is beneficially entitled (directly or indirectly) to 10 per cent. or more of the Ordinary Shares or dividends of the Company or controls (directly or indirectly) 10 per cent. or more of the voting rights of the Company

<b>“Substantial Shareholding”</b>	the Ordinary Shares in respect of which a Substantial Shareholder is entitled to dividends (directly or indirectly) and/or to which a Substantial Shareholder is beneficially entitled (directly or indirectly) and/or votes attached to which are controlled (directly or indirectly) by the Substantial Shareholder
<b>“Tax-Exempt Business”</b>	the Group’s qualifying property rental business in the UK and elsewhere in respect of which corporation tax on income and capital gains will no longer be payable following entry to the UK-REIT regime provided that certain conditions are satisfied
<b>“UKLA”</b>	the Financial Conduct Authority in its capacity as the competent authority for the purposes of Part VI of the Financial Services and Markets Act 2000, as amended
<b>“UK-REIT”</b>	a real estate investment trust established in the United Kingdom under the UK-REIT regime
<b>“UK-REIT regime”</b>	the legislation contained in Part 12 of the Corporation Tax Act 2010 and the regulations made thereunder

## PART I

### LETTER FROM THE CHAIRMAN

# STANDARD LIFE INVESTMENTS PROPERTY INCOME TRUST LIMITED

*(a non-cellular company incorporated with limited liability in Guernsey with number 41352)*

#### *Directors*

Richard Barfield (*Chairman*)  
Huw Evans  
Sally-Ann Farnon  
Shelagh Mason  
Robert Peto

#### *Registered Office:*

PO Box 255  
Trafalgar Court  
Les Banques  
St. Peter Port  
Guernsey  
GY1 3QL

29 October 2014

Dear Shareholder

### **PROPOSALS TO BECOME RESIDENT IN THE UNITED KINGDOM FOR TAX PURPOSES, APPLY FOR ENTRY TO THE UK-REIT REGIME AND TO AMEND THE ARTICLES**

#### **Introduction and background to the Proposals**

Standard Life Investments Property Income Trust Limited was launched in 2003 as an authorised closed-ended investment scheme. The Company's objective is to generate an attractive income return for its Shareholders through the ownership and management of a property rental business in the United Kingdom. The Company holds its property portfolio through a wholly owned subsidiary.

The Company is exempt in Guernsey from tax on its non-Guernsey source income and capital gains. The Company's property holding subsidiary is currently subject to UK income tax at the current rate of 20 per cent. on its UK property income under the Non-Resident Landlord Scheme but is entitled to deduct certain expenses including interest payments on intra-group loans to determine its UK taxable income. These intra-group loans were refinanced in November 2012.

The Group does not currently suffer UK income tax as its net taxable income is set off against brought forward taxable losses. However, once these losses are fully utilised it is expected that the Group will suffer UK income tax on its net taxable income.

Since 1 January 2007 there has been legislation in place in the United Kingdom to enable qualifying companies (or groups) to apply for Real Estate Investment Trust (REIT) status. A company (or group) carrying on a "property rental business" as defined in UK tax legislation may give notice to opt for the treatment provided by the UK-REIT legislation, subject to meeting a number of initial and on-going conditions.

The main tax advantage of the UK-REIT regime is that net rental income derived from its rental property portfolio is exempt from UK income or corporation tax, as are capital gains on the disposal of the rental properties. The UK-REIT regime seeks to treat investors in the REIT as if they held an interest in the property rental business directly.

The Board believes that it is in the best interests of the Group and the majority of Shareholders that the Group does not suffer any UK tax on its net rental income from its property rental business and accordingly is proposing that the Company takes the necessary steps on behalf of the Group in order for the Group to achieve UK-REIT status.

In order to facilitate the Group qualifying as a UK-REIT, certain changes are required to the Articles of Association. These changes take account of the UK-REIT regime, specifically the UK-REIT rules regarding the payment of dividends to Substantial Shareholders and the requirement that the Company is solely UK resident for tax purposes.

The purpose of this document is to explain the background to the proposed changes to the Articles which are being submitted for approval at the General Meeting and why the Board thinks that they are in the best interests of Shareholders as a whole. The notice convening the General Meeting is set out at the end of this document.

If approved by Shareholders, the proposed amendments to the Articles will only take effect when the Board elects to seek approval from HMRC as a UK-REIT. The General Meeting will be held at Trafalgar Court, Les Banques, St. Peter Port, Guernsey GY1 3QL on 20 November 2014 at 10.00 a.m. There is also enclosed a Form of Proxy to enable you to vote on the resolution should you be unable to attend the meeting.

## **Background to conversion to UK-REIT status**

### *UK-REITs*

A UK-REIT is a company that either itself owns and operates a property rental portfolio, which can be commercial or residential, or comprises a group of companies which carries out these activities. Under the UK-REIT regime at least 90 per cent. of the net rental profits for each accounting period are to be distributed to shareholders and in return the company is exempt from UK corporation tax on profits and gains relating to its qualifying property rental business.

Obtaining UK-REIT status does not materially alter the group of companies' business or operations, but is merely a more tax-efficient structure. UK-REITs are intended to enable the income from rented property assets to be generated in a tax efficient manner and to ensure that the net return for shareholders from investing in a property are broadly consistent with returns from direct property investment.

A group of companies which elects for UK REIT status is permitted to carry on both tax-exempt property rental activities and other, taxable activities, subject to certain restrictions which are set out below. Electing for UK-REIT status does not change the legal status of the company or its share capital.

### *Conditions to become a UK-REIT*

Prior to 17 July 2012 groups entering the UK-REIT regime were required to pay a one off charge equal to 2 per cent. of the value of their property assets. This conversion charge has now been abolished.

In order to be eligible to apply for UK-REIT status, a group of companies will need to meet certain conditions which are summarised below and are discussed in more detail in Part II of this document. These conditions are as follows:

- (a) the parent company must be a solely UK tax resident company whose ordinary shares are listed on a recognised stock exchange (which includes the Official List) and not be an open-ended investment company;
- (b) the parent company must not be a "close company";
- (c) the property rental business should comprise at least 75 per cent. of the overall group's activities, measured by reference to both the value of its assets and its total profits;
- (d) a minimum of 90 per cent. of the UK-REIT's "profits" for an accounting period (calculated under UK tax principles after interest and capital allowances and excluding chargeable gains) from the Tax Exempt Business must be distributed to investors. This distribution is referred to as a property income distribution or "PID"; and
- (e) the group must not be subject to any loans considered to be on uncommercial terms.

In the Board's opinion, the Company, and where relevant the Group, currently satisfies all the above conditions to be eligible to apply for UK-REIT status, save for condition (a) in relation to tax residency which is considered in more detail in the sub paragraph headed "Tax residency of the Company" below, and the Board expects the Group to continue doing so in the future.

In addition to the above conditions, as a UK-REIT, the Group should take account of various restrictions in order to maximise tax efficiency as follows:

- The Group will be subject to a financing costs cover test on the Tax-Exempt Business. This is a form of gearing test. The Group will need to be within the limits envisaged by the test to avoid an additional tax charge. In effect this would require the Group's net rental income to be no less than 1.25 times the interest paid on its borrowings. It is expected that the Group will be well within these limits.
- The Company would suffer a tax penalty in the event that distributions are made to any Substantial Shareholder. Further details are set out in paragraph headed "The Substantial Shareholder rule" below. The Group can protect itself against the risk of this tax penalty provided it can demonstrate it has taken reasonable steps to avoid paying distributions to such Substantial Shareholders. The proposed amendments to the Articles should enable the Group to satisfy this requirement.

### **Reasons for the Company becoming a UK-REIT**

By obtaining UK-REIT status, the Group will no longer be subject to UK income tax on the profits and gains from its qualifying property rental business provided that it meets certain conditions. This will effectively reduce the burden of taxation for most shareholders in respect of the Tax-Exempt Business on the assumption that the Group begins paying UK income tax on its property rental income in the future.

As a result the removal of any tax burden in relation to the property rental business should improve the level of dividend cover and the Board would expect the Company's shares to appeal to a wider investor audience particularly those that cannot invest in overseas investments.

### **The implications of the Company becoming a UK-REIT**

#### *General*

It is not expected that there will be any changes to the investment policy or investment strategy or the legal corporate structure of the Group. For example, the REIT regime broadly limits a REIT's activity in other trading activities, such as property development, to 25 per cent. of its portfolio. The Company's investment policy provides that the Company is permitted to invest in property development up to a maximum of 10 per cent. of the Company's portfolio. It is the intention of the Board that the Group's business will comprise mainly of Tax-Exempt Business to comply with the REIT rules. The Board is not proposing any changes to its management and administrative arrangements, save to reflect the change in tax residency noted below.

Notwithstanding that it may enter the UK-REIT regime, the Company will continue to be an authorised closed-ended investment scheme in Guernsey (for so long as it remains incorporated in and administered in Guernsey and complies with Section 8 of the Law and the Rules).

Based at the current rental income of the Group and allowable deductions, the Group currently generates approximately £5.0 million in net taxable income per annum. The Group currently has brought forward taxable losses to offset against this taxable income. However, once these losses are fully utilised it is expected that the Group will suffer UK income tax on its net taxable income.

#### *Dividend policy*

The Company intends to employ the same dividend policy following the election for UK-REIT status as it does now and the Board expects that this will exceed the required PID distribution.



Within the UK-REIT regime, distributions from the Company may, in the hands of the Shareholders, comprise PIDs, ordinary corporate dividends or a combination of the two. The Company will be required to distribute to Shareholders (by way of dividend), on or before the filing date of the Company's tax return for the accounting period in question, at least 90 per cent. of the income profits of the Tax-Exempt Business (broadly, calculated using normal tax rules). Subject to certain exceptions, these PIDs will be subject to withholding tax at the basic rate of income tax (currently 20 per cent.). The Company may decide to distribute additional amounts over and above the minimum PID, in which case such amounts will be treated for UK tax purposes as ordinary corporate dividends or as a PID, dependent on their source. For further detail, please see Part II of this document.

In order to pay a PID without withholding tax, the Company will need to be satisfied that the Shareholder concerned is entitled to that treatment. For that purpose, the Company will require such Shareholders to submit a valid claim form (copies of which may be obtained on request from the Company's Registrars, Computershare Investor Services (Guernsey) Limited).

The precise proportion of recurring property rental income that the Group distributes may vary between years, according to the needs of the business. Ordinarily, however, the Board would expect to distribute a high proportion (including the mandatory PID element) of recurring property rental earnings, on the basis of adjusted earnings per share as reported under IFRS. A proportion of trading property profits and other income from non-property activities (if any) may also be distributed, to the extent the Board regards those earnings as sustainable. Capital gains arising on the disposal of investment properties will, ordinarily, be retained and reinvested within the business to support future growth.

#### *Tax position of the Shareholders*

The comments in this section are provided for general guidance only. Shareholders who are in any doubt concerning the taxation implications of any matters reflected here should consult their professional advisers.

As discussed above, distributions from the Company may comprise PIDs, ordinary corporate dividends or a combination of the two. If, as described above, capital gains are retained in the business and not distributed, only distributions of profits of the Tax Exempt Business after interest deductions and capital allowances will constitute PIDs. Whilst there is no requirement to distribute profits arising from capital gains to the extent such gains arise from the Tax-Exempt Business they would constitute PIDs if distributed. Other dividends will be taxed in the hands of the Shareholders in the same way as other dividends paid by any other UK resident company. Further detail in respect of the attribution of distributions is included in Part III of this document.

Broadly, PIDs are treated for UK tax purposes in the hands of the Shareholders as property rental income rather than dividends. They may be subject to withholding at source, at the basic rate of UK income tax of 20 per cent. Additional UK taxes may be payable based on a Shareholder's marginal UK income tax rate. UK tax exempt investors, e.g. ISAs and SIPP's, will not be subject to tax (withholding tax or otherwise) on the PIDs.

A general guide to the treatment for the principal classes of Shareholders is set out in Part III of this document.

#### *The Substantial Shareholder rule*

Within the UK-REIT regime, a tax charge may be levied on the Company if it makes a distribution to a Substantial Shareholder unless the Company has taken reasonable steps to avoid such a distribution being paid. Shareholders should note that this restriction only applies to Shareholders that are bodies corporate and to certain entities which are deemed to be bodies corporate. It does not apply to nominees, unless those nominees hold the shares on behalf of a Substantial Shareholder.

The background to the charge recognises that in certain circumstances such Shareholders resident in jurisdictions with favourable double tax agreements with the UK can reclaim all or part of the UK income tax payable by them on the dividend. The charge seeks to collect from the Company an amount of UK corporation tax equivalent to the basic rate income tax liability on the dividend irrespective of the tax treatment of the shareholder.



A tax charge may be imposed only if a UK-REIT pays a dividend in respect of a Substantial Shareholding and the dividend is paid to a person who is a Substantial Shareholder. The charge is not triggered merely because a shareholder has a stake in the company of 10 per cent. or more. The amount of the tax charge is calculated by reference to the total dividend that is paid to the Substantial Shareholder and is NOT restricted to the excess over 10 per cent.

The Board considers it appropriate that the Company should put in place the mechanisms in accordance with the guidance issued by HMRC so that the Company can avoid the imposition of such a tax charge in circumstances where a Substantial Shareholding occurs post entry into the UK-REIT regime. The changes proposed to be made to the Articles will give the Board the powers it needs to demonstrate to HMRC that such "reasonable steps" have been taken. A description of the proposed amendments to the Articles is set out in more detail in Part IV of this circular.

#### *Tax residency of the Company*

In order to be able to apply for UK-REIT status, the Company must be UK tax resident and not tax resident in any other jurisdiction.

To become tax resident in the United Kingdom it is intended that the Company will move its central management and control from Guernsey into the United Kingdom. This means that once the Company has entered the REIT regime future Board and Shareholder meetings (including the annual general meeting) will be held in the United Kingdom.

#### *Amendment to the Articles*

A description of the proposed amendments to the Articles are set out in more detail in Part IV of this document. The adoption of the new Articles is conditional upon the approval of Shareholders at the General Meeting. The resolution will be proposed as a special resolution which means that in order for the resolution to be passed at least 75 per cent. of the votes cast on the resolution must be in favour.

A copy of the existing Articles and the proposed new Articles marked to show the changes will be available during normal business hours (Saturdays, Sundays and public holidays excepted) at the registered office of the Company and at the offices of Dickson Minto W.S., Broadgate Tower, 20 Primrose Street, London EC2A 2EW up to and including close of business on 20 November 2014 and at the venue of the General Meeting for at least 15 minutes prior to the start of the meeting and up until the close of the meeting.

#### **Expected timetable for entry into the UK-REIT regime**

This legislation provides that a company satisfying the conditions for UK-REIT status may elect for the UK-REIT regime to apply with effect from the date specified in the notice served to HMRC. A new accounting period for tax purposes will begin on the date of entry into the UK-REIT regime.

The Board, subject to the passing of the resolution at the General Meeting, intends to serve notice to HMRC for entry to the UK-REIT regime during December 2014 which is expected to take effect from 1 January 2015.

#### **General Meeting**

The application for UK-REIT status is conditional on, *inter alia*, the approval of Shareholders. You will find set out on page 23 of this document a notice convening the General Meeting to be held at Trafalgar Court, Les Banques, St. Peter Port, Guernsey GY1 3QL at 10.00 a.m. on 20 November 2014. At this General Meeting Shareholders will be asked to consider and, if thought fit, approve the proposed amendments to the Articles. This resolution will be proposed as a special resolution which will require, in order to be passed, the approval of 75 per cent. or more of the Shareholders to vote in favour.

#### **Action to be taken**

Shareholders will find enclosed a Form of Proxy for use in connection with the General Meeting. Whether or not Shareholders propose to attend the General Meeting, they are requested to complete, sign and return the Form of Proxy in accordance with the instructions printed on it.

To be valid, the enclosed Form of Proxy must be lodged with the Registrars, Computershare Investor Services (Guernsey) Limited, The Pavilions, Bridgwater Road, Bristol BS99 6ZY, as soon as possible, and in any event, so as to arrive by not later than 10.00 a.m. on 18 November 2014, being 48 hours before the time appointed for holding the General Meeting

**Recommendation**

The Board considers that the passing of the special resolution set out in the notice of the General Meeting at the end of this document to be in the best interests of the Company and the Shareholders as a whole. Accordingly the Directors unanimously recommend that you vote in favour of the special resolution to be proposed at the General Meeting.

Directors intend to vote in favour of this resolution in respect of their own beneficial holdings of 143,845 Ordinary Shares in aggregate, representing approximately 0.07 per cent. of the issued Ordinary Shares as at 27 October 2014, being the latest practicable date prior to the publication of this document.

Yours faithfully

**Richard Barfield**  
*Chairman*

## PART II

### THE UK-REIT REGIME

#### The UK-REIT regime

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

#### *Overview*

The UK-REIT regime was introduced with the intention of encouraging greater investment in the UK property market and it follows similar legislation in other European countries, as well as the long-established regimes in the United States, Australia and the Netherlands.

Investing in property through a corporate investment vehicle (outwith the UK-REIT regime) has the disadvantage that, in comparison to a direct investment in property assets, some categories of shareholders (but not UK companies) effectively suffer tax twice on the same income – first, indirectly, when members of the Group pay UK direct tax on their profits, and secondly, directly (but with the benefit of a tax credit) when the shareholder receives a dividend. Non-tax paying entities, such as UK pension funds, suffer tax indirectly when investing through a corporate vehicle that is not a UK-REIT in a manner they do not suffer if they were to invest directly in the property assets. As a UK-REIT, UK resident companies within the Group and non-UK resident companies within the Group with a UK qualifying property rental business would no longer pay UK direct taxes on their income and capital gains from the Tax-Exempt Business, provided that certain conditions are satisfied. Instead, distributions in respect of the Tax-Exempt Business will be treated for UK tax purposes as property income in the hands of shareholders (Part III of this document contains further detail on the UK tax treatment of shareholders after entry into the UK-REIT regime). However, UK corporation tax and overseas taxation will still be payable in the normal way in respect of income and gains from the Group's business (generally including any property trading business, overseas property rental business and certain other non property activities and investments) not included in the Tax-Exempt Business (the "**Residual Business**").

While within the UK-REIT regime, the Tax-Exempt Business will be treated as a separate business for UK corporation tax purposes to the Residual Business and a loss incurred by the Tax-Exempt Business cannot be set off against profits of the Residual Business (and vice versa).

As a UK-REIT, the Company will be required to distribute to shareholders (by way of dividend) on or before the filing date for the UK-REIT's tax return for the accounting period in question at least 90 per cent. of the income profits (broadly, calculated using normal tax rules) of the UK-resident members of the Group in respect of the Tax-Exempt Business and of the non-UK resident members of the Group as they derive from their UK qualifying property rental business arising in each accounting period. Failure to meet this requirement will result in a tax charge calculated by reference to the extent of the failure.

In this document, references to a company's accounting period are to its accounting period for tax purposes. This period can differ from a company's accounting period for other purposes.

The treatment of a dividend paid by the Company in the first year after it becomes a UK-REIT should depend on whether it is paid out of profits that existed before or after the Group became a UK-REIT. For example, if the Company elects for UK-REIT status with effect from 1 January 2015 and has before that date announced an intention to pay an interim dividend for payment after that date, that dividend would be paid entirely out of profits earned before the Group entered the UK-REIT regime and will therefore be a Non-PID Dividend. A dividend later in 2015 may be paid partly out of profits earned prior to the Group becoming a UK-REIT and partly out of profits earned subsequently and would therefore comprise partly a PID and partly a Non-PID Dividend. The Company will provide Shareholders with a certificate setting out how much of their dividend is a PID and how much is a Non-PID Dividend.

Subject to certain exceptions, PIDs will be subject to withholding tax at the basic rate of income tax (currently 20 per cent.). As referred to above, further details of the UK tax treatment of Shareholders after entry into the UK-REIT regime are contained in Part III of this document.

#### *Qualification as a UK-REIT*

The Group will become a UK-REIT by the Company (as the principal company of the Group) serving notice on HMRC setting out the date from which the Group wishes to obtain UK-REIT status. In order to qualify as a UK-REIT, the Group must satisfy certain conditions set out in the Corporation Tax Act 2010. A non-exhaustive summary of the material conditions is set out below. Broadly, the Company must satisfy the conditions set out in paragraphs (A), (B), (C) and (D) below and the Group companies must satisfy the conditions set out in paragraph (E).

#### (A) *Company conditions*

The Company must be a solely UK tax resident company (other than an open-ended investment company) whose ordinary shares are listed on a recognised stock exchange, such as the London Stock Exchange. The Company must also not (apart from in one exceptional circumstance) be a “close company” (as defined in section 439 of the Corporation Tax Act 2010) (the “**close company condition**”). In summary, the close company condition amounts to a requirement that not less than 35 per cent. of the UK-REIT’s shares are beneficially held by the public and for this purpose the “public” excludes directors of the UK-REIT and certain of their associates, and shareholders who, alone or together with certain associates, control more than five per cent. of the UK-REIT’s share capital.

#### (B) *Share capital restrictions*

The Company must have only one class of ordinary share in issue and the only other shares it may issue are non-voting fixed rate preference shares.

#### (C) *Interest restrictions*

The Company must not be party to any loan in respect of which the lender is entitled to interest which exceeds a reasonable commercial return on the consideration lent or where the interest depends to any extent on the results of any of its business or on the value of any of its assets. In addition, the amount repayable must either not exceed the amount lent or must be reasonably comparable with the amount generally repayable (in respect of an equal amount of consideration) under the terms of issue of securities listed on a recognised stock exchange.

#### (D) *Financial Statements*

The Company must prepare financial statements in accordance with statutory requirements (“**Financial Statements**”) and submit these to HMRC. The Financial Statements must contain the information about the Tax-Exempt Business and the Residual Business separately. The UK-REIT regime specifies the information to be included and the basis of the preparation of their financial statements.

#### (E) *Conditions for the Tax-Exempt Business*

The Tax Exempt Business must satisfy the conditions summarised below in respect of each accounting period during which it is to be treated as a UK-REIT:

- (a) the Tax-Exempt Business must throughout the accounting period involve at least three properties;
- (b) throughout the accounting period no one property may represent more than 40 per cent. of the total value of the properties involved in the Tax-Exempt Business. Assets must be valued at fair value and in accordance with International Accounting Standards (“**IAS**”) and at fair value when the IAS offers a choice between a cost basis and a fair value basis;
- (c) treating all members of the Group as a single company, the Tax-Exempt Business must not include any property which is classified as owner-occupied in accordance with generally accepted accounting practice;

- (d) at least 90 per cent. of the amounts shown in the Financial Statements of the Group companies as income profits (broadly calculated using the normal tax rules) of the UK resident members of the Group arising in respect of the Tax Exempt Business in the accounting period, and the income profits of the non-UK resident members of the Group insofar as they arise in respect of such members' UK qualifying property rental business in the accounting period, must be distributed by the Company on or before the filing date for the Company's tax return for the accounting period (the "**90 per cent. distribution test**"). For the purpose of satisfying the 90 per cent. distribution test, any dividend withheld in order to comply with the 10 per cent. rule will be treated as having been paid;
- (e) the profits arising from the qualifying property rental business must represent at least 75 per cent. of the Group's total profits for the accounting period (the "**75 per cent. profits test**"). Profits for this purpose means profits before deduction of tax and excludes realised and unrealised gains and losses on the disposal of property, calculated in accordance with IAS; and
- (f) at the beginning of the accounting period the value of the assets in the qualifying property rental business must represent at least 75 per cent. of the total value of assets held by the Group (the "**75 per cent. assets test**"). Assets must be valued in accordance with IAS and at fair value where IAS offers a choice of valuation between cost basis and fair value and in applying this test no account is to be taken of liabilities secured against or otherwise relating to assets (whether generally or specifically).

#### *Effect of becoming a UK-REIT*

##### (A) *Tax savings*

As a UK-REIT, the Group will not pay UK-direct tax on profits and gains from the Tax-Exempt Business. UK corporation tax will still apply in the normal way in respect of the Residual Business which includes certain trading activities, incidental letting in relation to property trades, intra-group letting of property, letting of administrative property which is temporarily surplus to requirements and certain income such as dividends and interest from members of the Group carrying on non-UK activities. UK Corporation tax could also be payable if a member of the Group (as opposed to property involved in the UK qualifying property rental business) is to be sold in the future. The Group would also continue to pay indirect taxes such as VAT, stamp duty land tax, stamp duty and payroll taxes (such as national insurance) in the normal way.

##### (B) *Attribution of Dividends*

Distributions by the Company will be attributed in the following order:

- (a) In satisfaction of the obligation to distribute 90 per cent. of the profits of the Tax-Exempt Business, calculated under tax principles and excluding chargeable gains, which arise in the accounting period – paid, under deduction of income tax at 20 per cent. where appropriate, as a PID.
- (b) At the discretion of the Company, a distribution of all or any of the following:
  - (i) profits earned by the Residual (taxable) Business in the period;
  - (ii) reserves of the Residual Business including brought forward reserves; or
  - (iii) profits representing the difference between the accounting distributable profits and profits calculated for tax purposes of the Tax-Exempt Business (the difference principally results from the effect of claiming capital allowances in calculating the profits of the Tax-Exempt Business).

This distribution is treated as a normal dividend (to which a tax credit may be attached) and no tax is withheld by the Company.

- (c) Distribution of the remaining 10 per cent. of the Tax-Exempt Business income (calculated under tax principles and excluding chargeable gains) paid, under deduction of basic rate income tax at 20 per cent., where appropriate, as a PID.

- (d) Distribution of gains relating to the Tax-Exempt Business – paid, under deduction of 20 per cent. basic rate income tax where appropriate, as a PID.
  - (e) Distribution of any other amount – treated as a normal dividend (to which a tax credit may be attached) and no tax is withheld by the Company.
- (C) *Financial Statements*  
As mentioned above, a UK-REIT will be required to submit Financial Statements to HMRC.
- (D) *Interest cover ratio*  
A tax charge will arise if, in respect of any accounting period, the ratio of the income profits (before capital allowances) of the UK resident members of the Group plus the UK income profits of any non-UK resident member of the Group, in each case, in respect of its Tax-Exempt Business plus the financing costs incurred in respect of the Tax-Exempt Business divided by the financing costs incurred in respect of the Tax-Exempt Business, excluding certain intra-group financing costs, is less than 1.25. This ratio is calculated by reference to the Financial Statements, apportioning costs relating partly to the Tax-Exempt Business and partly to the Residual Business reasonably. The amount (if any) by which the financing costs exceeds the amount of those costs which would cause that ratio to equal 1.25 is chargeable to corporation tax.
- (E) *Property development and property trading by a UK-REIT*  
A property development by a UK resident member of the Group can be within the Tax-Exempt Business provided certain conditions are met. However, if the costs of the development exceed 30 per cent. of the fair value of the asset at the later of: (a) the date on which the Company becomes a UK-REIT; and (b) the date of the acquisition of the development property, and the UK-REIT sells the development property within three years of completion, the property will be treated as never having been within the Tax-Exempt Business. If a UK resident member of the Group disposes of a property (whether or not a development property) in the course of a trade, the property will be treated as never having been within the Tax-Exempt Business.
- (F) *Certain tax avoidance arrangements*  
If HMRC believes that a member of the Group has been involved in certain tax avoidance arrangements, it may cancel the tax advantage obtained and, in addition, impose a tax charge equal to the amount of the tax advantage. These rules apply to both the Residual Business and the Tax-Exempt Business.
- (G) *Movement of assets in and out of the Tax Exempt Business*  
In general, where an asset owned by a UK-resident member of the Group and used for the Tax-Exempt Business begins to be used for the Residual Business, there will be a capital gain tax-free step up in the base cost of the property. Where an asset owned by a UK-resident member of the Group and used for the Residual Business begins to be used for the Tax-Exempt Business, this will generally constitute a taxable market value disposal of the asset, except for capital allowances purposes. Special rules apply to disposals by way of a trade and to development property.
- (H) *Funds awaiting reinvestment*  
Cash awaiting reinvestment, and all other cash, is deemed to be an asset of the Qualifying Property Rental Business for the purposes of REIT conditions.
- (I) *Acquisitions and Takeovers*  
If a UK-REIT is taken over by another UK-REIT, the acquired UK-REIT does not necessarily cease to be a UK-REIT and will, provided the conditions are met, continue to enjoy tax exemptions in respect of the profits of its Tax-Exempt Business and capital gains on disposal of properties in the Tax- Exempt Business.



The position is different where a UK-REIT is taken over by an acquirer which is not a UK-REIT. In these circumstances, the acquired UK-REIT is likely in most cases to fail to meet the requirements for being a UK-REIT and will therefore be treated as leaving the UK-REIT regime at the end of its accounting period preceding the takeover and ceasing from the end of this accounting period to benefit from tax exemptions on the profits of its Tax-Exempt Business and capital gains on disposal of property forming part of its Tax-Exempt Business. The properties in the Tax-Exempt Business are treated as having been sold and reacquired at market value for the purposes of corporation tax on chargeable gains immediately before the end of the preceding accounting period. These disposals should be tax free as they are deemed to have been made at a time when the Company was still in the UK-REIT regime and future capital gains on the relevant assets will therefore be calculated by reference to a base cost equivalent to this market value. If the Company ends its accounting period immediately prior to the takeover becoming unconditional in all respects, dividends paid as PIDs before that date should not be recharacterised retrospectively as normal dividends.

(J) *Exit from the REIT regime*

The Company can give notice to HMRC that it wants the Group to leave the UK-REIT regime at any time. The Board retains the right to decide to exit the UK-REIT regime at any time in the future without shareholder consent if it considers this to be in the best interests of the Group.

If the Group voluntarily leaves the UK-REIT regime within ten years of joining and disposes of any property that was involved in its Tax-Exempt Business within two years of leaving, any uplift in the base cost of the property as a result of the deemed disposal on entry into the UK-REIT regime is disregarded in calculating the gain or loss on the disposal. It is important to note that the Company cannot guarantee continued compliance with all of the UK-REIT conditions and that the UK-REIT regime may cease to apply in some circumstances. HMRC may require the Group to exit the UK-REIT regime if:

- a) it regards a breach of the conditions or failure to satisfy the conditions relating to the Tax-Exempt Business, or an attempt to avoid tax, as sufficiently serious;
- b) if the Company has committed a certain number of minor or inadvertent breaches in a specified period; or
- c) if HMRC has given the Company at least two notices in relation to the avoidance of tax within a ten year period.

In addition, if the conditions for UK-REIT status relating to the share capital of the Company and the prohibition on entering into loans with abnormal returns are breached or the Company ceases to be UK resident, becomes dual resident or an open ended investment company, the Group will automatically lose UK-REIT status (for further details regarding these conditions, see the section headed "Qualification as a UK-REIT" above).

Shareholders should note that it is possible that the Company could lose its status as a REIT as a result of actions by third parties, for example, in the event of a successful takeover by a company that is not a REIT or due to a breach of the close company condition if it is unable to remedy the breach within a specified timeframe.

Where the Group is required to leave the UK-REIT regime within ten years of joining, HMRC has wide powers to direct how it is to be taxed, including in relation to the date on which the Group is treated as exiting the UK-REIT regime.



## PART III

### UNITED KINGDOM TAX TREATMENT OF SHAREHOLDERS AFTER ENTRY INTO THE UK-REIT REGIME

#### INTRODUCTION

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

The following paragraphs relate only to certain limited aspects of the United Kingdom taxation treatment of PIDs and Non-PID Dividends paid by the Company, and to disposals of shares in the Company, in each case, after the Company has elected into the UK-REIT regime.

Except where otherwise indicated, they apply only to shareholders who are resident for tax purposes in the United Kingdom. They apply only to Shareholders who are the absolute beneficial owners of both their PIDs and their shares in the Company and who hold their shares as investments. They do not apply to Substantial Shareholders.

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

#### A. UK TAXATION OF NON-PID DIVIDENDS

Non-PID Dividends paid by the Company will be taxed in the same way as dividends paid by the Company prior to entry into the UK-REIT regime, whether in the hands of individual or corporate Shareholders and regardless of whether the Shareholder is resident for tax purposes in the UK.

#### B. UK TAXATION OF PIDS

##### (i) UK taxation of shareholders who are UK resident individuals

Subject to certain exceptions, a PID will generally be treated in the hands of shareholders who are individuals as the profit of a single UK property business (as defined in section 264 of the Income Tax (Trading and Other Income) Act 2005). A PID is, together with any property income distribution from any other company to which Part 12 of the Corporation Tax Act 2010 applies, treated as a separate UK property business from any other UK property business (a “**different UK property business**”) carried on by the relevant shareholder. This means that surplus expenses from a shareholder's different UK property business cannot be off-set against a PID as part of a single calculation of the profits of the shareholder's UK property business.

Please see also section B(iv) (Withholding tax) below.

##### (ii) UK taxation of UK resident corporate shareholders

Subject to certain exceptions, a PID will generally be treated in the hands of Shareholders who are within the charge to UK corporation tax as profits of a property rental business. This means that, subject to the availability of any exemptions or reliefs, such Shareholders should be liable to UK corporation tax on the entire amount of their PID. A PID is, together with any property income distribution from any other company to which Part 12 of the Corporation Tax Act 2010 applies, treated as a separate Schedule A business from any other Schedule A business (a “**different Schedule A business**”) carried on by the relevant shareholder. This means that any surplus expenses from a shareholder's different Schedule A business cannot be off-set against a PID as part of a single calculation of the shareholder's Schedule A profits.

Please see also section B(iv) (Withholding tax) below.

**(iii) UK taxation of all shareholders who are not resident for tax purposes in the UK**

Where a shareholder who is resident outside the UK receives a PID, the PID will generally be chargeable to UK income tax as profit of a UK property business and this tax will generally be collected by way of a withholding tax.

Please see also section B(iv) (Withholding tax) below.

**(iv) Withholding tax**

**(a) General**

Subject to certain exceptions summarised at paragraph (d) below, the Company is required to withhold UK income tax at source at the basic rate (currently 20 per cent.) from its PIDs. The Company will provide shareholders with a certificate setting out the amount of tax withheld. Tax is not required to be deducted when distributions are paid to certain types of shareholder including UK corporate and UK tax-exempt bodies (such as SIPPs and ISAs). Where distributions are made to shareholders resident in a country with a double taxation treaty with the UK, tax should be withheld and the shareholder may seek a refund of the tax where the treaty withholding tax rate is lower.

**(b) Shareholders resident in the UK**

Where UK income tax has been withheld at source, Shareholders who are individuals may, depending on their individual circumstances, either be liable to further tax on their PID at their applicable marginal rate, or be entitled to claim repayment of some or all of the tax withheld on their PID. Shareholders who are corporates may, depending on their individual circumstances, be liable to pay UK corporation tax on their PID but they should note that, where UK income tax is withheld at source, the tax withheld can be set against the shareholder's liability to UK corporation tax in the accounting period in which the PID is received.

**(c) Shareholders who are not resident for tax purposes in the UK**

It is not possible for a Shareholder to make a claim under a double taxation treaty for a PID to be paid by the Company gross or at a reduced rate. The right of a Shareholder to claim repayment of any part of the tax withheld from a PID will depend on the existence and terms of any double tax convention between the UK and the country in which the shareholder is resident for tax purposes.

**(d) Exceptions to requirement to withhold UK income tax**

Shareholders should note that in certain circumstances the Company is not required to withhold UK income tax at source from a PID. These include, but are not limited to, where the Company reasonably believes that the person beneficially entitled to the PID is:

- a company resident for tax purposes in the UK;
- a charity, under section 531 of the Income Tax Act 2007 and section 485(3) of the Corporation Tax Act 2010; or
- the scheme administrator or manager of a register pension scheme, child trust fund, individual savings account or a personal equity plan.

In order to pay a PID without withholding tax, the Company will need to be satisfied that the shareholder concerned is entitled to that treatment. For that purpose, the Company will require such shareholders to submit a valid claim form (copies of which may be obtained on request) from the Registrars, Computershare Investor Services (Guernsey) Limited.

A summary in tabular form of the UK tax position of distributions made by the Company for certain groups of shareholders is shown below.

## 1. UK Resident Individual

### *PID*

- Tax withheld at 20 per cent.
- Taxed at the marginal income tax rate.
- Credit is given for the tax withheld by the UK-REIT. Therefore, to the extent that the individual is a lower, higher or additional rate tax payer, a repayment or further tax may be due.

### *Non PID Dividend*

- No tax withheld by UK-REIT.
- Treated as dividend income grossed up by 100/90 to include in the individual's income tax calculation.
- Taxed as top slice of income.
- Notional non-repayable tax credit of 10 per cent. is available. Therefore, only if the individual is a higher or additional rate tax payer will further tax be due.

## 2. UK Resident Company

### *PID*

- No tax withheld by UK-REIT.
- Subject to Corporation Tax at the prevailing rate (full rate currently 21 per cent.)

### *Non PID Dividend*

- No tax withheld by UK-REIT.
- Treated as a normal UK company dividend – exempt from tax.

## 3. Non UK Resident Company

### *PID*

- Tax withheld by UK-REIT on the distribution.
- May reclaim the difference between 20 per cent. withholding and the relevant dividend withholding tax rate agreed under the relevant double tax treaty (if applicable).

### *Non PID Dividend*

- No tax withheld by UK-REIT.
- Not subject to UK tax.

## 4. UK Tax-Exempt shareholder

### *PID*

- No tax withheld by UK-REIT.
- Not taxable in the hands of the shareholder.

### *Non PID Dividend*

- No tax withheld by UK-REIT.
- No UK tax.

## C. UK TAXATION OF CHARGEABLE GAINS, STAMP DUTY AND STAMP DUTY RESERVE TAX IN RESPECT OF SHARES IN THE COMPANY

Subject to the paragraph headed "Introduction" above, the following comments apply to both individual and corporate shareholders, regardless of whether such shareholders are resident for tax purposes in the UK.

### (a) UK taxation of chargeable gains

Chargeable gains arising on the disposal of shares in the Company following entry into the UK-REIT regime will be taxed in the same way as chargeable gains arising on the disposal of shares in the Company prior to entry into the UK-REIT regime. The entry of the Group into the UK-REIT regime will not constitute a disposal of shares in the Company by shareholders for UK chargeable gains purposes.

**(b) UK stamp duty and UK stamp duty reserve tax (“SDRT”)**

A conveyance or transfer on sale or other disposal of shares in the Company following entry into the UK-REIT regime will be subject to UK stamp duty or UK SDRT in the same way as it would have been prior to entry into the UK-REIT regime.

**D. ISAs, SSASs and SIPPs**

With effect from 1 July 2014 the new ISA (“**NISA**”) regime commenced in the UK which, amongst other things, removed the concept of stocks and shares and cash components of an ISA. For the 2014/15 tax year NISAs will have a subscription limit of £15,000 (from 1 July 2014) all of which can be invested in stocks and shares.

The Ordinary Shares will be a qualifying investment for the purposes of an ISA, provided they are acquired by an ISA plan manager. Shares in equities listed on the Main Market, such as the Company, only qualify for the purposes of an ISA where the investments of the REIT themselves continue to meet certain tests laid down by law. The intention of the Directors is to manage the Company in a way which will allow the Ordinary Shares to continue to qualify as ISA investments. In addition, the Ordinary Shares in the Company will be eligible for inclusion in a Small Self Administered Scheme (“**SSAS**”) or a Self Invested Personal Pension (“**SIPP**”).

**If you are in any doubt as to your tax position you should consult your professional adviser.**

## PART IV

### THE PROPOSED AMENDMENTS TO THE ARTICLES

As explained in the letter from the Chairman, it is proposed that the Articles should be amended in order to enable the Company to demonstrate to HMRC that it has taken reasonable steps to avoid paying a dividend (or making any other distribution) to a Substantial Shareholder.

For these purposes “**Company**” includes any body corporate and certain entities which are deemed to be bodies corporate for the purposes of overseas jurisdictions with which the UK has a double taxation agreement or for the purposes of such double tax agreements.

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

The proposed amendments to the Articles will include the insertion of a new Article (the “**new Article**”), the provisions of which are set out below.

The new Article:

- (A) provides directors with powers to identify Substantial Shareholders;
- (B) prohibits the payment of dividends on shares that form part of a Substantial Shareholding, unless certain conditions are met;
- (C) allows dividends to be paid on shares that form part of a Substantial Shareholding where the shareholder has disposed of its rights to dividends on its shares; and
- (D) seeks to ensure that if a dividend is paid on shares that form part of a Substantial Shareholding and arrangements of the kind referred to in (C) are not met, the Substantial Shareholder concerned does not become beneficially entitled to that dividend.

The proposed amended Articles (including the new Article) will be available for inspection during normal business hours (Saturdays, Sundays and public holidays excepted) at the registered office of the Company and at the offices of Dickson Minto W.S., Broadgate Tower, 20 Primrose Street, London EC2A 2EW up to and including close of business on 20 November 2014 and at the venue of the General Meeting for at least 15 minutes prior to the General Meeting and up until the close of the meeting.

References in this Part IV to dividends include any other distributions.

The effect of the new Article is explained in more detail below:

(A) *Identification of Substantial Shareholders*

The share register of the Company records the legal owner and the number of shares they own in the Company but does not identify the persons who are beneficial owners of the shares or are entitled to control the voting rights attached to the shares or are beneficially entitled to dividends. While the requirements for the notification of interests in shares provided in Part 22 of the Companies Act 2006 (the “**Act**”) and the Board’s rights to require disclosure of such interests (pursuant to section 793 of the Act) should assist in the identification of Substantial Shareholders, if those provisions are not sufficient on their own.

Accordingly, the new Article would require a Substantial Shareholder and any registered shareholder holding shares on behalf of a Substantial Shareholder to notify the Company if its shares form part of a Substantial Shareholding. Such a notice must be given within two business days. If a person is a Substantial Shareholder at the date the new Article is adopted, that Substantial Shareholder (and any registered shareholder holding shares on its behalf) must give such a notice within two business days after the date the new Article is adopted. The new Article gives the Board the right to require any person to provide information in relation to any shares in order to determine whether the shares form part of a Substantial Shareholding. If the required information is not provided within the time specified (which would be seven days after a request is made or such other period as the Board may decide), the Board would be entitled to impose

sanctions, including withholding dividends (as described in paragraph (B) below) and/or requiring the transfer of the shares to another person who is not, and does not thereby become, a Substantial Shareholder (as described in paragraph (E) below).

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

The new Article provides that a dividend may not be paid on any shares that the Board believes may form part of a Substantial Shareholding unless the Board is satisfied that the Substantial Shareholder is not beneficially entitled to the dividend.

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

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

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

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

The new Article provides that dividends may be paid on shares that form part of a Substantial Shareholding if the Board is satisfied that the right to the dividend has been transferred to a person who is not, and does not thereby become, a Substantial Shareholder and the Board may be satisfied that the right to the dividend has been transferred if it receives a certificate containing appropriate confirmations and assurances from the Substantial Shareholder. Such a certificate may apply to a particular dividend or to all future dividends in respect of shares forming part of a specified Substantial Shareholding, until notice rescinding the certificate is received by the Company. A certificate that deals with future dividends will include undertakings by the person providing the certificate:

- (a) to ensure that the entitlement to future dividends will be disposed of; and
- (b) to inform the Company immediately of any circumstances which would render the certificate no longer accurate.

The Directors may require that any such certificate is copied or provided to such persons as they may determine, including HMRC.

If the Board believes a certificate given in these circumstances is or has become inaccurate, then it will be able to withhold payment of future dividends (as described in paragraph (B) above). In addition, the Board may require a Substantial Shareholder to pay to the Company the amount of any tax payable (and other costs incurred) as a result of a dividend having been paid to a Substantial Shareholder in reliance on the inaccurate certificate (as described in paragraph (E) below). The Board may require a sale of the relevant shares and retain the amount claimed from the proceeds.

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



recovered out of dividends to which the Substantial Shareholder concerned may become entitled in the future.

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

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

The new Article provides that if a dividend is in fact paid on shares forming part of a Substantial Shareholding (which might occur, for example, if a Substantial Shareholding is split among a number of nominees and is not notified to the Company prior to a dividend payment date) the dividends so paid are to be held on trust by the recipient for any person (who is not a Substantial Shareholder) nominated by the Substantial Shareholder concerned. The person nominated as the beneficiary could be the purchaser of the shares if the Substantial Shareholder is in the process of selling down their holding so as not to cause the Company to breach the Substantial Shareholder rule. If the Substantial Shareholder does not nominate anyone within 12 years, the dividend concerned will be held on trust for the Company.

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

(E) *Mandatory sale of Substantial Shareholdings*

The new Articles also allows the Board to give notice to a shareholder in writing requiring the disposal of shares forming part of a Substantial Shareholding if:

- (a) if a Substantial Shareholder has been identified and a dividend has been announced or declared and the Board has not been satisfied that the Substantial Shareholder has transferred the right to the dividend (or otherwise is not beneficially entitled to it);
- (b) there has been a failure to provide information requested by the Board; or
- (c) any information provided by any person proves materially inaccurate or misleading.

Such notice will specify the number of shares which the Board require to be disposed of so that the Board is satisfied that the holding is no longer deemed to be a Substantial Shareholding.

In these circumstances, if the Company incurs a charge to tax as a result of one of these events, the Board may, instead of requiring the shareholder to dispose of the shares, arrange for the sale of the relevant shares and for the Company to retain from the sale proceeds an amount equal to any tax so payable.

(F) *Takeovers*

The new Article does not prevent a person from acquiring control of the Company through a takeover or otherwise, although as explained above, such an event may cause the Group to cease to qualify as a REIT.

(G) *Other*

The new Article also gives the Company power to require any shareholder who applies to be paid dividends without any tax withheld to provide such certificate as the Board may require to establish the shareholder's entitlement to that treatment.

Finally, certain additional amendments are being proposed to the Company's Articles in order to remove certain requirements to conduct business in or from Guernsey and to ensure that the majority of Directors will not be resident in the United Kingdom (which were previously necessary in order to ensure that the Company maintained its tax residence in Guernsey) as such provisions will no longer be required once the Company enters the UK-REIT regime and becomes tax resident in the United Kingdom.



## PART V

### NOTICE OF EXTRAORDINARY GENERAL MEETING

# STANDARD LIFE INVESTMENTS PROPERTY INCOME TRUST LIMITED

*(a non-cellular company incorporated with limited liability in Guernsey with registered number 41352)*

### NOTICE OF GENERAL MEETING

Notice is hereby given that an Extraordinary General Meeting of Standard Life Investments Property Income Trust Limited (the “**Company**”) will be held at Trafalgar Court, Les Banques, St. Peter Port, Guernsey GY1 3QL on 20 November 2014 at 10.00 a.m. to consider and, if thought fit, to pass the following resolution as a special resolution:

### SPECIAL RESOLUTION

That with effect from the Company entering into the REIT regime pursuant to the terms of the notice given to HM Revenue & Customs in accordance with Part 12 of the Corporation Tax Act 2010, the articles of incorporation of the Company produced to the meeting and initialled by the Chairman of the Meeting for the purposes of identification containing amendments required for the purposes of the Company’s entry into the UK-REIT regime be adopted as the Company’s articles of incorporation in substitution for and to the exclusion of all existing articles of incorporation.

*By order of the Board*

**Northern Trust International Fund**  
**Administration Services (Guernsey) Limited**  
*Secretary*

*Registered Office*

PO BOX 255  
Trafalgar Court  
Les Banques  
St. Peter Port  
Guernsey  
GY1 3QL

Dated: 29 October 2014

#### *Notes:*

1. A member entitled to attend and vote at the meeting may appoint one or more proxies to attend and, on a poll, vote instead of him or her. A proxy does not need to be a member of the Company. A proxy may not speak at the meeting except with the permission of the Chairman of the meeting and may only vote on a poll (not on a show of hands).
2. A reply paid form of proxy is enclosed. To be valid, the Form of Proxy and the original (or a certified true copy) of any power of attorney or other authority under which the Form of Proxy is signed must be deposited at the office of the Company’s Registrars, whose address is shown on the Form of Proxy, no later than 10.00 a.m. on 18 November 2014 (or, in the event of an adjournment, the time which is 48 hours before the adjourned meeting). Completion of the form of proxy will not affect the right of a Shareholder to attend and vote at this meeting.
3. Under regulation 41 of the Uncertificated Securities Regulations 2001, only persons included in the register of members of the Company at 6.00 p.m. on 18 November 2014 (or, in the event of any adjournment, 6.00 p.m. on the date which is two days before time of the adjourned meeting) are entitled to attend or vote at the meeting in respect of the shares registered in their names at that time. Changes to entries on the register after the relevant deadline shall be disregarded in determining the rights of any person to attend or vote at the meeting (or adjourned meeting).
4. As at 27 October 2014 (being the last business day prior to the publication of this notice) the Company’s issued share capital consisted of 217,709,237 Ordinary Shares, carrying one vote each. Therefore, the total voting rights in the Company as at 27 October 2014 were 217,709,237 votes.
5. Any person holding 5 per cent. or more of the total voting rights of the Company who appoints a person other than the chairman of the meeting as his proxy will need to ensure that both he and his proxy complies with their respective disclosure obligations under the UK Disclosure and Transparency Rules.
6. Information regarding the General Meeting is available from the Company’s webpage at [www.standardlifeinvestments.com](http://www.standardlifeinvestments.com).

