**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document or as to the action you should take, you should consult an independent financial adviser authorised under the Financial Services and Markets Act 2000 (as amended) if you are in the United Kingdom, or another appropriately authorised independent financial adviser if you are in a territory outside the United Kingdom, without delay.**

If you sell or have sold or have otherwise transferred all of your Existing CREI Shares, please send this document at once to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for delivery to the purchaser or transferee except that such documents should not be sent to any jurisdiction where to do so might constitute a violation of local securities laws or regulations, including but not limited to the Excluded Territories. If you sell or have sold or otherwise transferred only part of your holding of Existing CREI Shares, you should retain this document and consult with the bank, stockbroker or other agent through whom the sale or transfer was effected as to the action you should take.

This document comprises (i) a circular prepared for the purposes of the CREI General Meeting convened pursuant to the Notice of General Meeting set out in Part 10 of this document in accordance with the Listing Rules of the Financial Conduct Authority (the "**FCA**") made under section 73A of FSMA and (ii) a prospectus (the "**Prospectus**") relating to Custodian Property Income REIT plc (the "**Company**") in connection with the Merger, prepared in accordance with the Prospectus Regulation Rules of the FCA made pursuant to section 73A of FSMA.

This Prospectus has been approved by the FCA as competent authority under the UK Prospectus Regulation. The FCA only approves this Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the UK Prospectus Regulation. Such approval should not be considered as an endorsement of the issuer or the quality of the securities that are the subject of this Prospectus. Investors should make their own assessment as to the suitability of investing in the CREI Shares. This Prospectus has been drawn up as a simplified prospectus in accordance with Article 14 of the UK Prospectus Regulation.

The CREI Shares are listed on the premium listing segment of the Official List of the FCA and admitted to trading on the premium segment of the London Stock Exchange's Main Market. Applications will be made to the FCA and to the London Stock Exchange, respectively, for all of the New CREI Shares to be issued pursuant to the Merger to be admitted to the premium listing segment of the Official List and to trading on the premium segment of the Main Market ("**Admission**"). It is expected that Admission will become effective and that dealings on the London Stock Exchange in the CREI Shares will commence at 8.00 a.m. (London time) on 2 April 2024.

No application is currently intended to be made for the Existing CREI Shares or the New CREI Shares to be admitted to listing or dealing on any other exchange.

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# Custodian Property Income REIT plc

*(a company incorporated in England and Wales with company number 8863271 and registered as an investment company under section 833 of the Companies Act 2006)*

**Recommended offer by Custodian Property Income REIT plc for the entire issued ordinary share capital of abrdn Property Income Trust Limited**

**Proposed issue of up to 305,000,000 New CREI Shares in connection with the Merger**

**Applications for admission of the New CREI Shares to the premium listing segment of the Official List and to trading on the premium segment of the Main Market**

**and**

**Notice of General Meeting**

*Sponsor, Broker and Financial Adviser*

Deutsche Numis

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No New CREI Shares or any other securities in the Company have been marketed to, nor are available for purchase, in whole or in part, by the public in the United Kingdom or elsewhere in connection with the admission of the CREI Shares to the premium listing segment of the Official List and to trading on the premium segment of the Main Market, save for the API Shareholders in connection with the Merger.

Notice of a general meeting of the Company to be held at the offices of Deutsche Numis, 45 Gresham Street, London EC2V 7BF at 9.30 a.m. on 27 February 2024, is set out in Part 10 of this document. The Proposals described in this document are conditional upon Shareholder approval. Whether or not you propose to attend the CREI General Meeting, if you would like to vote on the CREI Resolution you may vote:

- by logging on to www.SignalShares.com and following the instructions;

- by downloading the Shareholder app, LinkVote+, on Apple App Store or Google Play and following the instructions;
- by requesting a hard copy form of proxy directly from the Company's registrars, Link Group;
- in the case of CREST members, by utilising the CREST electronic proxy appointment service; or
- if you are an institutional investor, you may be able to appoint a proxy electronically via the Proxymity platform at www.proxymity.io.

In order for a proxy appointment to be valid, you must ensure that you have recorded proxy details using one of the methods set out above by 9.30 a.m. on 23 February 2024.

If you are an institutional investor, you may be able to appoint a proxy electronically via the Proxymity platform, a process which has been agreed by the Company and approved by the Registrar. For further information regarding Proxymity, please go to www.proxymity.io. Your proxy must be lodged by 9.30 a.m. on 23 February 2024 in order to be considered valid or, if the meeting is adjourned, by the time which is 48 hours (excluding non-business days) before the time of the adjourned meeting. Before you can appoint a proxy via this process you will need to have agreed to Proxymity's associated terms and conditions. It is important that you read these carefully as you will be bound by them and they will govern the electronic appointment of your proxy. An electronic proxy appointment via the Proxymity platform may be revoked completely by sending an authenticated message via the platform instructing the removal of your proxy vote.

**Your attention is drawn to the letter from the Chairman, which is set out in Part 1 *(Letter from the Chairman)* on pages 34 to 48 of this document. You should read the entire document, but your attention is also drawn to the section of this document headed "Risk Factors" which sets out certain risks and other factors that should be considered by Shareholders when deciding on what action to take in relation to the Proposals.**

The Company and each of the Directors and Proposed Directors, whose names appear on page 32 of this document, accept responsibility for the information contained in this document. To the best of the knowledge of the Company, the Directors and the Proposed Directors, the information contained in this document is in accordance with the facts and this document makes no omission likely to affect its import.

Numis Securities Limited ("**Deutsche Numis**"), which is authorised and regulated in the United Kingdom by the FCA, is acting exclusively for the Company and for no-one else and will not regard any other person (whether or not a recipient of this document) as its client in relation to the Proposals, the proposed Merger or Admission and will not be responsible to anyone other than the Company for providing the protections afforded to its clients, nor for providing advice in connection with the Proposals, the proposed Merger or Admission or any other matters referred to in this document.

Apart from the responsibilities and liabilities, if any, which may be imposed upon Deutsche Numis by the FCA or under FSMA, or the regulatory regime established thereunder or under the regulatory regime of any other jurisdiction where exclusion of liability under the relevant regulatory regime would be illegal, void or unenforceable, neither Deutsche Numis nor any person affiliated with it assumes any responsibility whatsoever or makes any representation or warranty, express or implied, as to the contents of the Prospectus, including its accuracy, completeness or verification, or for any other statement made or purported to be made by Deutsche Numis, or on its behalf, the Company or any other person in connection with the Company, the New CREI Shares, or the Proposals, the proposed Merger or Admission and nothing contained in the Prospectus is or shall be relied upon as a promise or representation in this respect, whether as to the past or future. Neither Deutsche Numis nor its affiliates assumes any responsibility for the accuracy, completeness or verification of the Prospectus and accordingly each of them disclaims, to the fullest extent permitted by applicable law, any and all liability whether arising in tort, contract or otherwise which it might otherwise be found to have in respect of the Prospectus or any such statement.

## NOTICE TO OVERSEAS SHAREHOLDERS

The release, publication or distribution of this document in jurisdictions other than the United Kingdom and the ability of API Shareholders who are not resident in the United Kingdom to participate in the Merger may be restricted by laws and/or regulations of those jurisdictions. Persons who are not resident in the United Kingdom or who are subject to other jurisdictions should inform themselves of, and should observe, any applicable requirements. Any failure to comply with these requirements may constitute a violation of the securities laws of any such jurisdiction.

Unless otherwise determined by the Company or required by the Takeover Code, and permitted by applicable law and regulation, the Merger will not be implemented and documentation relating to the Merger shall not be made available, directly or indirectly, in, into or from an Excluded Territory where to do so would violate the laws of that jurisdiction and no person may vote in favour of the Merger by any use, means, instrumentality or form within an Excluded Territory or any other jurisdiction if to do so would constitute a violation of the laws of

that jurisdiction. Accordingly, copies of this document are not being, and must not be, directly or indirectly, mailed or otherwise forwarded, distributed or sent in, into or from any Excluded Territory and persons with access to this document and any documents relating to the Merger (including custodians, nominees and trustees) must not mail or otherwise forward, distribute or send them in, into or from any Excluded Territory.

The availability of New CREI Shares under the Merger to API Shareholders who are not resident in the UK may be affected by the laws of the relevant jurisdictions in which they are resident. This document has been prepared for the purpose of complying with English law and applicable regulations and the information disclosed may not be the same as that which would have been disclosed if this document had been prepared in accordance with the laws of jurisdictions outside of England. Overseas Shareholders should inform themselves about and should observe any applicable legal or regulatory requirements and, in case of doubt, should consult their own legal and tax advisers with respect to the legal and tax consequences of the Merger in their particular circumstances. It is the responsibility of all Overseas Shareholders to satisfy themselves as to the full compliance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required, or the compliance with other necessary formalities which are required to be observed and the payment of any issue, transfer or other taxes due in such jurisdiction.

This document does not constitute an offer to sell or issue or the solicitation of an offer to buy, acquire or subscribe for shares in the capital of CREI in any Excluded Territory or to any person to whom it is unlawful to make such offer or solicitation. None of the securities referred to in this document shall be sold, issued or transferred in any jurisdiction in contravention of applicable law and/or regulation.

It is the responsibility of each person into whose possession this document comes to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdiction in connection with the distribution of this document, the receipt of the New CREI Shares and the implementation of the Merger and to obtain any governmental, exchange control or other consents which may be required, comply with other formalities which are required to be observed and pay any issue, transfer or other taxes due in such jurisdiction. To the fullest extent permitted by applicable law, the Company, the Directors, the Proposed Directors and Deutsche Numis and all other persons involved in the Merger disclaim any responsibility or liability for the failure to satisfy any such laws, regulations or requirements by any person.

Further details relevant for API Shareholders in overseas jurisdictions are contained in the Scheme Document.

Copies of this document will be available on the Company's website www.custodianreit.com and the National Storage Mechanism of the FCA at https://data.fca.org.uk/#/nsm/nationalstoragemechanism.

Dated: 1 February 2024

# Table of contents

# Summary

## 1. *Introduction and warnings*

### a. Name and ISIN of securities

The ISIN of the CREI Shares is GB00BJFLFT45. The SEDOL of the CREI Shares is BJFLFT4. The TIDM for the CREI Shares is CREI.

### b. Identity and contact details of the issuer

Name: Custodian Property Income REIT plc (incorporated in England and Wales with registered number 8863271)

Registered Office: 1 New Walk Place, Leicester LE1 6RU

Tel: +44 116 240 8740

Legal Entity Identifier (LEI): 2138001BOD1J5XK1CX76

### c. Identity and contact details of the authority approving the prospectus

Name: Financial Conduct Authority

Address: 12 Endeavour Square, London, E20 1JN, United Kingdom

Tel: +44 (0) 20 7066 1000

### d. Date of approval of the prospectus

1 February 2024

### e. Warnings

This summary should be read as an introduction to the Prospectus. Any decision to invest in the CREI Shares should be based on a consideration of the Prospectus as a whole by the prospective investor. The investor could lose all or part of the invested capital. Civil liability attaches only to those persons who have tabled the summary including any translation thereof, but only where the summary is misleading, inaccurate or inconsistent, when read together with the other parts of the Prospectus, or where it does not provide, when read together with the other parts of the Prospectus, key information in order to aid investors when considering whether to invest in the CREI Shares.

## 2. *Key information on the issuer*

### a. Who is the issuer of the securities?

i. ***Domicile and legal form, LEI, applicable legislation and country of incorporation***

The Company is a public limited company, registered and incorporated in England and Wales under the Companies Act 2006 (the "**Companies Act**") on 27 January 2014 with registered number 8863271. The Company's LEI is 2138001BOD1J5XK1CX76. The Company is registered as an investment company under section 833 of the Companies Act and conducts its affairs so as to enable it to continue to qualify as a REIT for the purposes of Part 12 of the Corporation Tax Act 2010 (and the regulations made thereunder).

ii. ***Principal activities***

The principal activity of the Company is to invest in a diversified portfolio of UK commercial real estate principally characterised by smaller, regional, core/core-plus properties that provide enhanced income returns in accordance with its investment policy and with a view to achieving its investment objective.

iii. ***Investment objective***

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

iv. ***Major Shareholders***

So far as is known to the Company, as at the Latest Practicable Date, each of the following persons held, directly or indirectly, a percentage of the Company's voting rights that is notifiable pursuant to the Disclosure Guidance and Transparency Rules. The table below sets out: (i) the number of Existing CREI Shares held by each such person at the Latest Practicable Date; (ii) the percentage of ordinary share capital that holding represents at the Latest Practicable Date; and (iii) the percentage of the Enlarged Share Capital that holding is expected to represent immediately following completion of the Merger:

| Name | Number of Existing CREI Shares held | % of existing ordinary share capital | % of Enlarged Share Capital* |
|---|---|---|---|
| Blackrock | 23,907,027 | 5.42% | 3.24% |
| Mattioli Woods | 14,774,502 | 3.35% | 2.00% |

** Assuming that the interest of the relevant Shareholder as at the Latest Practicable Date does not change, that 297,350,802 New CREI Shares are issued pursuant to the Merger and not taking into account any holdings of API Shares.*

As at the Latest Practicable Date, the Company and the Directors are not aware of any person who, directly or indirectly, jointly or severally, exercises or could exercise control over the Company. All Shareholders have the same voting rights in respect of the share capital of the Company.

v. ***Directors***

David MacLellan (Chairman), Elizabeth McMeikan, Hazel Adam, Malcolm Cooper, Chris Ireland, Ian Mattioli MBE

***Proposed Directors***

Jill May and Sarah Slater

vi. ***Statutory auditor***

Deloitte LLP of 1 New Street Square, London EC4A 3HQ

## b. What is the key financial information regarding the issuer?

Investors should read the whole of this document and not rely solely on the summarised financial information set out in this section.

**KEY FINANCIAL INFORMATION REGARDING THE CREI GROUP**

The Company's Rolled-Forward Unaudited EPRA NTA as at 31 December 2023 was £413 million or 93.7 pence per CREI Share.

***Table 1: Additional information relevant to closed end funds***

| Share Class | Total EPRA NTA[1] | No. of shares[2] | EPRA NTA per share[1,2] | Historical performance of the Company[1] |
|---|---|---|---|---|
| Ordinary | £412.9 million | 440,850,398 | 93.7 pence | Since the CREI Shares were first admitted to trading on the Main Market on 26 March 2014, the Ordinary Shares, assuming dividends reinvested, have delivered a total shareholder return of 20.4 per cent., comprising changes in the market price of Ordinary Shares and dividends paid to Shareholders up to the Latest Practicable Date. The Group has delivered an average annual total NAV return to 31 December 2023 of 5.5 per cent. per annum, comprising compounded annual NAV change and dividends paid to Shareholders. |

*[1] Rolled-Forward Unaudited EPRA NTA calculated as at 31 December 2023 on the basis of an external valuation of the CREI Portfolio as at that date.*

*[2] As at 30 January 2024, being the Latest Practicable Date before the publication of this Prospectus.*

***Table 2: Income statement for closed end funds***

| Consolidated Statement of Comprehensive Income | Financial year ended 31 March 2023 (audited) (£000) | Half-year ended 30 September 2023 (unaudited) (£000) | Half-year ended 30 September 2022 (unaudited) (£000) |
|---|---|---|---|
| **Revenue** | **44,147** | **22,829** | **22,296** |
| **Expenses** | **(13,099)** | **(6,118)** | **(6,972)** |
| **Operating profit before net losses on investment property** | **31,048** | **16,711** | **15,324** |
| Unrealised losses on revaluation of investment property: | | | |
| – relating to gross property revaluations | (91,551) | (15,632) | (27,742) |
| – relating to acquisition costs | (3,426) | — | (3,404) |
| Net valuation decrease | (94,977) | (15,632) | (31,146) |
| (Loss)/profit on disposal of investment property | 4,368 | (19) | 4,695 |
| Net losses on investment property | (90,609) | (15,651) | (26,451) |
| **Operating profit/(loss)** | **(59,561)** | **1,060** | **(11,127)** |
| Net finance costs | (6,260) | (3,726) | (2,960) |
| **Loss before tax** | **(65,821)** | **(2,666)** | **(14,087)** |
| Income tax | — | — | — |
| **Loss and total comprehensive expense for the period, net of tax** | **(65,821)** | **(2,666)** | **(14,087)** |
| **Earnings per ordinary share:** | | | |
| Basic and diluted (p) | (14.9) | (0.6) | (3.2) |
| EPRA (p) | 5.6 | 2.9 | 2.8 |

***Table 3: Balance sheet for closed end funds***

| Consolidated Statement of Financial Position | As at 31 March 2023 (audited) (£000) | As at 30 September 2023 (unaudited) (£000) | As at 30 September 2022 (unaudited) (£000) |
|---|---|---|---|
| **Non-current assets** | | | |
| Investment property | 613,587 | 609,757 | 685,423 |
| Property, plant and equipment | 1,113 | 1,677 | 747 |
| Total non-current assets | 614,700 | 611,434 | 686,170 |
| **Current assets** | | | |
| Trade and other receivables | 3,748 | 4,819 | 6,019 |
| Cash and cash equivalents | 6,880 | 6,697 | 4,765 |
| Total current assets | 10,628 | 11,516 | 10,784 |
| **Total assets** | **625,328** | 622,950 | **696,954** |
| **Equity** | | | |
| Issued capital | 4,409 | 4,409 | 4,409 |
| Share premium | 250,970 | 250,970 | 250,970 |
| Merger reserve | 18,931 | 18,931 | 18,931 |

| Consolidated Statement of Financial Position | As at 31 March 2023 (audited) (£000) | As at 30 September 2023 (unaudited) (£000) | As at 30 September 2022 (unaudited) (£000) |
|---|---|---|---|
| Retained earnings | 163,259 | 148,470 | 227,116 |
| **Total equity attributable to equity holders** | **437,569** | **422,780** | **501,426** |
| **Non-Current liabilities** | | | |
| Borrowings | 172,102 | 138,748 | 176,596 |
| Other payables | 570 | 570 | 570 |
| Total non-current liabilities | 172,672 | 139,318 | 177,166 |
| **Current liabilities** | | | |
| Borrowings | — | 44,941 | — |
| Trade and other payables | 7,666 | 8,067 | 10,702 |
| Deferred income | 7,421 | 7,844 | 7,660 |
| Total current liabilities | 15,087 | 60,852 | 18,362 |
| **Total liabilities** | **187,759** | **200,170** | **195,528** |
| **Total equity and liabilities** | **625,328** | **622,950** | **696,954** |

**KEY FINANCIAL INFORMATION REGARDING THE API GROUP**

***Table 1: Additional information relevant to closed end funds***

| Share Class | Total EPRA NTA[1] | No. of shares[2] | EPRA NTA per share[1,2] |
|---|---|---|---|
| Ordinary | £299.2 million | 381,218,977 | 78.5 pence |

*[1] Rolled-Forward Unaudited EPRA NTA calculated as at 31 December 2023 on the basis of an external valuation of the API Portfolio as at that date.*

*[2] As at 30 January 2024, being the Latest Practicable Date before the publication of this Prospectus. Number of shares excludes 25,646,442 shares held in treasury.*

***Table 2: Income statement for closed end funds***

| Consolidated Statement of Comprehensive Income | Financial year ended 31 December 2022 (audited) (£000) | Half-year ended 30 June 2023 (unaudited) (£000) | Half-year ended 30 June 2022 (unaudited) (£000) |
|---|---|---|---|
| **Net Rental Income** | 25,533 | 12,244 | 12,929 |
| **Total Administrative and other expenses** | (6,854) | (3,284) | (3,342) |
| **Operating profit before changes in fair value of investment properties** | 18,679 | 8,961 | 9,587 |
| **Operating (loss)/profit** | (43,846) | 5,683 | 45,087 |
| **(Loss)/profit for the period before taxation** | (51,054) | 2,864 | 43,312 |
| **(Loss)/profit for the period, net of tax** | (51,054) | 2,864 | 43,312 |
| **Total other comprehensive gain** | 1,514 | 935 | 1,515 |
| **Total comprehensive (loss)/gain for the period, net of tax** | (49,540) | 3,799 | 44,827 |
| **Basic and diluted (loss)/earnings per share (p)** | (13.1) | 0.8 | 10.9 |

***Table 3: Balance sheet for closed end funds***

| Consolidated Balance Sheet | As at 31 December 2022 (audited) (£000) | As at 30 June 2023 (unaudited) (£000) | As at 30 June 2022 (unaudited) (£000) |
|---|---|---|---|
| **Total assets** | 444,943 | 467,540 | 566,900 |
| **Total liabilities** | 121,656 | 148,079 | 133,653 |
| **Net Assets** | 323,288 | 319,462 | 433,247 |
| **Total equity** | 323,288 | 319,462 | 433,247 |

## c. What are the key risks that are specific to the issuer?

- There can be no guarantee that the Company will achieve its investment objective or its return objectives, that any dividends will be paid in respect of any financial year or period or that investors will get back the full value of their investment.
- Prior to the CREI Group entering into an agreement to acquire a property, the Investment Manager, on behalf of the CREI Group, performs due diligence on the property concerned. In doing so it typically relies on third parties to conduct a significant portion of this due diligence (such as surveyors' reports and legal reports on title and property valuations). There can be no assurance, however, that any due diligence examinations carried out by the Investment Manager or any third party in connection with any asset the CREI Group may acquire will reveal all of the risks associated with that asset, or the full extent of such risks. In addition, there can be no assurance that any due diligence examinations carried out previously in respect of the Group's existing assets (and those assets that the CREI Group will acquire pursuant to the Merger) have revealed all of the risks associated with that asset, or the full extent of such risks. To the extent that such due diligence examinations underestimate or fail (or have underestimated or failed) to identify risks and liabilities (including any environmental liabilities)

| | |
|---|---|
| | associated with the property in question, this may have a material adverse effect on the Company's profitability, the NAV and the price of the CREI Shares.<br>• The CREI Group uses borrowings to seek to enhance equity returns and to enable the Company to pursue its investment objective and, following the Merger, the Combined Group will continue to seek to do so, which exposes the Company to a variety of risks associated with borrowing. Whilst the use of borrowings should enhance the earnings per CREI Share where the rental yield from the Group's property portfolio exceeds its marginal rate of borrowing, it will have the opposite effect where the marginal rate of borrowing exceeds the property portfolio's rental yield which will have an adverse effect on the Company's ability to pay dividends. In addition, in the event that rental income from the Group's investments falls significantly (for example as a result of defaults by tenants) the use of borrowings will increase the risk of the Company not being able to settle its liabilities as they fall due. While the majority of the Group's borrowing has historically been on a fixed rate basis, the Group is exposed to interest rate risk due to fluctuations in the prevailing market rates on its variable rate debt. In the future, as fixed rate facilities expire, the Group may find it difficult or costly to refinance debt which may be subject to higher interest rates which increase costs. This is particularly relevant in the current environment of elevated interest rates compared to recent historical levels. If interest rates remain elevated, the Group's financing costs could therefore increase as a result.<br>• Returns achieved are reliant primarily upon the performance of the Group's portfolio. No assurance is given, express or implied, that Shareholders will be able to realise the amount of their original investment in the CREI Shares. Revenues earned from, and the capital value and disposal value of, real estate assets held by the Group and the Group's business may be materially adversely affected by a number of factors inherent in investment in real estate assets.<br>• All of the Group's assets are, and will be, invested in UK property. Accordingly, the Company's performance will be subject to, among other things, the conditions of the property markets in the UK which will affect both the value of any assets that the Group owns and the income these assets produce. Any property market downturn or future deterioration in the property market could, *inter alia*: (i) make it harder for the CREI Group to attract new tenants for its properties; (ii) lead to tenant defaults; (iii) lead to a lack of finance available to the Group; (iv) cause the Group to realise its investments at lower valuations than commercially desirable; or (v) delay the timings of the Group's realisations. Any of the foregoing could have a material adverse effect on the ability of the Company to achieve its investment objective, on the NAV and on the market price of the CREI Shares.<br>• The cost of compliance with regulatory changes driven by environmental considerations could have an impact on the Company and/or the price of the Ordinary Shares. For example, the Minimum Energy Efficiency Standards ("**MEES**") currently require a minimum Energy Performance Certificate ("**EPC**") rating of E for the Company's properties in England and Wales. The UK government is consulting on proposals to require commercial properties to achieve a minimum EPC rating of B by 2030 in England and Wales. In the event that more onerous MEES standards require the Company to commit to increased capital expenditure, such increased capital expenditure could have a material adverse effect on the Company's business, financial condition, results of operations, future prospects and/or the price of the Ordinary Shares.<br>• Property is inherently difficult to value due to the individual nature of each property and property valuation is inherently subjective. As a result, valuations are subject to uncertainty and there can be no assurance that the estimates resulting from the valuation process will reflect actual sales prices that could be realised by the Group in the future. The Investment Manager will rely on the external valuation of the Company's properties in calculating the Company's NAV.<br>• Dividends payable by the Company will be dependent on the income from the properties it owns. Failure by tenants to comply with their rental obligations could: (i) affect the ability of the Company to pay dividends to Shareholders; (ii) lead to reduced property valuations which in turn reduce NAV; and (iii) result in debt covenant default which could result in higher interest costs, early prepayment fees, cash traps, restricted distributable reserves or forced sale; and/or (iv) other liquidity pressures.<br>• The CREI Group and the API Group invest in property assets and, following the Merger, the Combined Group will continue to invest in property assets. Such investments are relatively illiquid (in comparison to other types of investments, such as bonds and securities, which have daily liquidity). Such illiquidity, may affect the Group's ability to adjust, dispose of or liquidate any or all of its portfolio in a timely fashion and at satisfactory prices in response to changes in economic, property market or other conditions.<br>• The ability of the Company to achieve its investment objective depends on the ability of the Investment Manager to identify, select and manage investment properties which offer the potential for satisfactory returns. Accordingly, the ability of the Company to achieve its investment objective depends heavily on the experience of the Investment Manager's team, and more generally on the ability of the Investment Manager to attract and retain suitable staff. The underperformance or the departure of key skilled professionals from the Investment Manager could have a material adverse effect on the Company's business, financial condition and results of operations.<br>• Completion of the Merger is subject to the Conditions being satisfied (or, if permitted, waived). There is no guarantee that the Conditions will be satisfied in the necessary time frame (or waived, if applicable) and the Merger may, therefore, be delayed or not complete. Delay in completing the Merger will prolong the period of uncertainty for the CREI Group and the API Group and both delay and failure to complete may result in the accrual of additional costs to their respective businesses without any of the potential benefits of the Merger having been achieved. The aggregate consequences of a material delay in completing, or failure to complete, the Merger may have a material adverse effect on the business, results of operations and financial condition of the CREI Group, the API Group and, in the case of a delay only, the Combined Group.<br>• A change in the Group's tax status or in taxation legislation in the UK could adversely affect the Group's profits and portfolio value and/or returns to Shareholders. In particular, the Group cannot guarantee that it will remain qualified as a REIT. If the Group fails to remain qualified as a REIT, the Group will be subject to UK corporation tax on some or all of its property rental income and chargeable gains on the sale of properties, which would reduce the amounts available to distribute to Shareholders. |
| **3.** | ***Key information on the securities*** |
| **a.** | **What are the main features of the securities?** |
| i. | ***Type, class and ISIN of the securities being admitted to trading on a regulated market***<br>The securities being issued by the Company are ordinary shares of £0.01 each. The ISIN of the CREI Shares is GB00BJFLFT45. |
| ii. | ***Currency, denomination, par value, number of securities issued and term of the securities***<br>The CREI Shares are denominated in pounds sterling and have nominal value £0.01 each. The CREI Shares have no fixed term.<br>Subject to the Merger becoming effective, 297,350,802 New CREI Shares are expected to be issued. |
| iii. | ***Rights attached to the securities***<br>Subject to any special rights, restrictions or prohibitions as regards voting for the time being attached to any CREI Shares, Shareholders shall have the right to receive notice of and to attend, speak and vote at general meetings of the Company. Each Shareholder being present in person or by proxy or by a duly authorised representative (if a company) at a general meeting shall upon a show of hands have one vote and upon a poll all Shareholders shall have one vote for every CREI Share held.<br>Shareholders will be entitled to receive such dividends as the Directors may resolve to pay to them out of the assets attributable to their CREI Shares.<br>Holders of CREI Shares are entitled to participate (in accordance with the rights specified in the Articles) in the assets of the Company attributable to their CREI Shares in a winding up of the Company. The CREI Shares are not redeemable. |

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| iv. | ***Relative seniority of the securities in the event of insolvency***<br>The CREI Shares rank *pari passu* in all respects including in relation to return of capital on a winding up. Any amounts that are secured under a bank facility will rank ahead of Shareholders' entitlements. |
| v. | ***Restrictions on free transferability of the securities***<br>There are no restrictions on the free transferability of the CREI Shares, subject to compliance with applicable securities laws and the restrictions on transfer contained in the Company's Articles.<br>Under the Articles, the Directors may refuse to register any transfer of shares which are not fully paid, provided that such refusal does not prevent dealings in the shares from taking place on an open and proper basis.<br>The Directors may also refuse to register a transfer of a share in certificated form unless:<br>(i) the instrument of transfer, duly stamped (if required) is lodged at the registered office of the Company or at some other place as the Board may appoint accompanied by the relevant share certificate and such other evidence of the right to transfer as the Board may reasonably require;<br>(ii) the instrument of transfer is in respect of only one class of share; and<br>(iii) in the case of a transfer to joint holders, the transfer is in favour of not more than four such transferees.<br>There are also certain limited circumstances in which the Board may, under the Articles and subject to certain conditions, refuse to register a transfer of shares or compulsorily require the transfer of shares to prevent the Company becoming subject to certain onerous overseas legislative requirements. |
| vi. | ***Dividend policy***<br>The Company expects to pay interim dividends on a quarterly basis in cash.<br>On the basis of market conditions as at the date of this document, the Company is targeting a dividend per share of at least 5.5 pence per Ordinary Share for the year ending 31 March 2024. The Board attaches considerable importance to the dividend. The Company's aim is to grow its dividend on a sustainable basis, as earnings grow over time, through capturing the available rental growth from the combined portfolio's reversionary potential, at a rate which is fully covered by projected net rental income and does not inhibit the flexibility of the Company's investment strategy.<br>In order to comply with REIT status, the Company is required to meet a minimum distribution test for each year that it is a REIT. This minimum distribution test requires the Company to distribute 90 per cent. of the income profits of its Property Rental Business for each accounting period, as adjusted for tax purposes. Further details of the tax treatment of an investment in the Company are set out in Part 7 of this document.<br>The target dividends stated above are guidance levels or targets only and not a profit forecast and there can be no assurance that they will be met. |
| **b.** | **Where will the securities be traded?** |
| | Applications will be made to the FCA for all of the New CREI Shares to be issued pursuant to the Merger to be admitted to the premium segment of the Official List and to the London Stock Exchange for such New CREI Shares to be admitted to trading on the premium segment of the Main Market. |
| **c.** | **What are the key risks that are specific to the securities?** |
| | • The market price of the CREI Shares, like shares in all investment companies, may fluctuate independently of their underlying NAV and may trade at a discount or premium at different times, depending on factors such as supply and demand for the CREI Shares, market conditions and general investor sentiment. While the Directors may seek to mitigate any discount to NAV per CREI Share through such discount management mechanisms as they consider appropriate, there can be no guarantee that any discount control policy will be successful or capable of being implemented. The market price of a CREI Share may therefore vary considerably from its NAV.<br>• Shareholders do not have a right for their CREI Shares to be redeemed and the Company does not have a fixed winding-up date. While the Directors retain the right to effect repurchases of CREI Shares, they are under no obligation to use such powers or to do so at any time and Shareholders should not place any reliance on the willingness of the Directors so to act. Shareholders wishing to realise their investment in the Company may therefore be required to dispose of their CREI Shares in the market. There can be no guarantee that a liquid market in the CREI Shares will be maintained or that the CREI Shares will trade at prices close to their underlying NAV. Accordingly, Shareholders may be unable to realise their investment at such NAV or at all.<br>• The unavoidable effect of the Merger becoming Effective will be a reduction in the proportionate ownership and voting interests in the Company of existing CREI Shareholders (except to the extent that they are also API Shareholders). Subject to the Merger becoming effective, 297,350,802 New CREI Shares are expected to be issued, which will result in each CREI Shareholder suffering a dilution of approximately 40.3 per cent. to their ownership and voting interests in the Company. In addition, following the Merger, the Company may issue further CREI Shares (subject to the Company having the requisite shareholder authorities and in compliance with applicable law). |
| **4.** | ***Key information on the admission to trading on a regulated market*** |
| **a.** | **Under which conditions and timetable can I invest in this security?** |
| i. | **General terms and conditions**<br>Under the terms of the Merger, for each Scheme Share, Scheme Shareholders will be entitled to receive:<br>**0.78 New CREI Shares**<br>The Exchange Ratio is based on the Rolled-Forward Unaudited EPRA NTA of each of CREI and API as at 31 December 2023, subject to certain adjustments to reflect post balance sheet asset disposals, the fair value of each company's debt and derivatives, the relative levels of dividend cover between the two companies and the costs expected to be incurred by each party in connection with the Merger.<br>On this basis, following completion of the Merger, existing CREI Shareholders will hold approximately 59.7 per cent. and API Shareholders approximately 40.3 per cent. respectively of the Combined Group.<br>Applying the Exchange Ratio to the Closing Price per CREI Share of 72.3 pence on 30 January 2024 (being the Latest Practicable Date) values each API Share at 56.4 pence and the entire issued and to be issued share capital of API at approximately £215 million, representing a premium of approximately 17.5 per cent. to the Closing Price of 48.0 pence per API Share on 18 January 2024 (being the last Business Day prior to the commencement of the Offer Period).<br>Applying the Exchange Ratio to the Closing Price per CREI Share of 79.6 pence on 18 January 2024 (being the last Business Day prior to the commencement of the Offer Period) values each API Share at 62.1 pence and the entire issued and to be issued share capital of API at approximately £237 million, representing a premium of approximately 29.4 per cent. to the Closing Price of 48.0 pence per API Share on 18 January 2024 (being the last Business Day prior to the commencement of the Offer Period).<br>The boards of CREI and API will retain their current dividend policies for the period to the Effective Date. CREI and API have agreed that API Shareholders will be entitled to receive and retain a quarterly final dividend of up to 1.0 penny per API Share in respect of the quarter ended 31 December 2023 (the "**API Q4 Dividend**") and that CREI Shareholders will be entitled to receive and retain a quarterly interim dividend of up to 1.375 pence per CREI Share in respect of the quarter ended 31 December 2023 (the "**CREI Q3 Dividend**"). The API Q4 Dividend and the CREI Q3 |

Dividend will each be declared on, and paid by reference to, a date falling prior to the Effective Date, consistent with their respective past practices as to timing and amount of such dividends. Payment of each of the API Q4 Dividend and the CREI Q3 Dividend is expected to occur in late February 2024. Further announcements will be made by the boards of CREI and API in due course.

It is currently expected that the Merger will become Effective on 2 April 2024. The New CREI Shares will be issued credited as fully paid-up and will rank *pari passu* in all respects with the CREI Shares in issue at the time the New CREI Shares are issued, including the right to receive and retain dividends and other distributions declared, made or paid by reference to a record date on or after the Effective Date. Accordingly, based on the expected timetable for the Merger to become Effective, Scheme Shareholders, assuming the Scheme Shareholder has retained their New CREI Shares, would receive the quarterly final dividend to be declared by CREI in respect of the quarter ended 31 March 2024 (the "**CREI Q4 Dividend**").

If, however, the timetable for the Merger is delayed such that the Merger will become Effective after the expected date (but prior to the Long Stop Date), CREI and API have agreed that API Shareholders will be entitled to receive and retain any quarterly interim dividend declared by API in respect of the quarter ended 31 March 2024 (the "**API Q1 Dividend**") and CREI Shareholders will be entitled to receive and retain any CREI Q4 Dividend declared by CREI, in each case, to be declared consistent with their respective past practices as to timing and amount of such dividends.

The Exchange Ratio will be adjusted:

(a) in the event that either CREI or API announces, declares, makes or pays any one or more dividends or other distributions prior to the Merger becoming Effective that is or are, in aggregate, in excess of: (i) 1.375 pence per CREI Share in respect of the CREI Q3 Dividend and, if the ex dividend date falls prior to the Merger becoming Effective, 1.375 pence per CREI Share in respect of the CREI Q4 Dividend; or (ii) 1.0 penny per API Share in respect of the API Q4 Dividend and, if the ex-dividend date falls prior to the Merger becoming Effective, 1.0 penny per API Share in respect of the API Q1 Dividend (the amount of such excess in each case being the "**Excess**"), in which event the adjustment to the Exchange Ratio shall be to take account of the Excess; and/or

(b) in the event that (i) the API Q1 Dividend is not covered by the income earned in the relevant quarter (the "**API Q1 Uncovered Dividend Portion**"), or (ii) the CREI Q4 Dividend is not covered by the income earned in the relevant quarter (the "**CREI Q4 Uncovered Dividend Portion**"), in which event the adjustment to the Exchange Ratio shall be to take account of the API Q1 Uncovered Dividend Portion and/or the CREI Q4 Uncovered Dividend Portion; and/or

(c) if, at the time of completion of the Merger, either CREI or API has announced, declared, made or paid the CREI Q4 Dividend or the API Q1 Dividend, respectively, but the other has not announced, declared, made or paid its corresponding dividend (a "**Dividend Discrepancy**"), in which case the adjustment to the Exchange Ratio shall be to take account of the Dividend Discrepancy.

In the event that any adjustment to the Exchange Ratio is required pursuant to (a), (b) and/or (c) above, such adjustment will be made by reference to the relevant Rolled-Forward Unaudited EPRA NTA(s) as at 31 December 2023. Any adjustment to the Exchange Ratio referred to above shall be the subject of an announcement and, for the avoidance of doubt, shall not be regarded as constituting any revision or variation of the terms of the Scheme or the Merger. To the extent that a dividend or distribution has been declared but not paid prior to the Effective Date, and such dividend or distribution is cancelled, then the Exchange Ratio shall not be subject to change in accordance with this paragraph.

The New CREI Shares will be issued credited as fully paid-up and will rank *pari passu* in all respects with the CREI Shares in issue at the time the New CREI Shares are issued, including the right to receive and retain dividends and other distributions declared, made or paid by reference to a record date on or after the Effective Date.

ii. **Expected timetable of principal events**

| | **Time and/or date** *2024* |
|---|---|
| Announcement of the proposed Merger | 19 January |
| Publication of this document and the Scheme Document | 1 February |
| **Latest time and date for receipt of proxy appointments for the CREI General Meeting** | **9.30 a.m. on 23 February** |
| Voting record time for the CREI General Meeting | close of business on 23 February |
| Latest time for lodging forms of proxy for the API Court Meeting | 10.00 a.m. on 26 February |
| Latest time for lodging forms of proxy for the API General Meeting | 10.15 a.m. on 26 February |
| Voting Record Time for the API Court Meeting and the API General Meeting | 6.00 p.m. on 26 February |
| **CREI General Meeting** | **9.30 a.m. on 27 February** |
| **API Court Meeting** | **10.00 a.m. on 28 February** |
| **API General Meeting** | **10.15 a.m. on 28 February** |
| Sanction Hearing | 28 March |
| Last day of dealings in, and for registration of transfers of, API Shares | 28 March |
| Scheme Record Time | 6.00 p.m. on 28 March |
| Suspension of listing of, and dealings in, API Shares and disablement of API Shares in CREST | 7.30 a.m. on 2 April |
| **Effective Date of the Merger** | **by 8.00 a.m. on 2 April** |
| Delisting of API Shares | by 8.00 a.m. on 2 April |
| New CREI Shares issued to API Shareholders | by 8.00 a.m. on 2 April |
| Admission and commencement of dealings in New CREI Shares | 8.00 a.m. on 2 April |
| CREST accounts of API Shareholders credited with New CREI Shares | as soon as is reasonably practical on 2 April |
| Despatch of share certificates for New CREI Shares | within 14 calendar days of the Effective Date |
| Long Stop Date | 30 April |

iii. ***Details of admission to trading on a regulated market***

Applications will be made to the FCA for all of the New CREI Shares to be issued pursuant to the Merger to be admitted to the premium segment of the Official List and to the London Stock Exchange for such New CREI Shares to be admitted to trading on the premium segment of the Main Market. It is expected that Admission will become effective and that dealings on the London Stock Exchange in the New CREI Shares will commence at 8.00 a.m. (London time) on 2 April 2024.

iv. ***Plan for distribution***

Under the terms of the Merger, and assuming there are no adjustments to the Exchange Ratio, Scheme Shareholders will be entitled to receive 0.78 New CREI Shares for each Scheme Share held. Based on the issued share capital of CREI and API as at the Latest Practicable Date, CREI is therefore expected to issue 297,350,802 New CREI Shares pursuant to the Merger.

v. ***Amount and percentage of immediate dilution resulting from the issue***

Subject to the Merger becoming effective, 297,350,802 New CREI Shares are expected to be issued. This will result in: (a) the Company's issued share capital increasing by approximately 67.4 per cent; (b) each CREI Shareholder who is not also a shareholder in API suffering a dilution of approximately 40.3 per cent. to their ownership and voting interests in the Company; and (c) the New CREI Shares representing approximately 40.3 per cent. of the Enlarged Share Capital.

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| vi. | ***Estimate of the total expenses of the issue***<br>The total costs and expenses of, and incidental to, the Merger and Admission payable by the Company, are estimated to amount to approximately £5.9 million (excluding VAT). |
| vii. | ***Estimated expenses charged to the investor***<br>There are no commissions, fees or expenses to be charged to investors by the Company in connection with the Merger. |
| **d.** | **Why is this prospectus being produced?** |
| i. | ***Reasons for the issue***<br>The proposed issue and Admission of CREI Shares to which this Prospectus relates is being made in connection with the proposed recommended all-share merger pursuant to which CREI will acquire the entire issued and to be issued share capital of API.<br>The CREI Board and the API Board believe that the Merger would bring together two complementary portfolios to create a differentiated REIT with enhanced diversification and share liquidity and a fully covered and sustainable dividend for the Combined Group's shareholders. The portfolio of the Combined Group is expected to support the strategies sought by both CREI Shareholders and API Shareholders in a larger, more liquid and broadly diversified portfolio.<br>In particular, shareholders in the Combined Group are expected to benefit from:<br>• A substantially larger portfolio with approximately 200 assets and a combined property value in excess of £1.0 billion as at 31 December 2023;<br>• An enhanced portfolio diversification by asset, geography and tenant with broad-based regional exposure, with 50 per cent. of the Combined Group's income derived from the top 54 tenants and 90 per cent. of the Combined Group's income derived from the top 204 tenants, an average lot size of approximately £5 million and similar tenant covenant profiles as at 31 December 2023;<br>• A continuation of CREI's focus on below-institutional sized assets which delivers greater diversification, with no single tenant accounting for more than 2 per cent. of the Combined Group's rent roll, and supports the performance of the portfolio in a variety of market conditions. This focus enables CREI to find mispriced assets and make counter-cyclical investments in order to secure future rental and capital growth;<br>• A suitable balance between the main commercial property sectors, in keeping with each of CREI's and API's existing policies, including significant exposure to the industrial sector (representing 44 per cent. of the Combined Group's ERV as at 31 December 2023) which continues to benefit from low vacancy levels, limited new supply, strong occupier demand and, hence, rental growth;<br>• Meaningful reversionary potential with the combined ERV of £84.3 million exceeding the combined passing rent of £68.1 million by 24 per cent. at 31 December 2023;<br>• A shared commitment to sustainability underpinning the shared asset management strategy with 81 per cent. of the combined portfolio holding an EPC rating of C or above;<br>• A stronger and more resilient balance sheet enhancing the Combined Group's ability to grow and to address future refinancing events, with the retention of CREI's and API's existing debt facilities implying a *pro forma* LTV of approximately 30.2 per cent., a weighted average cost of debt of 5.0 per cent. and a weighted average debt maturity of 3.8 years for the Combined Group as at 31 December 2023. The Company expects the weighted average cost of debt to decline over the medium term as Custodian Capital expects to continue each company's ongoing programme of asset disposals, subject to prevailing sector specific market conditions at the time of such disposals to, in part, fund a reduction in the quantum of variable rate debt in the Combined Group. The aggregate debt portfolio of £225 million of fixed rate debt expiring between 2025 – 2032 and the £125 million of revolving credit facilities will allow for the ongoing financing of the Combined Group in the long and short term;<br>• Continued commitment to paying a fully covered dividend, in line with CREI's existing policy and practice since IPO, which would result in an uplift in annual dividends payable to API Shareholders, with an objective of growing the dividend on a sustainable basis;<br>• Creation of an enlarged REIT with an enhanced market profile, a broader appeal to investors, greater share liquidity, and the scale to support a larger weighting in key indices with potential for inclusion in the FTSE 250 Index in due course;<br>• Diversification of the shareholder register of the Combined Group with a broad mix of private and institutional investors, while enabling mutual shareholders to consolidate their holdings across the two companies;<br>• Continued focus on corporate governance, with the CREI Board benefiting from the added expertise of the Proposed Directors and the transition to a fully independent board following the integration of the two companies; and<br>• Material cost savings, comprising: (i) £1.0 million of recurring annual cost savings realised principally from a reduction in management fees due to CREI's tiered fee structure and the removal of duplicated corporate expenses and other potential operational efficiencies; and (ii) £2.1 million of additional non-recurring cost savings during the Transition Period as a result of a reduction in management fees payable to Custodian Capital. |
| ii. | ***The use and estimated net amount of the proceeds***<br>There are no proceeds receivable by the Company as a result of the issue of New CREI Shares pursuant to the Merger. |
| iii. | ***Underwriting***<br>The issue of New CREI Shares is not being underwritten. |
| iv. | ***Material conflicts of interest***<br>There are no material conflicts of interest pertaining to the Merger or Admission. |

# Risk Factors

**An investment in the Company carries a number of risks including (without limitation) the risk that the entire investment may be lost. The risks set out below are those which are considered to be the material risks relating to an investment in the Company but are not the only risks relating to the Company, the CREI Group or, following the Merger, the Combined Group.**

**An investment in the Ordinary Shares is designed to be suitable for institutional investors, professional investors, high net worth investors, professionally advised private investors and retail investors who are seeking an attractive level of income with the potential for income and capital growth from investing in a diversified portfolio of UK commercial real estate properties and who understand and accept the risks inherent in the Company's investment policy. Investors should understand the risks and merits of such an investment and have sufficient resources to be able to bear any losses (which may equal up to the whole amount invested) that may result from such an investment. Furthermore, an investment in the Ordinary Shares should constitute part of a diversified investment portfolio. Additional risks and uncertainties of which the Company is presently unaware or that the Company currently believes are immaterial may also adversely affect its business, financial condition, results of operations or the value of the CREI Shares.**

**As required by the UK Prospectus Regulation, the risk that the Directors consider to be the most material risk in each category, taking into account the negative impact on the Company and the probability of its occurrence, has been set out first. Given the forward-looking nature of the risks, there can be no guarantee that any such risk is, in fact, the most material or the most likely to occur. Investors should, therefore, review and consider each risk.**

## 1 Risks relating to the Company

### *The Company may not meet its investment objective*

The Company may not achieve its investment objective. Meeting the investment objective is a target but the existence of such an objective should not be considered as an assurance or guarantee that it can or will be met.

The Company's investment objective is to provide Shareholders with an attractive level of income together with the potential for capital growth from investing in a diversified portfolio of commercial real estate properties in the UK. If this objective is not met, Shareholders may not receive an attractive level of income or any income or capital growth in the underlying value of their Ordinary Shares. Shareholders could even lose all or part of their investment in the Company.

The Company's ability to pay dividends will be dependent principally upon its rental income generated from the properties owned by the Company. The payment of future dividends and the level of any future dividends paid by the Company is subject to the discretion of the Directors and will depend upon, amongst other things, the Company successfully pursuing its investment policy and the Company's earnings, financial position, cash requirements, level and rate of borrowings and availability of profit, as well as the provisions of relevant laws or generally accepted accounting principles from time to time. There can be no assurance that any dividends will be paid in respect of any financial year or period and no guarantee as to the level of any future dividends to be paid by the Company. There can be no guarantee that the target NAV growth in respect of any period will be achieved.

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

The Company's target dividends and returns for the Ordinary Shares are based on assumptions which the Board and the Investment Manager currently consider reasonable. However, there is no assurance that all or any assumptions will be justified, and the dividends and returns may be correspondingly reduced. There is no assurance that the Company will achieve its stated policy on dividends and/or returns.

The target dividend and target return are not profit forecasts and should not be taken as an indication of the Company's expected future performance or results over any period. The target return and target dividend are targets only and there is no guarantee that they can or will be achieved and they should not be seen as an indication of the Company's expected or actual return. The actual rate of return achieved may be materially lower than that targeted, or may result in a partial or total loss, which could have a material adverse effect on the Company's profitability, the NAV and the price of the Ordinary Shares. Accordingly, investors should not place any reliance on the target dividend or return in deciding whether to invest in the Ordinary Shares.

Dividend growth on the Ordinary Shares will depend principally on growth in rental and other income returns on the underlying assets (which may fluctuate).

The Company's target dividends and returns assume no material changes occur in government regulations or other policies, or in law and taxation, or changes in the political approach to real estate investment, and that the Company is not affected by natural disasters, terrorism, social unrest or civil disturbances or the occurrence of risks described elsewhere in this document.

***The Group's due diligence may not identify all risks and liabilities in respect of an acquisition***

Prior to the Group entering into an agreement to acquire a property, the Investment Manager, on behalf of the Group, performs due diligence on the property concerned. In doing so it typically relies on third parties to conduct a significant portion of this due diligence (such as surveyors' reports and legal reports on title and property valuations). There can be no assurance, however, that any due diligence examinations carried out by the Investment Manager or any third party in connection with any asset the Group may acquire will reveal all of the risks associated with that asset, or the full extent of such risks. In addition, there can be no assurance that any due diligence examinations carried out previously in respect of the Group's existing assets (and those assets that the Group will acquire pursuant to the Merger) have revealed all of the risks associated with that asset, or the full extent of such risks. To the extent that such due diligence examinations underestimate or fail (or have underestimated or failed) to identify risks and liabilities (including any environmental liabilities) associated with the property in question, the Group may be affected by defects in title, or exposed to environmental, structural or operational defects or liabilities requiring remediation, which may not be covered by indemnities or insurance, or may be unable to obtain necessary permits or permissions which may have a material adverse effect on the Company's profitability, the NAV and the price of the CREI Shares.

In addition, if there is a failure of due diligence, there may be a risk that properties are acquired which are not consistent with the Company's investment objective and investment policy, that properties are acquired that fail to perform in accordance with projections or that material defects or liabilities are not covered by insurance proceeds. This may, in turn, have a material adverse effect on the Company's profitability, the NAV and the price of the Ordinary Shares.

Even where the Investment Manager has been able to identify relevant risks and liabilities associated with a potential property acquisition through the due diligence process, the contractual protections in the acquisition documentation may not be sufficient to protect the Group from such risks and liabilities. As a consequence, the Group may be affected by or exposed to risks against which it has insufficient or no protection or available remedies which may have a material adverse effect on the Group's financial condition, business, prospects and results of operations.

***Availability of borrowings and the gearing effect of borrowing can work against as well as for Shareholders***

The CREI Group uses borrowings to seek to enhance equity returns and to enable the Company to pursue its investment objective and, following the Merger, the Combined Group will continue to seek to do so, which exposes the Company to a variety of risks associated with borrowing.

Any amounts that are secured under a bank facility will rank ahead of Shareholders' entitlements and accordingly, should returns derived from the Company's investments be insufficient to cover the costs and liabilities of such borrowings, on a liquidation of the Company, Shareholders may not recover their initial investment and in certain circumstances may lose their entire investment.

Whilst the use of borrowings should enhance the earnings per CREI Share where the rental yield from the Group's property portfolio exceeds its marginal rate of borrowing, it will have the opposite effect where the marginal rate of borrowing exceeds the property portfolio's rental yield which will

have an adverse effect on the Company's ability to pay dividends. In addition, in the event that rental income from the Group's investments falls significantly (for example as a result of defaults by tenants) the use of borrowings will increase the risk of the Company not being able to settle its liabilities as they fall due.

The Group's borrowing facilities contain certain financial covenants relating to loan to value ratio and interest cover ratio, a breach of which would lead to a default on the loan. The Group must continue to operate within these financial covenants to avoid default. In the event that the Group breaches any of the financial covenants relating to its facilities, the Group may be required to repay the loans early and, as a consequence, may be forced to sell assets at a price lower than that which would otherwise be achieved in the open market in order to fund such early repayment. This risk is exacerbated by the presence of cross default provisions in the Group's Facility Agreements, which mean that a breach of the terms of one Facility Agreement would also constitute a default for the purposes of each other Facility Agreement.

In addition, each of the Facility Agreements contains provisions whereby the Company is not permitted to make payment of any dividend or distribution to Shareholders at any time following the occurrence of a default under the relevant Facility Agreement. The Facility Agreements each contain standard default provisions for facilities of their type and also provide that the Company shall be in default if, at any time:

(a) the aggregate amount of the loan(s) outstanding under the relevant Facility Agreement exceeds, in the case of the Revolving Credit Facility (RCF) and the Aviva Facility, 50 per cent. or, in the case of the Scottish Widows Facilities, 45 per cent., of the "market value" (determined in accordance with and by reference to the valuation most recently supplied to the relevant lender) of the properties charged under the relevant facility;

(b) the aggregate amount of all of the Company's financial indebtedness, in the case of the RCF exceeds 40 per cent. or, in the case of the Aviva Facility and Scottish Widows Facilities, 35 per cent., of the "market value" of all properties owned by the Company; and/or

(c) the passing rental income (as defined in the Facility Agreements) received by the Company in respect of the properties charged under the relevant facility, in each quarter, in the case of the RCF is less than 200 per cent. or, in the case of the Aviva Facility and the Scottish Widows Facilities, is less than 250 per cent., of the aggregate amount of finance costs (being interest and other periodic fees) payable by the Company under the relevant Facility Agreement in respect of that quarter.

Accordingly, an adverse movement in property valuations or a decrease in the rental income from the Company's property portfolio could therefore negatively impact the Company's ability to pay dividends. If the Company is prevented from distributing at least 90 per cent. of the income profits in respect of its qualifying Property Rental Business the Company will lose its status as a REIT. Loss of REIT status (other than where arising solely by virtue of compliance with the restrictions against the payment of dividends and/or distributions to shareholders contained within the Facility Agreements) would constitute a default under the Facility Agreements entitling (amongst other things) the relevant lenders to demand immediate repayment of all amounts outstanding under each Facility Agreement.

In addition, it is not certain that the Group will be able to refinance indebtedness as it matures or enter into new facilities on acceptable terms or at all. In particular, the Company has two term loan facilities with Scottish Widows for £20 million and £45 million, repayable in August 2025 and June 2028 respectively, and a £75 million term loan facility with Aviva, repayable in 2032. It is likely that the Company will seek to refinance these facilities within the 6-12 months leading up to their termination and the Company currently anticipates that the £20 million facility, expiring in August 2025, will be refinanced using headroom within the current Revolving Credit Facility (by obtaining Lloyds Bank plc's consent to exercise the 'accordion' option under the RCF, thereby increasing the facility limit from £50 million to £75 million). However, if the Group is unable to refinance these facilities (due to a failure to obtain Lloyds Bank plc's consent or otherwise), or enter into new facilities on acceptable terms, the Group may be required to prematurely liquidate investments (or otherwise raise capital) to service its debt obligations and there can be no guarantee that the Group will be able to liquidate such investments at prices reflective of their valuations, if at all.

While the majority of the Group's borrowing has historically been on a fixed rate basis, the Group is exposed to interest rate risk due to fluctuations in the prevailing market rates on its variable rate debt. In the future, as fixed rate facilities expire, the Group may find it difficult or costly to refinance debt which may be subject to higher interest rates which increase costs. This is particularly relevant in the current environment of elevated interest rates compared to recent historical levels. If interest rates remain elevated, the Group's financing costs could therefore increase as a result. The Group does not currently seek to mitigate interest rate risk using derivative instruments. Although the Group may seek to do so in the future, there can be no assurances or guarantees that the Group will successfully hedge against such risks or that adequate hedging arrangements will be available on an economically viable basis. Hedging arrangements may even result in additional costs being incurred or losses being greater than if hedging had not been used.

Any of the foregoing events may have a material adverse effect on the Group's financial condition, business, prospects and results of operations and ability to make distributions to Shareholders and may lead to forced sales of assets or the erosion of income returns by way of higher interest costs or early repayment penalties. However, nothing in this risk factor should be taken as limiting the working capital statement in paragraph 9 of Part 8 (*Additional information*) of this document.

***Investor returns will be dependent upon the performance of the Group's portfolio and the Company may experience fluctuations in its operating results as a result of risks inherent in real estate asset investment***

Returns achieved are reliant primarily upon the performance of the Group's portfolio. No assurance is given, express or implied, that Shareholders will be able to realise the amount of their original investment in the CREI Shares. Revenues earned from, and the capital value and disposal value of, real estate assets held by the Group and the Group's business may be materially adversely affected by a number of factors inherent in investment in real estate assets.

Both the rental income and the market value of the properties acquired by the Company will be affected by the operational performance of the related business being carried on in the property and the general financial performance of the tenant. The operational performance of a tenant may be affected by local conditions such as household incomes. Market values may also be affected by other factors specific to the UK commercial property market, such as tenant covenant strength, interest rates and the availability of borrowing, and competition from other property investors. In the event of default by a tenant if it is in financial difficulty or otherwise unable to meet its obligations under the lease, the Company will suffer a rental shortfall and incur additional expenses until the property is re-let. These expenses could include business rates, legal and surveyor's costs in re-letting, maintenance costs, insurances and marketing costs and could have a material adverse impact on the financial condition and performance of the Company and/ or the level of dividend cover.

The Company's properties may suffer physical damage resulting in losses (including loss of rent) which may not be fully compensated for by insurance, or at all. In addition, there are certain types of losses, generally of a catastrophic nature, that may be uninsurable or are not economically insurable. Inflation, changes in building codes and ordinances, environmental considerations, and other factors, might also result in insurance proceeds being insufficient to repair or replace a property. Should an uninsured loss or a loss in excess of insured limits occur, the Company may lose capital invested in the affected property as well as anticipated future revenue from that property. In addition, the Company could be liable to repair damage caused by uninsured risks. The Company might also remain liable for any debt or other financial obligations related to that property. Any material uninsured losses may have a material adverse effect on the Company's business prospects, results of operations and financial condition.

The Company may engage third party contractors to conduct redevelopment or refurbishments in connection with its property portfolio, which exposes it to the risk that such third parties will fail to perform or default on their contractual obligations. Whilst the Company intends to mitigate this risk by holding a retention of funds until the project is signed-off by an independent monitoring surveyor, any litigation or arbitration resulting from any such disputes may result in a financial loss to the Company.

The Company may be exposed to future liabilities and/or obligations with respect to disposal of investments. The Company may be required or may consider it prudent to set aside provisions for warranty claims or contingent liabilities in respect of property disposals. The Company may be

required to pay damages (including, but not limited to, litigation costs) to a purchaser to the extent that any representations or warranties that it has given to a purchaser prove to be inaccurate or to the extent that it has breached any of its covenants or obligations contained in the disposal documentation. In certain circumstances, it is possible that any representations and warranties incorrectly given could give rise to a right by the purchaser to rescind the contract in addition to the payment of damages. Further, the Company may become involved in disputes or litigation in connection with such disposed investments. Certain obligations and liabilities associated with the ownership of investments (such as certain environmental liabilities) can also continue to exist notwithstanding any disposal. Any such claims, litigation or obligations, and any steps which the Company is required to take to meet these costs, such as sales of assets or increased borrowings, may have a material adverse effect on the Company's results of operations, financial condition and business prospects.

***The Group's performance will be subject to property market and economic conditions in the UK***

All of the Group's assets are, and will be, invested in UK property. Accordingly, the Company's performance will be subject to, among other things, the conditions of the property markets in the UK which will affect both the value of any assets that the Group owns and the income these assets produce.

The value of assets and the income produced will be impacted by the general macro-economic climate and the conditions of the real estate property markets in the UK. Declines in the performance of the UK economy or property market could have a negative impact on investment, consumer spending, levels of employment, rental revenues and vacancy rates and, as a result have a material adverse impact on the Company's financial condition, business, prospectus and results of operations. In addition, any significant volatility or disruption in the financial markets generally could result in a reduction of the availability of capital and/or debt to the Company.

The possibility of continued high inflation and corresponding rises in interest rates also pose a risk to the Group. Inflationary pressures continue to impact the UK economy and are expected to remain elevated for the foreseeable future, while high interest rates may cause the Group to find it difficult or costly to finance through debt in the future and may negatively impact the value of properties in the Group's portfolio.

Economic conditions in the UK may be affected by geopolitical events outside of the Company's control. In particular, Russia's invasion of Ukraine in February 2022 led to a surge in global energy prices and increased inflationary pressures in the UK economy, and economies globally. The extent and duration of the military action, resulting sanctions and resulting future market disruptions are impossible to predict but could be significant. Furthermore, the recent escalation of the Israel-Hamas conflict, beginning in October 2023, has the potential to further disrupt the world economy. A prolonged conflict between Israel and Hamas, especially with the involvement of major regional powers, could have detrimental consequences for global economic growth.

In addition to the impact from the general economic climate, the property markets and prevailing rental levels in the UK may also be affected by factors such as an excess supply of properties, a fall in the general demand for rental property, reductions in tenants' and potential tenants' space requirements, the availability of credit and changes in laws and governmental regulations (both domestic and international), including those governing real estate usage, zoning and taxes, all of which are outside of the Company's control.

These factors, including any property market downturn or future deterioration in the property market could, *inter alia*: (i) make it harder for the Group to attract new tenants for its properties; (ii) lead to tenant defaults; (iii) lead to a lack of finance available to the Group; (iv) cause the Group to realise its investments at lower valuations than commercially desirable; or (v) delay the timings of the Group's realisations. Any of the foregoing could have a material adverse effect on the ability of the Company to achieve its investment objective, on the NAV and on the market price of the CREI Shares.

***The Articles provide for a continuation vote***

Under the Articles, the Board is obliged to propose a continuation vote to Shareholders at every seventh annual general meeting of the Company. The next continuation vote will be proposed at the Company's 14$^{th}$ annual general meeting, which is expected to be held in 2027. If at such annual general meeting such resolution is not passed, the Board is required to propose a special resolution

for the winding up or reconstruction of the Company. In the event that a winding up or reconstruction of the Company is approved, the Company's ability to return cash to Shareholders will depend principally on the ability of the Investment Manager to realise portfolio assets which are inherently illiquid and also on the availability of distributable profits, share capital or share premium, all of which can be used to fund share repurchases and redemptions under the Articles.

***Environmental issues and regulations could create liabilities for the Company***

Extreme weather events could cause damage to infrastructure or assets in the Company's portfolio, rendering assets unusable by tenants, making insurance cover harder or more expensive for tenants to arrange and impacting future lettability through lower occupational demand. The historical impact of floods or increasing flood risk could also impact the long-term attractiveness of properties in the Company's portfolio due to tenants avoiding rentals with flood risk. Certain assets will be more significantly impacted by rising temperatures, such as glass offices, requiring more energy for cooling and being less attractive to tenants. Due to rising demand for energy, such as from cooling requirements and electric vehicle chargers, current infrastructure might be unable to meet the energy demand. These physical risks could have a material adverse effect on the valuation of assets and the rental capacity of the Company's portfolio and/or the price of the Ordinary Shares.

The cost of compliance with regulatory changes driven by environmental considerations could also have an impact on the Company and/or the price of the Ordinary Shares. For example, the Minimum Energy Efficiency Standards ("**MEES**") currently require a minimum Energy Performance Certificate ("**EPC**") rating of E for the Company's properties in England and Wales. The UK government is consulting on proposals to require commercial properties to achieve a minimum EPC rating of B by 2030 in England and Wales. In the event that more onerous MEES standards require the Company to commit to increased capital expenditure, such increased capital expenditure could have a material adverse effect on the Company's business, financial condition, results of operations, future prospects and/or the price of the Ordinary Shares.

The Company is also subject to the risk of changing tenant preferences (e.g. the preference for less energy and carbon intensive buildings). Increased stakeholder scrutiny over the Company's environmental ambitions and climate action and awareness of the impact of the built environment, including carbon emissions from refurbishment and construction, could also lead to reduced confidence, shareholder activism or divestment, potentially impacting the price of the Ordinary Shares.

***Changes in laws or regulations governing the Group's operations may adversely affect the Group's business***

The CREI Group and the API Group are subject to laws and regulations enacted by national and local governments. In particular, the CREI Group is subject to certain regulatory requirements that are applicable to listed closed-ended investment companies and, following the Merger, the Combined Group will continue to be required to comply with such regulatory requirements. In addition, the Company is subject to the continuing obligations imposed by the FCA on all investment companies whose shares are listed on the Official List.

Any change in the law and regulation affecting the Group and its operations may have a material adverse effect on the ability of the Group to carry on its business and successfully pursue its investment policy and on the value of the Company and/or the New CREI Shares. In such event, the investment returns of the Company may be materially adversely affected. In addition, compliance with and the monitoring of applicable regulations may be difficult, time consuming and costly.

The Company will not obtain political risk insurance. As such, government action could have a significant impact on the target investments of the Company. Changes to the existing legislation or policy or additional legislation or policies may be burdensome for the Company to implement and may as a result have a negative impact on the returns of the Company.

Government authorities are also actively involved in the application and enforcement of laws and regulations relating to taxation, land use and zoning and planning restrictions, building standards, environmental protection and safety and other matters. The institution and enforcement of those laws and regulations could have the effect of increasing the expense and lowering the income or rate of return from as well as adversely affecting the value of the Company's assets.

Improving returns to Shareholders may rely partly on the redevelopment or repurposing of properties in the portfolio. Such work may be subject to obtaining planning consents. There can be no guarantee that such planning consents will be provided and if consent is not granted, this may adversely affect the Company's investments.

***The financial performance and prospects of the Group may be adversely affected by future outbreaks of COVID-19 or another pandemic***

Although the World Health Organisation declared on 5 May 2023 that the COVID-19 pandemic was no longer a public health emergency of international concern, the long-term impacts of the pandemic are unknown and it is possible that COVID-19 could continue to adversely affect the UK and global economies or the real estate market, thereby having a material adverse impact on the future results of the Group.

The degree to which COVID-19 or another future pandemic could affect the Company's business, results of operations and financial position will depend on future developments, which are uncertain and cannot be predicted. Future outbreaks of the virus (for example, due to the emergence of new strains) could increase the risk of tenant default, the extent of which would vary significantly by business sector and tenant. The payment of dividends by the Company is dependent on rent collection by the Group and, if rent collection is affected by tenant defaults or otherwise, it could restrict the Company's ability to pay dividends.

Furthermore, the uncertainty caused by a future outbreak of COVID-19 or a new pandemic could cause the market price of the CREI Shares to deviate from their underlying NAV, increasing any discount at which the CREI Shares trade, and could adversely affect the ability of the Company to raise capital in the near term.

Any adverse impact on property valuations or rental income from the Group's investments as a result of a future outbreak of COVID-19 or a new pandemic could increase the risk of the Group breaching financial covenants in its borrowing facilities (in particular those relating to loan to value ratio and interest cover ratio), which could require the Group to repay loans early and sell assets prematurely to fund such early repayment. Furthermore, restrictions on travel or movement could adversely affect the ability of the Board and/or the Group's service providers to discharge their responsibilities to the Group.

**2 Real estate risks**

***Property valuation is inherently subjective and uncertain***

Property is inherently difficult to value due to the individual nature of each property and property valuation is inherently subjective. As a result, valuations are subject to uncertainty and there can be no assurance that the estimates resulting from the valuation process will reflect actual sales prices that could be realised by the Group in the future. The Investment Manager will rely on the external valuation of the Company's properties in calculating the Company's NAV.

The Property Valuation Reports in Part 6 of this document are made on the basis of certain assumptions which may not prove to reflect the true position. In determining the value of properties, valuers are required to make assumptions in respect of matters including, but not limited to, the existence of willing buyers in uncertain market conditions, title, condition of structure and services, environmental matters, statutory requirements, expected future rental revenues from the property and other information. Such assumptions may prove to be inaccurate. Incorrect assumptions underlying the valuation reports could negatively affect the value of any property assets in the Group's portfolio and thereby have a material adverse effect on the Group's financial condition. This is particularly so in periods of volatility or when there is limited real estate transactional data against which property valuations can be benchmarked. There can also be no assurance that these valuations will be reflected in the actual transaction prices, even where any such transactions occur shortly after the relevant valuation date, or that the estimated yield and annual rental income will prove to be attainable.

Property investment performance can fluctuate over time and values can increase or decrease. Economic, political, fiscal and legal issues can affect values as they can with any other investment. The Group's portfolio will be valued on each valuation date by professional independent valuers as may be appointed by the Company from time to time.

To the extent valuations of the Group's properties do not fully reflect the value of the underlying properties, whether due to the above factors or otherwise, this may have a material adverse effect on the Group's financial condition, business, prospects and results of operations. It may also adversely affect the ability of the Group to secure financing on acceptable terms.

***The Company is subject to the risk of a tenant defaulting which could result in a significant loss of rental income, void costs, a reduction in asset value and increased bad debts***

Dividends payable by the Company will be dependent on the income from the properties it owns. Failure by tenants to comply with their rental obligations could: (i) affect the ability of the Company to pay dividends to Shareholders; (ii) lead to reduced property valuations which in turn reduce NAV; and (iii) result in debt covenant default which could result in higher interest costs, early prepayment fees, cash traps, restricted distributable reserves or forced sale; and/or (iv) other liquidity pressures.

***The Group's investments are illiquid and may be difficult or impossible to realise at a particular time***

The CREI Group and the API Group invest in property assets and, following the Merger, the Combined Group will continue to invest in property assets. Such investments are relatively illiquid (in comparison to other types of investments, such as bonds and securities, which have daily liquidity). Such illiquidity, may affect the Group's ability to adjust, dispose of or liquidate any or all of its portfolio in a timely fashion and at satisfactory prices in response to changes in economic, property market or other conditions.

There can be no assurance that, at the time the Group seeks to dispose of assets (whether voluntarily or otherwise) relevant market conditions will be favourable or that the Group will be able to maximise the returns on such disposed assets. To the extent that the property market conditions are not favourable, the Group may not be able to dispose of property assets at a gain and may even have to dispose of them at a loss. The Group may be forced to realise the disposal of an asset at a discount to the prevailing valuation of the relevant property, which may have a material adverse effect on the Group's profitability, the NAV and the price of the CREI Shares.

The liquidity of the Group's property assets may be affected by changes in market conditions, regulations, working patterns or other external factors that cause certain properties to lose their economic viability or competitive advantage. For example, to the extent that any of the Company's properties fail to meet future regulatory efficiency standards or market expectations driven by concern with climate change and other environmental matters, such "stranded assets" may become less marketable, less liquid and may require costly refurbishment measures to improve their resale value.

***The Group's property assets may be adversely affected by changes to UK legislation relating to fire safety***

The Investment Manager endeavours to ensure appropriate due diligence is undertaken on existing properties and potential property acquisition opportunities to ensure properties comply with all applicable fire regulations. The Investment Manager relies on reports from third-party surveyors and other advisors. Consequently, there can be no assurance that such third party advice will address all applicable fire safety concerns or risks.

Further, there can be no certainty that current guidance and/or legislation with respect to fire safety will remain unchanged in the future. As a result, there can be no guarantee that the Group's investments will continue to be fully compliant with all applicable regulation with respect to fire safety for the foreseeable future, in which case the Group may be required to incur remedial costs. Incurring additional costs and obligations could have an adverse impact on the liquidity of the Group's investments and its results, cash flows and ability to pay dividends to Shareholders and to achieve its stated target dividend.

**3 Risks relating to key service providers**

***The Company is dependent on the expertise of the Investment Manager and its key personnel to implement the Company's investment objective and investment policy***

The ability of the Company to achieve its investment objective depends on the ability of the Investment Manager to identify, select and manage investment properties which offer the potential

for satisfactory returns. Any failure to source assets, execute transactions or manage investments by the Investment Manager may have a material adverse effect on the Company's performance.

The ability of the Company to successfully pursue its investment objective and investment policy may, among other things, depend on the ability of the Investment Manager to retain its staff and/or to recruit individuals of similar experience and calibre in order to procure that such individuals are available to devote such time, attention and skill as shall be necessary for the proper performance of the Investment Manager's obligations pursuant to the Investment Management Agreement. The Company will depend on the diligence, skill, judgement and business contacts of those investment professionals and the information and deal flow they generate during the normal course of their activities.

Although the Investment Management Agreement contains 'key director' and 'key manager' provisions that are designed to mitigate the potential impact of key individuals leaving (further details of which are set out in paragraphs 11.4 and 11.5 of Part 8 (*Additional information*) of this document), the retention of key members of the Investment Manager's team cannot be guaranteed and the departure of any such person(s) without adequate replacement may have a material adverse effect on the Investment Manager's ability to perform its obligations under the Investment Management Agreement and, consequently, the ability of the Company to achieve its investment objective, the Net Asset Value and price of the Ordinary Shares.

The Company is also subject to the risk that the Investment Management Agreement may be terminated and that no suitable replacement will be found. Under the terms of the Existing Investment Management Agreement, the Investment Manager's appointment may be terminated by either party serving at least one year's prior written notice on the other party. As explained in Part 1 (*Letter from the Chairman*) of this document, with effect from completion of the Merger, the agreement will be amended such that the Investment Manager's appointment may be terminated by either party serving at least one year's prior written notice on the other party, save that such notice may not be served prior to the conclusion of the Transition Period. The Investment Management Agreement may also be terminated immediately in certain limited circumstances (as described in paragraphs 11.4 and 11.5 of Part 8 (*Additional information*) of this document).

If the Investment Management Agreement is terminated for whatever reason, the Board would have to find a replacement investment manager for the Company. There can be no assurance that a replacement manager with the necessary skills and experience would be available and could be appointed on terms acceptable to the Company. Accordingly, the transition to a new investment manager could take time and incur significant cost, and the Company's ability to execute its investment policy and achieve its investment objective may be impaired during any such transition. The termination of the Investment Management Agreement could therefore have a material adverse effect on the Company's profitability, financial performance, Net Asset Value and/or the price of the Ordinary Shares.

The services of the Investment Manager, its respective associates and their respective officers and employees, are not exclusive to the Company. Although the Investment Manager has given certain undertakings in the Investment Management Agreement regarding other mandates, and has in place a conflicts of interest policy, in fulfilling its responsibilities to the Company, it may be subject to certain conflicts of interest arising from its relations with third parties to whom it also owes duties or in whom it has an interest.

The past performance of the Company or other investments managed or advised by the Investment Manager or its affiliates cannot be relied upon as an indicator of the future performance of the Company. Shareholder returns will be dependent upon the Company successfully pursuing its investment objective and investment policy. The success of the Company depends, *inter alia*, on the Investment Manager's ability to identify, acquire and manage properties in accordance with the Company's investment objective and investment policy.

***The Company has no employees and is reliant on the performance of third party service providers***

The Company has no employees and the Directors have all been appointed on a non-executive basis. Whilst the Company has taken all reasonable steps to establish and maintain adequate procedures, systems and controls to enable it to comply with its obligations, the Company is reliant upon the performance of third party service providers for its executive functions. In particular, the

Investment Manager, the Depositary and the Registrar perform services which are integral to the operation of the Company, such as the calculation of the Company's NAV, the preparation of the Company's financial statements and the safekeeping of the Company's investments. Failure by any service provider to carry out its obligations to the Company in accordance with the terms of its appointment could have a materially detrimental impact on the operation of the Company and potentially expose the Group to regulatory penalties, reputational damage or even impact the value of the Company's investments, causing losses for the Group.

The termination of the Company's relationship with any third party service provider, or any delay in appointing a replacement for such service provider, could materially disrupt the business of the Company and could have a material adverse effect on the Company's performance and returns to Shareholders.

***The Company's service providers' information and technology systems may be vulnerable to cybersecurity breaches and other operational risks***

The CREI Group and, following the Merger, the Combined Group, together with their respective service providers (including the Investment Manager), may be prone to operational, information security and related risks resulting from failures of, or breaches in, cybersecurity. A failure of, or breach in, cybersecurity ("**cyber incidents**") refers to both intentional and unintentional events that may cause the relevant party to lose proprietary information, suffer data corruption, or lose operational capacity. Cyber incidents can result from deliberate attacks ("**cyberattacks**") or unintentional events such as network failures, computer and telecommunication failures, power outages and catastrophic events such as fires, tornadoes, floods, hurricanes and earthquakes, directly in the Group's business or affecting its service providers including banks. Cyberattacks include, but are not limited to, gaining unauthorised access to digital systems (e.g. through "hacking" or malicious software coding) for purposes of misappropriating assets or sensitive information, corrupting data, or causing operational disruption. Cyberattacks may also be carried out in a manner that does not require gaining unauthorised access, such as causing denial-of-service attacks on websites (i.e. efforts to make network services unavailable to intended users). The increasing sophistication of artificial intelligence ("**AI**") may increase the risk of cyberattacks to the Group as AI may be leveraged by malicious actors to make cyberattacks more dangerous and potentially more likely. Cyber incidents may cause disruption and impact business operations, potentially resulting in financial losses, interference with the ability to calculate the Net Asset Value, the inability of Shareholders to deal in the Ordinary Shares, violations of applicable privacy and other laws, regulatory fines, penalties, reputational damage, reimbursement or other compensation costs, or additional compliance costs. In particular, the Group relies heavily on the financial, accounting and other data processing systems of the Investment Manager; to the extent that any of these systems do not operate properly or are disabled, the Company could suffer financial loss or reputational damage.

Although the Group's service providers have implemented various measures to manage risks relating to these types of events, there are inherent limitations in such plans, strategies, systems, policies and procedures, including the possibility that certain risks have not been identified. If relevant information and technology systems are compromised, become inoperable for extended periods of time or cease to function properly, significant investment may be required to fix or replace them. The failure for any reason of these systems and/or of disaster recovery plans could cause significant interruptions in the service providers' and/or the Group's operations and result in a failure to maintain the security, confidentiality or privacy of sensitive data, including personal information relating to investors. Such a failure could harm the service provider's and/or the Company's reputation, subject any such entity and its affiliates to legal claims and otherwise affect its business and financial performance. This could have an adverse effect on the Company's financial condition, results of operations and prospects, with a consequential adverse effect on the market value of the Ordinary Shares.

## 4 Risks relating to the Merger

***The Merger is subject to the Conditions which may not be satisfied or waived***

Completion of the Merger is subject to the Conditions being satisfied (or, if permitted, waived) which include:

- approval of the CREI Resolution by CREI Shareholders at the CREI General Meeting (or at any adjournment thereof);
- approval of the Scheme by the requisite majority of Scheme Shareholders, and approval of the API Resolution by the requisite majority of API Shareholders, at the API Meetings (or at any adjournment thereof);
- the sanction of the Scheme by the Court; and
- the FCA and the London Stock Exchange having acknowledged to CREI or its agent (and such acknowledgements not having been withdrawn) that: (i) the Admission of the New CREI Shares to the Official List has been approved and (after satisfaction of any conditions to which such approval is expressed to be subject) will become effective as soon as a dealing notice has been issued by the FCA and any listing conditions have been satisfied; and (ii) the New CREI Shares will be admitted to trading on the premium segment of the Main Market.

There is no guarantee that the Conditions will be satisfied in the necessary time frame (or waived, if applicable) and the Merger may, therefore, be delayed or not complete. Delay in completing the Merger will prolong the period of uncertainty for the CREI Group and the API Group and both delay and failure to complete may result in the accrual of additional costs to their respective businesses (for example, there may be an increase in costs in relation to the preparation and issue of documentation or other elements of the planning and implementation of the Merger) without any of the potential benefits of the Merger having been achieved. In addition, CREI and API's respective investment managers would have spent time in connection with the Merger, which could otherwise have been spent more productively in connection with the other activities of the CREI Group and the API Group, as applicable. Therefore, the aggregate consequences of a material delay in completing, or failure to complete, the Merger may have a material adverse effect on the business, results of operations and financial condition of the CREI Group, the API Group and, in the case of a delay only, the Combined Group.

CREI's ability to invoke a Condition (other than Scheme-related conditions) to the Merger to either lapse the Merger or to delay the Merger is subject to the Takeover Panel's consent. The Takeover Panel will need to be satisfied that the underlying circumstances are of "material significance" to CREI in the context of the Merger and this is a high threshold to fulfil. Consequently, there is a significant risk that CREI may be required to complete the Merger even where certain Conditions have not been satisfied or where a material adverse change has occurred to the API Group. If any of the events described above were to occur, they may result in additional costs and/or the delay or the failure (partial or otherwise) to realise the financial benefits and synergies relating to the Merger identified by the parties or may otherwise impact the Group's strategy and operations.

***A third party may have or be able to obtain a large enough shareholding in API or CREI to delay or prevent completion of the Merger***

API Shares and CREI Shares are freely traded on the London Stock Exchange. Although CREI is not aware of the existence of any such shareholders as at the date of this document, it is possible that a shareholder with significant shareholding could use, or could threaten to use, its shareholding to vote against the Scheme when API Shareholder consent is sought at the API Meetings, or to vote against the CREI Resolution at the CREI General Meeting. Such an action could materially delay or prevent the implementation of the Scheme and the Merger and therefore deprive the parties of some or all of the anticipated benefits of the Merger.

***The integration of the API Group with the CREI Group could result in operating difficulties and other adverse consequences***

If the Merger completes, the process of integrating API and its subsidiaries into the CREI Group may create unforeseen operating difficulties and expenditures and pose management, administrative and financial challenges. Specifically, integrating operations and personnel and pre-completion or post-completion costs may prove more difficult and/or expensive than anticipated, thereby rendering the value of the API Group less than the value paid. The integration of the API Group may require

significant time and effort on the part of the Company and the CREI Group's management. The challenges of integrating the API Group may also be exacerbated by differences between CREI's and API's operational and business culture, the need to implement cost cutting measures, difficulties in maintaining internal controls and difficulties in establishing control over cash flows and expenditures. Such difficulties in successfully integrating API could have an adverse effect on the Company's financial condition and results of operations.

***The Combined Group may fail to realise the cost savings and other benefits anticipated from the Proposals***

The Board believes that the Merger will result in cost savings, enhanced portfolio diversification (by asset, geography and tenant), a stronger and more resilient balance sheet enhancing the Combined Group's ability to grow and to address future refinancing events, and other benefits for the Combined Group. This belief constitutes an important and significant part of the business rationale for the Merger. However, these benefits may not develop, for various reasons, including because the assumptions upon which the Board determined the proposed cost savings and other benefits may prove to be incorrect.

Under any of these circumstances, the benefits anticipated by the Board and the Proposed Directors to result from the Merger may not be achieved as expected, or at all, or may be delayed, or may involve additional costs. To the extent that the Combined Group incurs higher integration costs or achieves fewer cost savings than expected, the Combined Group's operating results, and prospects and the price of the Ordinary Shares may suffer.

**5 Risks relating to taxation**

***If the Company fails to remain qualified as a REIT, its rental income and gains will be subject to UK corporation tax***

It is the expectation of the Directors and the Proposed Directors that the Group will continue to fulfil the relevant qualifying conditions for UK REIT status. However, the Company cannot guarantee that the CREI Group or, following the Merger, the Combined Group will remain qualified as a REIT. If the Group fails to remain qualified as a REIT, the Group will be subject to UK corporation tax on some or all of its property rental income and chargeable gains on the sale of properties, which would reduce the amounts available to distribute to Shareholders.

The requirements for maintaining REIT status are complex. Minor breaches of certain conditions within the REIT regime may result in additional tax being payable or, if remedied within a given period of time, will not be penalised, provided that the regime is not breached more than a certain number of times. A serious breach of the REIT regime may lead to the Company or a member of the Group ceasing to be a, or a member of a, REIT. If the Company or the Group fails to meet certain of the statutory requirements to maintain its status as a REIT, it may be subject to UK corporation tax on the profits of its Property Rental Business including any chargeable gains on the sale of some or all of its properties. This could reduce the reserves available to make distributions to Shareholders and the yield on the Ordinary Shares. In addition, incurring a UK corporation tax liability might require the Company to borrow funds, liquidate some of its assets or take other steps that could negatively affect its operating results. Moreover, if the Group's REIT status is withdrawn altogether because of a failure to meet one or more REIT conditions, disqualification from being a REIT may take effect from the end of the accounting period preceding that in which the failure occurred.

If a member of the Group disposes of a property in the course of a trade, any gain will be subject to corporation tax at regular corporate rates. For example, acquiring a property with a view to sale followed by a disposal of the asset would indicate a trading activity, whereas disposal of a property as part of a normal variation of a property rental portfolio would not indicate a trading activity. Whilst the Group does not intend to dispose of property in the course of a trade, there can be no assurance that HMRC will not successfully argue a disposal to have been in the course of a trade with the consequence that corporation tax will be payable in respect of any profits from the disposal of such property.

***A change in the tax status of the Company or a member of the Group or in taxation legislation in the UK could adversely affect the Company's profits and portfolio value and/or returns to and/or the tax treatment for Shareholders***

The levels of and reliefs from taxation may change, adversely affecting the financial prospects of the Company and/or the returns payable to and/or the tax treatment for Shareholders.

Investors should consult their tax advisers with respect to their particular tax situation and the tax effects of an investment in the Company. Statements in the Prospectus concerning the taxation of investors or prospective investors in CREI Shares are based upon current tax law and tax authority practice, each of which is potentially subject to change. The value of particular tax reliefs, if available, will depend on each individual Shareholder's circumstances. **The Prospectus does not constitute tax advice and must not therefore be treated as a substitute for independent tax advice.**

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

***The Company's status as a REIT may restrict the Company's distribution opportunities to Shareholders***

The Company may become subject to an additional tax charge if it makes a distribution to, or in respect of, a Substantial Shareholder, that is broadly a Shareholder that has rights to at least 10 per cent. of the distributions or Ordinary Shares or controls at least 10 per cent. of the voting rights. This additional tax charge will not be incurred if the Company has taken reasonable steps to avoid paying distributions to a Substantial Shareholder. Therefore, the Articles contain provisions designed to avoid the situation where distributions may become payable to a Substantial Shareholder and these provisions are summarised at paragraph 3 of Part 7 (*REIT status and taxation*) of this document. These provisions provide the Directors with powers to identify Substantial Shareholders and to prohibit the payment of dividends on Ordinary Shares that form part of a Substantial Shareholding unless certain conditions are met. The Articles also allow the Directors to require the disposal of Ordinary Shares forming part of a Substantial Shareholding in certain circumstances where the Substantial Shareholder has failed to comply with the above outlined provisions.

***Shareholders may be subject to withholding and forced transfers under FATCA and there may also be reporting of Shareholders under other exchange of information agreements***

The US Foreign Account Tax Compliance Act of 2010 (commonly known as "**FATCA**") is a set of provisions contained in the US Hiring Incentives to Restore Employment Act 2010. FATCA is aimed at reducing tax evasion by US citizens.

FATCA imposes a withholding tax of 30 per cent. on (i) certain US source interest, dividends and certain other types of income; and (ii) the gross proceeds from the sale or disposition of assets which produce US source interest or dividends, which are received by foreign financial institutions ("**FFIs**") and certain non-financial foreign entities ("**NFFEs**"), unless the FFI or NFFE complies with certain reporting and other related obligations under FATCA. The UK has concluded an intergovernmental agreement ("**IGA**") with the US, pursuant to which parts of FATCA have been effectively enacted into UK law.

The Company currently complies with the requirements of the IGA and relevant UK legislation, meaning that it is not subject to the FATCA withholding tax. However, there can be no assurance that the Company will not in the future be subject to withholding tax under FATCA or the IGA. If the Company becomes subject to a withholding tax as a result of FATCA or the IGA, the return on investment of some or all Shareholders may be materially adversely affected.

Since the enactment of FATCA, other jurisdictions have entered into similar information exchange agreements. The Organisation for Economic Co-operation and Development (the "**OECD**") has developed a global Common Reporting Standard for multilateral exchange of information. The UK

has implemented the Common Reporting Standard and so the Company will have to provide information about its Shareholders to HMRC under these rules.

The EU has introduced a pan-European mandatory tax disclosure regime in respect of cross-border arrangements which possess certain features. These new rules (widely referred to as "**DAC 6**") have a broad scope and have the potential to require disclosure of information in a wide range of circumstances. The UK has now published regulations implementing the OECD's Mandatory Disclosure Rules, with a narrower scope than DAC 6, requiring disclosure only of transactions which obscure beneficial ownership or which undermine the Common Reporting Standard. There remains a degree of uncertainty as to how the UK will interpret its new mandatory disclosure rules and its interpretation may differ from that applied in EU Member States. In addition, there remains a degree of uncertainty as to how different EU Member States will interpret DAC 6 and such implementation and interpretation may vary between them.

As a result of FATCA, the Common Reporting Standard and other tax information reporting and exchange regimes, Shareholders may be required to provide certain information to the Company so that the Company can comply with its reporting obligations. In particular, Shareholders will be required to provide – and the Company may be obliged to disclose – details and information about Shareholders (and persons connected or associated with them) as may be required to enable the Company or any of its associates to comply with their obligations to any tax, regulatory or comparable authorities (including pursuant to FATCA or the Common Reporting Standard) or where the Company believes that such disclosure is in the interests of the Company. Any failure to do so may result in such Shareholder being subject to adverse consequences (in accordance with the Articles of Association).

Although the Company complies with the rules imposed by FATCA, the Common Reporting Standard and other tax information reporting and exchange regimes, the Company cannot guarantee that it will be able to satisfy its obligations under such regimes. Prospective investors and Shareholders are encouraged to consult their own tax advisors regarding the possible implications of FATCA and other tax information reporting and exchange regimes to their investment in the Company.

## 6 Risks relating to the CREI Shares

***Investment in the CREI Shares carries certain general risks associated with investment in investment companies, including the possibility that the CREI Shares may trade at a discount***

The value of an investment in the Company, and the income derived from it, if any, may go down as well as up and an investor may not get back the amount invested.

The market price of the CREI Shares, like shares in all investment companies, may fluctuate independently of their underlying NAV and may trade at a discount or premium at different times, depending on factors such as supply and demand for the CREI Shares, market conditions and general investor sentiment. While the Directors may seek to mitigate any discount to NAV per CREI Share through such discount management mechanisms as they consider appropriate, there can be no guarantee that any discount control policy will be successful or capable of being implemented. The market price of a CREI Share may therefore vary considerably from its NAV.

***It may be difficult for Shareholders to realise their investment and there may not be a liquid market in the CREI Shares***

Shareholders do not have a right for their CREI Shares to be redeemed and the Company does not have a fixed winding-up date. While the Directors retain the right to effect repurchases of CREI Shares, they are under no obligation to use such powers or to do so at any time and Shareholders should not place any reliance on the willingness of the Directors so to act. Shareholders wishing to realise their investment in the Company may therefore be required to dispose of their CREI Shares in the market.

Although the CREI Shares are traded on the Main Market, there can be no guarantee that a liquid market in the CREI Shares will be maintained or that the CREI Shares will trade at prices close to their underlying NAV. Accordingly, Shareholders may be unable to realise their investment at such NAV or at all. The price at which the CREI Shares trade and the price at which investors may realise their investment is influenced by a large number of factors, some specific to the Company and its investments and some which may affect companies generally. Consequently, the market

price may be subject to greater fluctuation on small volumes of trading of CREI Shares and the CREI Shares may be difficult to sell at a particular price.

There may be a limited number of holders of CREI Shares. Limited holders of CREI Shares may mean that there is limited liquidity in the CREI Shares which may affect: (i) an investor's ability to realise some or all of his investment; and/or (ii) the price at which such investor can effect such realisation; and/or (iii) the market price of the CREI Shares.

***The CREI Shares are subject to certain provisions that may cause the Board to require the transfer of CREI Shares***

Although the CREI Shares are freely transferable (subject to compliance with applicable securities laws), there are certain circumstances in which the Board may, under the Articles and subject to certain conditions, compulsorily require the transfer of the CREI Shares. These circumstances include where, in the opinion of the Directors, shares are being held, directly or indirectly, by any member: (i) whose ownership of shares may cause the Company's assets to be deemed "plan assets" for the purposes of ERISA of the US Code; or (ii) whose ownership of shares may cause the Company to be required to register as an "investment company" under the US Investment Company Act (including because the purchaser of the shares is not a "qualified purchaser" as defined in the US Investment Company Act) or members of the senior management of the Company to register as an "investment adviser" under the US Investment Advisers Act of 1940; or (iii) whose ownership of shares may cause the Company to register under the US Exchange Act or any similar legislation; or (iv) whose ownership of shares may cause the Company not being considered a "Foreign Private Issuer" as such term, is defined in rule 3b-4(c) under the US Exchange Act; or (v) whose ownership may result in a person holding shares in violation of the transfer restrictions put forth in any prospectus published by the Company, from time to time, in connection with any increase in the Company's share capital pursuant to the Articles; or (vi) whose ownership of shares may cause the Company to be a "controlled foreign corporation" for the purposes of the US Code, or may cause the Company to suffer any pecuniary disadvantage (including any excise tax, penalties or liabilities under ERISA or the US Code or FATCA) including as a result of the relevant shareholder failing to provide information concerning itself as requested by the Company in accordance with the Articles; or (vii) whose ownership of shares may cause the Company to be required to comply with any registration or filing requirements in any jurisdiction with which the Company would not otherwise be required to comply.

***CREI Shareholders will experience dilution in their ownership of the Company as a result of the Merger***

The unavoidable effect of the Merger becoming Effective will be a reduction in the proportionate ownership and voting interests in the Company of existing CREI Shareholders (except to the extent that they are also API Shareholders). Subject to the Merger becoming effective, 297,350,802 New CREI Shares are expected to be issued, which will result in each CREI Shareholder who is not also a shareholder in API suffering a dilution of approximately 40.3 per cent. to their ownership and voting interests in the Company.

***Shareholders' ownership and voting interests may be diluted as a result of further issues of CREI Shares***

Following the Merger, the Company may issue further CREI Shares (subject to the Company having the requisite shareholder authorities and in compliance with applicable law). While the Companies Act contains statutory pre-emption rights for Shareholders in relation to issues of shares in consideration for cash, the Company currently has authority to issue up to 44,085,000 Ordinary Shares non-pre-emptively on an unrestricted basis and a further 44,085,000 Ordinary Shares non-pre-emptively for the purposes of financing (or refinancing, if the authority is to be used within 12 months after the original transaction) a transaction which the Directors determine to be an acquisition or other capital investment of a kind contemplated by the Statement of Principles on Disapplying Pre-Emption Rights most recently published by the Pre-Emption Group. Where statutory pre-emption rights are disapplied, any further issues of CREI Shares will be dilutive to the ownership and voting interests of those Shareholders who cannot, or choose not to, participate in such issues. In addition, the securities laws of certain jurisdictions may restrict the Company's ability to allow the participation of non-UK Shareholders in future offerings. Any such non-UK Shareholder who is unable to participate in future equity offerings may suffer dilution.

***Significant sales of CREI Shares could cause the market price of the CREI Shares to fall***

Sales of CREI Shares or interests in the CREI Shares by significant investors could depress the market price of the CREI Shares. A substantial amount of CREI Shares being sold, or the perception that sales of this type could occur, could also depress the market price of the CREI Shares. Both scenarios, occurring either individually or collectively, may make it more difficult for Shareholders to sell the CREI Shares at a time and price that they deem appropriate.

## Important information

**To vote on the CREI Resolution**

Whether or not you propose to attend the CREI General Meeting, if you would like to vote on the CREI Resolution you may vote:

- by logging on to www.SignalShares.com and following the instructions;
- by downloading the Shareholder app, LinkVote+, on Apple App Store or Google Play and following the instructions;
- by requesting a hard copy form of proxy directly from the Company's registrars, Link Group;
- in the case of CREST members, by utilising the CREST electronic proxy appointment service; or
- if you are an institutional investor, you may be able to appoint a proxy electronically via the Proxymity platform at www.proxymity.io.

In order for a proxy appointment to be valid, you must ensure that you have recorded proxy details using one of the methods set out above by 9.30 a.m. on 23 February 2024.

If you are an institutional investor, you may be able to appoint a proxy electronically via the Proxymity platform, a process which has been agreed by the Company and approved by the Registrar. For further information regarding Proxymity, please go to www.proxymity.io. Your proxy must be lodged by 9.30 a.m. on 23 February 2024 in order to be considered valid or, if the meeting is adjourned, by the time which is 48 hours (excluding non-business days) before the time of the adjourned meeting. Before you can appoint a proxy via this process you will need to have agreed to Proxymity's associated terms and conditions. It is important that you read these carefully as you will be bound by them and they will govern the electronic appointment of your proxy. An electronic proxy appointment via the Proxymity platform may be revoked completely by sending an authenticated message via the platform instructing the removal of your proxy vote.

A summary of the action to be taken by CREI Shareholders is set out in Part 1 (*Letter from the Chairman*) and Part 10 (*Notice of General Meeting*) of this document.

The appointment of a proxy will not prevent you from attending the CREI General Meeting and voting in person (in substitution for your proxy vote) if you so wish and are so entitled.

**Information relating to abrdn Property Income Trust Limited**

As the Proposals described in this document relate to a proposed Merger of Custodian Property Income REIT plc with abrdn Property Income Trust Limited, this document contains the information relating to abrdn Property Income Trust Limited and the Merger that is necessary to enable investors to make an informed assessment of the CREI Group and the CREI Shares as referred to in Article 14(2) of the UK Prospectus Regulation. In particular, Part 1 (*Letter from the Chairman*) of this document describes the anticipated effects of the Merger on the CREI Group and its business.

**Forward-looking statements**

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

Given these uncertainties, prospective investors are cautioned not to place any undue reliance on such forward-looking statements. These forward-looking statements speak only as at the date of this document. Subject to its legal and regulatory obligations (including under the Prospectus Regulation Rules), the Company expressly disclaims any obligations to update or revise any forward-looking statement contained herein to reflect any change in expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based unless required to do so by law or any appropriate regulatory authority, including FSMA, the UK Prospectus Regulation, the Prospectus Regulation Rules, the Disclosure Guidance and Transparency Rules, the UK Market

Abuse Regulation and the Listing Rules. Any forward-looking statement is subject to the Risk Factors on pages 8 to 23 of this document.

Nothing in the preceding two paragraphs should be taken as limiting the working capital statement in paragraph 9 of Part 8 (*Additional information*) of this document.

**General**

No broker, dealer or other person has been authorised by the Company to issue any advertisement or to give any information or to make any representations in connection with the offering or sale of New CREI Shares other than those contained in the Prospectus and, if issued, given or made, such advertisement, information or representation must not be relied upon as having been authorised by the Company, Deutsche Numis or any of their respective affiliates, officers, directors, employees or agents.

No person has been authorised to give any information or to make any representations other than those contained in this document and, if given or made, such information or representation must not be relied on as having been authorised by CREI or Deutsche Numis. Without prejudice to the Company's obligations under the UK Prospectus Regulation, the Prospectus Regulation Rules, the Listing Rules, the UK Market Abuse Regulation and the Disclosure Guidance and Transparency Rules, neither the delivery of the Prospectus nor any subscription for or purchase of CREI Shares made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Company or the Group since, or that the information contained in the Prospectus is correct as at any time subsequent to, the date of the Prospectus. No statement in this document is intended as a profit forecast.

The contents of this document are not to be construed as advice relating to legal, financial, taxation, investment or any other matters. Prospective investors should inform themselves as to:

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

None of the Company, Deutsche Numis nor any of their respective representatives is making any representation to an offeree or purchaser under the laws applicable to such offeree or purchaser. Prospective investors should consult with and must rely upon their own representatives, including their own legal advisers and accountants, as to legal, tax, business, investment or any other related matters concerning the Company and an investment in the New CREI Shares.

An investment in New CREI Shares should be regarded as a long-term investment. There can be no assurance that the Company's investment objective will be achieved.

The Prospectus, together with the documents incorporated herein by reference, should be read in their entirety before making any investment in New CREI Shares.

Prospective investors should rely only on the information contained in the Prospectus (including the documents incorporated herein by reference). No person has been authorised to give any information or make any representations other than as contained in the Prospectus and, if given or made, such information or representations must not be relied on as having been authorised by the Company, the Investment Manager, the Depositary, Deutsche Numis or any of their respective affiliates, officers, directors, members, employees or agents.

All Shareholders are entitled to the benefit of, are bound by, and are deemed to have notice of, the provisions of the Company's memorandum of association and the Articles which investors should review. A summary of the Articles is contained in paragraph 6 of Part 8 (*Additional information*) of this document under the section headed "Articles of Association".

Statements made in this document are based on the law and practice in force in England and Wales as at the date of this document and are subject to changes therein.

**Accounting year ends**

The CREI Group's financial year ends on 31 March and the API Group's financial year ends on 31 December. It is intended that the consolidated financial reports for the Combined Group will have an accounting financial year ending on 31 March each year.

**Sources of financial information**

Unless specified otherwise, financial information in this document relating to the CREI Group has been extracted without material adjustment from the audited and unaudited historical financial information referred to in Part 4 (*Financial information on the CREI Group*) of this document for the financial year ended 31 March 2023 and the six months ended 30 September 2023, prepared in accordance with IFRS.

Unless specified otherwise, financial information relating to the API Group in this document has been extracted without material adjustment from the historical financial information referred to in Part 5 (*Financial information on the API Group*) of this document for the financial year ended 31 December 2022 and the six months ended 30 June 2023, prepared in accordance with IFRS.

Where information has been sourced from a third party, the Company confirms that the information has been accurately reproduced and, as far as the Company is aware and able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading. Where third party information has been used, the source of such information has been identified wherever it appears in this document.

**Synergies**

The estimated cost synergies referred to in this document are unaudited and are based on analysis by the Investment Manager and on CREI's internal records and certain of API's internal records. Further information underlying the Quantified Financial Benefits Statement is contained in paragraph 12 of Part 8 (*Additional information*) of this document.

**Presentation of financial information and other data**

***Market, economic and industry data***

This document includes certain market, economic and industry data which were obtained by the Company from industry publications, data and reports compiled by professional organisations, analysts and data from other external sources. Where information has been referenced in this document, the source of that third party information has been disclosed. The Company confirms that such data has been accurately reproduced and, so far as it is aware and are able to ascertain from information published from such sources, no facts have been omitted which would render the reproduced information inaccurate or misleading.

In some cases, there is no readily available external information to validate market-related analyses and estimates, requiring the Company to rely on internally developed estimates and the Investment Manager's, Directors' and Proposed Directors' knowledge of the UK property markets.

***Currency presentation***

Unless otherwise indicated, all references in this document to "**sterling**", "**pounds sterling**", "**£**" or "**pence**" are to the lawful currency of the UK.

***Rounding***

Some percentages and amounts in this document have been rounded. As a result of this rounding, figures shown as totals in this document may vary slightly from the exact arithmetic aggregation of the figures that precede them. In addition, certain percentages presented in this document reflect calculations based upon the underlying information prior to rounding and, accordingly, may not conform exactly to the percentages that would be derived if the relevant calculations were based upon the rounded numbers.

***Definitions***

A list of defined terms used in this document is set out at Part 9 of this document.

**Performance data**

This document includes information regarding the track record and performance data of the CREI Group. Such information is not necessarily comprehensive and investors should not consider such information to be indicative of the possible future performance of the CREI Group (or, following the Merger, the Combined Group) or any investment opportunity to which this document relates. The past performance of the CREI Group, the API Group and the Investment Manager is not a reliable indicator of, and cannot be relied upon as a guide to, the future performance of those parties or the Combined Group. There can be no assurance that the Company or its portfolio will achieve comparable results to those presented in this document, that the Company or the Investment Manager will be able to implement their investment strategies or achieve the Company's investment objective or that the returns generated by any investments by the Company will equal or exceed any past returns presented herein. Prospective investors should be aware that any investment in the Company is speculative, involves a high degree of risk, and could result in the loss of all or substantially all of their investment.

**Targets**

This document contains certain information in relation to dividend targets. These targets have been developed based upon assumptions with respect to future business decisions and conditions that are subject to change, including the Group's execution of its investment objective and strategies, as well as growth in the sectors and markets in which the Group operates. As a result, the Group's actual results may vary from the targets set out in this document and those variations may be material. The Company does not undertake to publish updates as to its progress towards achieving any of these targets, including as it may be impacted by events or circumstances existing or arising after the date of this document or to reflect the occurrence of unanticipated events or circumstances. There can be no assurance that these targets will be met and they should not be taken as an indication of the Group's expected future results. Accordingly, potential investors should not place any reliance on these targets in deciding whether or not to invest in the Company and should decide for themselves whether or not the target dividend yield is reasonable or achievable.

**No incorporation of website information**

Save for the parts of the CREI 2023 Annual Report and Accounts, CREI 2023 Interim Report, API 2022 Annual Report and Accounts, and API 2023 Interim Report that are explicitly incorporated into this document by reference, the contents of the websites www.custodianreit.com and www.abrdnpit.co.uk do not form part of this document. Investors should base their decision whether or not to invest in the New CREI Shares on the contents of the Prospectus alone.

**Times and dates**

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

**Data protection**

The information that a prospective investor in the Company provides in documents in relation to an acquisition of New CREI Shares or subsequently by whatever means which relates to the prospective investor (if it is an individual) or a third party individual ("**personal data**") will be held and processed by the Company (and any third party to whom it may delegate certain administrative functions in relation to the Company) in compliance with (a) the EU General Data Protection Regulation 2016/679 ("**EU GDPR**") and/or the EU GDPR as it forms part of the domestic law of the United Kingdom by virtue of the EUWA ("**UK GDPR**") and the UK Data Protection Act 2018 (as amended from time to time) ("**Data Protection Legislation**"); and (b) the Company's privacy notice, a copy of which is available for review on the Company's website www.custodianreit.com (and, if applicable, any other third party delegate's private notice) ("**Privacy Notice**").

Without limitation to the foregoing, each prospective investor acknowledges that it has been informed that such information will be held and processed by the Company (or any third party, functionary or agent appointed by the Company, which may include, without limitation, the Registrar) and/or the Investment Manager in accordance with the Company's Privacy Notice for the purposes set out therein including:

- verifying the identity of the prospective investor to comply with statutory and regulatory requirements in relation to anti-money laundering procedures;
- carrying out the business of the Company and the administering of interests in the Company;
- meeting the legal, regulatory, reporting and/or financial obligations of the Company in the UK or elsewhere or any third party, functionary or agent appointed by the Company; and
- disclosing personal data to other functionaries of, or advisers to, the Company to operate and/or administer the Company.

For the purposes set out above, it may be necessary for the Company (or any third party, functionary or agent appointed by the Company, which may include, without limitation, the Registrar) and/or the Investment Manager to:

- disclose personal data to third party service providers, affiliates, agents or functionaries appointed by the Company or its agents to provide services to prospective investors; and
- transfer personal data outside of the United Kingdom (or the EEA, to the extent that EU GDPR applies in respect of the personal data being transferred) to countries or territories which do not offer the same level of protection for the rights and freedoms of prospective investors in the United Kingdom or the EEA (as applicable).

The foregoing processing of personal data is required in order to perform the contract with the prospective investor to comply with the legal and regulatory obligations of the Company or otherwise is necessary for the legitimate interests of the Company.

If the Company (or any third party, functionary or agent appointed by the Company, which may include, without limitation, the Registrar) discloses personal data to such a third party, agent or functionary and/or makes such a transfer of personal data it will use reasonable endeavours to ensure that such transfer is in accordance with applicable Data Protection Legislation.

When the Company, or its permitted third parties, transfers personal information outside the United Kingdom (or the EEA, to the extent that the EU GDPR applies in respect of the personal data being transferred), it will ensure that the transfer is subject to appropriate safeguards in accordance with applicable Data Protection Legislation.

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

Individuals have certain rights in relation to their personal data; such rights and the manner in which they can be exercised are set out in the Company's Privacy Notice.

**Information to distributors**

Solely for the purposes of the product governance requirements contained within (a) Directive 2014/65/EU of the European Parliament and the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU ("**EU MiFID**") and Regulation (EU) No 600/2014 of the European Parliament and the Council of 15 May 2014 on markets in financial instruments and amending Regulation (EU) Management Engagement Committee No 648/2012 ("**MiFIR**", and together with EU MiFID, "**EU MiFID II**"), as amended from time to time; (b) the UK's implementation of EU Directive 2014/65/EU on markets in financial instruments, as amended ("**UK MiFID II**"); (c) Articles 9 and 10 of Commission Delegated Directive (EU) 2017/593 supplementing EU MiFID II; and (d) the UK's implementation of Articles 9 and 10 of Commission Delegated Directive (EU) 2017/593 supplementing UK MiFID II, and in particular Chapter 3 of the Product Intervention and Product Governance Sourcebook of the FCA (together, the "**MiFID II Product Governance Requirements**"), and disclaiming all and any liability whether arising in tort, contract or otherwise, which any "manufacturer" (for the purposes of the MiFID II Product Governance Requirements) may otherwise have with respect thereto, the CREI Shares have been subject to a product approval process, which has determined that the CREI Shares are: (i) compatible with an end target market of retail investors and investors who meet the criteria of professional clients and eligible counterparties, each as defined in EU MiFID II or UK MiFID II (as applicable); and (ii) eligible for distribution through all distribution channels as are permitted by EU MiFID II or UK MiFID II (the "**Target Market Assessment**").

Notwithstanding the Target Market Assessment, distributors (such term to have the same meaning as in the MiFID II Product Governance Requirements) should note that: the market price of the CREI Shares may decline and investors could lose all or part of their investment; the CREI Shares offer no guaranteed income and no capital protection; and an investment in the CREI Shares is compatible only with investors who do not need a guaranteed income or capital protection, who (either alone or in conjunction with an appropriate financial or other adviser) are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses that may result therefrom. The Target Market Assessment is without prejudice to the requirements of any contractual, legal or regulatory selling restrictions in relation to the New CREI Shares to be issued to API Shareholders in connection with the Merger.

For the avoidance of doubt, the Target Market Assessment does not constitute: (a) an assessment of suitability or appropriateness for the purposes of EU MiFID II or UK MiFID II; or (b) a recommendation to any investor or group of investors to invest in, or purchase, or take any other action whatsoever with respect to the CREI Shares.

Each distributor is responsible for undertaking its own target market assessment in respect of the CREI Shares and determining appropriate distribution channels.

## Expected timetable of principal events

| | **Time and/or date[1]** ***2024*** |
|---|---|
| Announcement of the proposed Merger | 19 January |
| Publication of this document and the Scheme Document | 1 February |
| **Latest time and date for receipt of proxy appointments for the CREI General Meeting** | **9.30 a.m. on 23 February** |
| Voting record time for the CREI General Meeting | close of business on 23 February[2] |
| Latest time for lodging forms of proxy for the API Court Meeting | 10.00 a.m. on 26 February |
| Latest time for lodging forms of proxy for the API General Meeting | 10.15 a.m. on 26 February |
| Voting Record Time for the API Court Meeting and the API General Meeting | 6.00 p.m. on 26 February[3] |
| **CREI General Meeting** | **9.30 a.m. on 27 February** |
| **API Court Meeting** | **10.00 a.m. on 28 February** |
| **API General Meeting** | **10.15 a.m. on 28 February[4]** |
| Sanction Hearing | 28 March |
| Last day of dealings in, and for registration of transfers of, API Shares | 28 March |
| Scheme Record Time | 6.00 p.m. on 28 March |
| Suspension of listing of, and dealings in, API Shares and disablement of API Shares in CREST | 7.30 a.m. on 2 April |
| **Effective Date of the Merger** | **by 8.00 a.m. on 2 April** |
| Delisting of API Shares | by 8.00 a.m. on 2 April |
| New CREI Shares issued to API Shareholders | by 8.00 a.m. on 2 April |
| Admission and commencement of dealings in New CREI Shares | 8.00 a.m. on 2 April |
| CREST accounts of API Shareholders credited with New CREI Shares | as soon as is reasonably practical on 2 April |
| Despatch of share certificates for New CREI Shares | within 14 calendar days of the Effective Date |
| Long Stop Date | 30 April[5] |

**Notes**:

1. References to times are to London time. These times and dates are indicative only and will depend, among other things, on the date upon which the Court sanctions the Scheme and the date on which the Conditions are satisfied or, if capable of waiver, waived. If any of the dates and/or times in this expected timetable change, the revised dates and/or times will be notified to CREI Shareholders by announcement through an RIS.
2. If the CREI General Meeting is adjourned for no more than 48 hours after the original time, the same voting record date will also apply at the adjourned meeting. If the CREI General Meeting is adjourned for more than 48 hours, then the voting record date will be the close of business on the day which is two days (excluding non-working days) before the day of the adjourned meeting or, if CREI gives notice of the adjourned meeting, at any time specified in that notice.
3. If either the API Court Meeting or the CREI General Meeting is adjourned, the Voting Record Time of the adjourned meeting(s) will be 6.00 p.m. on the date falling two days before the date of the adjourned meeting.
4. The API General Meeting will commence at 10.15 a.m. on the day of the API Court Meeting or as soon thereafter as the API Court Meeting has been concluded or adjourned.
5. The Long Stop Date is the latest date by which the Scheme may become Effective. However, the Long Stop Date may be extended to such later date as CREI and API may agree in writing (with the Takeover Panel's consent and as the Court may approve (should such approval(s) be required)).

## Indicative Statistics

| | |
|---|---|
| Number of Existing CREI Shares in issue as at the Latest Practicable Date | 440,850,398 |
| Number of New CREI Shares to be issued for each Scheme Share[(1)] | 0.78 |
| Number of New CREI Shares to be issued pursuant to the Merger[(2)] | 297,350,802 |
| Number of CREI Shares in issue immediately following completion of the Merger[(2)] | 738,201,200 |
| New CREI Shares as a percentage of the issued share capital of the Company immediately following completion of the Merger[(2)] | 40.3% |
| Estimated expenses of the Merger payable by the Company (excluding VAT) | £5.9 million |
| ISIN number for the CREI Shares and New CREI Shares | GB00BJFLFT45 |
| SEDOL number for the CREI Shares and New CREI Shares | BJFLFT4 |
| TIDM for the CREI Shares and New CREI Shares | CREI |

(1) *Figure assumes that the Exchange Ratio is not adjusted. CREI shall adjust the Exchange Ratio in the circumstances set out in paragraph 2 of Part 1 (Letter from the Chairman) of this document.*

(2) *Figures are calculated assuming that the number of CREI Shares and the number of API Shares in issue as at the Latest Practicable Date do not change between the Latest Practicable Date and completion of the Merger (other than the issue of New CREI Shares pursuant to the Merger) and that the Exchange Ratio is not adjusted.*

## Directors, Proposed Directors, Company Secretary, Registered Office and Advisers

| | |
|---|---|
| Directors | David MacLellan (Independent Non-Executive Chairman)<br>Elizabeth McMeikan (Senior Independent Non-Executive Director)<br>Hazel Adam (Independent Non-executive Director)<br>Malcolm Cooper (Independent Non-executive Director)<br>Chris Ireland (Independent Non-Executive Director)<br>Ian Mattioli MBE (Non-executive Director)<br><br>*all of the registered office below* |
| Proposed Directors | Jill May (Independent Non-executive Director)<br>Sarah Slater (Independent Non-executive Director)<br><br>*both of the registered office below* |
| Company Secretary | Ed Moore |
| Registered Office | 1 New Walk Place<br>Leicester<br>LE1 6RU |
| Investment Manager and Administrator | Custodian Capital Limited<br>1 New Walk Place<br>Leicester<br>LE1 6RU |
| Sponsor, Broker and Financial Adviser | Deutsche Numis<br>45 Gresham Street<br>London<br>EC2V 7BF |
| Legal Adviser to the Company | Stephenson Harwood LLP<br>1 Finsbury Circus<br>London<br>EC2M 7SH |
| Legal Adviser to Deutsche Numis | Hogan Lovells International LLP<br>Atlantic House<br>Holborn Viaduct<br>London<br>EC1A 2FG |
| Depositary | Langham Hall UK Depositary LLP<br>8th Floor<br>1 Fleet Place<br>London<br>EC4M 7RA |
| Registrar and Receiving Agent | Link Group<br>Central Square<br>29 Wellington Street<br>Leeds<br>LS1 4DL |
| Reporting Accountant | RSM UK Corporate Finance LLP<br>6th Floor<br>25 Farringdon Street<br>London<br>EC4A 4AB |

| | |
|---|---|
| Auditors | Deloitte LLP<br>1 New Street Square<br>London<br>EC4A 3HQ |
| External Valuers (as defined by the RICS Valuation – Global Standards) | Savills<br>33 Margaret Street<br>London<br>W1G 0JD |
| | Knight Frank LLP<br>55 Baker Street<br>Marylebone<br>London<br>W1U 8AN |

## Part 1

## Letter from the Chairman

# Custodian Property Income REIT plc

*(incorporated in England and Wales with company number 8863271 and registered as an investment company under section 833 of the Companies Act 2006)*

*Directors*
David MacLellan, *Independent Non-Executive Chair*
Elizabeth McMeikan, *Senior Independent Non-Executive Director*
Chris Ireland, *Independent Non-Executive Director*
Hazel Adam, *Independent Non-Executive Director*
Malcolm Cooper, *Independent Non-Executive Director*
Ian Mattioli MBE, *Non-Executive Director*

*Registered Office:*
1 New Walk Place
Leicester
LE1 6RU

1 February 2024

Dear Shareholders

**Recommended Share Offer for abrdn Property Income Trust Limited and Notice of General Meeting**

### 1 INTRODUCTION

On 19 January 2024, the boards of Custodian Property Income REIT plc ("**CREI**" or the "**Company**") and abrdn Property Income Trust Limited ("**API**") jointly announced that they had reached agreement on the terms and conditions of a recommended all-share merger pursuant to which CREI will acquire the entire issued and to be issued share capital of API (the "**Merger**"). The Merger is to be effected by means of a Court-sanctioned scheme of arrangement between API and API Shareholders under Part VIII of the Companies Law of Guernsey (the "**Scheme**"). The Scheme is subject to a number of Conditions summarised in paragraph 9 (*Structure of the Merger*) of this Part 1. The full terms and conditions of the Scheme are set out in the Scheme Document, which has been published by API today.

Under the terms of the Merger, Scheme Shareholders will be entitled to receive New CREI Shares for the Schemes Shares that they hold. The Merger is therefore conditional upon, amongst other things, CREI Shareholders' approval of an ordinary resolution seeking authority to issue the New CREI Shares in connection with the Merger (the "**CREI Resolution**"). The CREI General Meeting has been convened for 9.30 a.m. on 27 February 2024 at the offices of Deutsche Numis, 45 Gresham Street, London EC2V 7BF at which the CREI Resolution will be put to a vote.

Further details of the CREI Resolution are set out in paragraph 14 (*CREI General Meeting*) of this Part 1 below and the full text of the CREI Resolution is set out in the Notice of General Meeting in Part 10 (*Notice of General Meeting*) of this document.

The CREI Directors consider the Merger to be in the best interests of CREI Shareholders as a whole. The CREI Directors therefore recommend unanimously that CREI Shareholders vote in favour of the CREI Resolution to be proposed at the CREI General Meeting, as those CREI Directors, together with certain of Ian Mattioli's close relatives and related trusts, who hold CREI Shares have irrevocably undertaken to do in respect of their own holdings of CREI Shares.

The API Directors have similarly recommended that Scheme Shareholders vote in favour of the Scheme at the API Court Meeting and API Shareholders vote in favour of the resolutions required to give effect to the Merger at the API General Meeting, as the API Directors who hold API Shares have irrevocably undertaken to do in respect of their shareholdings.

The purpose of this letter is to give you further details of the Merger, including the background to the Merger, the strategic rationale and benefits of it, to explain why the CREI Directors consider the CREI Resolution to be in the best interests of CREI Shareholders as a whole, and to seek your approval of the CREI Resolution.

## 2 SUMMARY OF THE TERMS OF THE MERGER

Under the terms of the Merger, for each Scheme Share, Scheme Shareholders will be entitled to receive:

**0.78 New CREI Shares**

The Exchange Ratio is based on the Rolled-Forward Unaudited EPRA NTA of each of CREI and API as at 31 December 2023, subject to certain adjustments to reflect post balance sheet asset disposals, the fair value of each company's debt and derivatives, the relative levels of dividend cover between the two companies and the costs expected to be incurred by each party in connection with the Merger.

On this basis, following completion of the Merger, existing CREI Shareholders will hold approximately 59.7 per cent. and API Shareholders approximately 40.3 per cent. respectively of the Combined Group.

Applying the Exchange Ratio to the Closing Price per CREI Share of 72.3 pence on 30 January 2024 (being the Latest Practicable Date) values each API Share at 56.4 pence and the entire issued and to be issued share capital of API at approximately £215 million, representing a premium of approximately 17.5 per cent. to the Closing Price of 48.0 pence per API Share on 18 January 2024 (being the last Business Day prior to the commencement of the Offer Period).

Applying the Exchange Ratio to the Closing Price per CREI Share of 79.6 pence on 18 January 2024 (being the last Business Day prior to the commencement of the Offer Period) values each API Share at 62.1 pence and the entire issued and to be issued share capital of API at approximately £237 million, representing a premium of approximately 29.4 per cent. to the Closing Price of 48.0 pence per API Share on 18 January 2024 (being the last Business Day prior to the commencement of the Offer Period).

Part 6 (*Property valuation reports*) of this document contains reports from the External Valuers for CREI's property assets as at 31 December 2023. Each of Knight Frank and Savills has given and not withdrawn its consent to the publication of its valuation report in this announcement in the form and context in which it is included.

The boards of CREI and API will retain their current dividend policies for the period to the Effective Date. CREI and API have agreed that API Shareholders will be entitled to receive and retain a quarterly final dividend of up to 1.0 penny per API Share in respect of the quarter ended 31 December 2023 (the "**API Q4 Dividend**") and that CREI Shareholders will be entitled to receive and retain a quarterly interim dividend of up to 1.375 pence per CREI Share in respect of the quarter ended 31 December 2023 (the "**CREI Q3 Dividend**"). The API Q4 Dividend and the CREI Q3 Dividend will each be declared on, and paid by reference to, a date falling prior to the Effective Date, consistent with their respective past practices as to timing and amount of such dividends. Payment of each of the API Q4 Dividend and the CREI Q3 Dividend is expected to occur in late February 2024. Further announcements will be made by the boards of CREI and API in due course.

It is currently expected that the Merger will become Effective on 2 April 2024. The New CREI Shares will be issued credited as fully paid-up and will rank *pari passu* in all respects with the CREI Shares in issue at the time the New CREI Shares are issued, including the right to receive and retain dividends and other distributions declared, made or paid by reference to a record date on or after the Effective Date. Accordingly, based on the expected timetable for the Merger to become Effective, Scheme Shareholders, assuming the Scheme Shareholder has retained their New CREI Shares, would receive the quarterly final dividend to be declared by CREI in respect of the quarter ended 31 March 2024 (the "**CREI Q4 Dividend**").

If, however, the timetable for the Merger is delayed such that the Merger will become Effective after the expected date (but prior to the Long Stop Date), CREI and API have agreed that API Shareholders will be entitled to receive and retain any quarterly interim dividend declared by API in respect of the quarter ended 31 March 2024 (the "**API Q1 Dividend**") and CREI Shareholders will be entitled to receive and retain any CREI Q4 Dividend declared by CREI, in each case, to be declared consistent with their respective past practices as to timing and amount of such dividends.

The Exchange Ratio will be adjusted:

(a) in the event that either CREI or API announces, declares, makes or pays any one or more dividends or other distributions prior to the Merger becoming Effective that is or are, in aggregate, in excess of: (i) 1.375 pence per CREI Share in respect of the CREI Q3 Dividend and, if the ex dividend date falls prior to the Merger becoming Effective, 1.375 pence per CREI Share in respect of the CREI Q4 Dividend; or (ii) 1.0 penny per API Share in respect of the API Q4 Dividend and, if the ex-dividend date falls prior to the Merger becoming Effective, 1.0 penny per API Share in respect of the API Q1 Dividend (the amount of such excess in each case being the "**Excess**"), in which event the adjustment to the Exchange Ratio shall be to take account of the Excess; and/or

(b) in the event that (i) the API Q1 Dividend is not covered by the income earned in the relevant quarter (the "**API Q1 Uncovered Dividend Portion**"), or (ii) the CREI Q4 Dividend is not covered by the income earned in the relevant quarter (the "**CREI Q4 Uncovered Dividend Portion**"), in which event the adjustment to the Exchange Ratio shall be to take account of the API Q1 Uncovered Dividend Portion and/or the CREI Q4 Uncovered Dividend Portion; and/or

(c) if, at the time of completion of the Merger, either CREI or API has announced, declared, made or paid the CREI Q4 Dividend or the API Q1 Dividend, respectively, but the other has not announced, declared, made or paid its corresponding dividend (a "**Dividend Discrepancy**"), in which case the adjustment to the Exchange Ratio shall be to take account of the Dividend Discrepancy.

In the event that any adjustment to the Exchange Ratio is required pursuant to (a), (b) and/or (c) above, such adjustment will be made by reference to the relevant Rolled-Forward Unaudited EPRA NTA(s) as at 31 December 2023. Any adjustment to the Exchange Ratio referred to above shall be the subject of an announcement and, for the avoidance of doubt, shall not be regarded as constituting any revision or variation of the terms of the Scheme or the Merger. To the extent that a dividend or distribution has been declared but not paid prior to the Effective Date, and such dividend or distribution is cancelled, then the Exchange Ratio shall not be subject to change in accordance with this paragraph.

Following completion of the Merger, the Combined Group intends to maintain CREI's dividend and dividend cover going forward. On the basis of market conditions as at the date of this document, CREI is targeting a dividend per share of at least 5.5 pence per CREI Share for the year ending 31 March 2024, and CREI's aim is to grow its dividend on a sustainable basis as earnings grow over time through capturing the available rental growth in the combined portfolio's reversionary potential.

The dividends referred to above are not intended as a profit forecast or estimate for CREI or API for any period and no statement in this document should be interpreted to mean that earnings or earnings per CREI Share or per API Share for the current or future financial years would necessarily match or exceed the historical published earnings or earnings per CREI Share or per API Share.

The Merger is subject to the conditions set out in the Scheme Document, published by API today, and as summarised in paragraph 9 (*Structure of the Merger*) of this Part 1. It is currently expected that the API Court Meeting and the API General Meeting will be held on 28 February 2024 and that the Scheme will become Effective on 2 April 2024.

Following completion of the Merger, it is expected that Jill May and Sarah Slater, currently non-executive directors of API, will be appointed to the CREI Board as independent non-executive directors. Following the integration of the API portfolio, the CREI Board expects to conduct a review of its succession plan, assessing its composition and size to ensure an appropriate combination of skills, experience, diversity and knowledge, pursuant to which the Board intends to become fully independent.

In support of the Merger, CREI has received:

- irrevocable undertakings from each of the API Directors who are interested in API Shares to vote in favour of the Scheme at the API Court Meeting and vote in favour of the API Resolution at the API General Meeting (or, in the event that the Merger is implemented by way of a Takeover Offer, to accept or procure acceptance of the Takeover Offer), in respect of, in

aggregate 295,092 API Shares representing approximately 0.08 per cent. of the issued share capital of API as at the Latest Practicable Date; and

- non-binding letters of intent to vote in favour of the Scheme at the API Court Meeting and in favour of the API Resolution at the API General Meeting (or, in the event that the Merger is implemented by way of Takeover Offer, to accept or procure acceptance of the Takeover Offer), from Brooks Macdonald Asset Management, Mattioli Woods and Wise Funds Limited in respect of 38,169,670 API Shares representing approximately 10.01 per cent. of the issued share capital of API as at the Latest Practicable Date.

In total, CREI has therefore received irrevocable undertakings and letters of intent, including those irrevocable undertakings from all API Directors, in respect of, in aggregate, 38,464,762 API Shares, representing approximately 10.09 per cent. of the issued ordinary share capital of API as at the Latest Practicable Date.

The irrevocable undertakings provided by the API Directors will cease to be binding if:

(i) any resolution to be proposed at the API Court Meeting and the API General Meeting is not approved by the requisite majority of API Shareholders;

(ii) the Scheme has not become Effective on or before the Long Stop Date (or such later time or date as agreed between API and CREI with the approval of the Court and/or the Takeover Panel, if required);

(iii) the Scheme lapses or is withdrawn in accordance with its terms; or

(iv) any competing offer for the entire issued and to be issued share capital of API becomes or is declared unconditional (if implemented by way of a takeover offer) or, if proceeding by way of a scheme of arrangement, becomes effective in accordance with its terms.

Following the Scheme becoming Effective, CREI intends to retain a premium listing on the Official List and to continue to be traded on the Main Market. Please refer to paragraph 12 (*Listing, Dealing and Settlement of the New CREI Shares*) of this Part 1 for further information.

## 3 BACKGROUND TO AND REASONS FOR THE MERGER

CREI and API share an income-focused investment strategy with an emphasis on regional, below-institutional sized assets that are well-positioned to capture the rental growth and yield advantage available in order to generate higher income returns and capital growth for shareholders.

The CREI Board and the API Board believe that the Merger would bring together two complementary portfolios to create a differentiated REIT with enhanced diversification and share liquidity and a fully covered and sustainable dividend for the Combined Group's shareholders. The portfolio of the Combined Group is expected to support the strategies sought by both CREI Shareholders and API Shareholders in a larger, more liquid and broadly diversified portfolio.

The boards of CREI and API believe there is a compelling strategic and financial rationale for the Merger. In particular, shareholders in the Combined Group are expected to benefit from:

- A substantially larger portfolio with approximately 200 assets and a combined property value in excess of £1.0 billion as at 31 December 2023;
- An enhanced portfolio diversification by asset, geography and tenant with broad-based regional exposure, with 50 per cent. of the Combined Group's income derived from the top 54 tenants and 90 per cent. of the Combined Group's income derived from the top 204 tenants, an average lot size of approximately £5 million and similar tenant covenant profiles as at 31 December 2023;
- A continuation of CREI's focus on below-institutional sized assets which delivers greater diversification, with no single tenant accounting for more than 2 per cent. of the Combined Group's rent roll, and supports the performance of the portfolio in a variety of market conditions. This focus enables CREI to find mispriced assets and make counter-cyclical investments in order to secure future rental and capital growth;
- A suitable balance between the main commercial property sectors, in keeping with each of CREI's and API's existing policies, including significant exposure to the industrial sector (representing 44 per cent. of the Combined Group's ERV as at 31 December 2023) which

continues to benefit from low vacancy levels, limited new supply, strong occupier demand and, hence, rental growth;

- Meaningful reversionary potential with the combined ERV of £84.3 million exceeding the combined passing rent of £68.1 million by 24 per cent. at 31 December 2023;
- A shared commitment to sustainability underpinning the shared asset management strategy with 81 per cent. of the combined portfolio holding an EPC rating of C or above;
- A stronger and more resilient balance sheet enhancing the Combined Group's ability to grow and to address future refinancing events, with the retention of CREI's and API's existing debt facilities implying a *pro forma* LTV of approximately 30.2 per cent., a weighted average cost of debt of 5.0 per cent. and a weighted average debt maturity of 3.8 years for the Combined Group as at 31 December 2023. The Company expects the weighted average cost of debt to decline over the medium term as Custodian Capital expects to continue each company's ongoing programme of asset disposals, subject to prevailing sector specific market conditions at the time of such disposals to, in part, fund a reduction in the quantum of variable rate debt in the Combined Group. The aggregate debt portfolio of £225 million of fixed rate debt expiring between 2025 – 2032 and the £125 million of revolving credit facilities will allow for the ongoing financing of the Combined Group in the long and short term;
- Continued commitment to paying a fully covered dividend, in line with CREI's existing policy and practice since IPO, which would result in an uplift in annual dividends payable to API Shareholders, with an objective of growing the dividend on a sustainable basis;
- Creation of an enlarged REIT with an enhanced market profile, a broader appeal to investors, greater share liquidity, and the scale to support a larger weighting in key indices with potential for inclusion in the FTSE 250 Index in due course;
- Diversification of the shareholder register of the Combined Group with a broad mix of private and institutional investors, while enabling mutual shareholders to consolidate their holdings across the two companies;
- Continued focus on corporate governance, with the CREI Board benefiting from the added expertise of the Proposed Directors and the transition to a fully independent board following the integration of the two companies; and
- Material cost savings, comprising: (i) £1.0 million of recurring annual cost savings realised principally from a reduction in management fees due to CREI's tiered fee structure and the removal of duplicated corporate expenses and other potential operational efficiencies; and (ii) £2.1 million of additional non-recurring cost savings during the Transition Period as a result of a reduction in management fees payable to Custodian Capital.

The Combined Group's *pro forma* sector weighting by ERV as at 31 December 2023 is shown below:

| | **Weighting by ERV (as at 31 December 2023)** | | |
|---|---|---|---|
| **Sector** | **CREI** | **API** | **Combined Group** |
| Industrial | 41% | 48% | 44% |
| Office | 16% | 25% | 20% |
| Retail warehousing | 22% | 11% | 18% |
| Other(*) | 13% | 12% | 12% |
| High street retail | 8% | 4% | 6% |

*(*) 'Other' sectors include: (i) in respect of the CREI portfolio, pubs and restaurants, gyms, drive-throughs, motor trade, leisure and trade counter; and (ii) in respect of the API portfolio, leisure, data centres, student housing, hotels (and apart-hotels) and healthcare.*

The Combined Group's *pro forma* weighting by tenant quality as at 31 December 2023 is shown below:

| | Weighting by ERV (as at 31 December 2023) | | |
|---|---|---|---|
| **Experian risk rating** | **CREI** | **API** | **Combined Group** |
| Government | 2% | 9% | 5% |
| Very low risk | 57% | 51% | 54% |
| Low risk | 8% | 14% | 10% |
| Below average risk | 13% | 10% | 12% |
| Above average risk | 8% | 5% | 7% |
| High risk | 2% | 1% | 2% |
| Other(*) | 11% | 9% | 10% |

*(*) 'Other' includes vacant properties and those occupied by private individuals, charities, LLPs for which Experian ratings are not available.*

## 4 QUANTIFIED FINANCIAL BENEFITS STATEMENT

The CREI Directors, having reviewed and analysed the potential cost savings of the Combined Group, as well as taking into account factors they can influence, believe the Combined Group can deliver shareholder value through the expected realisation of approximately:

- £1.0 million of pre-tax recurring run-rate cost synergies by the end of the first year following the Effective Date (the "**Recurring Cost Synergies**"); and
- £2.1 million of additional non-recurring pre-tax cost synergies during the Transition Period (the "**Transition Period Cost Synergies**").

The Recurring Cost Synergies are expected to be realised principally from:

- Management fees: unification of investment management under Custodian Capital, delivering an estimated £0.5 million of annualised run-rate cost synergies derived from lower management and administrative fees charged on the API investment properties (the "**Management Fee Savings**"); and
- Corporate and administrative: rationalisation of duplicated listing, administration and operational expenses delivering at least an estimated £0.5 million of annualised run rate cost synergies.

The additional Transition Period Cost Synergies are expected to be realised principally from:

- Amended management fee tiers: reduction in the management fees payable by CREI to Custodian Capital for the Transition Period delivering an estimated £0.3 million of annualised run rate cost synergies (£0.6 million total estimated cost synergies) through the consolidation of the first two fee tiers into one fee tier, such that the consolidated fee tier will be calculated as a fee of 0.75 per cent. in respect of the NAV of the Combined Group which is less than or equal to £500 million (rather than a fee of 0.90 per cent. in respect of NAV up to £200 million and 0.75 per cent. up to £500 million) (the "**Amended Management Fee Tier Savings**"); and
- Partial management fee waiver: Custodian Capital has agreed to waive its management fee in relation to the NAV attributable to the API portfolio for the first nine months following completion of the Merger (the "**Partial Management Fee Waiver Savings**") delivering an estimated £1.5 million of cost synergies in the first year following the Effective Date.

In order to achieve the Management Fee Savings, the Amended Management Fee Tier Savings and the Partial Management Fee Waiver Savings, it is estimated that API will incur one-off costs of between £1.5 million and £2.0 million in connection with the termination of the API Investment Management Agreement. These costs will be incurred within the first year following the Effective Date and have been reflected as a cost to API within the Exchange Ratio. The CREI Directors expect that any costs incurred in the realisation of the other cost synergies will be immaterial.

Other potential adverse effects of the Merger have been considered and were determined by the CREI Directors to be immaterial for the analysis.

The identified cost savings will accrue as a direct result of the Merger and would not be achieved on a standalone basis.

These statements relating to identified cost savings and estimated savings relate to future actions or circumstances which by their nature involve risks, uncertainties and contingencies. As a consequence, the identified synergies and estimated savings referred to may not be achieved, may be achieved later or sooner than estimated, or those achieved could be materially different from those estimated.

Further information on the bases of belief supporting the Quantified Financial Benefits Statement, including the principal assumptions and sources of information, is set out in paragraph 12 (*Synergy information*) of Part 8 (*Additional information*) of this document. These estimated synergies have been reported on by RSM UK Corporate Finance LLP and by CREI's financial adviser, Deutsche Numis, at the time of the Merger Announcement. As required by Rule 27.2(d)(ii) of the Takeover Code, each of RSM UK Corporate Finance LLP and Deutsche Numis have confirmed to CREI that the reports that they produced continue to apply.

## 5 AMENDMENTS TO CREI'S EXISTING MANAGEMENT AGREEMENT

With effect from completion of the Merger, Custodian Capital will provide investment management, administrative and advisory services to the Combined Group pursuant to the terms of the Amended and Restated Investment Management Agreement. It has been agreed between CREI and Custodian Capital that Custodian Capital will waive its management fee in relation to the NAV attributable to API for the first nine months following completion of the Merger. There will also be a reduction in the management fees payable by CREI to Custodian Capital for the duration of the Transition Period. This will be implemented through the consolidation of the first two fee tiers into one fee tier, such that the consolidated fee tier will be calculated as a fee of 0.75 per cent. in respect of the Net Asset Value of the Combined Group which is less than or equal to £500 million (rather than a fee of 0.90 per cent. in respect of NAV up to £200 million and 0.75 per cent. up to £500 million).

In recognition of the waiver and reduction of fees, the CREI Board has agreed to an extension of the term of Custodian Capital's appointment as Investment Manager which will continue from the Effective Date, with either party able to serve 12 months' written notice to terminate the management arrangements for the Combined Group, save that such notice may not be served prior to the conclusion of the Transition Period. In connection with Custodian Capital's additional work on the Merger, CREI shall pay Custodian Capital a one-off project fee of £350,000 (exclusive of VAT), which shall reduce to £75,000 (exclusive of VAT) if the Merger does not become Effective.

These changes are documented in the Amended and Restated Investment Management Agreement, the terms of which shall take effect from the Effective Date.

API's existing investment management agreement with abrdn Fund Managers Limited (which includes provisions for an orderly handover) will be terminated.

The CREI Board believes that the terms of the Amended and Restated Investment Management Agreement will promote management stability and ensure that Custodian Capital is appropriately incentivised to continue to invest in its capabilities for the benefit of the Combined Group.

The entry by CREI into the Amended and Restated Investment Management Agreement falls within Listing Rule 11.1.10R (smaller related party transactions) and therefore CREI Shareholders are not required to approve these amendments.

By the end of the Transition Period, the Management Engagement Committee intends to conduct its regular review of the terms of Custodian Capital's appointment to ensure that the terms comply with market and industry practice and remain in the best interests of the shareholders of the Combined Group.

The Amended and Restated Investment Management Agreement is conditional on completion of the Merger. Further details relating to the Amended and Restated Investment Management Agreement is set out in paragraph 11.5 of Part 8 (*Additional information*) of this document.

## 6 SUMMARY INFORMATION ON CREI

Custodian Property Income REIT plc is a closed-ended investment company incorporated in England and Wales on 27 January 2014 and registered as an investment company under section 833 of the Companies Act 2006. The Company conducts its affairs so as to enable it to continue to qualify as a REIT for the purposes of Part 12 of the CTA 2010 (and the regulations made thereunder). The Company's ordinary shares are admitted to the premium listing segment of the Official List of the Financial Conduct Authority and are traded on the premium segment of the London Stock Exchange's Main Market.

CREI's portfolio was valued at £602 million as at 31 December 2023 with an EPRA Topped-Up Net Initial Yield of 6.2 per cent., a reversionary yield of 7.8 per cent., a 41 per cent. weighting by ERV to industrial assets and Rolled-Forward Unaudited EPRA NTA of £413 million or 93.7 pence per CREI Share. Those valuation reports are set out in Part 6 (*Property valuation reports*) of this document. As at 18 January 2024 (being the last Business Day prior to the commencement of the Offer Period), CREI had a market capitalisation of £351 million.

The Company has appointed Custodian Capital as its investment manager and AIFM. The Investment Manager is a private company limited by shares and comprises a team of experienced individuals with expertise in the operation of and investment in UK commercial real estate.

A fundamental element of CREI's strategy is to target smaller sized properties, principally characterised by properties with individual values of less than £10 million at acquisition, to capture the yield advantage available relative to larger sized properties. In the period from 2010 – 2023, data sourced from PropertyData[1] show that there is a transaction yield advantage of approximately 150 basis points between properties with individual values below £10 million versus properties with individual values above £10 million, compared to a yield advantage of approximately 60 basis points between 2000 – 2010. The CREI Board believes that this implied increase in yield differential since 2010 is not entirely reflective of a rise in risk associated with smaller properties but also due to a change in the supply and demand dynamics in the market. The CREI Board believes these dynamics are principally because of an increase in strategies that pursue larger sized properties, which has resulted in a reduction in the associated yields, which has coincided with those same investors reducing their exposure to smaller sized properties and thus increasing the supply of such assets and associated yields.

Further information on CREI is set out Part 2 (*Information on the CREI Group*) and Part 4 (*Financial information on the CREI Group)* of this document.

## 7 SUMMARY INFORMATION ON API

API, established in 2003, is a UK real estate investment trust investing in a diversified portfolio of UK commercial properties in the industrial, office, retail and "other" sectors with the objective of providing shareholders with an attractive level of income together with the prospect of income and capital growth.

API's portfolio was valued at £439 million as at 31 December 2023 with an EPRA Topped-Up Net Initial Yield of 5.4 per cent., a reversionary yield of 7.3 per cent., a 48 per cent. weighting by ERV to industrial assets and Rolled-Forward Unaudited EPRA NTA of £299 million or 78.5 pence per API Share. As at 18 January 2024 (being the last Business Day prior to the commencement of the Offer Period), API had a market capitalisation of £183 million.

Further information on API is set out in Part 3 (*Information on the API Group*) of this document.

## 8 INTENTIONS FOR THE COMBINED GROUP

*Property strategy*

With effect from completion of the Merger, Custodian Capital will provide investment management, administrative and advisory services to the Combined Group. Custodian Capital expects to continue each company's ongoing programme of asset disposals, subject to prevailing sector specific market conditions at the time of such disposals, to reduce the quantum of variable rate debt in the Combined Group and to fund ongoing capital expenditure programmes. Ongoing capital expenditure

[1] Average transaction yields between Q1 2010 – Q1 2023 as per PropertyData.

is essential to the rental performance of the portfolio of the Combined Group and will be prioritised over new acquisitions, in part to meet target environmental commitments.

*Board composition and governance arrangements*

Following completion of the Merger, it is expected that Jill May and Sarah Slater will join the CREI Board as non-executive directors. Biographical information about Jill May and Sarah Slater is set out in paragraph 12 of Part 2 (*Information on the CREI Group*) of this document.

The CREI Board believes that these appointments will provide good continuity for API Shareholders and deliver a board with the complementary experience and skills necessary to drive the Combined Group forward following completion of the Merger. Post-Merger, the CREI Board will therefore comprise: David MacLellan, Elizabeth McMeikan, Hazel Adam, Malcolm Cooper, Chris Ireland, Ian Mattioli MBE, Jill May and Sarah Slater.

Following the integration of the API portfolio, the CREI Board expects to conduct a review of its succession plan, assessing its composition and size to ensure an appropriate combination of skills, experience, diversity and knowledge.

In connection with this review, Ian Mattioli MBE has informed the CREI Board of his intention to retire as a director of CREI at the annual general meeting of CREI prior to the conclusion of the Transition Period, which will result in a fully independent board. The CREI Board values Ian as a founding Director of CREI and a representative of individual private clients of Custodian Capital's parent company, Mattioli Woods plc (the "**Mattioli Woods Clients**"). The Mattioli Woods Clients represent approximately 65 per cent. of the Register by value[2] and Ian's intention reflects that this proportion is expected to be reduced substantially as a consequence of the Merger. The CREI Board continues to have high regard for Ian's insight and expertise, and it is expected that he will continue to serve a valuable role for CREI in his capacity as chair of Custodian Capital, Chief Executive Officer of Mattioli Woods plc and an ongoing representative of Mattioli Woods Clients, including attendance at board meetings as part of the senior management team of Custodian Capital. Ian Mattioli MBE and his family own 6.1 million CREI Shares (representing approximately 1.4 per cent. of the CREI shareholder register by value as at the Latest Practicable Date) and intend to remain long-term shareholders of the Combined Group.

Following the Effective Date, CREI intends to delist API and to surrender API's registration as an authorised closed-ended collective investment scheme regulated by the GFSC. Consequently, API will not require listed company governance structures and accordingly, it is intended that the API Directors will cease to be directors of API and its subsidiaries (as applicable) with effect from completion of the Merger.

Following API's delisting certain functions which exist in relation to API's status as a listed company will no longer be required or will be reduced in size, reflecting the new structure within the Combined Group.

*Management and employees*

The API Group does not have any employees and therefore does not operate any pension scheme, nor does it have any arrangements in place for any employee involvement in its capital. API has no place of business that will be affected by the Merger, fixed assets (other than its property portfolio), research and development function or headquarters. CREI has no intention to change these features of the API Group, or to introduce any management incentivisation arrangements for the Combined Group following completion of the Merger. It is expected that API's existing investment management agreement (which includes provisions for an orderly handover) will be terminated.

*Management arrangements and fees for the Combined Group*

As described in paragraph 5 (*Amendments to CREI's Existing Management Agreement*) of this Part 1, it has been agreed between CREI and Custodian Capital that Custodian Capital will waive its management fee in relation to the NAV attributable to API for the first nine months following completion of the Merger. There will also be a reduction in the management fees paid by CREI to the Custodian Capital for the duration of the Transition Period, by the end of which the Management Engagement Committee of CREI intends to conduct its regular review of the terms of Custodian

[2] Based on shareholder registers as at 31 December 2023, shares held by Mattioli Woods on behalf of discretionary managed portfolios operated on behalf of its clients represented 3.5 per cent. and 6.4 per cent. of the CREI and API shareholder registers by value, respectively.

Capital's appointment to ensure that the terms comply with market and industry practice and remain in the best interests of Shareholders. In recognition of the waiver and reduction in fees, the CREI Board has agreed to an extension of the term of Custodian Capital's appointment pursuant to the terms of the Amended and Restated Investment Management Agreement until the conclusion of the Transition Period, at which point the contract will revert to being terminable on 12 months' written notice. The CREI Board believes that this will promote management stability and ensure that Custodian Capital is appropriately incentivised to continue to invest in its capabilities for the benefit of the Combined Group.

*Listing and registered office*

Following the Effective Date, CREI will remain listed on the Premium segment of the Official List and admitted to trading on the Main Market. The registered office of CREI will remain in Leicester.

*REIT status*

Both the CREI Group and the API Group fall within the UK REIT regime and benefit from the tax efficiencies provided by that regime. The Combined Group is expected to fall within the UK REIT regime and the relevant tax measures will continue to apply to the Combined Group.

*Delisting of API*

Prior to the Scheme becoming Effective, it is intended that API will make applications to the FCA and the London Stock Exchange for: (i) the cancellation of the premium listing of the API Shares on the Official List; and (ii) the cancellation of trading of API Shares on the London Stock Exchange's main market for listed securities, in each case to take effect from or shortly after the Effective Date.

## 9 STRUCTURE OF THE MERGER

It is intended that the Merger will be effected by means of a Court-sanctioned scheme of arrangement between API and the Scheme Shareholders under Part VIII of the Companies Law of Guernsey. The procedure involves, among other things, an application by API to the Court to sanction the Scheme, in consideration for which Scheme Shareholders who are on the register of members of API at the Scheme Record Time will receive consideration on the basis set out in paragraph 2 above. The purpose of the Scheme is to provide for CREI to become the holder of the entire issued ordinary share capital of API.

The Merger is subject to the terms and conditions set out in the Scheme Document, which was published by API today and is available on API's website at www.abrdnpit.co.uk and CREI's website at www.custodianreit.com, and will only become Effective if, among other things, the following events occur on or before 11.59 p.m. (London Time) on the Long Stop Date (or such later date as CREI and API may, with the consent of the Takeover Panel, agree and, if required, the Court may allow):

(i) approval of the Scheme by a majority in number of the Scheme Shareholders who are present and voting (and entitled to vote), either in person or by proxy, at the API Court Meeting or at any adjournment thereof and who represent not less than 75 per cent. of the voting rights of such Scheme Shareholders;

(ii) the API Resolution is passed at the API General Meeting or at any adjournment thereof by the requisite majority of votes validly cast on the API Resolution, whether in person or by proxy;

(iii) the CREI Resolution is passed at the CREI General Meeting or at any adjournment thereof by the requisite majority;

(iv) the FCA having acknowledged to CREI or its agent (and such acknowledgement not having been withdrawn) that the application for the admission of the New CREI Shares to the Official List with a Premium segment listing has been approved and (after satisfaction of any conditions to which such approval is expressed to be subject) will become effective as soon as a dealing notice has been issued by the FCA and any listing conditions having been satisfied;

(v) the London Stock Exchange having acknowledged to CREI or its agent (and such acknowledgement not having been withdrawn) that the New CREI Shares will be admitted to trading on the Main Market;

(vi) following the API Meetings, the Scheme is sanctioned by the Court (without modification, or with modification on terms agreed by CREI and API); and

(vii) the Scheme becoming Effective by no later than 11.59 p.m. on the Long Stop Date.

The Scheme will become Effective at the time and date to be stated in the Court Order. Upon the Scheme becoming Effective (i) it will be binding on all Scheme Shareholders, irrespective of whether or not they attended or voted at the API Meetings (and if they attended and voted, whether or not they voted in favour); and (ii) share certificates in respect of API Shares will cease to be valid and entitlements to API Shares held within the CREST system will be cancelled.

CREI will announce completion of the Merger through an RIS as soon as practicable following Admission.

Fractions of New CREI Shares will not be allotted or issued pursuant to the Scheme and entitlements will be rounded down to the nearest whole number of New CREI Shares. Fractional entitlements to New CREI Shares will be aggregated and sold in the market as soon as practicable after the Effective Date and the net proceeds of sale (after deduction of all expenses and commissions incurred in connection with the sale) will be distributed by CREI in due proportions to Scheme Shareholders who would otherwise have been entitled to such fractions, save that individual entitlements to amounts of less than £5 will not be paid to API Shareholders but will be retained for the benefit of the Combined Group.

The Scheme will lapse if:

- either the API Court Meeting or the API General Meeting are not held on or before the 22nd day after the expected date of such API Meetings, set out in the Scheme Document (or such later date as may be agreed between CREI and API with the consent of the Takeover Panel (and that the Court may allow if required));
- the Sanction Hearing is not held on or before the 22nd day after the expected date of the Sanction Hearing, to be set out in the Scheme Document in due course (or such later date as may be agreed between CREI and API with the consent of the Takeover Panel (and that the Court may allow if required)); or
- the Scheme does not become Effective on or before 11.59 p.m. (London Time) on the Long Stop Date,

provided, however, that the deadlines for the timing of the API Court Meeting, the API General Meeting and the Sanction Hearing, as set out in the Scheme Document, may be waived by CREI, and the Long Stop Date may be extended by agreement in writing between CREI and API (with the Takeover Panel's consent and as the Court may allow, if such consent and/or approval is/are required). If any of the dates and/or times in the Scheme Document change, the revised dates and/or times will be notified to API Shareholders by announcement through a Regulatory Information Service, with such announcement being made available on API's website at www.abrdnpit.co.uk.

The Scheme Document includes full details of the Scheme, together with notices of the API Court Meeting and the API General Meeting and the expected timetable, and specifies the action to be taken by Scheme Shareholders.

Subject, amongst other things, to the satisfaction or waiver of the Conditions, it is currently expected that the Scheme will become Effective on 2 April 2024. The Scheme will be governed by Guernsey law and will be subject to the jurisdiction of the Court. The Scheme will be subject to the applicable requirements of the Takeover Code, the Takeover Panel, the London Stock Exchange and the FCA.

## 10 RESERVING THE RIGHT TO PROCEED BY WAY OF AN OFFER

Subject to obtaining the consent of the Takeover Panel, CREI reserves the right to elect to implement the Merger by way of a Takeover Offer as an alternative to the Scheme. In such event, the Takeover Offer will be implemented on substantially the same terms (subject to appropriate amendments), so far as applicable, as those which would apply to the Scheme including (without limitation) the inclusion of an acceptance condition set at 90 per cent. of the API Shares to which the Takeover Offer relates (or such lower percentage as CREI may, subject to the rules of the Takeover Code and with the consent of the Takeover Panel, decide, being in any case more than 50 per cent. of the API Shares), or any amendments required by applicable law. If CREI does elect to implement the Merger by way of a Takeover Offer, and if sufficient acceptances of such Takeover

Offer are received and/or sufficient API Shares are otherwise acquired, it is the intention of CREI to apply the provisions of Part XVIII of the Companies Law of Guernsey to acquire compulsorily any outstanding API Shares to which the Merger relates.

## 11 THE NEW CREI SHARES

The New CREI Shares will be issued credited as fully paid and will rank *pari passu* in all respects with the Existing CREI Shares, including the right to receive all dividends and other distributions (if any) declared, paid or made by CREI by reference to a record date falling after the Scheme Record Time. The New CREI Shares will be created under the Companies Act and the legislation made thereunder, will be issued in registered form and will be capable of being held in both certificated and uncertificated form. The other rights attached to the New CREI Shares are set out in paragraph 6 of Part 8 (*Additional information*) of this document.

Approval of the issue of the New CREI Shares will be sought at the CREI General Meeting pursuant to the CREI Resolution.

## 12 LISTING, DEALING AND SETTLEMENT OF THE NEW CREI SHARES

The CREI Shares are listed on the premium segment of the Official List of the FCA and admitted to trading on the London Stock Exchange's Main Market. Applications will be made to the FCA and to the London Stock Exchange, respectively, for the New CREI Shares issued pursuant to the Merger to be admitted to the premium segment of the Official List and to trading on the premium segment of the Main Market (together, "**Admission**").

It is expected that Admission will become effective and that dealings on the London Stock Exchange in the New CREI Shares will commence at 8.00 a.m. (London time) on 2 April 2024.

No application is currently intended to be made for the Existing CREI Shares or the New CREI Shares to be admitted to listing or dealing on any other exchange.

The Existing CREI Shares are already admitted to CREST. It is expected that all of the New CREI Shares, when issued and fully paid, will be capable of being held and transferred by means of CREST.

The New CREI Shares will trade under the same ISIN as the Existing CREI Shares, being GB00BJFLFT45.

## 13 DEALINGS AND CANCELLATION OF LISTING OF API SHARES

Prior to the Scheme becoming Effective, it is intended that applications will be made to the FCA and the London Stock Exchange for: (i) the cancellation of the premium listing of the API Shares on the Official List; and (ii) the cancellation of trading of the API Shares on the Main Market.

It is intended that dealings in, and registration of transfers of, API Shares (other than the registration of the transfer of the Scheme Shares to CREI pursuant to the Scheme) will be suspended shortly before the Effective Date in accordance with the timetable set out in this document. It is further intended that applications will be made to the London Stock Exchange to cancel trading in API Shares on the Main Market, and to the FCA to cancel the listing of the API Shares on the Official List, in each case with effect from or shortly following the Effective Date (currently expected to be 2 April 2024).

On the Effective Date, share certificates in respect of Scheme Shares will cease to be valid. Such share certificates should be destroyed or, at the request of API, delivered up to API, or to any person appointed by API to receive the same. In addition, from 7.30 a.m. on the Effective Date, each holding of API Shares credited to any stock account in CREST will be disabled and all API Shares will be removed from CREST in due course.

On the Effective Date, CREI will acquire the API Shares fully paid and free from all liens, equitable interests, charges, encumbrances and other third party rights of any nature whatsoever and together with all rights attaching to them including the right to receive all dividends and distributions (if any) declared, made or paid, on or after the date of the Merger Announcement, save for the API Q4 Dividend and API Q1 Dividend as described above.

## 14 CREI GENERAL MEETING

You will find set out at the end of this document a Notice of General Meeting convening the CREI General Meeting to be held on 27 February 2024 at 9.30 a.m. at which the CREI Resolution will be proposed. The full text of the Notice of General Meeting and the CREI Resolution is set out in Part 10 (*Notice of General Meeting*) of this document.

As noted in the Conditions to the Scheme described above, the implementation of the Merger is conditional upon the passing of the following ordinary resolution, being the CREI Resolution to authorise the CREI Directors generally and unconditionally to allot and issue up to 305,000,000 New CREI Shares in connection with the Merger which represents 69.2 per cent. of CREI's issued share capital as at the Latest Practicable Date. If granted this authority will expire on 31 December 2024 (unless previously revoked, renewed or varied by the Company in general meeting).

The full text of the CREI Resolution is set out in the Notice of General Meeting in Part 10 (*Notice of General Meeting*) of this document. **If the CREI Resolution is not passed by the CREI Shareholders at the CREI General Meeting, the Merger will not proceed.**

## 15 IRREVOCABLE UNDERTAKINGS

CREI has received irrevocable undertakings from those CREI Directors, together with certain of Ian Mattioli's close relatives and related trusts, who hold CREI Shares to vote in favour of the CREI Resolution to be proposed at the CREI General Meeting in respect of their beneficial holdings of 6,204,817 CREI Shares, in aggregate, representing approximately 1.41 per cent, of CREI's issued ordinary share capital as at the Latest Practicable Date.

The undertakings provided by the CREI Directors will cease to be binding if:

- the Merger terminates, lapses or is withdrawn in accordance with its terms; or
- the Scheme has not become effective, or the Takeover Offer has not been declared unconditional in all respects (as the case may be), in accordance with the requirements of the Takeover Code by 6.00 p.m. on the Long Stop Date or such later time or date as agreed between API and CREI with the approval of the Court and/or the Panel, if required.

## 16 ACTION TO BE TAKEN IN RESPECT OF THE CREI GENERAL MEETING

CREI is seeking approval of the CREI Resolution at the CREI General Meeting and your support is important to us.

To vote on the CREI Resolution you may vote:

- by logging on to www.SignalShares.com and following the instructions;
- by downloading the Shareholder app, LinkVote+, on Apple App Store or Google Play and following the instructions;
- by requesting a hard copy form of proxy directly from the Company's registrars, Link Group;
- in the case of CREST members, by utilising the CREST electronic proxy appointment service;
- if you are an institutional investor, you may be able to appoint a proxy electronically via the Proxymity platform at www.proxymity.io.

Whether or not you intend to be present at the CREI General Meeting in person, in order for a proxy appointment to be valid it is important that you have recorded proxy details using one of the methods set out above by no later than 9.30 a.m. on 23 February 2024. Appointment of a proxy will not preclude you from attending the CREI General Meeting in person, if you so wish and are entitled.

If you are an institutional investor, you may be able to appoint a proxy electronically via the Proxymity platform, a process which has been agreed by the Company and approved by the Registrar. For further information regarding Proxymity, please go to www.proxymity.io. Your proxy must be lodged by 9.30 a.m. on 23 February 2024 in order to be considered valid or, if the meeting is adjourned, by the time which is 48 hours (excluding non-business days) before the time of the adjourned meeting. Before you can appoint a proxy via this process you will need to have agreed to Proxymity's associated terms and conditions. It is important that you read these carefully as you will be bound by them and they will govern the electronic appointment of your proxy. An electronic

proxy appointment via the Proxymity platform may be revoked completely by sending an authenticated message via the platform instructing the removal of your proxy vote.

Further details are set out in the Notice of General Meeting in Part 10 (*Notice of General Meeting*) at the end of this document.

Recipients of this document who are the beneficial owners of CREI Shares held through a nominee should follow the instructions provided by their nominee or their professional adviser if no instructions have been provided.

If you have any queries relating to this document or attending and voting at the CREI General Meeting, please telephone the Registrar on the following number, 0371 664 0300. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. The Helpline is open between 9.00 a.m. until 5.30 p.m., Monday to Friday excluding public holidays in England and Wales.

**If you are in any doubt about the contents of this document or as to the action you should take, you should consult an independent financial adviser authorised under the Financial Services and Markets Act 2000 (as amended) if you are in the United Kingdom, or another appropriately authorised independent financial adviser if you are in a territory outside the United Kingdom, without delay.**

## 17 RISKS AND ADDITIONAL INFORMATION

Your attention is drawn to the further information set out in Part 3 (*Information on the API Group*) and Part 8 (*Additional information*) of this document and, in particular, to the section entitled "Risk Factors" on pages 8 to 23 of this document.

CREI Shareholders and prospective investors are advised to read the whole of the document and not rely only on the summary information presented in this letter.

## 18 OVERSEAS SHAREHOLDERS

### *General*

The availability of New CREI Shares under the Merger to API Shareholders who are not resident in the UK may be affected by the laws of the relevant jurisdictions in which they are resident. This document has been prepared for the purpose of complying with English law and applicable regulations and the information disclosed may not be the same as that which would have been disclosed if this document had been prepared in accordance with the laws of jurisdictions outside of England. Overseas Shareholders should inform themselves about and should observe any applicable legal or regulatory requirements and, in case of doubt, should consult their own legal and tax advisers with respect to the legal and tax consequences of the Merger in their particular circumstances. It is the responsibility of all Overseas Shareholders to satisfy themselves as to the full compliance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required, or the compliance with other necessary formalities which are required to be observed and the payment of any issue, transfer or other taxes due in such jurisdiction.

This document does not constitute an offer to sell or issue or the solicitation of an offer to buy, acquire or subscribe for shares in the capital of CREI in any Excluded Territory or to any person to whom it is unlawful to make such offer or solicitation. None of the securities referred to in this document shall be sold, issued or transferred in any jurisdiction in contravention of applicable law and/or regulation.

## 19 TAXATION

Information regarding taxation in the UK in relation to the CREI Shares is set out in Part 7 (*REIT status and taxation*) of this document. CREI Shareholders and prospective investors who are in any doubt as to their tax position, or who are subject to tax in any other jurisdiction, should consult their appropriate professional adviser as soon as possible.

## 20 API BOARD RECOMMENDATION

The API Directors, who have been so advised by Lazard & Co., Limited (the "**Rule 3 Adviser**") as to the financial terms of the Merger, consider the terms of the Merger to be fair and reasonable. In providing its advice to the API Directors, the Rule 3 Adviser has taken into account the commercial assessments of the API Directors. The Rule 3 Adviser is providing independent financial advice to the API Directors for the purposes of Rule 3 of the Takeover Code.

Accordingly, the API Directors recommend unanimously that Scheme Shareholders vote in favour of the Scheme at the API Court Meeting (or, in the event that the Merger is implemented by a Takeover Offer, to accept such Takeover Offer) and that API Shareholders vote in favour of the API Resolution to be proposed at the API General Meeting, as the API Directors have irrevocably undertaken to do in respect of their own beneficial holdings of, in aggregate, 295,092 API Shares, representing approximately 0.08 per cent. of the issued ordinary share capital of API as at the Latest Practicable Date.

## 21 CREI BOARD RECOMMENDATION

The CREI Directors consider the Merger to be in the best interests of CREI Shareholders as a whole.

The Merger will be conditional on the approval of the CREI Shareholders of the CREI Resolution to be proposed at the CREI General Meeting. The CREI Resolution is an ordinary resolution seeking shareholder authority to issue and allot the New CREI Shares.

The CREI Directors therefore recommend unanimously that CREI Shareholders vote in favour of the CREI Resolution to be proposed at the CREI General Meeting, as the CREI Directors, together with certain of Ian Mattioli's close relatives and related trusts, have irrevocably undertaken to do in respect of their own holdings of, in aggregate, 6,204,817 CREI Shares, representing approximately 1.41 per cent. of the issued ordinary share capital of CREI as at the Latest Practicable Date.

Yours sincerely,

**David MacLellan**
***Chairman of Custodian Property Income REIT plc***

# Part 2

# Information on the CREI Group

## 1 Introduction to the Company

Custodian Property Income REIT plc is a closed-ended investment company incorporated in England and Wales on 27 January 2014 and registered as an investment company under section 833 of the Companies Act 2006. The Company conducts its affairs so as to enable it to continue to qualify as a REIT for the purposes of Part 12 of the CTA 2010 (and the regulations made thereunder). The Company's ordinary shares are admitted to the premium listing segment of the Official List of the Financial Conduct Authority and are traded on the premium segment of the London Stock Exchange's Main Market.

## 2 Investment objective

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

## 3 Investment policy

The Company's investment policy is:

(a) To invest in a diversified portfolio of UK commercial real estate principally characterised by smaller, regional, core/core-plus properties that provide enhanced income returns. Core real estate generally offers the lowest risk and target returns, requiring little asset management and fully let on long leases. Core-plus real estate generally offers low-to-moderate risk and target returns, typically high-quality and well-occupied properties but also providing asset management opportunities.

(b) The property portfolio should not exceed a maximum weighting to any one property sector, or to any geographic region, of greater than 50 per cent.

(c) To focus on areas with high residual values, strong local economies and an imbalance between supply and demand. Within these locations the objective is to acquire modern buildings or those that are considered fit for purpose by occupiers.

(d) No one tenant or property should account for more than 10 per cent. of the total rent roll of the Company's portfolio at the time of purchase, except:

  (i) in the case of a single tenant which is a governmental body or department for which no percentage limit to proportion of the total rent roll shall apply; or

  (ii) in the case of a single tenant rated by Dun & Bradstreet with a credit risk score higher than 2, in which case the exposure to such single tenant may not exceed 5 per cent. of the total rent roll (a risk score of 2 represents "lower than average risk").

(e) The Company will not undertake speculative development (that is, development of property which has not been leased or pre-leased), save for redevelopment and refurbishment of existing holdings, but may invest in forward funding agreements or forward commitments (these being, arrangements by which the Company may acquire pre-development land under a structure designed to provide the Company with investment rather than development risk) of pre-let developments where the Company intends to own the completed development. Substantial redevelopments and refurbishments of existing properties which expose the Company to development risk would not exceed 10 per cent. of the Company's gross assets.

(f) For the avoidance of doubt, the Company is committed to seeking further growth in the Company, which may involve strategic property portfolio acquisitions and corporate consolidation, such transactions potentially including public and private companies, holding companies and special purpose vehicles.

(g) The Company may use gearing, including to fund the acquisition of property and cash flow requirements, provided that the maximum gearing shall not exceed 35 per cent. of the aggregate market value of all the properties of the Company at the time of borrowing. Over

the medium term the Company is expected to target borrowings of 25 per cent. of the aggregate market value of all the properties of the Company at the time of borrowing.

(h) The Company reserves the right to use efficient portfolio management techniques, such as interest rate hedging and credit default swaps, to mitigate market volatility.

(i) Uninvested cash or surplus capital or assets may be invested on a temporary basis in:

  (i) cash or cash equivalents, money market instruments, bonds, commercial paper or other debt obligations with banks or other counterparties having a single-A (or equivalent) or higher credit rating as determined by an internationally recognised rating agency; or

  (ii) any "government and public securities" as defined for the purposes of the FCA rules.

(j) Gearing, calculated as borrowings as a percentage of the aggregate market value of all the properties of the Company and its subsidiaries, may not exceed 35 per cent. at the time such borrowings are incurred.

**4 Changes to investment policy**

No material change will be made to the investment policy without the approval of Shareholders by ordinary resolution at a general meeting, which will also be notified by an RIS announcement.

**5 Dividend policy**

The Company expects to pay interim dividends on a quarterly basis in cash.

On the basis of market conditions as at the date of this document, the Company is targeting a dividend per share of at least 5.5 pence per Ordinary Share for the year ending 31 March 2024. The Board attaches considerable importance to the dividend. The Company's aim is to grow its dividend on a sustainable basis, as earnings grow over time, through capturing the available rental growth from the combined portfolio's reversionary potential, at a rate which is fully covered by projected net rental income and does not inhibit the flexibility of the Company's investment strategy.

The Company paid dividends of 5.5 pence per Ordinary Share in aggregate for the year ended 31 March 2023, which were 102 per cent. covered by EPRA earnings of £24.8 million.

In order to comply with REIT status, the Company is required to meet a minimum distribution test for each year that it is a REIT. This minimum distribution test requires the Company to distribute 90 per cent. of the income profits of its Property Rental Business for each accounting period, as adjusted for tax purposes. Further details of the tax treatment of an investment in the Company are set out in Part 7 (*REIT status and taxation*) of this document.

The target dividends stated above are guidance levels or targets only and not a profit forecast and there can be no assurance that they will be met. These targets have been developed based upon assumptions with respect to future business decisions and conditions that are subject to change, including the Group's execution of its investment objective and strategies, as well as growth in the sectors and markets in which the Group operates. As a result, the Group's actual results may vary from the targets set out above and those variations may be material. The Company does not undertake to publish updates as to its progress towards achieving any of these targets, including as it may be impacted by events or circumstances existing or arising after the date of this document or to reflect the occurrence of unanticipated events or circumstances. Accordingly, potential investors should not place any reliance on these targets in deciding whether or not to invest in the Company and should decide for themselves whether or not the target dividend yield is reasonable or achievable.

**6 Gearing policy**

The Company intends to continue to operate with a conservative level of net gearing, with target borrowings over the medium-term of 25 per cent. of the aggregate market value of all properties of the Company as at the time of drawdown (market value to be determined in accordance with the most recent valuation of the properties at that time).

The borrowings are secured by way of a first charge over a discrete number of properties in the Company's portfolio, which leaves the remaining properties unencumbered from fixed charges.

Additional properties can be added to the charged portfolios, as required, to remain below the maximum loan-to-value ratio of the Company's borrowings.

The Company has entered into the Facility Agreements, pursuant to which the Company has the following facilities available:

- A £50 million revolving credit facility with Lloyds Bank with interest of between 1.62 per cent. and 1.92 per cent. above SONIA, determined by reference to the prevailing LTV ratio of a discrete security pool of assets, and expiring on 10 November 2026. The facility limit can be increased to £75 million with Lloyds Bank's approval;
- A £20 million term loan facility with Scottish Widows repayable in August 2025, with fixed annual interest of 3.935 per cent.;
- A £45 million term loan facility with Scottish Widows repayable in June 2028, with fixed annual interest of 2.987 per cent.; and
- A £75 million term loan facility with Aviva comprising:
    - a £35 million tranche repayable on 6 April 2032, with fixed annual interest of 3.02 per cent.;
    - a £15 million tranche repayable on 3 November 2032 with fixed annual interest of 3.26 per cent.; and
    - a £25 million tranche repayable on 3 November 2032 with fixed annual interest of 4.10 per cent.

Each facility has a discrete security pool, comprising a number of the Company's individual properties, over which the relevant lender has security and the following covenants: (i) the maximum LTV of each discrete security pool is between 45 per cent. and 50 per cent., with an overarching covenant on the Company's property portfolio of a maximum of between 35 per cent. and 40 per cent. LTV; and (ii) historical interest cover, requiring net rental income from each discrete security pool, over the preceding three months, to exceed between 200 per cent. and 250 per cent. of the facility's quarterly interest liability.

At the Latest Practicable Date, the Company had £116.9 million (19.7 per cent. of the property portfolio) of unencumbered assets, which could be charged to the security pools to enhance the LTV on the individual loans.

The weighted average cost of the Company's drawn debt facilities at 31 December 2023 was 4.3 per cent., with a weighted average maturity of 5.4 years. At 31 December 2023, the Company had £50 million drawn under its Revolving Credit Facility, meaning 74 per cent. of the Company's drawn debt facilities were at fixed rates of interest.

This high proportion of fixed rate debt significantly mitigates long-term interest rate risk for the Company and provides shareholders with a beneficial margin between the fixed cost of debt and income returns from the property portfolio.

Further details of the Facility Agreements are set out in paragraphs 11.8 to 11.11 of Part 8 (*Additional information*) of this document.

## 7 Valuation policy

The CREI Group uses Knight Frank LLP and Savills (UK) Limited as its External Valuers (as defined by the RICS Valuation – Global Standards) for the purposes of establishing the fair value of its property portfolio. The properties held by the Group are valued quarterly as at 31 March, 30 June, 30 September and 31 December in each year.

In connection with the Merger, a valuation of the CREI Portfolio was undertaken as at 31 December 2023. The valuation reports are included in Part 6 (*Property valuation reports*) of this document. There has been no material change to the values of the properties since 31 December 2023.

The valuations of the CREI Group's properties are at fair value as determined by the External Valuers on the basis of market value in accordance with the internationally accepted RICS Appraisal and Valuation Standards. The valuations are based upon assumptions including future rental income and the appropriate capitalisation rate and the External Valuers make reference to market evidence of transaction prices for similar properties.

Valuations will only be suspended in circumstances where the underlying information necessary to value the Company's properties cannot readily, or without undue expenditure, be obtained or in other circumstances (such as a systems failure of the External Valuers) which prevents the Company from making such valuations.

Details of each valuation, and of any suspension in the making of such valuations, are announced by the Company by an RIS announcement as soon as practicable after the relevant valuation date.

## 8 Net Asset Value and Investment Returns

The NAV and the NAV per Ordinary Share are calculated on a quarterly basis by the Investment Manager. Details of each valuation are notified by an RIS announcement as soon as practicable after the end of the relevant quarter. The quarterly valuations of the NAV and NAV per Ordinary Share are calculated on the basis of the most recent quarterly independent valuation of the Group's properties.

The calculation of the NAV will only be suspended in circumstances where the underlying data necessary to value the investments of the Company cannot readily, or without undue expenditure, be obtained or in other circumstances (such as a systems failure of the Investment Manager) which prevent the Investment Manager from making such calculations. Details of any suspension in making such calculations will be announced via an RIS as soon as practicable after any such suspension occurs.

For the purposes of calculating the Exchange Ratio under the Merger, an additional calculation of the CREI Group's Rolled-Forward Unaudited EPRA NTA has been made as at 31 December 2023, which was calculated on the basis of an external valuation of the CREI Portfolio as at that date. As at that date, the CREI Group had a Rolled-Forward Unaudited EPRA NTA per Ordinary Share of 93.7 pence.[3]

Since the CREI Shares were first admitted to trading on the Main Market on 26 March 2014, the Ordinary Shares, assuming dividends reinvested, have delivered a total shareholder return of 20.4 per cent., comprising changes in the market price of Ordinary Shares and dividends paid to Shareholders up to the Latest Practicable Date. The Group has delivered an average annual total NAV return to 31 December 2023 of 5.5 per cent. per annum, comprising compounded annual NAV change and dividends paid to Shareholders.

## 9 CREI Portfolio

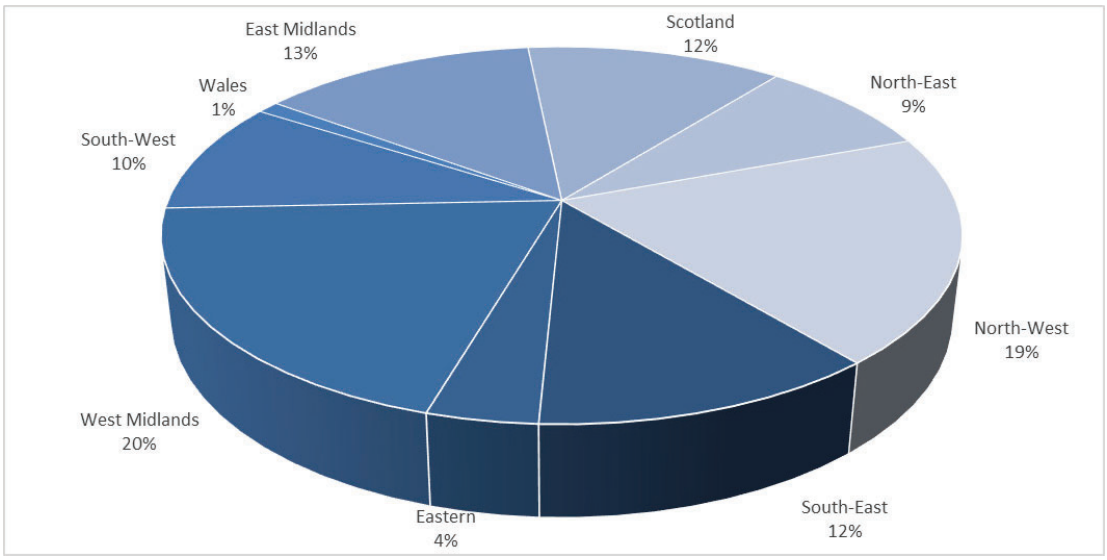
As at 31 December 2023, the CREI Portfolio was valued by the External Valuers at approximately £601.8 million (unaudited) and consisted of 158 assets spread across the UK. Those valuation reports are set out in Part 6 (*Property valuation reports*) of this document.

Further information regarding the CREI Portfolio is set out below.

[3] The Rolled-Forward Unaudited EPRA NTA per Ordinary Share as at 31 December 2023 is an estimate based on (a) the external valuation of the CREI Portfolio by Knight Frank LLP and Savills Advisory Services Limited as at 31 December 2023 (as set out in the valuation reports in Part 6 of this document), (b) statements and information received by the Company from its lenders and depositary banks and (c) unaudited management information of the CREI Group. The Rolled-Forward Unaudited EPRA NTA per Ordinary Share as at 31 December 2023, and the information used to prepare it, have not been audited. As such, there can be no assurance that an audited EPRA NTA per Ordinary Share as at 31 December 2023 would reflect the Rolled-Forward Unaudited EPRA NTA per Ordinary Share as at that date.

9.1 **Regional split by income**

As at the Latest Practicable Date, the CREI Portfolio was split by geographic region as shown in Figure 1 below.

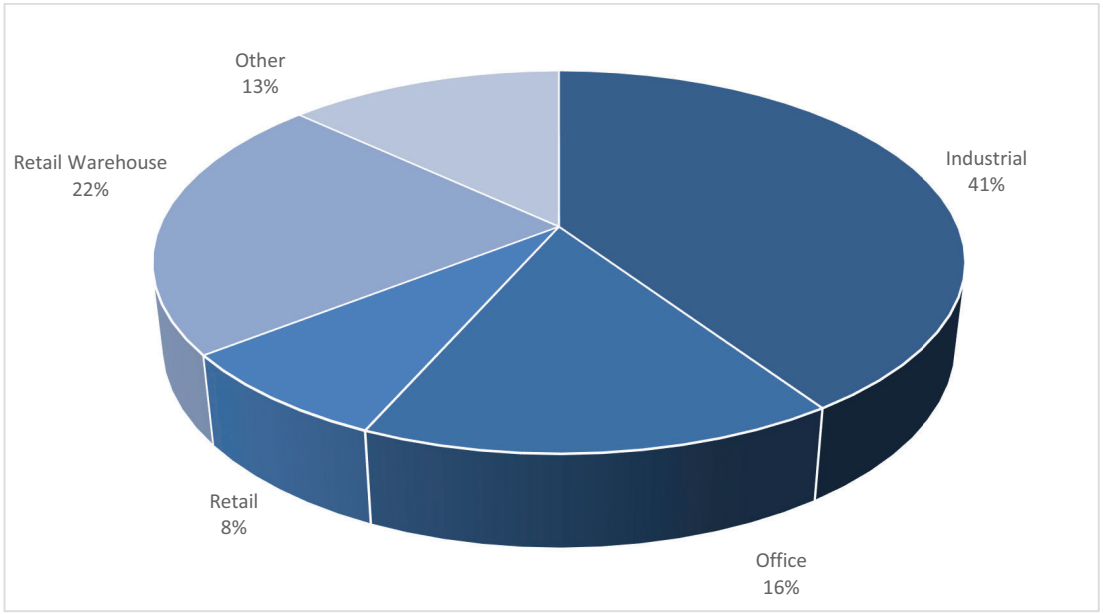



*Source: Savills and Knight Frank.*

*Figure 1*

9.2 **Sector split by income**

As at the Latest Practicable Date, the CREI Portfolio was diversified between the following commercial property sectors: Industrial (41 per cent.), High Street Retail (8 per cent.), Office (16 per cent.), Retail Warehouse (22 per cent.) and Other (13 per cent.) as illustrated in Figure 2 below.

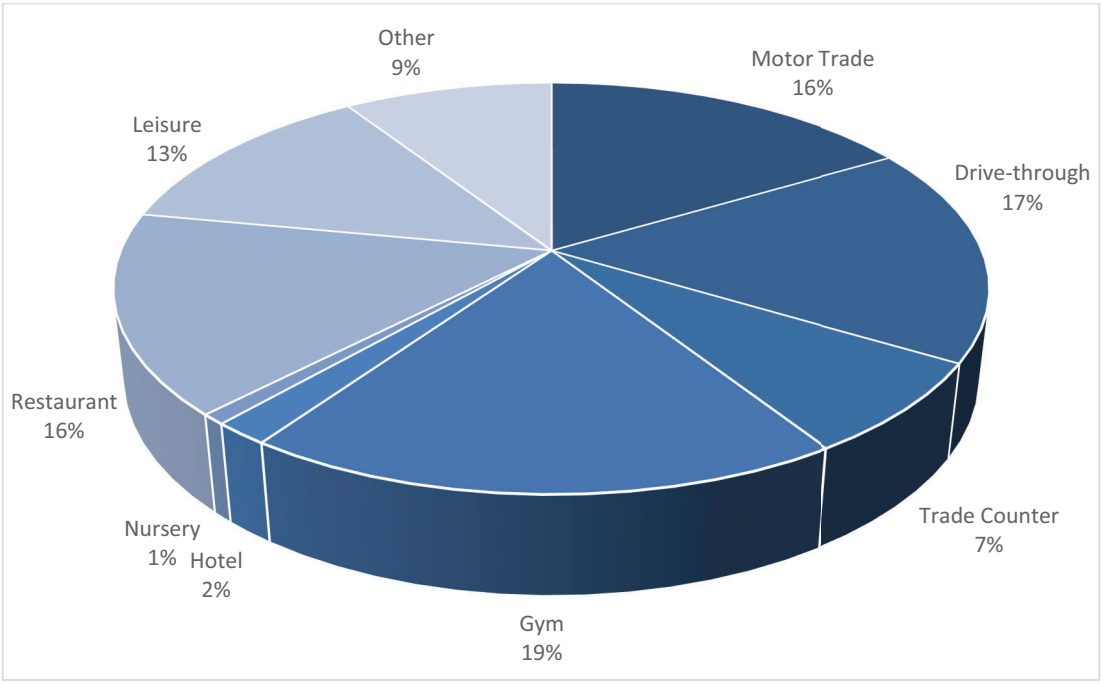



*Source: Savills and Knight Frank.*

*Figure 2*

9.3 **Split of "Other" income**

The sub sector "Other" referred to in Figure 2 above is detailed more fully in Figure 3 below.




*Source: Savills and Knight Frank.*

*Figure 3*

9.4 **Net initial yield advantage for small lot sizes**

Figure 4 shows the average net initial yield[4] for small lot sizes in comparison to large lot sizes.

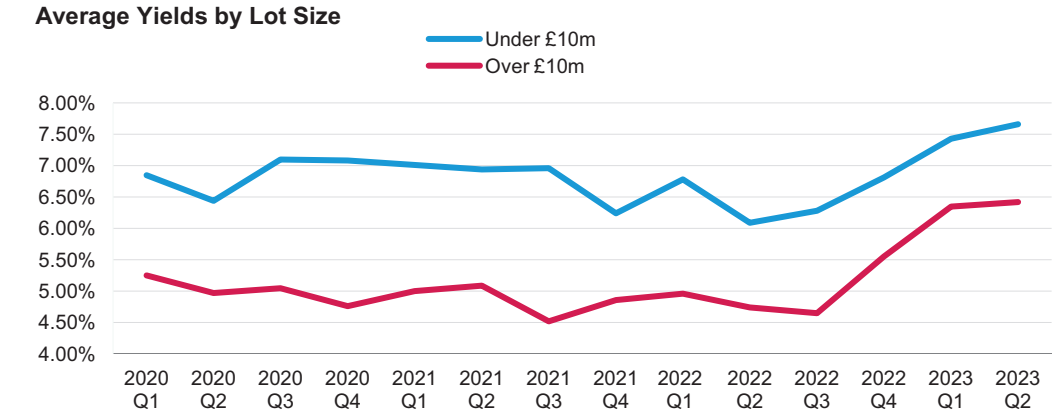
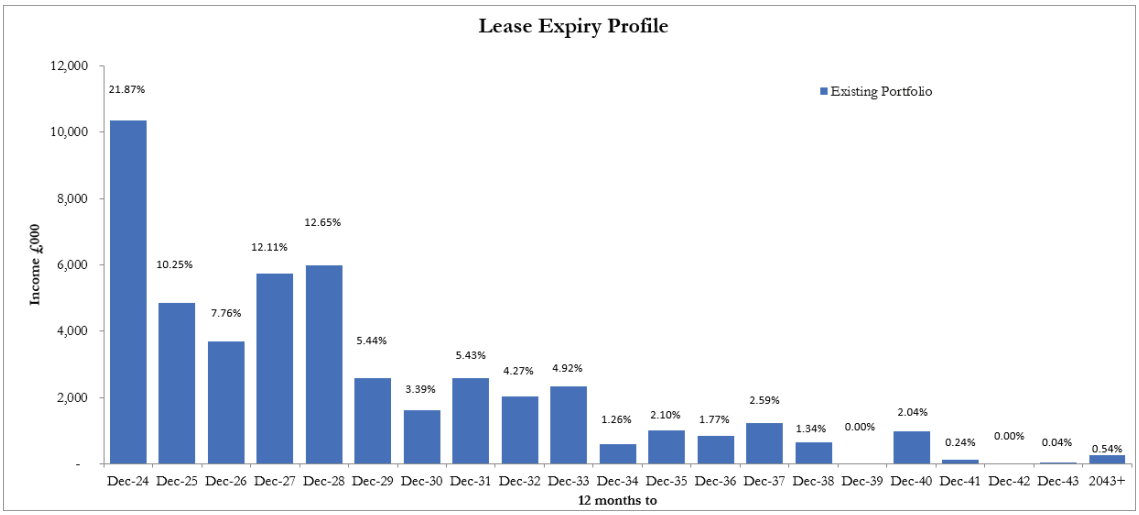



*Figure 4*

[4] Average net initial yield is calculated as annualised contractual rent divided by gross value and therefore takes no account of property management costs. The annual running costs of the Company (which are estimated to be approximately 1.23 per cent. of NAV) will be deducted from the Company's income.

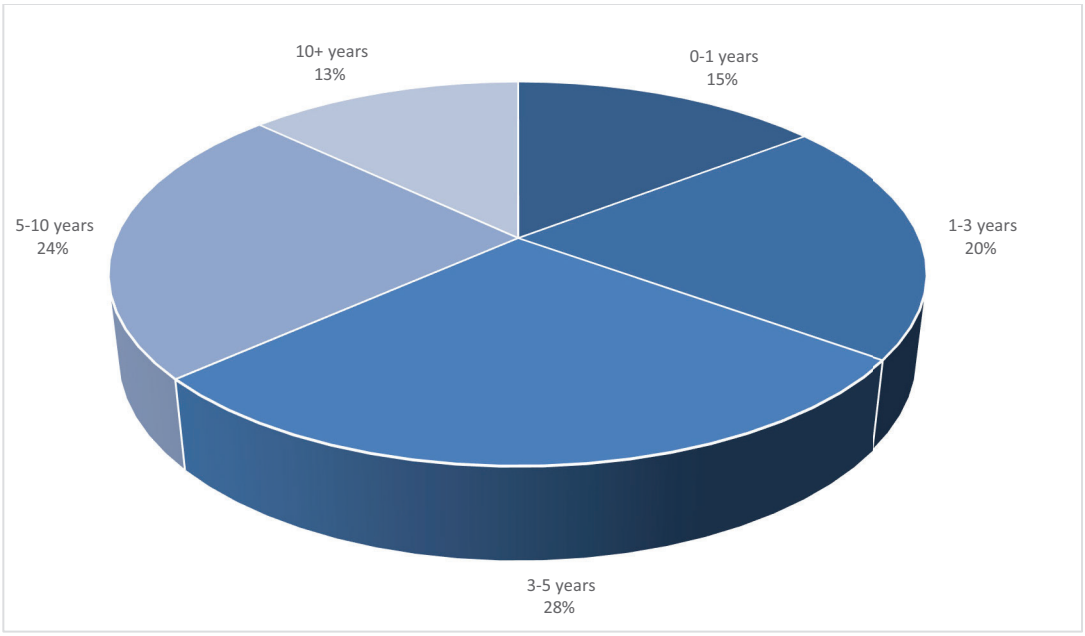
9.5 **Managed income profile**

As at the Latest Practicable Date, the weighted average unexpired lease term ("**WAULT**") within the CREI Portfolio is 4.8 years. Figure 5 gives an overview of the lease expiry profile for the CREI Portfolio and Figure 6 demonstrates the extent to which the Company's income from the CREI Portfolio is at risk for the periods specified.




*Source: Savills and Knight Frank.*

*Figure 5*




*Source: Savills and Knight Frank.*

*Figure 6*

Further details of the properties comprised in the CREI Portfolio are set out in the valuation reports at Part 6 (*Property valuation reports)* of this document.

There has been no material change in the Group's investments between the Latest Practicable Date and the date of this document.

## 10 Reports and accounts

The Company holds an annual general meeting in each year. The annual report and accounts of the Company are made up to 31 March in each year with a copy being made available to Shareholders on the Company's website within the following four months. The Company also publishes unaudited half-yearly reports to 30 September. Copies of the unaudited half-yearly reports are also made available on the Company's website within the following three months.

The Company's financial statements are prepared in accordance with IFRS.

## 11 Share rating management

The Company may seek to address any significant discount or premium to NAV at which its Ordinary Shares may trade.

### *Premium management*

At the 2023 AGM, the Company was given authority to issue up to 146,950,133 Ordinary Shares until the conclusion of the Company's next annual general meeting or, if earlier, on the expiry of 15 months from the passing of the resolution. As at the date of this document, no Ordinary Shares have been issued pursuant to this authority.

The Company may allot such Ordinary Shares in connection with a rights issue or other pre-emptive offer in favour of Shareholders where the Ordinary Shares are proportionate (as nearly as practicable) to the respective number of Ordinary Shares held by such holders, but subject to such exclusions or other arrangements as the Directors may deem necessary or desirable in relation to treasury share, fractional entitlements or legal or practical problems arising in, or pursuant to, the laws of any territory or the requirements of any regulatory body or stock exchange in any territory.

In addition, Shareholders' pre-emption rights have been disapplied in respect of the issue or sale from treasury of (i) up to 44,085,000 of these Ordinary Shares on an unrestricted basis, and (ii) a further 44,085,000 of these Ordinary Shares for the purposes of financing (or refinancing, if the authority is to be used within 12 months after the original transaction) a transaction which the Directors determine to be an acquisition or other capital investment of a kind contemplated by the Statement of Principles on Disapplying Pre-Emption Rights most recently published by the Pre-Emption Group. Accordingly, the Directors will not be obliged to offer any such Ordinary Shares to Shareholders on a *pro rata* basis. The Directors would only seek to issue such Ordinary Shares non-pre-emptively in order to raise funds to pursue acquisition opportunities or for general working capital purposes, and the Directors would only do so on the basis that the allotment of new Ordinary Shares on a non-pre-emptive basis is made at a premium to the prevailing NAV per Ordinary Share at the time of issue.

Investors should note that the issuance of Ordinary Shares is entirely at the discretion of the Board, and no expectation or reliance should be placed on such discretion being exercised on any one or more occasions or as to the proportion of Ordinary Shares that may be issued.

### *Treasury shares*

The Companies Act allows companies to hold shares acquired by way of market purchase as treasury shares, rather than having to cancel them. This would give the Company the ability to re-issue Ordinary Shares quickly and cost effectively, thereby improving liquidity and providing the Company with additional flexibility in the management of its capital base. No Ordinary Shares will be sold from treasury at a price less than the existing NAV per Ordinary Share at the time of their sale unless they are first offered *pro rata* to existing Shareholders.

### *Discount management*

The Company may seek to address any significant discount to NAV at which its Ordinary Shares may be trading by purchasing its own Ordinary Shares in the market on an ad hoc basis.

At the 2023 AGM, Shareholders gave the Board authority to buy back up to 44,085,039 Ordinary Shares, such authority to expire at the conclusion of the annual general meeting or, if earlier, on the expiry of 15 months from the passing of the resolution. The authority will be exercised only if the Directors believe that to do so would result in an increase in earnings per share or an increased NAV per Ordinary Share (or both) for the remaining Shareholders and would be likely to promote

the success of the Company for the benefit of its Shareholders as a whole. Repurchased Ordinary Shares may be cancelled or held in treasury.

It is intended that a renewal of the authority to make market purchases will be sought from Shareholders at each annual general meeting of the Company and the Board intends to do so at the next annual general meeting. If this authority is exercised, purchases of Ordinary Shares will be made within guidelines established from time to time by the Board and conducted in accordance with the Companies Act, the Listing Rules, the Disclosure Guidance and Transparency Rules and the UK Market Abuse Regulation and will be announced to the market through an RIS as soon as possible and in any event no later than 7.30 a.m. on the following day. Any purchase of Ordinary Shares would be made only out of the available cash resources of the Company. The Directors will also have regard to the Company's REIT status when making any repurchase of Ordinary Shares.

Investors should note that the repurchase of Ordinary Shares is entirely at the discretion of the Board and no expectation or reliance should be placed on such discretion being exercised on any one or more occasions or as to the proportion of Ordinary Shares that may be repurchased.

## 12 CREI Board

The Directors are responsible for the determination of the Company's investment policy and have overall responsibility for the Company's activities, including the review of investment activity and performance and the control and supervision of the Company's service providers.

The Directors may delegate certain functions to other parties such as the Investment Manager and the Registrar. In particular, the Directors have delegated responsibility for management of the investments comprised in the Company's portfolio to the Investment Manager. The Directors have responsibility for exercising overall control and supervision of the Investment Manager. The Directors meet at least four times per annum.

All of the Directors are non-executive and, save for Ian Mattioli MBE, all of the Directors are independent of the Investment Manager.

As explained in Part 1 (*Letter from the Chairman*) of this document, following the integration of the API portfolio, the Board expects to conduct a review of its succession plan, assessing its composition and size to ensure an appropriate combination of skills, experience, diversity and knowledge. In connection with this review, Ian Mattioli MBE has informed the CREI Board of his intention to retire as a director of CREI at the annual general meeting of CREI prior to the conclusion of the Transition Period, which will result in a fully independent board.

The Directors are as follows:

***David MacLellan, Independent Non-Executive Chairman***

David has over 35 years' experience in private equity and fund management and an established track record as Chair and Non-executive director of public and private companies. He is the founder and currently Chairman of RJD Partners, a midmarket private equity business focussed on the services and leisure sectors. Previously, David was the Chairman of John Laing Infrastructure Fund and an executive director of Aberdeen Asset Managers plc following its acquisition in 2000 of Murray Johnstone where he was latterly Chief Executive having joined the company in 1984. David has served on the boards of a number of companies and is currently a non-executive director of Aquila European Renewables PLC, Lindsell Train Investment Trust PLC and J&J Denholm Limited. He is a past council member of the British Venture Capital Association and is a member of the Institute of Chartered Accountants of Scotland.

David joined the CREI Board in May 2023 and became Chairman in August 2023.

***Elizabeth McMeikan, Senior Independent Non-Executive Director***

Elizabeth's substantive executive career was with Tesco plc where she was a Stores Board Director before embarking on a non-executive career in 2005.

Elizabeth is currently Chair of Nichols plc, the diversified soft drinks group, and Senior Independent Director and Remuneration Committee Chair of Dalata Hotel Group plc, the largest hotel group in the Republic of Ireland. Her other Board roles include Senior Independent Director and Remuneration Committee Chair at McBride plc, Europe's leading manufacturer of cleaning and

hygiene products, and Non-Executive Director of Fresca Group Limited, a fruit and vegetable import/export company.

Previously Elizabeth was Senior Independent Director and Remuneration Committee Chair at both The Unite Group plc and at Flybe plc, SID at J D Wetherspoon plc and Chair of Moat Homes Limited.

Elizabeth joined the CREI Board in April 2021.

***Chris Ireland, Independent Non-Executive Director and Chair of the Management Engagement Committee***

Chris joined international property consultancy King Sturge in 1979 as a graduate and has worked his whole career across the UK investment property market. He ran the investment teams at King Sturge before becoming Joint Managing Partner and subsequently Joint Senior Partner prior to its merger with JLL in 2011.

Chris was appointed Chief Executive Officer of JLL UK in 2016, became Chair in April 2021 and retired in March 2023.

Chris is a former Chair of the Investment Property Forum and is a Non-Executive Director of Le Masurier, a Jersey based family trust with assets across the UK, Germany and Jersey. Chris is also a keen supporter of the UK homelessness charity Crisis.

Chris joined the CREI Board in April 2021.

***Hazel Adam, Independent Non-executive Director and Chair of the ESG Committee***

Hazel was an investment analyst with Scottish Life until 1996 when she joined Standard Life Investments. As a fund manager she specialised in UK and then Emerging Market equities. In 2005 Hazel joined Goldman Sachs International as an Executive Director on the new markets equity sales desk before moving to HSBC in 2012, holding a similar equity sales role until 2016.

Hazel was an Independent Non-Executive Director of Aberdeen Latin American Income Fund Limited until June 2023 and holds the CFA Level 4 certificate in ESG Investing and the Financial Times Non-Executive Directors Diploma.

Hazel joined the CREI Board in December 2019.

***Malcolm Cooper, Independent Non-executive Director and Chair of the Audit and Risk Committee***

Malcolm is a qualified accountant and experienced FTSE 250 company audit committee chair with an extensive background in corporate finance, infrastructure and property.

As well as working with Arthur Andersen and British Gas/BG Group/Lattice, Malcolm spent 15 years with National Grid in positions including Managing Director of National Grid Property and Global Tax, and Treasury Director. Malcolm was also the Project Director for the successful sale of a majority stake in National Grid's gas distribution business, now known as Cadent Gas.

Malcolm is currently a Non-Executive Director at Morgan Sindall Group plc – a FTSE 250 UK construction and regeneration business – where he chairs both the Audit and Responsible Business Committees. He is also a Senior Independent Director and Credit Committee Chair of MORhomes plc, Non-Executive Director, Audit Committee Chair and Remuneration Committee Chair at Southern Water Services Limited, and Non-Executive Director and Audit and Risk Committee Chair at Local Pensions Partnership Investment. He is a member of Council and Deputy President of the Association of Corporate Treasurers.

Previously, Malcolm held roles including Senior Independent Director and Audit Committee Chair at CLS Holdings plc, Non-Executive Director at St William Homes LLP, President of the Association of Corporate Treasurers and was also a member of the Financial Conduct Authority's Listing Authority Advisory Panel.

Malcolm joined the CREI Board in June 2022.

***Ian Mattioli MBE, Non-executive Director***

Ian is CEO of Mattioli Woods plc ("**Mattioli Woods**") with over 40 years' experience in financial services, wealth management and property businesses and is the founder director of the Company.

Together with Bob Woods, Ian founded Mattioli Woods, the AIM-listed wealth management and employee benefits business which is the parent company of the Investment Manager. Mattioli Woods now has over £15bn of client assets which are advised, administered, platformed, and invested within Mattioli Woods. Mattioli Woods largely grows organically but has made over 40 successful acquisitions over the last 20 years.

Ian is responsible for the vision, strategy and operational management of Mattioli Woods and instigated the development of its investment proposition, including the syndicated property initiative that developed into the seed portfolio for the launch of the Company. Ian and family own circa 1.4 per cent. of the Company as part of their long-term income investment planning.

His personal achievements include winning the London Stock Exchange AIM Entrepreneur of the Year award in 2007 and CEO of the year in the 2018 City of London wealth management awards. In the years 2021/22, Ian was the High Sheriff of Leicestershire.

Ian was awarded an MBE in the Queen's 2017 New Year's Honours list for his services to business and the community in Leicestershire. Ian continues his charity work through the foundation he set up with the family 'The Ian and Clare Mattioli Charitable Trust'.

Ian became non-executive Chair of K3 Capital Group plc ("**K3**"), overseeing a successful float on AIM, and six years later, a successful take private of K3. Ian is also Non-Executive Chairman of Kanabo plc, an AIM-listed patient focused healthcare technology and medicinal cannabis company.

Ian joined the CREI Board in January 2014.

***Proposed Directors***

As explained in Part 1 (*Letter from the Chairman*) of this document, conditional on completion of the Merger, it is expected that Jill May and Sarah Slater, who are currently non-executive directors of API, will join the CREI Board as non-executive directors. The board of directors of the Company following the Merger will therefore comprise: David MacLellan, Elizabeth McMeikan, Chris Ireland, Hazel Adam, Malcolm Cooper, Ian Mattioli MBE, Jill May and Sarah Slater. Both Jill May and Sarah Slater will be considered independent on appointment.

The biographies of the Proposed Directors are set out below:

***Jill May, Independent Non-executive Director***

Jill joined the API Board in March 2019, is the Senior Independent Director and chairs the Management Engagement, Nomination and Remuneration Committees. She is an External Member of the Prudential Regulation Committee of the Bank of England and is also a Non-Executive Director of JP Morgan Claverhouse Investment Trust plc and Alpha FMC and a member of the Council of the Duchy of Lancaster. Jill was a Non-Executive Director of the CMA from its inception in 2013 until October 2016 and a Panel Member of the CMA from 2013 to 2018. Her executive career was spent in investment banking, 13 years in Mergers & Acquisitions with SG Warburg & Co. Ltd. and 11 years as a Managing Director at UBS AG.

***Sarah Slater, Independent Non-executive Director***

Sarah joined the API Board in November 2019. She is the Chief Executive of The Eyre Estate, a private family trust, a previous trustee of The Dulwich Estate and was a board member of GRIP REIT Plc, which was one of the UK's largest residential REITs. During her career, Sarah held senior positions at The Canada Pension Plan Investment Board (CPPIB), ING Real Estate Investment Management (now CBRE GI) and Henderson Global Investors (now Nuveen) with responsibility for the delivery of major real estate programmes.

**13 Investment Manager**

The Company has appointed Custodian Capital as its investment manager and AIFM. The Investment Manager is a private company limited by shares and comprises a team of experienced individuals with expertise in the operation of and investment in UK commercial real estate.

Custodian Capital is a subsidiary of Mattioli Woods plc, a provider of specialist pensions consultancy and administration, employee benefits and wealth management. Custodian Capital has an established market presence in the small property sector and a proven track record of property syndication for clients and staff and asset management. Mattioli Woods was established in 1991

and has grown organically and by acquisition. Mattioli Woods was admitted to the AIM market operated by London Stock Exchange in 2005 and, as at the Latest Practicable Date, had a market capitalisation of approximately £312.9 million. Mattioli Woods has under management, administration or advice over £15 billion of assets.

The Investment Manager is authorised and regulated by the FCA.

Ian Mattioli is beneficially interested in the share capital of Mattioli Woods plc, which is the parent company of the Investment Manager and therefore has an indirect interest in the Investment Manager.

13.1 **Key personnel of the Investment Manager**

The Investment Manager's key personnel, as set out in the Investment Management Agreement, are:

***Richard Shepherd-Cross BSc MRICS (Managing Director and Fund Manager)***

Richard has more than 20 years' experience in the commercial property market. He sits on the board of the Investment Manager, operating the business and managing a core team of 20.

Richard was instrumental in the establishment of the Company, raising £55 million at IPO in March 2014 and subsequent placings to grow the company to its current market cap. After joining Mattioli Woods in 2009, Richard took responsibility for the management and growth of the syndicated property portfolio, and established Custodian Capital as a Property Fund Management subsidiary to the Group. In 2014, the syndicate property portfolio and its 1,200 investors seeded the Company and were cornerstone investors at IPO.

***Ed Moore FCA (Finance Director)***

Ed qualified as a Chartered Accountant in 2003 with Grant Thornton, specialising in audit, financial reporting and internal controls across its Midlands practice. He is Finance Director of Custodian Capital with responsibility for all day-to-day financial aspects of its operations. Ed is also a member of the Custodian Capital Investment Committee.

Since IPO in 2014, Ed has overseen the Company raising over £300 million of new equity, arranging or refinancing six loan facilities and completing three corporate acquisitions. Ed's key responsibilities for the Company are ongoing regulatory compliance, accurate external and internal financial reporting and maintaining a robust control environment. Ed was appointed Company Secretary of the Company on 17 June 2020.

***Alex Nix BSc (Hons) MRICS (Assistant Fund Manager)***

After graduating from Nottingham Trent University with a degree in Real Estate Management, Alex joined Lambert Smith Hampton where he spent eight years, qualifying as a Chartered Surveyor in 2006.

Alex is Assistant Fund Manager at the Company having joined Custodian Capital in 2012. As well as heading the Company's property management and asset management initiatives, Alex assists in sourcing and executing new investments and is a member of the Investment Manager's Investment Committee.

***Tom Donnachie MSc MRICS (Portfolio Manager)***

Tom graduated from Durham University with a degree in Geography before obtaining an MSc in Real Estate Management from Sheffield Hallam University.

While working at Workman LLP in London, Tom qualified as a Chartered Surveyor before returning to the Midlands, first with Lambert Smith Hampton then CBRE.

Tom joined Custodian Capital in 2015 as Portfolio Manager with a primary function to maintain and enhance the existing portfolio and assist in the selection and due diligence process regarding new acquisitions.

13.2 **Investment Management Agreement**

The Company has entered into the Existing Investment Management Agreement with the Investment Manager under which the Investment Manager has been appointed on an exclusive basis as investment manager to the Company and as the Company's alternative investment fund manager for the purposes of the AIFM Rules. Pursuant to the Existing Investment Management Agreement, the Investment Manager has agreed to provide certain investment management, asset management and administrative services to the Company.

Details of the fees and expenses payable to the Investment Manager are set out in paragraph 15.1 of this Part 2 below. Further details of the Existing Investment Management Agreement are set out in paragraph 11.4 of Part 8 (*Additional information*) of this document.

As explained in Part 1 (*Letter from the Chairman*) of this document, conditional on completion of the Merger, the Existing Investment Management Agreement will be amended and restated on the terms of the Amended and Restated Investment Management Agreement. A summary of the Amended and Restated Investment Management Agreement is set out in paragraph 11.5 of Part 8 (*Additional information*) of this document.

## 14 Other service providers

***Registrar***

Link Group has been appointed registrar of the Company. Under the terms of the Registrar Services Agreement the Registrar has responsibility for maintaining the register of Shareholders, receiving transfers of Ordinary Shares for certification and registration and receiving and registering Shareholders' dividend payments together with related services.

***Depositary***

Langham Hall UK Depositary LLP has been appointed as Depositary to provide cash monitoring, safekeeping and asset verification and oversight functions as prescribed by the AIFM Rules.

## 15 Fees and expenses

***Ongoing annual expenses***

Ongoing annual expenses include the following:

### 15.1 Investment Manager

In consideration of the provision of the services to the Company under the Existing Investment Management Agreement, the Company pays the following fees to the Investment Manager:

(a) a management fee, payable quarterly in arrears, calculated as: (a) 0.90 per cent. of the Net Asset Value as at the relevant quarter day (being 31 March, 30 June, 30 September and 31 December (each a "**Quarter Day**") being less than or equal to £200 million (i.e. £1.8 million), divided by 4; plus (b) 0.75 per cent. of the Net Asset Value as at the relevant Quarter Day to the extent it is in excess of £200 million but lower than £500 million, divided by 4; plus (c) 0.65 per cent. of the Net Asset Value as at the relevant Quarter Day to the extent it is in excess of £500 million but lower than £750 million, divided by 4; plus (d) 0.55 per cent. of the Net Asset Value as at the relevant Quarter Day to the extent it is in excess of £750 million, divided by 4; and

(b) an administrative fee, payable quarterly in advance, calculated as: (a) 0.125 per cent. of the Net Asset Value as at the relevant Quarter Day being less than or equal to £200 million, divided by 4; plus (b) 0.115 per cent. of the Net Asset Value as at the relevant Quarter Day to the extent it is in excess of £200 million but lower than £500 million, divided by 4; plus (c) 0.02 per cent. of the Net Asset Value as at the relevant Quarter Day to the extent it is in excess of £500 million but lower than £750 million, divided by 4; plus (d) 0.015 per cent. of the Net Asset Value as at the relevant Quarter Day to the extent it is in excess of £750 million, divided by 4, provided that the Administrative Fee shall never be less than £70,000 per quarter in the first year and that such minimum amount will be increased each year in line with the retail price index.

For the purposes of paragraphs (a) and (b) above, the "Net Asset Value" of the Company shall be the Net Asset Value reported to the Board, including for the avoidance of doubt a reasonable

accrual of the management fee payable in respect of the relevant quarter, as calculated by the Investment Manager. If the audited financial statements of the Company in respect of any financial year show that the Net Asset Value in respect of that year is or was less than or more than that upon which the administrative fee has been calculated then the Company and the Investment Manager shall meet to discuss the same and, acting reasonably and in good faith, shall agree a retrospective adjustment (if appropriate) to the administrative fee to reflect the same.

As explained in Part 1 (*Letter from the Chairman*) of this document, conditional on completion of the Merger, the Existing Investment Management Agreement will be amended and restated on the terms of the Amended and Restated Investment Management Agreement. Under the terms of the Amended and Restated Investment Management Agreement, the fees payable to the Investment Manager shall be as follows:

(a) a management fee, payable quarterly in arrears, calculated as:

- for the duration of the Transition Period: (a) 0.75 per cent. of the Net Asset Value as at the relevant Quarter Day being lower than or equal to £500 million, divided by 4; plus (b) 0.65 per cent. of the Net Asset Value as at the relevant Quarter Day to the extent it is in excess of £500 million but lower than or equal to £750 million, divided by 4; plus (c) 0.55 per cent. of the Net Asset Value as at the relevant Quarter Day to the extent it is in excess of £750 million, divided by 4; and
- following the conclusion of the Transition Period: (a) 0.90 per cent. of the Net Asset Value as at the relevant Quarter Day being less than or equal to £200 million, divided by 4; plus (b) 0.75 per cent. of the Net Asset Value as at the relevant Quarter Day to the extent it is in excess of £200 million but lower than or equal to £500 million, divided by 4; plus (c) 0.65 per cent. of the Net Asset Value as at the relevant Quarter Day to the extent it is in excess of £500 million but lower than or equal to £750 million, divided by 4; plus (d) 0.55 per cent. of the Net Asset Value as at the relevant Quarter Day to the extent it is in excess of £750 million, divided by 4,

save that the Investment Manager shall waive that part of its management fee that shall be calculated by reference to the net asset value of API's portfolio from the Effective Date until the end of the third quarter (it being agreed and acknowledged that if the first quarter is a partial quarter, the revised fee basis contemplated hereunder shall apply to the whole of that quarter);

(b) an administrative fee, payable quarterly in advance, calculated as: (a) 0.125 per cent. of the Net Asset Value as at the relevant Quarter Day being less than or equal to £200 million, divided by 4; plus (b) 0.115 per cent. of the Net Asset Value as at the relevant Quarter Day to the extent it is in excess of £200 million but lower than or equal to £500 million, divided by 4; plus (c) 0.02 per cent. of the Net Asset Value as at the relevant Quarter Day to the extent it is in excess of £500 million but lower than or equal to £750 million, divided by 4; plus (d) 0.015 per cent. of the Net Asset Value as at the relevant Quarter Day to the extent it is in excess of £750 million, divided by 4, provided that the Administrative Fee shall never be less than £70,000 per quarter in the first year and that such minimum amount will be increased each year in line with the retail price index; and

(c) a marketing fee calculated as 0.25 per cent. of the aggregate gross proceeds of any relevant new share issue in respect of which the Marketing Services have been provided (not including the Merger) which involves the direct marketing of the Company to Mattioli Woods' wealth management consultants to enable advised clients of Mattioli Woods to participate in such issue, as calculated by the Company's broker acting in connection with the relevant new share issue and reported to the Board.

For the purposes of paragraphs (a) and (b) above, the "Net Asset Value" of the Company shall be the Net Asset Value reported to the Board, including for the avoidance of doubt a reasonable accrual of the asset management fee payable in respect of the relevant quarter, as calculated by the Investment Manager. If the audited financial statements of the Company in respect of any financial year show that the Net Asset Value in respect of that year is or was less than or more than that upon which the management fee and administrative fee has been calculated then the Board and the Investment Manager shall meet to discuss the same and, acting reasonably and in

good faith, shall agree a retrospective adjustment (if appropriate) to the investment management fee, asset management fee and administrative fee to reflect the same.

As explained in Part 1 (*Letter from the Chairman*) of this document, in connection with the Investment Manager's additional work on the Merger, the Company shall also pay the Investment Manager a one-off project fee of £350,000 (exclusive of VAT), which shall reduce to £75,000 (exclusive of VAT) if the Merger does not become Effective.

### 15.2 Depositary

Under the terms of the Depositary Agreement, the Depositary is entitled to receive an annual fee of £40,318.

### 15.3 Registrar

Under the terms of the Registrar Services Agreement, the Registrar is entitled to an annual maintenance fee per Shareholder account per annum subject to a minimum annual fee. The Registrar is also entitled to certain transaction fees under the Registrar Services Agreement.

### 15.4 Directors

Each of the Directors is entitled to receive a fee from the Company at such rate as may be determined in accordance with the Articles. The current annual fees are: David MacLellan – £70,000; Elizabeth McMeikan – £47,250; Chris Ireland – £44,250; Hazel Adam – £44,250; Malcolm Cooper – £47,250; and Ian Mattioli – £42,000.

Following their appointment as Directors, the Proposed Directors are each expected to be entitled to the prevailing base Non-Executive Director fee of £42,000 per annum (as they are not initially expected to chair any Board committees or hold the Senior Independent Director role, to which fee increments are applied).

Each of the Directors is also entitled to be reimbursed for reasonable and properly documented expenses incurred by them in performing their duties, save for expenses incurred in relation to attendance at meetings of the Company held at the Company's registered office.

### 15.5 Other operational expenses

Other ongoing operational expenses (excluding fees paid to service providers as detailed above) of the Company are borne by the Company including travel, accommodation, printing, audit, finance costs, legal fees (including those incurred on behalf of the Company by the Investment Manager), corporate broking fees, annual London Stock Exchange fees and AIC membership fees.

Certain reasonable out of pocket expenses of the Company's service providers that relate to the Company are also borne by the Company.

As all of the Company's assets are, and will be, invested in UK commercial property[5], the Company incurs significant time and costs in connection with potential acquisitions, including third party costs in connection with identifying suitable investment opportunities, due diligence, negotiating transaction documentation and legal and accounting costs. In addition, the Company incurs certain third party costs, including in connection with financing, valuations and professional services associated with sourcing and analysis of suitable assets.

The Investment Manager has prepared a key information document required under the UK PRIIPs Regulation in relation to the Ordinary Shares. That regulation requires costs to be calculated and presented in accordance with detailed and prescriptive rules. The key information document is available on the Company's website (www.custodianreit.com).

## 16 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 Company. 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 Company, save that the Investment Manager has undertaken in the Investment

[5] Excluding the open moreland at Far Ralia Estate, Newtonmore, which forms part of the API portfolio.

Management Agreement not to provide such services to any other company or other collective vehicle with a similar investment objective or policy to the Company without first having received the prior written consent of the Company. The Investment Manager will have regard to its obligations under the Investment Management Agreement or otherwise to act in the best interests of the Company, so far as is practicable having regard to its obligations to other clients or funds, should potential conflicts of interest arise.

A conflict of interest could also arise in connection with the Investment Manager's role in calculating the Net Asset Value of the Company. As described in detail in paragraph 8 above, the NAV and the NAV per Ordinary Share are calculated on a quarterly basis by the Investment Manager. The Company's valuation policy is structured to provide adequate controls and avoid conflicts of interest. However, since the Investment Manager's fees under the Investment Management Agreement are calculated by reference to the Company's Net Asset Value, there is a possibility that a conflict of interest may arise.

Having regard to the Investment Manager's obligations under the Investment Management Agreement, its obligations under the AIFM Rules and otherwise to act in the best interests of the Company, the Investment Manager has sought to mitigate this conflict of interest by ensuring that the valuation process is based on external valuations and independent from the Investment Manager's portfolio management and remuneration policy. The Investment Manager has also implemented measures to prevent undue influence upon the employees responsible for the valuation function. Accordingly, the Directors have satisfied themselves that the Investment Manager has procedures in place to address potential conflicts of interest.

In addition, the Investment Management Agreement places certain obligations on the Investment Manager designed to avoid and mitigate conflicts of interest, including:

- The Investment Manager shall not (and shall procure that certain key personnel at the Investment Manager shall not), without the prior consent of the Board, effect any transactions on behalf of the Company in which the Investment Manager (or certain key personnel at the Investment Manager) has a direct or indirect material interest, or any relationship (of any description) with another party, which is likely to involve conflict with any duty or responsibility of the Investment Manager to the Company.
- In the event of a conflict between the Company and the Investment Manager, the Investment Manager shall make full disclosure of the nature of the interest or relationship to the Board.
- The Investment Manager may not provide services to any other company or collective vehicle with a similar investment objective or policy to the Company without first having received the prior written consent of the Company.

In the event of a material breach of the Investment Manager's obligations under the Investment Management Agreement that is not remedied within 20 business days of the Company notifying the Investment Manager of such breach (or such longer period as the parties may agree), the Company may terminate the Investment Management Agreement.

### 17 Corporate governance

The Board of the Company has considered the principles and recommendations of the AIC Code. The AIC Code addresses the principles and provisions set out in the UK Corporate Governance Code, as well as setting out additional principles and recommendations on issues that are of specific relevance to the Company as an investment company. The Board considers that reporting against the principles and provisions of the AIC Code provides more relevant information to Shareholders.

The Financial Reporting Council ("**FRC**"), the UK's independent regulator for corporate reporting and governance responsible for the UK Corporate Governance Code, has endorsed the AIC Code. The terms of the FRC's endorsement mean that AIC members who report against the AIC Code meet fully their obligations under the UK Corporate Governance Code and the related disclosure requirements contained in the Listing Rules.

As at the date of this document, the Company complies with the recommendations of the AIC Code.

The UK Corporate Governance Code includes provisions relating to: the role of the chief executive; executive directors' remuneration; and the need for an internal audit function. The Board considers these provisions are not relevant to the position of the Company, being an externally managed investment company and the Company does not, therefore, intend to comply with them.

*Audit and Risk Committee*

The Company's Audit and Risk Committee comprises Malcolm Cooper (as chair), Elizabeth McMeikan, Chris Ireland and Hazel Adam. The Audit and Risk Committee meets at least twice a year. The Board considers that the members of the Audit and Risk Committee have the requisite skills and experience to fulfil the responsibilities of the Audit and Risk Committee. The Audit and Risk Committee is responsible for reviewing the annual and half yearly accounts, the system of internal controls and risk management, and the terms of appointment and remuneration of the auditor. It is also the forum through which the auditor reports to the Board. The Audit and Risk Committee is also responsible for reviewing the objectivity of the external auditor and the terms under with the external auditor are appointed to perform non-audit services.

The Audit and Risk Committee meets representatives of the Investment Manager who report as to the proper conduct of business in accordance with the regulatory environment in which the Company and the Investment Manager operate. The Company's auditor also attends the Audit and Risk Committee at its request and reports on its work procedures, the quality and effectiveness of the Company's accounting records and its findings in relation to the Company's statutory audit. The Company meets with the auditor, without representatives of the Investment Manager being present, at least once a year.

*Management Engagement Committee*

In accordance with the AIC Code, the Company has established a Management Engagement Committee which comprises Chris Ireland (as chair), Hazel Adam, Elizabeth McMeikan, David MacLellan and Malcolm Cooper, all of whom are independent Non-Executive Directors. The Management Engagement Committee meets at least once a year or more often if required. Its principal duties are to: monitor and annually review the independence, expertise and performance of the Investment Manager and its compliance with the terms of the Investment Management Agreement; ensure the terms of the Investment Management Agreement complies with all relevant regulatory requirements, conforms with market practice and remains in the best interests of Shareholders; oversee the relationship with the external property valuers considering changes, re-appointment and tendering, their remuneration, terms of engagement, independence and expertise; and review annually the remuneration, any points of conflict and the Investment Manager's views on the effectiveness of the Company's other key service providers, excluding internal and external auditors and ESG advisers.

*Nominations Committee*

The Company has established a Nominations Committee which is chaired by David MacLellan and consists of all the Directors. The Nominations Committee has been established for the purpose of reviewing the Company's succession plan and identifying and putting forward candidates for the office of director of the Company. The Nominations Committee meets at least once a year. The Nominations Committee considers job specifications and assesses whether candidates have the necessary skills and time available to devote to the job. In considering these matters the Nominations Committee takes into account the desirability of achieving diversity to the extent possible.

*ESG Committee*

The Company has established an ESG Committee which is comprises Hazel Adam (as chair), Elizabeth McMeikan and Malcolm Cooper. The ESG Committee meets at least three times a year or more often if required. The ESG Committee's key responsibilities include: (i) developing the Company's environmental KPIs, monitoring performance against those KPIs and ensuring the Investment Manager is managing the Company's property portfolio in line with the Company's ESG policy; (ii) ensuring the Company complies with its external reporting obligations and best practice on ESG matters; (iii) assessing at least annually the fees and scope of engagement of the Company's environmental consultants; and (iv) assessing whether the Company is obtaining a suitable level of social outcomes for its tenants, other stakeholders and the communities in which it operates.

## 18 REIT status and taxation

The Company must comply with certain ongoing regulations and conditions (including minimum distribution requirements) in order to maintain its REIT status.

Potential investors are referred to Part 7 (*REIT status and taxation*) of this document for details of the REIT Regime and the taxation of Shareholders in the UK. Investors who are in any doubt as to their tax position or who are subject to tax in jurisdictions other than the UK are strongly advised to consult their own professional advisers immediately.

## 19 Regulatory status of the Ordinary Shares

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

The Company intends to conduct its affairs so that the Ordinary Shares can be recommended by financial advisers to retail investors in accordance with the rules on the distribution of financial instruments under UK MiFID II. The Directors consider that the requirements of Article 57 of the UK MiFID II Delegated Regulation will be met in relation to the Ordinary Shares and that, accordingly, the Ordinary Shares should be considered "non-complex" for the purposes of UK MiFID II.

## 20 Profile of a typical investor

An investment in the Ordinary Shares is designed to be suitable for institutional investors, professional investors, high net worth investors, professionally advised private investors and retail investors who are seeking an attractive level of income with the potential for income and capital growth from investing in a diversified portfolio of UK commercial real estate properties and who understand and accept the risks inherent in the Company's investment policy. Investors should understand the risks and merits of such an investment and have sufficient resources to be able to bear any losses (which may equal up to the whole amount invested) that may result from such an investment. Furthermore, an investment in the Ordinary Shares should constitute part of a diversified investment portfolio. It should be remembered that the market price of the Ordinary Shares and the income from them can go down as well as up.

# Part 3

# Information on the API Group

## 1 Introduction

abrdn Property Income Trust Limited, established in 2003, is a UK real estate investment trust investing in a diversified portfolio of UK commercial properties in the industrial, office, retail and "other" sectors with the objective of providing Shareholders with an attractive level of income together with the prospect of income and capital growth.

API is an authorised closed-ended investment company incorporated in Guernsey on 18 November 2003 with registered number 41352. The Company operates under the Companies Law of Guernsey. The principal place of business and registered office of API is PO Box 255, Trafalgar Court, Les Banques, St Peter Port, Guernsey GY1 3QL.

At 31 December 2023, API had a Rolled-Forward Unaudited EPRA NTA of £299.2 million or 78.5 pence per API Share.[6]

## 2 Investment objective and policy

### *Investment objective*

The investment objective of API is to provide API shareholders with an attractive level of income together with the prospect of income and capital growth.

### *Investment policy*

The API Directors intend to achieve the investment objective of API by investing in a diversified portfolio of UK real estate assets in the industrial, office, retail and 'other' sectors, where 'other' includes leisure, data centres, student housing, hotels (and apart-hotels) and healthcare.

Investment in property development and investment in co-investment vehicles where there is more than one investor is permitted up to a maximum of 10 per cent. of API Group's property portfolio.

In order to manage risk in API, without compromising flexibility, the API Directors apply the following restrictions to the API Group's property portfolio:

- No property will be greater by value than 15 per cent. of total assets.
- No tenant (with the exception of the Government) shall be responsible for more than 20 per cent. of API's rent roll.
- Gearing, calculated as borrowings as a percentage of API's gross assets, may not exceed 65 per cent. The API Board's current intention is that API's gearing will not exceed 45 per cent.

All investment restrictions apply at the time of investment. API will not be required to dispose of an asset or assets as a result of a change in valuation.

Any material change to the investment policy of API may only be made with the prior approval of its shareholders.

## 3 Board and management

The API Board is responsible for the determination of the investment policy of API and its overall supervision. The API Board comprises five non-executive directors, all of whom are considered to be independent of API's investment manager. As explained in Part 1 (*Letter from the Chairman*) of this document, following completion of the Merger, it is intended that the API Directors will cease to be directors of API and its subsidiaries (as applicable) and that Jill May and Sarah Slater, who are currently non-executive directors of API, will join the CREI Board as non-executive directors.

API has appointed abrdn Fund Managers Limited, a company limited by shares and incorporated in England and Wales, as its alternative investment fund manager to provide investment management services (including portfolio management), risk management services and general administrative services to API. The API Investment Manager is authorised and regulated by the FCA as an

[6] Rolled-Forward Unaudited EPRA NTA calculated as at 31 December 2023 on the basis of an external valuation of the API portfolio as at that date.

alternative investment fund manager. The API Investment Manager has delegated the portfolio management of the Company to abrdn Investments Limited, which is authorised and regulated by the FCA. Pursuant to this delegation, abrdn Investments Limited has discretion to take day to day investment decisions and to deal in investments in relation to the investment management of API, without prior reference to the API Investment Manager. As explained in Part 1 (*Letter from the Chairman*) of this document, following completion of the Merger, it is expected that API's existing investment management agreement with the API Investment Manager (which includes provisions for an orderly handover) will be terminated.

## 4 API portfolio

As at 31 December 2023, API's property portfolio comprised 46 properties valued at £439.2 million with a rent roll of £27.1 million.

The table below summarises the API portfolio as at 31 December 2023:

| | Number of assets | Rent[7] £m | % rent | Property portfolio Valuation £m | % of property portfolio valuation |
|---|---|---|---|---|---|
| Industrial | 26 | 12.8 | 47.3% | 250.1 | 57.0% |
| Office | 8 | 6.5 | 24.0% | 72.6 | 16.5% |
| Retail warehouse | 5 | 3.5 | 12.9% | 46.6 | 10.6% |
| Supermarket | 1 | 1.3 | 4.4% | 18.3 | 4.2% |
| Other | 5 | 2.5 | 9.2% | 44.1 | 10.0% |
| High street retail | 1 | 0.6 | 2.2% | 7.5 | 1.7% |
| **Total property portfolio valuation** | **46** | **27.1** | **100%** | **439.2** | **100%** |

*Source: Data provided by Knight Frank LLP.*

## 5 Debt finance

At 31 December 2023, the API Group had the following debt facilities:

- An £80 million RCF with RBSI with interest of 1.5 per cent. above SONIA, drawn at £50m; and
- An £85 million term loan with RBSI with interest of 1.5 per cent. above SONIA, with SONIA capped at 4.0 per cent.

The facilities are secured over a discrete security pool of the API Group's individual properties, over which the relevant lender has security. Pursuant to these facilities, the API Group is obliged to meet the following loan covenants:

- LTV should not exceed 55 per cent.;
- Net rental income is not less than 150 per cent. of the finance costs for any three month period;
- The largest single asset accounts for less than 15 per cent. of the Gross Secured Asset Value;
- The largest ten assets accounts for less than 75 per cent. of the Gross Secured Asset Value;
- Sector weightings are restricted to 45 per cent. per single asset class, save for a maximum 55 per cent. office and 75 per cent. industrial;
- The largest tenant accounts for less than 20 per cent. of the API Group's annual net rental income;
- The five largest tenants account for less than 50 per cent. of the API Group's annual net rental income;

[7] Contracted rent.

- The ten largest tenants account for less than 75 per cent. of the API Group's annual net rental income.

## 6 Share capital

As at the Latest Practicable Date, the share capital of API comprised 381,218,977 ordinary shares of £0.01 each (excluding 25,646,442 shares held in treasury), all which have been issued fully paid. The API Shares are admitted to the premium listing segment of the Official List of the Financial Conduct Authority and are traded on the premium segment of the London Stock Exchange's Main Market.

# Part 4

## Financial information on the CREI Group

### 1 Historical financial information incorporated by reference

The following parts of the annual report and audited accounts of the CREI Group for the financial year ended 31 March 2023 (the "**CREI 2023 Annual Report and Accounts**") and the unaudited interim accounts of the CREI Group for the six months ended 30 September 2023 (the "**CREI 2023 Interim Report**"), which have been previously published, have been incorporated into this document by reference:

| Reference document | Information incorporated by reference | Page number(s) in the document |
|---|---|---|
| CREI 2023 Annual Report and Accounts | Highlights | 2-3 |
| | Business model and strategy | 4-7 |
| | Chair's statement | 8-13 |
| | Investment Manager's Report | 14-19 |
| | ESG Committee report | 20-25 |
| | Financial review | 26-28 |
| | Principal risks and uncertainties | 30-35 |
| | Section 172 statement and stakeholder relationships | 36-40 |
| | Governance report | 46-51 |
| | Audit and Risk Committee report | 52-54 |
| | Management Engagement Committee report | 55 |
| | Nominations Committee report | 56-58 |
| | Remuneration report | 59-61 |
| | Directors' report | 52-67 |
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| | Consolidated and Company statements of comprehensive income | 76 |
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| CREI 2023 Interim Report | Property highlights | 2 |
| | Financial highlights | 3 |
| | Business model and strategy | 4-6 |
| | Chair's statement | 7-8 |
| | Investment Manager's report | 9-11 |
| | ESG Committee report | 12-13 |
| | Financial review | 14-15 |
| | Principal risks and uncertainties | 16 |
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| | Condensed consolidated statement of financial position | 17 |
| | Condensed consolidated statement of cash flows | 18 |
| | Condensed consolidated statement of changes in equity | 18 |
| | Notes to the interim financial statements | 19-31 |
| | Auditor's independent review report | 32 |

The CREI 2023 Annual Report and Accounts have been prepared in accordance with IFRS and were audited by Deloitte LLP, whose report was unqualified. Deloitte LLP is a member firm of the Institute of Chartered Accountants in England and Wales.

Any statement contained in the CREI 2023 Annual Report and Accounts or the CREI 2023 Interim Report which is deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this document to the extent that a statement contained herein (or in a later document which is incorporated by reference herein) modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded, shall not be deemed, except as so modified or superseded to constitute a part of this document.

To the extent that any part of the CREI 2023 Annual Report and Accounts or the CREI 2023 Interim Report that is incorporated into this document by reference itself contains information that is incorporated by reference, such information shall not form part of the Prospectus.

Those parts of the CREI 2023 Annual Report and Accounts and the CREI 2023 Interim Report which are not being incorporated into this document by reference are either not relevant for investors or are covered elsewhere in the Prospectus.

Copies of the CREI 2023 Annual Report and Accounts and the CREI 2023 Interim Report are available online at www.custodianreit.com and are also available for inspection at the address referred to in paragraph 21 of Part 8 (*Additional information*) of this document.

## 2 Significant change

Save as disclosed below, there has been no significant change in the financial position of the CREI Group since 30 September 2023, being the end of the last financial period for which interim financial information has been published.

On 10 November 2023, the Company and Lloyds Bank plc agreed to extend the Revolving Credit Facility for a term of three years, with options to extend the term by a further year on each of the first and second anniversaries of the renewal. The RCF includes an 'accordion' option with the facility limit initially set at £50 million, which can be increased up to £75 million subject to Lloyds Bank plc's agreement.

## 3 Capitalisation and indebtedness

The following table, sourced from the Company's internal accounting records, shows the CREI Group's unaudited indebtedness (distinguishing between guaranteed and unguaranteed, secured and unsecured indebtedness) and the CREI Group's unaudited capitalisation as at 31 December 2023.

*Capitalisation*

| | 31 December 2023 (unaudited) £000 |
|---|---|
| **Total current debt** | |
| Guaranteed | — |
| Secured | 44,941 |
| Unguaranteed/Unsecured | — |
| **Total non-current debt** (excluding current portion of non-current debt) | |
| Guaranteed | — |
| Secured | 138,748 |
| Unguaranteed/unsecured | — |
| **Shareholder equity** | |
| Share capital | 4,409 |
| Share premium | 250,970 |
| Merger reserve | 18,931 |
| **Total equity** | **274,310** |

There has been no material change in the capitalisation of the CREI Group since 31 December 2023.

*Indebtedness*

The following table shows the CREI Group's unaudited net financial indebtedness as at 31 December 2023:

| | 31 December 2023 (unaudited) £000 |
|---|---|
| (A) Cash | 5,610 |
| (B) Cash equivalents | — |
| (C) Other current financial assets | — |
| **(D) Liquidity (A+B+C)** | **5,610** |
| (E) Current financial debt (including debt instruments, but excluding current portion of non-current financial debt) | 49,941 |
| (F) Current portion of non-current financial debt | — |
| **(G) Current financial indebtedness (E+F)** | 49,941 |
| **(H) Net current financial indebtedness (G-D)** | **44,331** |
| (I) Non-current financial debt (excluding current portion and debt instruments) | 138,748 |
| (J) Debt instruments | — |
| (K) Non-current trade and other payables | 570 |
| **(L) Non-current financial indebtedness (I+J+K)** | 139,318 |
| **(M) Total financial indebtedness (H+L)** | **183,649** |

As at 31 December 2023, the CREI Group had no indirect or contingent indebtedness.

Since 31 December 2023 the CREI Group has sold two investment properties for aggregate proceeds of £10.05 million. There has been no other material change in the indebtedness of the CREI Group since 31 December 2023.

# Part 5

## Financial information on the API Group

### 1 Historical financial information incorporated by reference

As the Proposals described in this document relate to a proposed Merger of Custodian Property Income REIT plc with abrdn Property Income Trust Limited, this document contains certain historical financial information relating to the API Group that is necessary to enable investors to make an informed assessment of CREI and the CREI Shares as referred to in Article 14(2) of the UK Prospectus Regulation.

The following parts of the annual report and audited accounts of the API Group for the financial year ended 31 December 2022 (the **"API 2022 Annual Report and Accounts**") and the unaudited interim accounts of the API Group for the six months ended 30 June 2023 (the "**API 2023 Interim Report**"), which have been previously published by API, have been incorporated into this document by reference:

| Nature of information | API 2023 Interim Report (page no(s)) | API 2022 Annual Report and Accounts (page no(s)) |
|---|---|---|
| Consolidated Statement of Comprehensive Income | 32 | 90 |
| Consolidated Balance Sheet | 33 | 91 |
| Consolidated Statement of Changes in Equity | 34 | 92 |
| Consolidated Cash Flow Statement | 35 | 93 |
| Notes to the Consolidated Financial Statements | 36-47 | 94-121 |

The API 2022 Annual Report and Accounts have been prepared in accordance with IFRS and were audited by Deloitte LLP, whose report was unqualified. Deloitte LLP is a member firm of the Institute of Chartered Accountants in England and Wales.

Any statement contained in the API 2022 Annual Report and Accounts or the API 2023 Interim Report which is deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this document to the extent that a statement contained herein (or in a later document which is incorporated by reference herein) modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded, shall not be deemed, except as so modified or superseded to constitute a part of this document.

To the extent that any part of the API 2022 Annual Report and Accounts or the API 2023 Interim Report that is incorporated into this document by reference itself contains information that is incorporated by reference, such information shall not form part of the Prospectus.

Those parts of the API 2022 Annual Report and Accounts and the API 2023 Interim Report which are not being incorporated into this document by reference are either not relevant for investors or are covered elsewhere in the Prospectus.

Copies of the API 2022 Annual Report and Accounts and the API 2023 Interim Report are available online at www.abrdnpit.co.uk and are also available for inspection at the address referred to in paragraph 21 of Part 8 (*Additional information*) of this document.

# Part 6

## Property valuation reports

**Part A: Property Valuation Report prepared by Knight Frank LLP in relation to certain assets in the Group's portfolio**

# Valuation Report.

Custodian Portfolio

Prepared for Custodian Property Income REIT plc.
Valuation date: 31 December 2023

***Important Notice to all readers of this report***

*Unless you are the Client named within this report, or have been explicitly identified by us as a party to whom we owe a duty of care and who is entitled to rely on this report, Knight Frank LLP does not owe or assume any duty of care to you in respect of the contents of this report and you are not entitled to rely upon it.*

**Custodian Property Income REIT plc.**
1 New Walk Place
Leicester
Leicestershire
LE1 6RU

(the “Client”, “you”, "your”)

**abrdn Property Income Trust Limited**
PO Box 255
Trafalgar Court
Les Banques
St Peter Port
Guernsey
GY1 3QL
("API")

**Numis Securities Limited**
45 Gresham Street
London
EC2V 7BF

**Lazard & Co., Limited**
50 Stratton Street
London
W1J 8LL

(each an "**Addressee**" and together the "**Addressees**")

Date of issue: 01 February 2024
Our Ref: I: 1140121

Dear Sirs

## Valuation Report in respect of the properties of Custodian Property Income REIT Plc as at 31 December 2023 for inclusion in a Rule 2.7 Announcement, Scheme Document and Combined Prospectus and Circular (“Valuation Report”)

Further to your instructions, we are pleased to provide our Valuation Report in respect of the properties ("Properties") set out in Appendix 1 (List of Properties) below in connection with the Client's all-share offer for the entire issued and to be issued share capital of API (the “Acquisition”). If you have any queries regarding this Valuation Report, please let us know as soon as possible.

## Signed for and on behalf of Knight Frank LLP

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# Contents



# Appendices

# 1. About this report

## Engagement of Knight Frank LLP

1.1 This Valuation Report sets out our valuation, as at 31 December 2023 ("valuation date"), of the Properties ("Valuation"). This Valuation Report has been prepared in accordance with our Terms of Engagement letter dated 15 January 2024 addressed to the Addressees, and our General Terms of Business for Valuation Services (together the "Agreement").

**Client**

1.2 We have been instructed to prepare this Valuation Report by Custodian Property Income REIT plc.. However as set out above, this Valuation Report has also been addressed to abrdn Property Income Trust Limited, Lazard & Co., Limited and Numis Securities Limited.

**Valuation standards**

1.3 The Valuation has been undertaken in accordance with and complies with: (a) the current editions of RICS Valuation – Global Standards, which incorporate the International Valuation Standards, and the RICS UK National Supplement. References to the "Red Book" refer to either or both of these documents, as applicable; (b) Rule 29 of the City Code on Takeovers and Mergers (the "Code") as issued by the UK Panel on Takeovers and Mergers; (c) paragraphs 128-130 of the Financial Conduct Authority ("FCA") Primary Market Technical Note 619.1 (the "FCA Technical Note"); and (d) Rules 5.4.5 and 5.4.6 of the UK Prospectus Regulation Rules published by the FCA and item 2.7 of Annex 4 to the UK Prospectus Regulation Rules.

1.4 The Properties have been valued by a valuer who is qualified for the purposes of the Valuation in accordance with Rule 29 of the Code. For the purposes of this Valuation Report, "UK Prospectus Regulation Rules" shall mean the prospectus regulation rules made by the FCA for the purposes of part 6 of the Financial Services and Markets Act 2000.

## Status and experience of valuer

**Valuer and expertise**

1.5 The valuers, on behalf of Knight Frank LLP, with the responsibility for this Valuation Report are Indi Sidhu MRICS ("Lead Valuer") and Kevin Morris MRICS, RICS Registered Valuers. Parts of the Valuation have been undertaken by additional valuers as listed on our file.

1.6 We confirm that the Lead Valuer and any additional valuers who value the Properties meet the requirements of the Red Book and Rule 29.3(a)(iii) of the Code in having sufficient current knowledge of the particular market and the skills and understanding to undertake the Valuation and prepare this Valuation Report competently and, are appropriately qualified for the purposes of the Valuation as required by Rule 29.3(a)(ii) of the Code, and are independent of the parties to the offer as required by Rule 29.3(a)(i) of the Code.

1.7 We confirm that we are not aware of any reason why we would not satisfy the requirements of Rule 29.3(a)(i) of the Code.

## Conflicts of Interest: Declaration and Disclosures

1.8 For the purposes of Directive 2011/61/EU and/or any implementing legislation, laws or regulations thereof (including, but not limited to, the Alternative Investment Fund Manager's Regulations 2013) ("AIFMD") we act as the Client's valuation advisers but are not acting as "External Valuer" (as defined therein). Our role is limited to providing property valuation services in accordance with the Red Book under the terms of the Agreement; we shall not perform the valuation function referred to in Article 19 of AIFMD for the Client, and, we are not responsible for making the final determination of the value of the Properties nor for the calculation of the Net Asset Value of the Client.

1.9 We confirm that the valuer and additional valuers meet the requirements of the Red Book, having sufficient current knowledge of the particular market and the skills and understanding to undertake the Valuation competently.

1.10 We confirm that we have no material interest in the Client and we have acted as an External Valuer for the purpose of valuing the Properties pursuant to the terms of our letter of engagement dated 15 January 2024;

1.11 This Valuation Report has been vetted as part of Knight Frank LLP's quality assurance procedures.

1.12 We recognise and support the RICS Rules of Conduct and have procedures for identifying conflicts of interest.

## Independence

1.13 As set out in paragraph 1.8, Knight Frank LLP currently values the Properties, for financial reporting purposes, on behalf of the Client. The total fees for this assignment, earned by Knight Frank LLP (or other companies forming part of the same group of companies within the UK) from the Client (or other companies within the UK) is less than 5.0% of the total UK revenues. It is not anticipated that there will be a material increase in the proportion of the fees payable, or likely to be payable, by the Client.

## Use of this Valuation

**Purpose of valuation**

1.14 The Valuation and this Valuation Report are each provided solely for the purpose of:

(A) inclusion in an announcement proposed to be made by the Client and API pursuant to Rule 2.7 of the Code in connection Acquisition (the **"Rule 2.7 Announcement"**);

(B) inclusion in a scheme circular to be published by API in connection with the Acquisition (the **"Scheme Document"**);

(C) inclusion in a combined prospectus and circular to be published by the Client in connection with the Acquisition and the issue and allotment of new shares in the capital of the Client pursuant to the terms of the Acquisition (the **"Combined Prospectus and Circular"**);

(D) inclusion and/or reference to it in any other announcements, documents and/or supplementary documents required to be released by the Client and/or API pursuant to the Code and which directly relate to the Acquisition (each a **"Code Document"**); and

(E) publication on the Client's website and API's website in accordance with the requirements of the Code and the UK Prospectus Regulation Rules,

(together, the **"Purpose"**).

**Reliance**

1.15 This Valuation Report has been prepared for the Addressees only. Notwithstanding the General Terms, we acknowledge that this Valuation Report will also be used for the Purpose set out above.

1.16 Save for: (a) the Addressees; and (b) any responsibility arising under the Code and/or the UK Prospectus Regulation Rules to any person as and to the extent there provided, in accordance with Clauses 3 & 4 of the General Terms and 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 accordance with this Valuation Report or our statement, required by and given solely for the purposes of complying with the UK Prospectus Regulation Rules and Rule 29 of the Code.

**Disclosure & publication**

1.17 As stated in the Agreement, this Valuation Report is confidential to the Addressees and must not be disclosed to any person other than for the Purpose without our express written consent. Other than for the Purpose, neither the whole, nor any part of this Valuation Report nor any reference thereto may be included in any prospectus, listing particulars, published document, circular or statement nor published in any way without our prior written approval of the form or context in which it may appear.

1.18 Notwithstanding paragraph 1.17 above, this Valuation Report may be disclosed as set out below:

Subject to the terms and conditions (but disregarding for these purposes clauses 4.3 to 4.6 (inclusive) of the General Terms) of the Agreement and our approval of the form and context thereof, we hereby confirm that we will authorise and consent to the disclosure of this Valuation Report:

i. as may be required by any applicable court of competent jurisdiction or other competent judicial or governmental body or any applicable law or regulation or pursuant to government action, regulatory requirement or request;

ii. to each Addressee's affiliates and each Addressee's affiliates' respective directors, officers, employees, agents, professional advisers, insurers, auditors and bankers that need to see the Valuation in connection with the Purpose including Custodian Capital Limited in its capacity as the Fund Manager;

iii. in the case of each of Numis Securities Limited and Lazard & Co., Limited, in seeking to establish a defence or otherwise in connection with any actual or threatened legal or regulatory proceedings or investigation relating to the matters set out in this Letter or claims that may be brought against them arising from their roles as sponsor and/or financial advisers to the Client and/or API;

iv. in investor presentations and other investor education materials prepared in connection with the Acquisition, and in any private discussions with Investors or other third parties in

connection with the Acquisition; and

v. for the Purpose.

1.19 It is a condition of such disclosure that each party in receipt of this Valuation Report that is not an Addressee agrees and acknowledges that this Valuation Report cannot be relied upon by them, and we do not accept any responsibility, duty of care or liability to them, whether in contract, tort (including negligence), misrepresentation or otherwise in respect of the Valuation and the information it contains. For the avoidance of doubt, nothing in the preceding sentence shall affect our responsibility, for the purposes of Rule 5.3.2R(2)(f) of the UK Prospectus Regulation Rules, for the information contained in this Valuation Report.

1.20 This Valuation Report complies with Rule 29 of the Code and we understand that the publication or reproduction by the Client and/or API of this Valuation Report and/or the information contained herein as required by Rules 26 and 29 of the Code is necessary, including in the Rule 2.7 Announcement, the Scheme Document and any Code Document.

1.21 For the purpose of the Code, we accept responsibility for the information within this Valuation Report and have ensured that the information contained in this Valuation Report is, to the best of our knowledge (having taken all reasonable care to ensure that such is the case), in accordance with the facts and contains no omission likely to affect its import.

1.22 We confirm that this Valuation Report complies with Rules 5.4.5G and 5.4.6G of the UK Prospectus Regulation Rules and paragraphs 128 to 130 of the FCA Technical Note.

1.23 We confirm that the information contained in the Combined Prospectus and Circular or any supplementary prospectus and/or circular (as the case may be) which is extracted from this Valuation Report is accurate, balanced and complete and is not misleading or inconsistent with this Valuation Report as prepared by us and has been properly extracted, derived or computed from this Valuation Report.

1.24 The Addressees agree and acknowledge that we shall have no liability for any error, omission or inaccuracy in this Valuation Report to the extent resulting from our reliance on information provided by or on behalf of the Addressees unless otherwise stated. Notwithstanding the above, we highlight the restricted nature of this instruction, in accordance with the Red Book; as a result the reliance that can be placed on the Valuation is limited.

**Verification**

1.25 We recommend that before any financial transaction is entered into based upon the Valuation, you obtain verification of any third-party information contained within this Valuation Report and the validity of the assumptions we have adopted.

1.26 We would advise you that whilst we have valued the Properties reflecting current market conditions, there are certain risks which may be, or may become, uninsurable. Before undertaking any financial transaction based upon this Valuation, you should satisfy yourselves as to the current insurance cover and the risks that may be involved should an uninsured loss occur.

## Limitations on liability

1.27 Knight Frank LLP's total liability for any direct loss or damage (whether caused by negligence or breach of contract or otherwise) arising out of or in connection with this Valuation is limited in accordance with the terms of the Agreement. Knight Frank LLP accepts no liability for any indirect or consequential loss or for loss of profits.

1.28 We confirm that we hold adequate and appropriate PII cover for this instruction.

1.29 No claim arising out of or in connection with this Valuation may be brought against any member, employee, partner or consultant of Knight Frank LLP. Those individuals will not have a personal duty of care to any party and any claim for losses must be brought against Knight Frank LLP.

1.30 Nothing in this Valuation shall exclude or limit our liability in respect of fraud or for death or personal injury caused by our negligence or for any other liability to the extent that such liability may not be excluded or limited as a matter of law.

## Scope of work

**Information to be relied upon**

1.31 We will rely on the information previously provided to us by you, or by third parties in respect of the 30 September 2023 valuation and will assume it to be correct for the purposes of the Valuation unless you inform us otherwise, subject only to any valuation that we have agreed to undertake.

1.32 Where we express an opinion in respect of (or which depends upon) legal issues, any such opinion must be verified by your legal advisors before any Valuation can be relied upon.

1.33 We are instructed to rely on floor areas and tenancy information provided by the Client. We have not read lease agreements nor verify accordance between tenancy schedule and lease terms.

1.34 Knight Frank LLP cannot be held liable as regards the legal description of the Properties, its use, non-compliance with statutory requirements, technological and natural risks, the areas taken into account, the existence of concealed defects, presence of asbestos, adverse ground condition, presence of soil contamination, presence of insects, noxious animals or plants, rot, or deleterious materials, etc. This Valuation Report comments on the above on the basis of Technical or Environmental reports, if provided.

**Inspections**

1.35 In our ongoing role as External Valuers, we are instructed to carry out an external and internal inspection of the Properties, and the Valuation has been prepared in accordance with our previous inspections of the Properties. Our internal inspections of all the Properties have been undertaken within the last twelve months.

**Information Provided**

1.36 In this Valuation Report we have been provided with information by the Client, its advisors and other third parties. We have relied upon this information as being materially correct in all aspects.

1.37 In the absence of any documents or information provided, we have had to rely solely upon our own enquiries as outlined in this Valuation Report.

1.38 We have assumed there to be good and marketable titles to the properties. We have made oral enquiries where appropriate and have taken account, insofar as we are aware, of unusual outgoings, planning proposals and onerous restrictions or local authority intentions which affect the properties. However, this information has been provided to us on the basis that it should not be relied upon.

1.39 We have been supplied with details of tenure and tenancies and have valued on the basis that there are no undisclosed matters which would affect our valuation.

1.40 We have not undertaken any building surveys or environmental audits and are therefore unable to report that the Properties are free of any structural fault, rot, infestation or defects of any other nature, including inherent weaknesses due to the use in construction of materials now suspect. No tests were carried out on any of the technical services. However, we have reflected any apparent wants of repair in our opinion of value as appropriate.

1.41 We have made oral enquiries where appropriate and have taken account, insofar as we are aware, of unusual outgoings, planning proposals and onerous restrictions or local authority intentions which affect the Properties.

1.42 We have assumed, except where we have been informed to the contrary, that there are no adverse ground or soil conditions or environmental contaminations which would affect the present or future use of the Properties and that the load bearing qualities of the site of each property are sufficient to support the buildings constructed or to be constructed thereon.

1.43 The Properties have been valued individually, not as part of a portfolio.

# 2. Valuation

## Methodology

2.1 The Valuation has been undertaken using appropriate valuation methodology and our professional judgement.

**Comparative method**

2.2 In undertaking the Valuation, we have made our assessment on the basis of a collation and analysis of appropriate comparable transactions, together with evidence of demand within the vicinity of the subject properties. With the benefit of such transactions we have then applied these to the properties, taking into account size, location, aspect and other material factors.

**Investment method**

2.3 The Valuation has been carried out using the comparative and investment methods. In undertaking the Valuation, we have made our assessment on the basis of a collation and analysis of appropriate comparable investment and rental transactions, together with evidence of demand within the vicinity of the subject properties. With the benefit of such transactions we have then applied these to the Properties, taking into account size, location, terms, covenant and other material factors.

## Valuation bases

2.4 The basis of value for the Valuation as required by the Code is Market Value and therefore these valuations have been prepared on a Market Value basis.

**Market Value**

2.5 Market Value is defined within RICS Valuation – Global Standards as:

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

**Portfolios**

2.6 In a valuation of a property portfolio, we have valued the individual properties separately and we have assumed that the individual properties have been marketed in an orderly way.

## Market Value

**Market Value**

2.7 We are of the opinion that the aggregate Market Value of the freehold, feuhold, ownership and leasehold properties**,** as at the valuation date is:

**£319,830,000 (Three Hundred and Nineteen Million, Eight Hundred and Thirty Thousand Pounds)**

2.8 The tenure of the Properties held by the Client as at 31 December 2023 comprises the following:

| | No. of Properties | Market Value |
|---|---|---|
| Freehold | 64 | £275,500,000 |
| Leasehold | 14 | £44,330,000 |
| Total | 78 | £319,830,000 |

Our opinions of value are summarised in the table below:

| | Valuation 31 December 2023 £'000 | Weighting by value 31 December 2023 % |
|---|---|---|
| Industrial | £162,500 | 50.81% |
| RW | £82,375 | 25.76% |
| Other | £30,940 | 9.67% |
| Office | £30,875 | 9.65% |
| High Street | £13,140 | 4.11% |
| **Total** | **£319,830** | **100%** |

| Location | Valuation 31 December 2023 £'000 | Weighting by value 31 December 2023 % |
|---|---|---|
| West Midlands | £54,065 | 16.90% |
| North West | £62,125 | 19.42% |
| South East | £31,200 | 9.76% |
| East Midlands | £54,825 | 17.14% |
| South West | £46,265 | 14.47% |
| North East | £23,425 | 7.32% |
| Scotland | £41,100 | 12.85% |
| Eastern | £3,575 | 1.12% |
| Wales | £3,250 | 1.02% |
| **Total** | **£319,830** | **100%** |

Source: Knight Frank

2.9 For the purposes of Rule 29.5 of the Code, we confirm that in our opinion the current valuation of the Properties as at the date of this Valuation Report would not be materially different from the valuation of the Properties as at the valuation date.

2.10 However we bring to your attention the potential material change in the portfolio in so far as Osprey House, Pegasus Business Park, Castle Donnington DE74 2UZ is currently under offer and is likely to be sold early in calendar year 2024. This property is therefore included within this Valuation Report but could soon be removed from the portfolio.

2.11 We are not aware, as a result of our role as an External Valuer of the Properties of any matter which would materially affect the Market Value of the Properties which is not disclosed in this Valuation Report (subject to the assumptions set out in this Valuation Report) and we are not aware of any matter in relation to this Valuation Report that we believe should be and has not yet been brought to the attention of the Addressees.

2.12 For the purposes of paragraph 130(vi) of the FCA Technical Note, we are required to explain any differences between the valuation figure in this Valuation Report and the equivalent figure reported in the Client's latest published annual or consolidated accounts. The Company's properties were valued as at 31 March 2023 for the annual report valuation of the Company. The difference between the 31 March 2023 valuation and this Valuation is attributed to changes in the market value of the Properties and the acquisition and disposal of assets between that date and the date of this report.

## Responsibility

2.13 For the purposes of the Code, we are responsible for this Valuation Report and accept responsibility for the information contained in this Valuation Report and confirm that to the best of our knowledge (having taken all reasonable care to ensure this is the case), the information contained in this Valuation Report is in accordance with the facts and contains no omissions likely to affect its import. This Valuation Report complies with and is prepared in accordance with, and on the basis of, the Code. We authorise its contents for the purposes of Rule 29 of the Code.

2.14 We accept responsibility (including for the purpose of Rule 5.3.2R(2)(f) of the UK Prospectus Regulation Rules) for the information contained in this Valuation Report and to the best of our knowledge, the information contained in this Valuation Report is in accordance with the facts and the Valuation Report makes no omission likely to affect its import.

## Consent

2.15 Knight Frank LLP has given and has not withdrawn its consent to the inclusion of this Valuation Report in the Rule 2.7 Announcement, the Scheme Document and in the Combined Prospectus and Circular that is to be reviewed and approved by the FCA, and to the publication and reproduction of this Valuation Report in accordance with the Purpose.

We consent to the inclusion of the Valuation and this Valuation Report and any extracts or references thereto in the Combined Prospectus and Circular or any supplementary prospectus and/or circular (as the case may be) and the reference to our name in the form and context in which they are included in

the Combined Prospectus and Circular or any supplementary prospectus and/or circular (as the case may be) (subject to us first approving the form and context in which our Valuation Report will appear).

# Appendix 1 List of Properties

| | Tenure | Property Address | Property reference | Date of Inspection |
|---|---|---|---|---|
| | Feuhold | Menzies – Aberdeen, 6 Abbotswell Road West Tullos Ind Estate, Aberdeen, AB12 3AB | R00-173 | 15/02/2023 |
| | Freehold | Unit 2, Snipe Retail Park, Ash, Ashton-under-Lyne | R00-150 | 02/02/2023 |
| | Freehold | Southam Road, Banbury, OX16 2R | R00-115 | 14/03/2023 |
| | Freehold | Part of Plot S, Stratton Bus Park, Biggleswade | R00-051 | 25/04/2023 |
| | Long Lease | Unit 10, Albert Reach, Bristol, Bristol | R00-091 | 12/04/2023 |
| | Freehold | Unit 1, Centrum 100, Burton, D, Burton | R00-137 | 01/02/2023 |
| | Freehold | Unit A, Wellington Road Retail Park, Burton | R00-155 | 17/11/2023 |
| | Freehold | 55 Westburn Drive, Cambuslang | R00-087 | 28/02/2023 |
| | Freehold | 90 Queen Street, Cardiff | R00-154 | 21/07/2023 |
| | Freehold | Unit 1 St Nicholas Gate Retail, Carlisle | R00-159 | 14/02/2023 |
| | Long Lease | Osprey House, Pegasus Business Park, Castle Donnington,<br>DE74 2UZ | R00-120 | 21/02/2023 |
| | Freehold | Unit 1, Willowbridge Way, Wakefield, Castleford | R00-049 | 02/02/2023 |

| | Tenure | Property Address | Property reference | Date of Inspection |
|---|---|---|---|---|
| | Long Lease | Wienerberger House, Royal Bus, Cheadle | R00-121 | 28/02/2023 |
| | Long Lease | Container Components, Holmewood Industrial Park, Chesterfield | R00-206 | 23/11/2022 |
| | Freehold | Orchard Business Park, Coventry | R00-032 | 10/01/2023 |
| | Freehold | Homebase, Holt Road, Cromer | R00-198 | 23/11/2022 |
| | Freehold | Unit 7, Badby Park, Daventry | R00-136 | 28/07/2023 |
| | Freehold | DFS Droitwich, Roman Way Retail Park, Droitwich, WR9 9AY | R00-204 | 19/01/2023 |
| | Feuhold | 47B George St, Edinburgh, EH2 | R00-007 | 16/11/2022 |
| | Freehold | Opus Aspect, Chester Road, Erdington | R00-047 | 09/02/2023 |
| | Long Lease | 2 Campsie Drive, Glasgow Airport, Glasgow | R00-100 | 01/11/2022 |
| | Freehold | Unit 1 & 2, Eastern Avenue, Gloucester | R00-142 | 13/02/2023 |
| | Ownership | Thornbridge Distribution Centre, Grangemouth | R00-200 | 14/02/2023 |
| | Freehold | GF Yellow Wing GW House Grove Park, Leicester, LE19 1SY | R00-035 | 28/01/2023 |
| | Freehold | Market Street, Guildford, GU1 4LB | R00-109 | 09/02/2023 |
| | Freehold | 1 Livingstone Boulevard, Hamilton, G72 0BP | R00-052 | 01/02/2023 |
| | Long Lease | Harrison Court Hilton Industrial Est, Hilton, DE65 5UR | R00-182 | 25/04/2023 |

| | Tenure | Property Address | Property reference | Date of Inspection |
|---|---|---|---|---|
| | | | | |
| | Freehold | Telford Way, Kettering, NN16 8UN | R00-093 | 19/01/2023 |
| | Freehold | Penrhyn Court, Knowsley | R00-184 | 19/01/2023 |
| | Freehold | The Old Knutsford Library, Brook Street, Knutsford, WA16 8BN | R00-004 | 21/02/2023 |
| | Freehold | Units A and B, National Court, Leeds, LS10 1PS | R00-084 | 17/11/2023 |
| | Freehold | 489 Aylestone Road, Leicester | R00-061 | 07/06/2023 |
| | Freehold | Stephenson Road, Lincoln, LN6 3QU | R00-101 | 07/06/2023 |
| | Freehold | Total Fitness, Whisby Road, Lincoln, LN6 3TA | R00-163 | 09/02/2023 |
| | Feuhold | East Avenue, Linwood | R00-175 | 19/01/2023 |
| | Long Lease | Units 1 – 4, The Beat, Liverpool | R00-138 | 19/01/2023 |
| | Freehold | 2 Todd Square, Houstoun Estate Livingston | R00-153 | 02/12/2022 |
| | Freehold | VW Loughborough | R00-172 | 02/02/2023 |
| | Long Lease | Unit 4, The Furrows, The Furrows Merlin Park Trafford Park<br>Manchester, M32 0SZ | R00-041 | 18/01/2023 |
| | Freehold | 60 Fountain Street, Manchester, M2 2FE | R00-186 | 28/04/2023 |
| | Freehold | DFS Measham, Tamworth Road, Measham, DE12 7DU | R00-205 | 09/02/2023 |

| | Tenure | Property Address | Property reference | Date of Inspection |
|---|---|---|---|---|
| | | | | |
| | Feuhold | 5 Brittain Way, Motherwell | R00-207 | 19/01/2023 |
| | Feuhold | Menzies, 1 Claylands Road, Newbridge – Edinburgh | R00-174 | 21/02/2023 |
| | Freehold | Unit D1, Loscoe Close, Normanton, WF6 1TW | R00-094 | 05/09/2023 |
| | Freehold | Starbucks, The Portal Queens Drive, Nottingham, NG2 1AL | R00-181 | 16/01/2023 |
| | Freehold | 1 Dunsil Road, Moorgreen Industrial Park Newthorpe, Nottingham, NG16 3TN | R00-199 | 17/11/2023 |
| | Freehold | Springfield Road Retail Park, Hucknall Lane, Bulwell, Nottingham | R00-202 | 23/11/2022 |
| | Freehold | DX Parcel Depot, Harrington Way, Nuneaton | R00-053 | 10/02/2023 |
| | Freehold | Willow Court Minns Business Park, Oxford | R00-183 | 25/10/2023 |
| | Freehold | Unit A, Coypool Road, Plymouth | R00-145 | 24/10/2022 |
| | Freehold | AGO, Harbour Road, Portishead, Bristol, BS20 7AJ | R00-039 | 24/10/2022 |
| | Freehold | Phase II, Mustad Way Portishead | R00-079 | 25/10/2022 |
| | Freehold | 226-238 Commercial Road, Portsmouth | R00-110 | 17/11/2022 |
| | Freehold | Alto House, Ravensbank Drive, Redditch | R00-072 | 25/10/2022 |
| | Freehold | Parkwood Health & Fitness, Salisbury | R00-151 | 02/02/2023 |
| | Freehold | Synergy Health, Sheffield Parkway, Sheffield, S9 4WU | R00-020 | 02/02/2023 |

| | Tenure | Property Address | Property reference | Date of Inspection |
|---|---|---|---|---|
| | Freehold | Parkway 1 Business Centre, Sheffield | R00-126 | 02/02/2023 |
| | Freehold | Foundry House, Sheffield | R00-168 | 10/11/2022 |
| | Freehold | 28 & 29A Pride Hill, Shrewsbury | R00-062 | 02/12/2022 |
| | Long Lease | Audi Shrewsbury | R00-166 | 02/12/2022 |
| | Long Lease | TJ Vickers Shrewsbury | R00-164 | 31/01/2023 |
| | Freehold | Westbury House, 701-705 Warwick Rd, Solihull | R00-082 | 31/01/2023 |
| | Long Lease | 19-23 Palmerston Road, South Sea, Portsmouth | R00-065 | 25/10/2022 |
| | Freehold | Unit E, DHL, Estuary Commerce Park, Speke, L24 8RF | R00-054 | 19/01/2023 |
| | Freehold | County Road Retail Park, Swindon | R00-123 | 11/10/2022 |
| | Freehold | 302 Relay Park, Tamworth | R00-118 | 23/11/2022 |
| | Freehold | Sainsbury's, Anthony Road, Torpoint, PL11 2JW | R00-078 | 25/10/2023 |
| | Long Lease | Unit 1 & 5, Abbey Sands, Torquay, TQ2 5FB | R00-103 | 25/10/2022 |
| | Freehold | Unit 1, Leacroft Road, Warrington, WA3 6PJ | R00-112 | 10/02/2023 |
| | Freehold | 1 Chesford Grange, Warrington, WA1 4RQ | R00-070 | 10/02/2023 |

| | Tenure | Property Address | Property reference | Date of Inspection |
|---|---|---|---|---|
| | Long Lease | The Dome Roundabout, NW Avenue, Watford | R00-027 | 01/02/2023 |
| | Freehold | Hawthorns Business Park, Halford Lane, West Bromwich, B66 1BB | R00-124 | 17/11/2022 |
| | Freehold | 26 Kings Hill Avenue, Kings Hill, West Malling, ME19 4AE | R00-113 | 28/01/2023 |
| | Freehold | Unit 1 Jubilee Close Retail Park, Weymouth | R00-171 | 11/10/2023 |
| | Freehold | 127-128 High Street, Winchester, SO23 9AX | R00-201 | 23/11/2023 |
| | Freehold | Unit One, Road One, Winsford, CW7 2RL | R00-122 | 24/01/2023 |
| | Freehold | Menzies Distribution Centre, George Cayley, Clifton, York | R00-187 | 21/02/2023 |
| | Freehold | Units 1&2, Clifton Moor Retail Park, York | R00-203 | 21/02/2023 |

**Part B: Property Valuation Report prepared by Savills Advisory Services Limited in relation to certain assets in the Group's portfolio**

# Project Utah

## Report and Valuation

1 February 2024

savills.co.uk/valuations

# Contents

# 1. Valuation Report

**1.1. Addressees**

Custodian Property Income REIT plc ("Custodian REIT")
1 New Walk Place
Leicester
LE1 6RU

Numis Securities Limited ("Deutsche Numis")
45 Gresham Street
London
EC2V 7BF

abrdn Property Income Trust Limited ("API")
PO Box 255
Trafalgar Court, Les Banques
St Peter Port
Guernsey

Lazard & Co Limited ("Lazard")
50 Stratton Street
London
W1J 8LL

FAO: Alex Nix

**1.2. Project Name**

Project Utah

**1.3. Instructions and Purpose of Valuation**

In accordance with our instructions received from Custodian Property Income REIT plc ("Custodian REIT") and our terms of engagement dated 15 January 2024 with Custodian REIT, we have undertaken valuations (the "Valuations") of the freehold and leasehold interests in the properties described in Schedule 2 (the "Properties" and each being a "Property") (together, the "Portfolio") in connection with a recommended all-share offer by Custodian REIT for API (the "Transaction"). Custodian REIT has expressly instructed us not to disclose certain information which is considered commercially sensitive, namely the individual values of the properties.

This report (the "Report") has been prepared in accordance with the RICS Valuation – Global Standards (incorporating the IVSC International Valuation Standards) effective from 31 January 2022 together with the UK National Supplement effective 14 January 2019, together the "Red Book''. The Report has been prepared in accordance with and complies with: (a) the requirements of Rule 29 of the City Code on Takeovers and Mergers (the "Code"); (b) Rules 5.4.5G and 5.4.6G of the prospectus regulation rules made by the Financial Conduct Authority ("FCA") for the purposes of Part 6 of the Financial Services and Markets Act 2000 (the "Prospectus Regulation Rules"); and (c) paragraphs 128-130 of the FCA Primary Market Technical Note 619.1 (the "FCA Technical Note"). We understand that this Report is required for: (i) inclusion in an announcement proposed to be made by Custodian REIT and API pursuant to Rule 2.7 of the Code in connection the "Transaction (the "Announcement");(ii) inclusion in a scheme circular to be published by API in connection with the Transaction (the "Scheme Document"); (iii) inclusion in a combined prospectus and circular to be published by Custodian REIT in connection with the Transaction and the issue and allotment of new shares in the capital of Custodian REIT pursuant to the terms of the Transaction (the "Combined Prospectus and Circular"); (iv).inclusion and/or reference to it in any other announcements, documents and/or supplementary documents

required to be released by Custodian REIT and/or API pursuant to the Code and which directly relate to the Transaction (each a "Code Document"); and (v) publication on Custodian REIT's website and API's website in accordance with the requirements of the Code and the Prospectus Regulation Rules

### 1.4. Terms of Reference

The Portfolio comprises 80 Properties, fifteen of which are held on a leasehold basis, whilst the remainder are held on a freehold / heritable basis. The Properties are all held for investment purposes and are located throughout the UK. The properties have been inspected within the last 12 months. All the Properties are identified on the attached schedule at **Section 2** of this Report.

Custodian REIT has provided us with floor areas for the Properties, which we understand were calculated in accordance with the current RICS Property Measurement and upon which we have relied. We have not remeasured the office properties in the portfolio in accordance with International Property Measurement Standard (IPMS) 3 – Offices and therefore our Valuations are based on Net Internal Areas as defined in the RICS Property Measurement. We have been provided with legal documents for the Properties and tenancy schedules provided by Custodian REIT In addition to this, we have received updates from Custodian REIT specialist advisors. We confirm that we have considered sustainability features relevant to the Properties and the implications these could have on our Valuations.

### 1.5. Conflicts of Interest

In accordance with the RICS professional statement on Conflicts of Interest (1st Edition, March 2017), we are not aware of any conflict of interest preventing us from providing you with an independent valuation of the properties in accordance with the RICS Red Book. We confirm that we undertake valuations of the Properties on behalf of Custodian REIT for accounts purposes on a quarterly basis, the last of which was as at 30 September 2023. We confirm we are acting as an “external valuer” as defined in the RICS Red Book.

### 1.6. Date of Valuation and Changes to Value since the Valuation Date

Our opinions of value are as at 31 December 2023 (the “Valuation Date”). The importance of the Valuation Date must be stressed as property values can change over a relatively short period. We note the following between the Valuation Date and the date of this Report:

- 1 Pride Place, Pride Park, Derby sold on 5 January 2024.
- Milton Keynes – Massmould, Bradbourne Drive, Milton Keynes sold on 19 January 2024.

These properties have been included in this Report. However, we note that both properties have now been removed from the portfolio.

For the purposes of Rule 29.5 of the Code, and with the exception of the sale of the two above properties, we confirm that there is no material difference between the values of the remaining properties stated in this Report and the values that would be stated were the Valuation Date the date of this Report. Nor do we believe that market conditions have changed sufficiently to materially alter the Valuations reported as at the Valuation Date. As a result, we confirm for the purpose of Rule 29.5 of the Code and paragraph 130(iv) of the FCA Technical Note that an updated valuation as at the date of this Report would not be materially different from the Valuations as at the Valuation Date.

## 1.7. Valuer Details

These Valuations have been prepared by a number of valuers under the supervision of Tom Priest MRICS and James Daffern MRICS (the "Lead Valuers"), both of whom are RICS Registered Valuers. We confirm that the Lead Valuers are appropriately qualified for the purposes of the Valuation as required by Rule 29.3(a)(ii) of the Code, meet the requirements of the Red Book and Rule 29.3(a)(iii) of the Code in having sufficient current knowledge of the relevant markets and the necessary skills and understanding to undertake the Valuations competently in accordance with Rule 29 of the Code and Rules 5.4.5G and 5.4.6G of the Prospectus Regulation Rules. We confirm that the Lead Valuers are independent of the parties to the Transaction as required by Rule 29.3(a)(i) of the Code, and confirm that we are not aware of any reason why we would not satisfy the requirements of Rule 29.3(a)(i) of the Code.

We are required by RICS regulations to disclose the following:

- Tom Priest MRICS and James Daffern MRICS commenced supervision of the Valuation of this Portfolio in June 2021, when Savills (UK) Limited was instructed to provide quarterly valuations;
- In the financial year ending 31 December 2023, the total fees earned from the Addressees, and connected parties, was less than 5% of Savills (UK) Limited's turnover.

## 1.8. Basis of Valuation

Our Valuations have been prepared on the basis of Market Value, the definition of which is as follows:

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

Our Valuations have been arrived at predominantly by reference to market evidence for comparable property. We have made no allowance for any Capital Gains Tax or other taxation liability that might arise upon a sale of the property, nor have we allowed for any adjustment to any of the properties' income streams to take into account any tax liabilities that may arise. Our Valuations are exclusive of VAT (if applicable). We have excluded from our Valuations any additional value attributable to goodwill, or to fixtures and fittings which are only of value in situ to the present occupiers.

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

We have made no variation from standard assumptions.

## 1.9. Market Conditions

The UK economy continues to maintain a watch over inflationary pressures amid sluggish economic growth. In the first half of 2023, the UK witnessed a modest expansion, leading the IMF to upgrade their forecasts and dismiss the possibility of a recession in 2023, however, to combat inflation, the Bank of England consistently raised interest rates from late 2021, reaching a high of 5.25% in August 2023. Concerns remain as to whether the economy will fall into recession in 2024, and despite the economy growing by 0.3% in November 2023, if overall the economy shrinks between October and December 2023, it will be deemed to be in recession.

Whilst further increases cannot be ruled out, the prospect of further interest rate hikes in the short term appear to have subsided as inflation has gradually reduced over the course of the year, with UK inflation rate for November 2023 being its lowest level in 2 years, at 3.9%, albeit this remains above the Government and Bank of England target. As a result of these increases, borrowing costs have increased, surpassing prime real estate yields although the financial markets have begun to price in an anticipated reduction in interest rates, which is considered to indicate a turning point in the market.

The commercial real estate market felt the impact of these developments and experienced a sharp correction in prices. Many sales were withdrawn as vendors' price expectations were not met, while buyers have adopted an opportunistic pricing approach. Real estate lenders continue to exercise caution when it comes to financing new lending opportunities, except for the most exceptional assets and sponsors. In the meantime, in several commercial real estate sectors there is a positive occupational market which has offered encouragement to investors in seeking out properties with good underlying fundamentals and where there is the opportunity to deliver attractive returns in the medium to longer term.

Consequently, transactional volumes and liquidity significantly declined over 2022 and 2023, leading to a scarcity of comparable evidence to inform the valuation process. Market sentiment has gained increased importance in making informed assessments, given the limited availability of data. Notably, a divided market is emerging, differentiating "best in class" properties from those facing challenges due to locational factors and the overall quality of the real estate. Stakeholders in the market, including occupiers, investors, and lenders, are attaching heightened significance to environmental, social, and governance (ESG) considerations and the associated costs, in their decision making.

While there is still liquidity in the market, ongoing geopolitical uncertainties, economic challenges, and the cost and accessibility of debt finance are expected to further impact pricing. As a result, the potential for future value erosion cannot be discounted, particularly for secondary properties and those outside prime markets where more significant declines can be anticipated as real estate markets and values continue to recalibrate to elevated levels in the of cost of capital, subdued transaction volumes and a cautious lending environment. We anticipate improved market sentiment during H1 2024, albeit the planned General Election curtails the prospects for a sustained return to growth this year.

It is therefore important to recognise that our valuation has been prepared against the backdrop outlined above. Moreover, investor behaviour can change quickly during such periods of heightened volatility. As such, the conclusions set out in this report are only valid at the valuation date and we would recommend that the value of the property is kept under regular review. For the avoidance of doubt, our valuation is not reported as being subject to ‘material valuation uncertainty’ as defined in the RICS Valuation – Global Standards.

## 1.10. Market Value

We are of the opinion that the aggregate Market Value of the Properties in the Portfolio, as at 31 December 2023, is:

| | |
|---|---|
| **TOTAL** | **£281,940,000** |

**(TWO HUNDRED AND EIGHTY ONE MILLION NINE HUNDRED AND FORTY THOUSAND POUNDS)**

The total valuation figure reported is the aggregate total of the individual Properties and not necessarily a figure that could be achieved if the Portfolio was sold as a single holding. Our Valuations include standard purchaser's costs but do not include costs of realisation.

For the purposes of paragraph 130(vi) of the FCA Technical Note, we are required to comment on any differences between the valuation figure in this Report and the valuation figures reported in Custodian REIT's latest published annual or consolidated accounts.

For the purposes of paragraph 130(vi) of the FCA Technical Note, we are required to comment on any differences between the valuation figure in this Report and the valuation figures reported in Custodian REIT's latest published annual or consolidated accounts. The Company's properties were valued as at 31 March 2023 for the annual report valuation of the Company. The difference between the 31 March 2023 valuation and this Valuation is attributed to changes in the market value of the Properties and the disposal of assets between that date and the date of this Report.

The Market Value of the Properties split by property type (based on Custodian REIT categorisations) is as follows:

| | Valuation 31 December 2023 (£m) | Valuation 31 December 2023 (%) |
|---|---|---|
| **Retail** | £25,540,000 | 9.06% |
| **Retail Warehouse** | £43,775,000 | 15.53% |
| **Offices** | £34,925,000 | 12.39% |
| **Industrial** | £143,325,000 | 50.84% |
| **Other** | £34,375,000 | 12.19% |
| **Total** | **£281,940,000** | **100%** |

The Market Value of the Properties split by region (based on Custodian REIT categorisations) is as follows:

| | Valuation 31 December 2023 (£m) | Valuation 31 December 2023 (%) |
|---|---|---|
| **East Anglia** | £16,130,000 | 5.72% |
| **East Midlands** | £35,900,000 | 12.73% |
| **North East** | £31,950,000 | 11.33% |
| **North West** | £41,640,000 | 14.77% |
| **Scotland** | £35,470,000 | 12.58% |
| **South East** | £47,750,000 | 16.94% |
| **South West** | £16,850,000 | 5.98% |
| **Wales** | £1,850,000 | 0.66% |

| | | |
|---|---|---|
| **West Midlands** | £54,400,000 | 19.29% |
| **Total** | **£281,940,000** | **100%** |

The tenure of the Properties held by Custodian REIT as at the Valuation Date comprises the following:

| | No. of Properties | Market Value |
|---|---|---|
| **Freehold** | 65 | £243,565,000 |
| **Leasehold** | 15 | £38,375,000 |
| **Total** | **80** | **281,940,000** |

### 1.11. Confidentiality

In accordance with the recommendations of the RICS, this Report is provided solely for the purpose stated in this Report. It is confidential to and for the use only of the parties to whom it is addressed, and no responsibility is accepted to any third party for the whole nor any part of its contents. Any such parties rely upon this Report at their own risk. Save as referred to in this Report neither the whole nor any part of this Report or any reference to it may be included now, or at any time in the future, in any published document, circular or statement, nor published, referred to or used in any way without our written approval of the form and context in which it may appear.

Notwithstanding the above, we understand that the Report is for inclusion in the Announcement, Scheme Document and the Combined Prospectus and Circular and any further documents or announcements to be published by Custodian REIT and/or API in accordance with the Transaction. We consent to the publication and reproduction of the Report as required (including in the Announcement, the Scheme Document and the Combined Prospectus and Circular) subject to the provisions of our Terms of Engagement.

### 1.12. Portfolio Valuation General Assumptions and Conditions

All valuation advice has been carried out on the basis of the *General Assumptions and Conditions* set out in Section 3.

### 1.13. Reliance

This Report is addressed to and capable of being relied upon by:

- Custodian REIT
- Deutsche Numis
- API
- Lazard

(together, the **Addressees**) provided that, in relying on this Report, each of the Addressees acknowledges and agrees that our liability under or in connection with this report to any one, or more, or all of the Addressees and any other party who becomes entitled to rely on the report is limited to £20,000,000 (Twenty Million Pounds) in the aggregate (the "Aggregate Limit"). Further and without prejudice to the above, our maximum liability with respect to any single property contained in this report shall be limited to an amount equal to 20% (twenty percent) of the reported Value of that property (the "Per Property Limit"). For the avoidance of doubt, the Per Property Limit is not in addition to the Aggregate Limit, rather, where claims relate to multiple

properties, the Per Property Limit for each Property will apply until the Aggregate Limit is reached, above which we will have no further liability.

Notwithstanding the above, we acknowledge that this Report will also be for the use of the shareholders of Custodian REIT and API for the specific Purpose set out in this Valuation.

This Report is subject to the terms and conditions set out in our Terms of Engagement dated 15 January 2024.

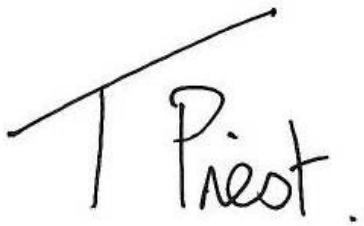
### 1.14. Responsibility

For the purposes of the Code, we are responsible for this Report and accept responsibility for the information contained in this Report and confirm that to the best of our knowledge (having taken all reasonable care to ensure that such is the case), the information contained in this Report is in accordance with the facts and contains no omissions likely to affect its import. This Report complies with, and is prepared in accordance with, and on the basis of, the Code. We authorise its contents for the purpose of Rule 29 of the Code. We understand that the publication or reproduction by Custodian REIT and/or API of this Report and/or the information contained herein as required by Rules 26 and 29 of the Code is necessary, including in the Announcement, the Scheme Document and any other announcements, documents and/or supplementary documents required to be released by Custodian REIT and/or API pursuant to the Code and which directly relate to the Transaction.

We accept responsibility (including for the purpose of Rule 5.3.2R(2)(f) of the UK Prospectus Regulation Rules) for the information contained in this Report and to the best of our knowledge, the information contained in this Report is in accordance with the facts and this Report makes no omission likely to affect its import.

We confirm that we are not aware, as a result of our role as an External Valuer of the Properties of any matter which would affect the Market Value of the properties which is not disclosed in this Report (subject to any assumptions set out in this Report) in order to make this Report materially accurate and not misleading and we are not aware of any matter in relation to this Report that we believe should be and has not yet been brought to the attention of the Addressees of this Report.

### 1.15. Signatories



**Tom Priest MRICS**
**RICS Registered Valuer**
Director

**James Daffern MRICS**
**RICS Registered Valuer**
Director

For and on behalf of Savills Advisory Services Limited, a subsidiary of Savills Plc

Regulated by RICS
Registered in England No. 06215875
Registered Office: 33 Margaret Street, London, W1G 0JD

| | | |
|---|---|---|
| **1.16.** | **Date of Report** | 1 February 2024 |

# 2. Schedule of Properties

| Known as | Description | Tenure | Date of inspection |
|---|---|---|---|
| Pride Park | 1 Pride Place, Pride Park, Derby, DE24 8QR | Freehold | 24/05/2023 |
| Bardon | Units E/F, Bardon, Coalville, LE67 1FL | Freehold | 01/06/2023 |
| Avonmouth | Unit M3, RD Park, BS11 0QL - Ref:1100-CU197 | Freehold | 24/05/2023 |
| Sheffield | Unit 2 Sheffield, 3 Europa Drive, S9 1XT | Long Leasehold | 04/08/2023 |
| Triangle Retail Park | Triangle Retail Park (HUT 341), Lubbesthorpe | Long Leasehold | 09/06/2023 |
| Crewe | Counterpoint, Crewe, CW1 6EH | Freehold | 10/02/2023 |
| Oldbury | Brades Road, Oldbury | Freehold | 04/06/2023 |
| Ermine Business Park | Lancaster Way, Ermine Business Park, PE29 6XU | Freehold | 16/10/2023 |
| Jewellery Quarter | 37/38 Frederick St, Jewellery Quarter, B1 3HH | Long Leasehold | 04/06/2023 |
| Portsmouth | 109 Commercial Road, Portsmouth, PO | Freehold | 20/10/2023 |
| Redhill | 105-107 Brighton Road, Redhill, RH1 6PS | Freehold | 13/05/2023 |
| Glasgow | 98 Argyle Street, Glasgow, G2 9BQ | Freehold | 31/05/2023 |
| Bath | GF Bath, Bluecoat House, Bath, BA1 1EY | Long Leasehold | 02/08/2023 |
| Speke - PSL | PSL, Unit C Estuary Commerce Park, L24 8RF | Long Leasehold | 26/05/2023 |
| Castleford - MKM | Castleford - MKM | Freehold | 01/06/2023 |
| Colchester | 2 Long Wyre Street, Colchester | Freehold | 27/06/2023 |
| Southampton | 54 Above Bar Street, Southampton | Long Leasehold | 07/02/2023 |
| High Wycombe | 46/50a High Street, Frogmoor, High Wycombe | Freehold | 24/10/2023 |
| Milton Keynes | Staples Unit, Milton Keynes, MK9 1AN | Freehold | 28/02/2023 |
| Doncaster | 3 Carriage Way, White Rose Way, DN4 5NT | Freehold | 01/06/2023 |
| Gillingham | Beechings Way, Gillingham, ME8 6PS | Long Leasehold | 22/06/2023 |
| Leeds - Cardinal House | 9 Manor Road, Leeds, LS11 9AH | Freehold | 01/06/2023 |
| Leeds - David Street | 40 David Street, Leeds, LS11 5QJ | Freehold | 01/06/2023 |
| Milton Keynes - Massmould | Bradbourne Drive, Milton Keynes, MK7 8AT | Freehold | 28/02/2023 |
| Salford - Zeus | Zeus Building, Unit 4, Salford, M27 8UJ | Freehold | 10/02/2023 |
| Grantham | Discovery Retail Park, London Road | Freehold | 19/05/2023 |
| Plymouth | Unit 2, Langage Science Park, PL7 5BQ | Freehold | 30/07/2023 |
| Glasgow - West George St | 250 West George St, Lower Ground Floor | Freehold | 31/05/2023 |
| Normanton | Unit B, Centre 31, Foxbridge Way, WF6 1TN | Freehold | 01/06/2023 |
| Ashby | Unit 16, Ashby Park, LE65 1JF | Freehold | 09/06/2023 |
| Warwick - Tournament Fields | Warwick - Tournament Fields | Freehold | 01/06/2023 |
| Chester - Eastgate | 6 Eastgate Row South, CH1 1LF | Freehold | 11/11/2023 |
| Farnborough | 21/21A Invincible Road, Farnborough, GU14 7QU | Long Leasehold | 01/11/2023 |
| St Albans | 37 Market Place, St Albans, AL3 5DL | Freehold | 29/03/2023 |
| Taunton | 61 East Street, Taunton, TA1 3LX | Freehold | 28/09/2023 |
| Cannock | Kingswood Lakeside, Cannock, WS11 8LD | Freehold | 04/06/2023 |

| | | | |
|---|---|---|---|
| Birmingham - Lancaster House | Lancaster House, Birmingham | Freehold | 05/07/2023 |
| Stevenage | Cromer House, Caxton Way, Stevenage, SG1 2DF | Freehold | 29/03/2023 |
| Crewe - Phoenix Leisure Park | Phoenix Leisure Park, Crewe, CW1 3AJ | Freehold | 29/05/2023 |
| Colchester | High Street/Trinity Square, Colchester | Freehold | 27/06/2023 |
| Redditch - Ravensbank Business Park | Ravens Eight, Redditch, B98 9EX | Freehold | 01/06/2023 |
| Winnersh | Unit 2, Gazelle Close, Reading, RG41 5HH | Freehold | 01/04/2023 |
| Perth | Unit 1, St Catherines Leisure Park, PH1 5XA | Freehold | 25/05/2023 |
| Chester | 4 Eastgate Row | Freehold | 11/11/2023 |
| Warrington - Life Tech | Unit 4 Kingsland Grange, Warrington, WA1 4KW | Freehold | 05/06/2023 |
| Irlam, Manchester | Irlam Wharf Road, Irlam, M44 5PN | Freehold | 26/05/2023 |
| Atherstone | Units 18-39 Holly Lane Ind Est CV9 2QX | Long Leasehold | 09/06/2023 |
| Kettering - Venture Business Park | Unit 2200, Kettering Venture Park, NN15 6XR | Freehold | 09/06/2023 |
| Leighton Buzzard | Vimy Road, LU7 1ER | Freehold | 16/10/2023 |
| Bedford - Telford Way | Window Ware Unit, Telford Way, MK42 0PQ | Freehold | 03/06/2023 |
| Stoke | George Eastham Avenue, Stoke | Freehold | 03/05/2023 |
| Shrewsbury | Pride Hill, Shrewsbury, SY1 1DN | Freehold | 29/06/2023 |
| Chester Ernest/Lakeland | 10 Eastgate Street | Freehold | 11/11/2023 |
| York | Units 5 & 6 Centurion Park, Y030 4WW | Freehold | 28/03/2023 |
| Langley Mill | Warburtons Unit, Acess 26, Langley Mill | Freehold | 24/05/2023 |
| Eurocentral | Plot L, Woodrow, Eurocentral, ML1 4YG | Freehold | 31/05/2023 |
| Sheldon | Unit A, Wells Green Retail Park, B26 3JA | Freehold | 09/06/2023 |
| Plymouth - Transit Way | Unit A, Transit Way, Plymouth | Freehold | 30/07/2023 |
| Maypole | Druids Lane, Maypole | Freehold | 01/06/2023 |
| Worcester | 55&56 High St&4/5 St Swithin's St -0257-CU264 | Freehold | 18/11/2023 |
| Leicester - Matalan | Beaumont Way, Beaumont Leys, Leicester | Long Leasehold | 09/06/2023 |
| Team Valley | 401 Princesway, Team Valley Trading Estate | Long Leasehold | 11/05/2023 |
| Bellshill | 4 Rosehall Road, Bellshill Industrial Estate | Freehold | 31/05/2023 |
| Hilton - Derby | 1 Lowman Way, Hilton, Derby, DE65 5LJ | Freehold | 03/06/2023 |
| Stratford | Ground Floor, The Grove, Stratford, E15 1EL | Long Leasehold | 18/11/2023 |
| Evesham | Unit 1, Evesham Shopping Centre, Worcester Rd | Freehold | 02/06/2023 |
| Ipswich - Menzies | Bluestem Road, Ransomes Europark, IP3 9RR | Freehold | 22/02/2023 |
| Norwich - Menzies | Memorial Way, Broadlands Business Park | Freehold | 22/02/2023 |
| Swansea - Menzies | Mill Stream Way, Central Business Park | Long Leasehold | 04/07/2023 |
| Weybridge - Menzies | Units 1-3 Campbell Centre, Avro Way | Freehold | 30/09/2023 |
| Dundee - Menzies | Lockheed Close,Preston Farm Industrial Estate | Freehold | 25/05/2023 |
| Mayflower House | Mayflower House, Team Valley Trading Estate, Gateshead | Long Leasehold | 11/05/2023 |
| Duloch Park | Duloch Park, Dumfermline, KY11 4QX | Freehold | 25/05/2023 |

| | | | |
|---|---|---|---|
| Monteith House | Monteith House, 11 George Square, Glasgow | Freehold | 25/05/2023 |
| Lakeside 5500 | Lakeside 5500, Cheadle | Long Leasehold | 26/05/2023 |
| Arthur House, Manchester | Arthur House, Chorlton Street, Manchester | Freehold | 26/05/2023 |
| Gloucester | 108 Eastern Avenue Retail Park, Gloucester | Freehold | 02/06/2023 |
| Lochside House | Lochside House, Edinburgh | Freehold | 01/06/2023 |
| Burnside Industrial Centre | Burnside Industrial Centre, Aberdeen | Freehold | 25/05/2023 |
| Kew Retail Park | Kew Retail Park, Southport | Freehold | 05/07/2023 |

# 3. Portfolio Valuation General Assumptions and Conditions

**General Assumptions**

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

**Tenure and Tenancies**

That the properties are not subject to any unusual or especially onerous restrictions, encumbrances or outgoings contained in the Freehold Title. We will not inspect the Title Deeds or Land Registry Certificate and shall rely upon information provided by you or your solicitor relating to both tenure and tenancy data. Should there be any mortgages or charges, we have assumed that the Properties would be sold free of them.

**Condition and Repair**

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

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

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

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

That the properties are connected or capable of being connected without undue expense, to the public services of gas, electricity, water, telephones and sewerage. Sewers, mains services and roads giving access to the Properties have been adopted, and any lease provides rights of access and egress over all communal estate roadways, pathways, corridors, stairways and the use of communal grounds, parking areas and other facilities.

**Environmental Risks**

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

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

That the properties are free from environmental hazards, including infestation from invasive plants such as Japanese Knotweed. This assumption is made in recognition of the fact that identifying Japanese knotweed is problematic and cannot be guaranteed. This is partly because during the early stages of its annual life cycle some of the classic visual characteristics are not distinctive and during the winter months the plant sheds its leaves and suffers die back. It is also possible that Japanese knotweed has

received a herbicide-based treatment which has removed all visible above ground signs but may not have killed the below ground rhizome (root) which, in turn, may lead to new growth and the spread of the plant in time.

**Floor Areas**

That any floor areas provided by a third party and assigned to Savills (UK) Limited, have been measured in accordance with the current RICS Property Measurement. This is the basis on which we will carry out measured surveys as instructed.

**Development Opportunity**

In situations where a property is in the course of development, we reflect its physical condition and the costs remaining to be spent at the valuation date. We have considered the cost estimates provided by the professional advisors involved in the project.

In the case of properties where we have been asked to value the site under the special assumption that the properties will be developed, there are no adverse site or soil conditions, that the properties are not adversely affected by the Town and Country Planning (Environmental Impact Assessment) Regulations 2017 that the ground does not contain any archaeological remains, nor that there is any other matter that would cause us to make any allowance for exceptional delay or site or construction costs in our Valuation.

**General Conditions**

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

1. We have not made any allowance for any Capital Gains Tax or other taxation liability that might arise upon a sale of the properties. No allowance has been made for any expenses of realisation.
2. Our valuations are exclusive of VAT (if applicable).
3. Excluded from our valuations is any additional value attributable to goodwill, or to fixtures and fittings which are only of value in situ to the present occupier.
4. Our valuations are prepared in accordance with the latest edition of the RICS Valuation – Professional Standards ("the Red Book") on the basis of Market Value, unless instructed otherwise. Any such deviation is expressly stated in our terms of engagement.
5. Each property has been valued individually and no allowance has been made, either positive or negative, should it form part of a larger disposal. The total stated is the aggregate of the individual Market Values.
6. No allowance has been made for rights, obligations or liabilities arising under the Defective Premises Act 1972, and it has been assumed that all fixed plant and machinery and the installation thereof complies with the relevant UK and EEU legislation, insofar that the latter is applicable.
7. That we have been supplied with all information likely to have an effect on the value of the properties and that the information supplied to us and summarised in this report is both complete and correct.
8. Our valuations are based on market evidence which has come into our possession from numerous sources. That from other agents and valuers is given in good faith but without liability. It is often provided in verbal form. Some comes from databases such as the Land Registry or computer databases to which Savills subscribes. In all cases, other than where we have had a direct involvement with the transactions, we are unable to warrant that the information on which we have relied is correct although we believe it to be so.
9. The files which we hold relating to all of our property valuations may be subject to monitor and audit by the RICS under its conduct and disciplinary regulations.

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# Part 7

# REIT status and taxation

## 1 The UK REIT Regime

### 1.1 Summary

(a) The summary of the REIT Regime below is intended only as a general guide. It is a high-level summary of the Company's understanding of certain aspects of current UK law and HMRC practice relating to the REIT Regime, each of which is subject to change, possibly with retrospective effect. It is not an exhaustive summary of all applicable legislation in relation to the REIT Regime and it does not constitute tax advice.

(b) Investing in property through a UK taxable corporate investment vehicle has the disadvantage that, in comparison to a direct investment in property assets, some categories of shareholder may effectively bear tax twice on the same income: first, indirectly, when the corporate investment vehicle pays corporation tax on its profits, and secondly, directly (subject to any available exemption) when the shareholder receives a dividend. Non-tax paying entities, such as UK pension funds, could bear tax indirectly when investing through a taxable closed-ended corporate vehicle that is not a REIT that they would not suffer if they were to invest directly in the property assets.

(c) As a member of a REIT Group, a company will not pay UK corporation tax on income or capital gains from its Property Rental Business in the UK provided that certain conditions are satisfied. Instead, distributions by the principal company of a REIT Group in respect of the tax-exempt Property Rental Business will be treated for UK tax purposes as profits of a UK property business in the hands of shareholders. Paragraph 2 of this Part 7 contains further detail on the UK tax treatment of shareholders in a REIT.

(d) An exemption from corporation tax on gains also applies for REITs on a disposal of shares where the company disposed of is UK property rich. "UK property rich" broadly means that the company in question derives 75 per cent. or more of its value from interests in UK land. This exemption for disposals of shares in companies that are UK property rich applies on a proportionate basis, by reference to the proportion which the value of the UK property rental business assets of the company disposed of bears to that company's total assets (as at the beginning of the accounting period in which the disposal takes place). As such, a gain on a disposal of shares in a subsidiary whose sole activity is the carrying on of a UK property rental business, with all of its assets held for the purposes of that UK property rental business, should generally be treated as a gain arising from the REIT Group's Property Rental Business and benefit in full from the exemption. Any such gains would be treated as exempt gains of the Property Rental Business and would therefore be treated as a PID when paid to shareholders and be subject to 20 per cent. withholding tax (subject to certain exceptions).

(e) A company will remain subject to UK corporation tax in the normal way in respect of any income and gains from any activities not included in the Property Rental Business (the "**Residual Business**").

(f) While within the REIT Regime, the Property Rental Business will be treated as a separate business for corporation tax purposes from the Residual Business. As such, a loss incurred by the qualifying Property Rental Business cannot be set off against profits of the Residual Business (and vice versa).

(g) A dividend paid by the Company which is attributed to profits or gains of the Property Rental Business is referred to as a "**Property Income Dividend**" or "**PID**". Other normal dividends paid by the Company (including dividends relating to the Residual Business) are referred to as Non-PID Dividends. Both PIDs and Non-PID Dividends may be satisfied by stock dividends. Paragraph 2 of this Part 7 contains further detail on the UK tax treatment of shareholders in a REIT.

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

### 1.2 Qualification as a REIT

(a) A company becomes a REIT by serving notice on HMRC before the beginning of the first accounting period for which it wishes to become a REIT. In order to qualify as a REIT, the company must satisfy and continue to satisfy certain conditions set out in the REIT Regime. A non-exhaustive summary of the material conditions is set out below.

(b) *Company conditions*

The Company must be solely UK resident for tax purposes, its ordinary shares must be admitted to trading on a recognised stock exchange and it must not be an open-ended investment company. The Company's shares must either be listed on a recognised stock exchange throughout each accounting period or traded on a recognised stock exchange in each accounting period. This listing/traded requirement is relaxed in the first three accounting periods. For accounting periods commencing on or after 1 April 2022, this condition is also relaxed if at least 70 per cent. of the shares are owned by one or more specified types of "institutional investor". The Company must also not be a close company (the "**close company condition**"). In summary, the close company condition amounts to a requirement that the company cannot be under the control of 5 or fewer participators (meaning generally shareholders or loan creditors), or of participators who are directors, subject to certain exceptions. A close company that is only close because it has a participator which is an "institutional investor" under the REIT Regime will not violate the non-close company rule. The close company condition is relaxed for the first three years.

(c) *Share capital restrictions*

The Company must have only one class of ordinary share in issue. The only other shares it may issue are non-voting restricted preference shares, including shares which would be non-voting restricted preference shares but for the fact that they carry a right of conversion into shares or securities in the Company.

(d) *Borrowing 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 (subject to exceptions). 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 lent) under the terms of issue of securities listed on a recognised stock exchange.

(e) *Conditions for the Property Rental Business (including the balance of business conditions)*

The Company (or REIT Group) must satisfy, among other things, the following conditions (subject to certain specified exceptions and relaxations) in respect of each accounting period during which it is to be treated as a REIT:

(i) the Property Rental Business must throughout the accounting period involve either:

(A) at least three properties and no one property may represent more than 40 per cent. of the total value of the properties involved in the Property Rental Business; or

(B) at least one commercial rental property that is worth at least £20 million;

(ii) the profits arising from the Property Rental Business must represent at least 75 per cent. of the total profits for the accounting period (the "**75 per cent. profits condition**"). Profits for this purpose means profits before deduction of tax and excluding, broadly, gains and losses on the disposal of property and gains and losses on the revaluation of properties, and certain exceptional items; and

(iii) at the beginning of the accounting period the value of the assets in the Property Rental Business must represent at least 75 per cent. of the total value of assets held (the "**75 per cent. assets condition**"). Cash and the value of shares held in other REITs are included in the value of the assets relating to the Property Rental Business for the purpose of meeting this condition.

(f) *Distribution condition*

The Company (or REIT Group) will be required (to the extent permitted by law) to distribute to shareholders (by way of cash or stock dividend), on or before the filing date for the tax return for the accounting period in question, at least 90 per cent. of its income profits (broadly, calculated using normal UK corporation tax rules and excluding any realised or unrealised gains or losses) in respect of its Property Rental Business (the "**90 per cent. distribution condition**") together with all of the Company's (or REIT Group's) UK REIT investment profits (broadly dividends received from other REITs in which the Company (or REIT Group) holds shares). For the purpose of satisfying the 90 per cent. distribution condition, any dividend withheld in order to comply with the 10 per cent. rule (as described below) will be treated as having been paid.

**1.3 Investment in other REITs**

There is an exemption for distributions of profits or gains of the Property Rental Business of one REIT to another REIT. The investing REIT is required to distribute 100 per cent. of such distributions to its shareholders. The investment by one REIT in another REIT will effectively be treated as a Property Rental Business asset for the purposes of the 75 per cent. assets condition.

**1.4 Effect of being a REIT**

(a) *Tax exemption*

As a REIT, the Company (or its REIT Group) will not pay UK corporation tax on profits and gains from the Property Rental Business. Since 6 April 2019, gains on a disposal by a member of the REIT Group of shares in a property owning subsidiary which is "UK property rich" (which broadly means it derives 75 per cent. or more of its value from interests in UK land) are treated as exempt gains from the REIT Group's Property Rental Business, but it should be noted that this exemption applies only on a proportionate basis, with the proportion of the gain that is exempted being the same as the proportion which the value of the UK property rental business assets of the company disposed of bears to that company's total assets (as at the beginning of the accounting period in which the disposal takes place).

Corporation tax will still apply in the normal way in respect of the Residual Business. The Company (and its REIT Group) will also continue to pay all other applicable taxes including VAT, stamp duty land tax, stamp duty, PAYE, rates and national insurance contributions in the normal way.

(b) *Dividends*

When the Company pays a dividend, that dividend must be paid as a PID to the extent necessary to satisfy the 90 per cent. distribution condition and the requirement to distribute UK REIT investment profits. If the dividend exceeds the amount required to satisfy that test, then depending on the exact position of the business (e.g. any requirement to pay further PIDs before a Non-PID dividend can be paid) the REIT may determine that all or part of the balance 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). Further details of the United Kingdom tax treatment of certain categories of shareholder while the company is in the REIT Regime are contained in paragraph 2 of this Part 7.

If the Company ceases to be a REIT, dividends paid by the Company may nevertheless be PIDs to the extent they are paid in respect of profits and gains of the Property Rental Business arising whilst the Company was within the REIT Regime.

(c) *Interest cover ratio*

A tax charge may arise to a REIT if, in respect of any accounting period, the ratio of income profits (subject to certain adjustments) to financing costs is less than 1.25:1. The amount (if any) by which the financing costs exceed the amount of those costs which would cause that ratio to equal 1.25:1 is (subject to a cap of 20 per cent. of the income profits) generally chargeable to corporation tax. HMRC has the power to waive such

corporation tax charge if it is satisfied that: (i) the Company was in severe financial difficulties at a time in the relevant accounting period; (ii) the ratio is less than 1.25:1 as a result of circumstances that arose unexpectedly; and (iii) in those circumstances the Company could not reasonably have taken action to avoid such a result.

(d) *The "10 per cent. rule"*

The Company may become subject to an additional tax charge if it makes a distribution to, or in respect of, a person beneficially entitled, directly or indirectly, to 10 per cent. or more of the Company's distributions or share capital or that controls, directly or indirectly, 10 per cent. or more of the voting rights in the Company. Shareholders should note that this tax charge only applies where a distribution is made (or attributed) to persons that are companies or are treated as bodies corporate in accordance with the law of an overseas jurisdiction with which the UK has a double taxation agreement, or in accordance with such a double taxation agreement. It does not generally apply where a nominee has such a 10 per cent. or greater holding unless the persons on whose behalf the nominee holds the shares meet the test in their own right. In addition, from April 2022, holdings by shareholders who are entitled to receive PIDs without deduction of tax should generally not trigger these rules. The tax charge will not be incurred if the principal company has taken "reasonable steps" to avoid paying dividends to such a shareholder. HMRC guidance describes certain actions that a REIT may take to show it has taken such "reasonable steps". One of these actions is to include restrictive provisions in the REIT's articles of association to address this requirement, and the Company's Articles therefore contain provisions designed to avoid the situation where distributions may become payable to a Substantial Shareholder. These provisions are summarised at paragraph 3 of this Part 7.

(e) *Property development and property trading by a REIT*

A property in relation to which development has been undertaken by the Company (or its REIT Group) can be within the Property Rental 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 (a) the date on which the relevant company becomes a member of a REIT, (b) the date of the acquisition of the development property, or (c) the beginning of the accounting period in which the development commenced (by reference to whichever of those values is the greatest), and the REIT sells the development property within three years of completion of the development, the property will be treated as never having been part of the Property Rental Business for the purposes of calculating any profits arising on disposal of the property. Any profit will be chargeable to corporation tax as part of the Residual Business. Similar rules apply to indirect disposals of development properties though the disposal of shares in a UK property rich company.

If the Company (or its REIT 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 Property Rental Business for the purposes of calculating any profit arising on disposal of the property. Any profit will generally be chargeable to corporation tax as part of the Residual Business.

(f) *Movement of assets in and out of Property Rental Business*

In general, where an asset owned by the Company (or its REIT Group) and used for the Property Rental Business begins to be used for the Residual Business, there will be a tax exempt market value disposal of the asset. Where an asset owned by the Company (or its REIT Group) and used for the Residual Business begins to be used for the Property Rental Business, this may, depending on the circumstances, constitute a taxable disposal of the asset.

(g) *Joint ventures*

The REIT Regime also makes certain provisions for corporate joint ventures. If the REIT is beneficially entitled to at least 40 per cent. of the profits available for distribution to equity holders in a joint venture company and at least 40 per cent. of the assets of the joint venture company available to equity holders in the event of a winding up, that joint venture company (or its subsidiaries) is carrying on a Property Rental Business which

satisfies the 75 per cent. profits condition and the 75 per cent. assets condition (the "**JV company**") and certain other conditions are satisfied, the principal company may, by giving notice to HMRC, elect for the assets and income of the JV company to be included in the Property Rental Business for tax purposes (on a proportionate basis). In such circumstances, the income of the JV company will count towards the 90 per cent. distribution condition and the 75 per cent. profits condition, and its assets will count towards the 75 per cent. assets condition (on a proportionate basis).

(h) *Certain tax avoidance arrangements*

If HMRC believes that a company that is or is a member of a REIT 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. In addition, if HMRC consider that the circumstances are sufficiently serious or if two or more notices in relation to the obtaining of a tax advantage are issued by HMRC in a 10 year period, they may require a company to exit the REIT Regime.

### 1.5 Exit from the REIT Regime

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

If a company voluntarily leaves the REIT Regime within ten years of joining and within two years of leaving disposes of any property that was involved in its Property Rental Business, any uplift in the base cost of the property as a result of the deemed disposal on entry into the REIT regime and any rebasing on exit from the REIT Regime (or on a movement from the Property Rental Business to the Residual Business) is disregarded in calculating the gain or loss on the disposal.

It is important to note that it cannot be guaranteed that the Company or its REIT Group will comply with all of the REIT conditions and that the REIT Regime may cease to apply in some circumstances.

Shareholders and/or prospective investors should note that it is possible that the Company or its REIT Group 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 other circumstances outside the Company's control.

## 2 UK Taxation

### 2.1 Introduction

The tax legislation of a Shareholder's or potential investor's home country and of the UK may have an impact on the income received from the Ordinary Shares.

The following paragraphs are intended as a general guide only to certain aspects of current UK tax law and HMRC published practice, each of which may change, possibly with retrospective effect. They apply only to certain Shareholders resident for UK tax purposes (and, in the case of individuals, domiciled) in the UK, save where express reference is made to non-UK resident persons. They do not constitute tax advice and Shareholders and potential advisers should seek independent professional tax advice in light of their own particular circumstances.

The statements are not applicable to all categories of Shareholders, and in particular are not addressed to (i) Shareholders who do not hold their Ordinary Shares as investments or who are not the absolute beneficial owners of those shares or dividends in respect of those shares; (ii) Shareholders who own (or are deemed to own) ten per cent. or more of the shares or voting power or entitlement to distributions of the Company; (iii) special classes of Shareholders such as dealers in securities, broker-dealers, insurance companies, trustees of certain trusts and persons entitled to certain tax exemptions; (iv) Shareholders who hold Ordinary Shares as part of hedging or commercial transactions, (v) Shareholders who hold Ordinary Shares in connection with a trade, profession or vocation carried on in the UK (whether through a branch or agency or otherwise); (vi) Shareholders who hold Ordinary

Shares acquired by reason of any office or employment; and (vii) Shareholders who hold Ordinary Shares in an ISA, SIPP or SSAS. All Shareholders, including any 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. Non-UK resident shareholders should note that, as discussed at paragraph 2.4 below, they may be subject to UK tax on any chargeable gains arising on a disposal of Ordinary Shares.

**2.2 UK taxation of Non-PID Dividends**

(a) *General*

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

(b) *Individual Shareholders*

UK tax-resident individual Shareholders who receive a Non-PID Dividend from the Company will be entitled to an annual tax-free allowance (for tax year 2023/2024) of £1,000 (to the extent that this tax-free allowance has not already been utilised in respect of other dividends received by the Shareholder). To the extent that dividend income exceeds the annual tax free dividend allowance, tax will be imposed at the rates of 8.75 per cent. to the extent falling within the basic rate, 33.75 per cent. to the extent falling within the higher rate and 39.35 per cent. to the extent falling within the additional rate.

(c) *Corporate Shareholders*

Shareholders who are subject to UK corporation tax will be subject to corporation tax on Non-PID Dividends paid by the Company, unless the Non-PID Dividends fall within an exempt class set out in Part 9A of the Corporation Tax Act 2009 and certain other conditions are met. Whether an exempt class applies and whether the other conditions are met will depend on the circumstances of the particular Shareholder, although it is expected that the Non-PID Dividends paid by the Company would normally be exempt.

**2.3 UK taxation of PIDs**

(a) *General*

Subject to certain exceptions summarised below, the Company is required to withhold income tax at source at the basic rate of income tax (currently 20 per cent.) from its PIDs (whether paid in cash or in the form of a stock dividend). The Company will provide Shareholders with a certificate setting out the gross amount of the PID, the amount of tax withheld, and the net amount of the PID.

(b) *UK taxation of individual Shareholders*

Subject to certain exceptions, a PID will generally be treated in the hands of Shareholders who are individuals as the profits of a single UK property business (as defined in Section 264 of the Income Tax (Trading and Other Income) Act 2005). A PID is, together with any PID from any other company to which Part 12 of the CTA 2010 applies, treated as profits of a UK property business which is separate from any other UK property business carried on by the relevant Shareholder. This means that any surplus expenses from a Shareholder's other UK property business cannot be offset against a PID as part of a single calculation of the profits of the Shareholder's UK property business.

UK individuals may be entitled to a £1,000 property income allowance. Where the individual's property income falls below the threshold the individual is entitled to full relief from income tax on that amount. However, this allowance does not apply to PIDs.

Where UK income tax has been withheld at source, individual Shareholders who are resident in the UK for tax purposes may, depending on their circumstances, either be liable to further tax on their PIDs at their applicable marginal rate, or be entitled to claim repayment of some or all of the tax withheld on their PIDs.

(c) *UK taxation of corporate Shareholders*

Subject to certain exceptions, a PID will generally be treated in the hands of Shareholders who are subject to UK corporation tax as profits of a UK property business (as defined in Part 4 of the Corporation Tax Act 2009). 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 PID from any other company to which Part 12 of the CTA 2010 applies, treated as profits of a UK property business which is separate from any other UK Property business carried on by the relevant Shareholder. This means that any surplus expenses from a Shareholder's different UK property business cannot be off-set against a PID as part of a single calculation of the Shareholder's UK property profits.

Shareholders who are subject to corporation tax will generally be liable to pay corporation tax on PIDs received. If income tax is withheld at source the tax withheld can generally be set against their liability to UK corporation tax in the accounting period in which the PID is received.

(d) *UK taxation of 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 tax as profit of a UK property business and this tax will generally be collected by way of a withholding by the Company.

It is not possible for a Shareholder to make a claim under a relevant double taxation treaty with the UK for a PID to be paid by the Company gross or at a reduced rate. However, the Shareholder may be able to claim repayment of any part of the tax withheld from a PID, depending on the existence and terms of any such double taxation treaty between the UK and the country in which the Shareholder is resident for tax purposes.

(e) *Exceptions to requirement to withhold income tax*

Shareholders should note that, in certain circumstances, the Company may not be obliged to withhold UK income tax at source from a PID. These include where the Company reasonably believes that the person beneficially entitled to the PID is a company resident for tax purposes in the UK, a company resident for tax purposes outside the UK with a permanent establishment in the UK which is required to bring the PID into account in computing its chargeable profits, or certain charities. They also include where the Company reasonably believes that the PID is paid to the scheme administrator of a registered pension scheme, or the sub-scheme administrator of certain pension sub-schemes or the account manager of an ISA, provided the Company reasonably believes that the PID will be applied for the purposes of the relevant scheme or account. From 11 July 2023, there are certain circumstances in which the Company may pay a PID (or a proportion of a PID) without withholding tax to a partnership, where the Company is satisfied that the relevant underlying partners would themselves be entitled to gross payment.

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 Registrar). Shareholders should note that the Company may seek recovery from Shareholders if the statements made in their claim form are incorrect and the Company suffers tax as a result. The Company will, in some circumstances, suffer tax if its reasonable belief as to the status of the Shareholder turns out to have been mistaken.

**2.4 UK taxation of chargeable gains**

A sale or other disposal of Ordinary Shares by a Shareholder may give rise to a chargeable gain or allowable loss for the purposes of UK taxation of chargeable gains, depending on the Shareholder's particular circumstances and subject to any available exemption or relief.

It should be noted that legislation introduced in Finance Act 2019 (the "**2019 NRCGT Rules**") means that, since 6 April 2019, a non-resident person disposing of shares in a company that is "UK property rich" is chargeable to UK capital gains tax (in the case an individual) or UK

corporation tax on chargeable gains (in the case of companies or entities treated as companies) in respect of that disposal. Where the shares disposed of are shares in a "collective investment vehicle", or otherwise have a relevant connection with a collective investment vehicle, there is no minimum level of shareholding required in order for the non-resident to fall within the new rules (subject to an exception for certain limited interests of less than 10 per cent. held by non-UK life assurance companies and by certain widely-held non-UK collective investment vehicles that are non-UK property rich). The Company is considered to be "UK property rich" for these purposes and is also a "collective investment vehicle". As such, non-resident Shareholders disposing of Ordinary Shares may, depending on their circumstances, be required to pay UK tax on any chargeable gain arising on that disposal (or, if relevant, may realise an allowable loss) under the 2019 NRCGT Rules.

Where a non-resident held Ordinary Shares on 5 April 2019, it will, for the purpose of calculating any chargeable gain or allowable loss arising on disposal of those Ordinary Shares generally be treated as having a base-cost in those Ordinary Shares equal to their market value on 5 April 2019. Where the non-resident's base cost in its Ordinary Shares would otherwise have been higher than their market value as at 5 April 2019, the non-resident Shareholder may be able to elect to instead use that higher base cost in calculating any chargeable gain on a disposal on or after 6 April 2019 (but this election cannot be used to give rise to or increase an allowable loss). Shareholders who were already resident in the United Kingdom on 5 April 2019 will not benefit from any rebasing under the new rules.

A non-resident that makes (or is treated as making) a disposal of Ordinary Shares will generally be required to provide a tax return to HM Revenue & Customs and account for any tax due in respect of any chargeable gain. Depending on the Shareholder's particular circumstances, exceptions from the requirement to file a tax return in relation to a disposal of Ordinary Shares may apply in certain cases where no tax would be required to be accounted for or where the disposal has already been accounted for on a tax return.

Non-resident Shareholders should seek independent professional advice as to the consequences of the 2019 NRCGT rules for them, in particular with regard to their obligations to file UK tax returns and pay UK tax in relation to disposals of Ordinary Shares. It should be noted that non-resident Shareholders may, depending on their circumstances, also be subject to non-UK tax, in their jurisdiction of tax residence, on disposals of Ordinary Shares. Non-resident Shareholders should seek independent professional advice as to whether any relief is available under applicable double tax treaties or whether any other exemptions or reliefs are available.

UK resident individuals are generally entitled to an annual exemption from capital gains tax. This is £6,000 for the tax year 2023/2024. This annual exemption will generally also be available to non-resident individual Shareholders who, as a result of the 2019 NRCGT Rules, come within the charge to UK capital gains tax on disposals of the Ordinary Shares.

### 2.5 UK stamp duty and SDRT

The following comments in relation to UK stamp duty and SDRT apply to Shareholders wherever they are resident or domiciled. They are intended only as a general guide and do not address the position of persons such as market makers, brokers, dealers, intermediaries or persons connected with, or transactions involving, depositary arrangements or clearance services.

No UK stamp duty or SDRT should arise on the issue of Ordinary Shares pursuant to the Merger.

Any conveyance or transfer on a sale of Ordinary Shares will generally be subject to UK stamp duty at the rate of 0.5 per cent. of the consideration given for the transfer, subject to the availability of certain exemptions and reliefs. The purchaser normally pays the stamp duty (rounded up to the nearest £5).

An unconditional agreement to transfer Ordinary Shares will normally give rise to a charge to SDRT at the rate of 0.5 per cent. of the amount or value of the consideration payable for the transfer. If an instrument of transfer is executed pursuant to the agreement and duly stamped within six years of the date on which the agreement is made (or, if the agreement is conditional, the date on which the agreement becomes unconditional) any SDRT paid is

generally repayable, generally with interest, and otherwise the SDRT charge is cancelled. SDRT is, in general, payable by the purchaser.

Paperless transfers of Ordinary Shares within the CREST system will generally be liable to SDRT, rather than stamp duty, at the rate of 0.5 per cent. of the amount or value of the consideration payable. CREST is obliged to collect SDRT on relevant transactions settled within the CREST system. Deposits of Ordinary Shares into CREST will not generally be subject to SDRT, unless the transfer into CREST is itself for consideration.

A market value charge to UK stamp duty applies to transfers of listed securities by a person (or its nominee) to a connected company (or its nominee), subject to the availability of relief. A market value charge to SDRT applies to unconditional agreements to transfer listed securities in the same circumstances unless the SDRT charge is cancelled, as outlined above. Ordinary Shares will be listed securities for these purposes if they are admitted to trading on the Main Market.

### 2.6 ISAs, SIPPs and SSASs

**Individuals wishing to hold their Ordinary Shares through an ISA, SIPP or SSAS should contact their professional advisers regarding their eligibility.**

Ordinary Shares acquired by a UK resident individual pursuant to the Merger or in the secondary market should be eligible to be held in an ISA, subject to applicable annual subscription limits.

Subject to the rules of the particular SIPP or SSAS, the Ordinary Shares should generally be eligible for inclusion provided, broadly, that the pension scheme member (or an associated or connected person) does not occupy or use any residential property held by the Company (or its REIT Group) and the SIPP or SSAS in question does not hold (directly or indirectly) more than 10 per cent. of any of the Ordinary Shares or the Company's voting rights or rights to income or amounts on a distribution or rights to the assets on a winding up.

## 3 Description of the REIT Provisions included in the Articles

### 3.1 Introduction

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

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

The Articles contain special articles for this purpose (the "**Special Articles**"). The text of the Special Articles is set out in paragraph 4 of this Part 7.

The Special Articles:

(a) provide Directors with powers to identify its Substantial Shareholders (if any);

(b) prohibit the payment of dividends on Ordinary Shares that form part of a Substantial Shareholding, unless certain conditions are met;

(c) allow dividends to be paid on Ordinary Shares that form part of a Substantial Shareholding where the Shareholder has disposed of its rights to dividends on its Ordinary Shares; and

(d) seek to ensure that if a dividend is paid on Ordinary Shares that form part of a Substantial Shareholding and arrangements of the kind referred to in the preceding paragraph are not met, the Substantial Shareholder concerned does not become beneficially entitled to that dividend.

The effect of the Special Articles is explained in more detail below.

### 3.2 Identification of Substantial Shareholders

The share register of the Company records the legal owner and the number of Ordinary Shares they own but does not identify the persons who are beneficial owners of the Ordinary Shares or are entitled to control the voting rights attached to the Ordinary Shares or are beneficially entitled to dividends. While the requirements for the notification of interests in shares provided in Part VI of the Companies Act and the Board's rights to require disclosure of such interests (pursuant to Part 22 of the Companies Act and Article 55 of the Articles) should assist in the identification of Substantial Shareholders, those provisions are not on their own sufficient.

Accordingly, the Special Articles require a Substantial Shareholder and any registered Shareholder holding Ordinary Shares on behalf of a Substantial Shareholder to notify the Company if his Ordinary Shares form part of a Substantial Shareholding. Such a notice must be given within two business days. The Special Articles give the Board the right to require any person to provide information in relation to any Ordinary Shares in order to determine whether the Ordinary Shares form part of a Substantial Shareholding. If the required information is not provided within the time specified (which is seven days after a request is made or such other period as the Board may decide), the Board is entitled to impose sanctions, including withholding dividends (as described in paragraph 3.3 below) and/or requiring the transfer of the Ordinary Shares to another person who is not, and does not thereby become, a Substantial Shareholder (as described in paragraph 3.6 below).

### 3.3 Preventing payment of a dividend to a Substantial Shareholder

The Special Articles provide that the Board may withhold payment of a dividend on any Ordinary 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:

- the Substantial Shareholder concerned is not beneficially entitled to the dividends (see also paragraph 3.4 below);
- the shareholding is not part of a Substantial Shareholding;
- all or some of the Ordinary 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 will be paid to the transferee); or
- sufficient Ordinary Shares have been transferred (together with the right to the dividends) such that the Ordinary Shares retained are no longer part of a Substantial Shareholding (in which case the dividends will be paid on the retained Ordinary Shares).

For this purpose, references to the "transfer" of an Ordinary 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 Ordinary Share.

### 3.4 Payment of a dividend where rights to it have been transferred

The Special Articles provide that dividends may be paid on Ordinary 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 Ordinary 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:

- to ensure that the entitlement to future dividends will be disposed of; and
- 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 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. The Board may require a sale of the relevant Ordinary 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.

**3.5 Trust arrangements where rights to dividends have not been disposed of by a Substantial Shareholder**

The Special Articles provide that if a dividend is in fact paid on Ordinary 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 Ordinary Shares if the Substantial Shareholder is in the process of selling down their holding so as not to cause the Company to breach the Substantial Shareholder rule. If the Substantial Shareholder does not nominate anyone within 12 years, the dividend concerned will be held on trust for the Company or such other person as the Board may nominate.

If the recipient of the dividend passes it on to another without being aware that the Ordinary 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.

**3.6 Mandatory sale of Substantial Shareholdings**

The Special Articles also allow the Board to require the disposal of Ordinary Shares forming part of a Substantial Shareholding 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);
- there has been a failure to provide information requested by the Board; or
- any information provided by any person proves materially inaccurate or misleading.

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 Ordinary Shares, arrange for the sale of the relevant Ordinary Shares and for the Company to retain from the sale proceeds an amount equal to any tax so payable.

**3.7 Takeovers**

The Special Articles do 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 Company to cease to qualify as a REIT.

**3.8 Other**

The Special Articles also give 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.

**4 The Special Articles**

"**54. Substantial Shareholders**

54.1

…

(b) Where under this Section any certificate or declaration may be or is required to be provided by any Person (including, without limitation, a Distribution Transfer Certificate), such certificate or declaration may be required by the Directors (without limitation):

(i) to be addressed to the Company, the Directors or such other Persons as the Directors may determine (including HMRC);

(ii) to include such information as the Directors consider is required for the Company to comply with any Reporting Obligation;

(iii) to contain such legally binding representations and obligations as the Directors may determine;

(iv) to include an undertaking to notify the Company if the information in the certificate or declaration becomes incorrect, including prior to such change;

(v) to be copied or provided to such Persons as the Directors may determine (including HMRC); and

(vi) to be executed in such form (including as a deed or deed poll) as the Directors may determine.

(c) The Articles in this Section shall apply notwithstanding any provisions to the contrary in any other Article (including, without limitation, Articles 42 to 44 (Dividends, Reserves and Capitalisation of Profits)).

**55. Notification of Substantial Shareholder and Other Status**

55.1 Each member and any other relevant Person shall serve notice in writing on the Company at its registered office on (i) him becoming a Substantial Shareholder or him being a Substantial Shareholder on the date this Section comes into effect (together with the percentage of voting rights, share capital or dividends he controls or is beneficially entitled to, details of the identity of the member(s) who hold(s) the relevant Substantial Shareholding and such other information, certificates or declarations as the Directors may require from time to time), (ii) him becoming a Relevant Registered Shareholder or being a Relevant Registered Shareholder on the date this Section comes into effect (together with such details of the relevant Substantial Shareholder and such other information, certificates or declarations as the Directors may require, from time to time), and (iii) any change to the particulars contained in any such notice, including on the relevant Person ceasing to be a Substantial Shareholder or a Relevant Registered Shareholder.

55.2 Any such notice shall be delivered by the end of the second business day after the day on which the Person becomes a Substantial Shareholder or a Relevant Registered Shareholder (or the date this Section comes into effect, as the case may be) or the change in relevant particulars or within such shorter or longer period as the Directors may specify from time to time.

55.3 The Directors may at any time, give notice in writing to any Person requiring him, within such period as may be specified in the notice (being seven days from the date of service of the notice or such shorter or longer period as the Directors may specify in the notice), to deliver to the Company at its registered office such information, certificates and declarations as. the Directors may require to establish whether or not he is a Substantial Shareholder or a Relevant Registered Shareholder or to comply with any Reporting

Obligation. Each such Person shall deliver such information, certificates and declarations within the period specified in such notice.

**56. Distributions in respect of Substantial Shareholdings**

56.1 In respect of any Distribution, the Directors may (but are not required to), if the Directors determine that the condition set out in Article 56.2 is satisfied in relation to any shares in the Company, withhold payment of such Distribution on or in respect of such shares. Any Distribution so withheld shall be paid as provided in Article 56.3 and until such payment the Persons who would otherwise be entitled to the Distribution shall have no right to the Distribution or its payment.

56.2 The condition referred to in Article 56.1 is that, in relation to any shares in the Company, and any Distribution to be paid or made on and in respect of such shares:

(a) the Directors believe that such shares comprise all or part of a Substantial Shareholding of a Substantial Shareholder;

(b) the Directors are not satisfied that such Substantial Shareholder would not be beneficially entitled to the Distribution if it was paid; and

(c) the Directors are not satisfied that no member of the Group will be liable to an Excess Charge on or in connection with the making of the Distribution to or in respect of the Substantial Shareholder, and, for the avoidance of doubt, if the shares comprise all or part of a Substantial Shareholding in respect of more than one Substantial Shareholder this condition is not satisfied unless it is satisfied in respect of all such Substantial Shareholders. In considering whether no Excess Charge will arise, the Directors may rely on written clearances received from HMRC.

56.3 If a Distribution has been withheld on or in respect of any shares in the Company in accordance with Article 56.1, it shall be paid as follows:

(a) if it is subsequently established to the satisfaction of the Directors that the condition in Article 56.2 is not or is no longer satisfied in relation to such shares, in which case the whole amount of the Distribution withheld shall be paid, or

(b) if the Directors are satisfied that sufficient interests in all or some of the shares concerned have been transferred to a third party so that such transferred shares no longer form part of the Substantial Shareholding, in which case the Distribution attributable to such shares shall be paid (provided the Directors are satisfied that following such transfer such shares do not form part of a Substantial Shareholding); or

(c) if the Directors are satisfied that as a result of a transfer of interests in shares referred to in Article 56.3(b) above the remaining shares no longer form part of a Substantial Shareholding, in which case the Distribution attributable to such shares shall be paid.

In this Article 56.3, 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.

56.4 A Substantial Shareholder may satisfy the Directors that he is not beneficially entitled to a Distribution by providing a Distribution Transfer Certificate. The Directors shall be entitled to (but shall not be bound to) accept a Distribution Transfer Certificate as evidence of the matters therein stated and the Directors shall be entitled to require such other information, certifications or declarations as they think fit.

56.5 The Directors may withhold payment of a Distribution on or in respect of any shares in the Company if any notice given by the Directors pursuant to Article 55.3 in relation to such shares shall not have been complied with to the satisfaction of the Directors within the period specified in such notice. Any Distribution so withheld will be paid when the notice is complied with to the satisfaction of the Directors unless the Directors withhold payment pursuant to Article 56.1 and until such payment the persons who would otherwise be entitled to the Distribution shall have no right to the Distribution or its payment.

56.6 If the Directors decide that payment of a Distribution should be withheld under Articles 56.1 or 56.5, they shall within five business days give notice in writing of that decision to the Relevant Registered Shareholder.

56.7 If any Distribution shall be paid on a Substantial Shareholding and an Excess Charge becomes payable, the Substantial Shareholder shall pay the amount of such Excess Charge and all costs and expenses incurred by the Company in connection with the recovery of such amount, to the Company on demand by the Company. Without prejudice to the right of the Company to claim such amount from the Substantial Shareholder, such recovery may be made out of the proceeds of any disposal pursuant to Articles 58.2 or out of any subsequent Distribution in respect of the shares to such Person or to the members of all shares in relation to or-by virtue of which the Directors believe .that Person has an interest in the Company (whether that Person is at that time a Substantial Shareholder or not).

**57. Distribution Trust**

57.1 If a Distribution is paid on or in respect of a Substantial Shareholding (which, for avoidance of doubt, shall not include a Distribution paid in circumstances where the Substantial Shareholder is not beneficially entitled to the Distribution or where the Directors are satisfied that no member of the Group will be liable to an Excess Charge on or in connection with the making of the Distribution to or in respect of the Substantial Shareholder), the Distribution and any income arising from it shall be held by the payee or other recipient to whom the Distribution is transferred by the payee on trust absolutely for the Persons nominated by the Relevant Substantial Shareholder under Article 57.2 in such proportions as the Relevant Substantial Shareholder shall in the nomination direct or, subject to and in default of such nomination being validly made within 12 years after the date the Distribution is made, for the Company or such Other-Person as may be nominated by the Directors from time to time.

57.2 The relevant Substantial Shareholder of shares of the Company in respect of which a Distribution is paid shall be entitled to nominate in writing any two or more Persons (not being Substantial Shareholders) to be the beneficiaries of the trust on which the Distribution is held under Article 57.1 and the Substantial Shareholder may in any such nomination state the proportions in which the Distribution is to be held on trust for the nominated Persons, failing which the Distribution shall be held on trust for the nominated Persons in equal proportions. No Person may be nominated under this Article who is or would, on becoming a beneficiary in accordance with the nomination, become a Substantial Shareholder. If the Substantial Shareholder making the nomination is not by virtue of Article 57.1 the trustee of the trust, the nomination shall not take effect until it is delivered to the Person who is the trustee.

57.3 Any income arising from a Distribution which is held on trust under Article 57.1 shall until the earlier of (i) the making of a valid nomination under Article 57.2 and (ii) the expiry of the period of 12 years from the date when the Distribution is paid be accumulated as an accretion—to the Distribution Income shall be treated as arising when payable, so that no apportionment shall take place.

57.4 No Person who by virtue of Article 57.1 holds a Distribution on trust shall be under any obligation to invest the Distribution or to deposit it in an interest-bearing account.

57.5 No Person who by virtue of Article 57.1 holds a Distribution on trust shall be liable for any breach of trust unless due to his own wilful fraud or wrongdoing or, in the case of an incorporated Person, the fraud or wilful wrongdoing of its directors, officers or employees.

**58. Obligation to Disclose**

58.1 If at any time, the Directors believe that:

(a) in respect of any Distribution declared or announced, the condition set out in Article 56.2 is satisfied in respect of any shares in the Company in relation to that Distribution;

(b) notice given by the Directors pursuant to Article 56.3 in relation to any shares in the Company has not been complied with to the satisfaction of the Directors within the period specified in such notice; or

(c) any information, certificate or declaration provided by a Person in relation to any shares in the Company for the purposes of the preceding provisions of Articles 54.1 to 59.5 was materially inaccurate or misleading,

the Directors may give notice in writing (a Disposal Notice) to any Persons they believe are Relevant Registered Shareholders in respect of the relevant shares requiring such Relevant Registered Shareholders within 21 days of the date of service of the notice (or such longer or shorter time as the Directors consider to be appropriate in the circumstances) to dispose of such number of shares as the Directors may in such notice specify or to take such other steps as will cause the condition set out in Article 56.2 no longer to be satisfied. The Directors may, if they think fit, withdraw a Disposal Notice.

58.2 If:

(a) the requirements of a Disposal Notice are not complied with to the satisfaction of the Directors within the period specified in the relevant notice and the relevant Disposal Notice is not withdrawn; or

(b) a Distribution is paid on a Substantial Shareholding and an Excess Charge becomes payable,

the Directors may arrange for the Company to sell all or some of the shares to which the Disposal Notice relates or, as the case may be, that form part of the substantial Shareholding concerned. For this purpose, the Directors may take such arrangements as they deem appropriate. In particular, without limitation, they may authorise any officer or employee of the Company to execute any transfer or other document on behalf of the holder or holders of the relevant share and, in the case of a share in an uncertificated form, may make such arrangements as they think fit on behalf of the relevant holder or holders to transfer title to the relevant share through a relevant system.

58.3 Any sale pursuant to Article 58.1 above shall be at the price which the Directors consider is the best price reasonably obtainable and the Directors shall not be liable to the holder or holders of the relevant share for any alleged deficiency in the amount of the sale proceeds or any other matter relating to the sale.

58.4 The net proceeds of the sale of any share under Article 58.1 (less any amount to be retained pursuant to this Section and the expenses of sale) shall be paid over by the Company to the former holder or holders of the relevant share upon surrender of any certificate or other evidence of title relating to it, without interest. The receipt of the Company shall be a good discharge for the purchase money.

58.5 The title of any transferee of shares shall not be affected by an irregularity or invalidity of any actions purportedly taken pursuant to Articles 54 to 59.

**59. General**

59.1 The Directors shall be entitled to presume without enquiry, unless any Director has reason to believe otherwise, that a Person is not a Substantial Shareholder or a Relevant Registered Shareholder.

59.2 The Directors shall not be required to give any reasons for any decision or determination (including any decision or determination not to take action in respect of a particular Person) pursuant to this Section and any such determination or decision shall be final and binding on all Persons unless and until it is revoked or changed by the Directors. Any disposal or transfer made or other thing done by or on behalf of the Board or any Director pursuant to this Section shall be binding on all Persons and shall not be open to challenge on any ground whatsoever.

59.3 Without limiting their liability to the Company, the Directors shall be under no liability to any other Person, and the Company shall be under no liability to any member or any other Person, for identifying or failing to identify any Person as a Substantial Shareholder or a Relevant Registered Shareholder.

59.4 The Directors shall not be obliged to serve any notice required under this Section upon any Person if they do not know either his identity or his address. The absence of service of such a notice in such circumstances or any accidental error in or failure to give any notice to any Person upon whom notice is required to be served under this Section shall not prevent the implementation of or invalidate any procedure under this Section.

59.5 The provisions of Article 45 shall apply to the service upon any Person of any notice required by this Section. Any notice required by this Section to be served upon a Person who is not a member or upon a Person who is a member but whose address is not within the United Kingdom and who has failed to supply to the Company an address within the United Kingdom pursuant to Article 45.4, shall be deemed validly served if such notice is sent through the post in a pre-paid cover addressed to that Person or member at the address if any, at which the Directors believe him to be resident or carrying on business or, in the case of a holder of depository receipts or similar securities, to the address, if any, in the register of holders of the relevant securities Service shall, in such a case be deemed to be effected on the day of posting and it shall be sufficient proof of service if that notice was properly addressed, stamped and posted.

59.6 Any notice required or permitted to be given pursuant to this Section may relate to more than one share and shall specify the share or shares to which it relates.

59.7 The Directors may require from time to time any Person who is or claims to be a Person to whom a Distribution may be paid without deduction of tax section 973 of the Income Tax Act 2007 or regulation made thereunder or under Regulation 7 of the Real Estate Investment Trusts (Assessment and Recovery of Tax) Regulations 2006 (as such regulations may be modified, supplemented or replaced from time to time) to provide such certificates or declarations as they may require from time to time.“

# Part 8

# Additional information

## 1 Additional information on the Company and the Investment Manager

1.1 The Company was incorporated in England and Wales on 27 January 2014 as a public limited company under the Companies Act with registered number 8863271 and with the name Custodian REIT plc. The Company changed its name to Custodian Property Income REIT plc on 6 December 2022. The Company's Legal Entity Identifier is 2138001BOD1J5XK1CX76. The Company is registered as an investment company under section 833 of the Companies Act and has received a certificate under section 761 of the Companies Act entitling it to commence business and to exercise its borrowing powers. The Company is domiciled in England and Wales and has no employees.

1.2 The Company has an indefinite life, but the Articles require to the Board to propose a continuation vote to Shareholders at every seventh annual general meeting of the Company. If at such annual general meeting such resolution is not passed, the Board is required to propose a special resolution for the winding up or reconstruction of the Company. The next continuation vote will be proposed at the Company's 14th annual general meeting, which is expected to be held in 2027.

1.3 The principal place of business and registered office of the Company is 1 New Walk Place, Leicester LE1 6RU and its telephone number is +44 116 240 8740. The Company's website address is www.custodianreit.com. Information on the Company's website does not form part of the Prospectus unless that information is incorporated by reference into the Prospectus.

1.4 The principal legislation under which the Company operates is the Companies Act. The Company is not regulated as a collective investment scheme by the FCA. However, as a Company with its shares admitted to the premium listing segment of the Official List and to trading on the premium segment of the Main Market, the Company is subject to the Listing Rules, the UK Prospectus Regulation, the Prospectus Regulation Rules, the UK Market Abuse Regulation, the Disclosure Guidance and Transparency Rules and to the rules of the London Stock Exchange.

1.5 The Investment Manager, Custodian Capital Limited, is a private limited company incorporated in England and Wales on 14 February 2008 under the Companies Act 1985 with registered number 6504305. The Investment Manager operates under the Companies Act and has an indefinite life. The Investment Manager is an authorised investment manager subject to regulation by the FCA (firm registration number 541984). Its registered office and principal place of business is 1 New Walk Place, Leicester LE1 6RU and its telephone number is +44 116 240 8740.

## 2 Share capital

2.1 As at the date of this document, the Company's issued share capital, all of which is fully paid, is 440,850,398 Ordinary Shares. No Ordinary Shares are held in treasury.

2.2 The Company has convened the CREI General Meeting at which the Directors are seeking authority from Shareholders to issue up to 305,000,000 New CREI Shares to API Shareholders pursuant to the Merger. Details of the CREI Resolution are set out in the Notice of General Meeting in Part 10 (*Notice of General Meeting*) of this document.

2.3 Subject to the Merger becoming effective, 297,350,802 New CREI Shares are expected to be issued. This will result in: (a) the Company's issued share capital increasing by approximately 67.4 per cent; (b) each CREI Shareholder who is not also a shareholder in API suffering a dilution of approximately 40.3 per cent. to their ownership and voting interests in the Company; and (c) the New CREI Shares representing approximately 40.3 per cent. of the Enlarged Share Capital.[8]

[8] Figures are calculated assuming that the number of CREI Shares and the number of API Shares in issue as at the Latest Practicable Date do not change between the Latest Practicable Date and completion of the Merger (other than the issue of New CREI Shares pursuant to the Merger) and that the Exchange Ratio is not adjusted.

2.4 All of the New CREI Shares to be issued pursuant to the Merger will be in registered form and will be eligible for settlement in CREST. Temporary documents of title will not be issued.

2.5 At the 2023 AGM, the Company was given authority to issue up to 146,950,133 Ordinary Shares until the conclusion of the Company's next annual general meeting or, if earlier, on the expiry of 15 months from the passing of the resolution. In addition, Shareholders' pre-emption rights have been disapplied in respect of the issue or sale from treasury of (i) up to 44,085,000 of these Ordinary Shares on an unrestricted basis, and (ii) a further 44,085,000 of these Ordinary Shares for the purposes of financing (or refinancing, if the authority is to be used within 12 months after the original transaction) a transaction which the Directors determine to be an acquisition or other capital investment of a kind contemplated by the Statement of Principles on Disapplying Pre-Emption Rights most recently published by the Pre-Emption Group. As at the date of this document, no Ordinary Shares have been issued pursuant to this authority. At the 2023 AGM, Shareholders also gave the Board authority to buy back up to 44,085,039 Ordinary Shares, such authority to expire at the conclusion of the annual general meeting or, if earlier, on the expiry of 15 months from the passing of the resolution.

2.6 The Company has not issued any convertible securities, exchangeable securities or securities with warrants; no share or loan capital of the Company is under option or has been agreed, conditionally or unconditionally, to be put under option; and (save in connection with the Merger, as described in Part 1 of this document) the Company has not granted or assumed any acquisition rights or obligations over authorised but unissued share capital or given any undertaking to increase the share capital.

2.7 There are no restrictions on the free transferability of the Ordinary Shares under the Articles.

## 3 Major Shareholders

3.1 So far as is known to the Company, as at the Latest Practicable Date, each of the following persons held, directly or indirectly, a percentage of the Company's voting rights that is notifiable pursuant to the Disclosure Guidance and Transparency Rules. The table below sets out: (i) the number of Existing CREI Shares held by each such person at the Latest Practicable Date; (ii) the percentage of ordinary share capital that holding represents at the Latest Practicable Date; and (iii) the percentage of the Enlarged Share Capital that holding is expected to represent immediately following completion of the Merger:

| Name | Number of Existing CREI Shares held | % of existing ordinary share capital | % of Enlarged Share Capital* |
|---|---|---|---|
| Blackrock | 23,907,027 | 5.42% | 3.24% |
| Mattioli Woods | 14,774,502 | 3.35% | 2.00% |

* *Assuming that the interest of the relevant Shareholder as at the Latest Practicable Date does not change, that 297,350,802 New CREI Shares are issued pursuant to the Merger and not taking into account any holdings of API Shares.*

3.2 As at the Latest Practicable Date, save as set out in this paragraph 3, the Company is not aware of any persons who have a notifiable interest under English law in the Company's capital or voting rights.

3.3 All Shareholders have the same voting rights in respect of the share capital of the Company.

3.4 As at the Latest Practicable Date, the Company, the Directors and the Proposed Directors are not aware of any person who, directly or indirectly, jointly or severally, exercises or could exercise control over the Company.

3.5 The Company, the Directors and the Proposed Directors are not aware of any arrangements, the operation of which may at a subsequent date result in a change in control of the Company.

## 4 Interests of Directors and Proposed Directors

4.1 The table below sets out: (i) the number of Existing CREI Shares held by each Director and Proposed Director at the Latest Practicable Date; (ii) the percentage of ordinary share capital that holding represents at the Latest Practicable Date; (iii) the number of New CREI Shares expected to be held by each Director and Proposed Director immediately following completion of the Merger (assuming that 297,350,802 New CREI Shares are issued pursuant to the Merger); and (iv) the percentage of the Enlarged Share Capital that holding is expected to represent:

| Director | Number of Existing CREI Shares | % of issued ordinary share capital | Number of New CREI Shares | % of Enlarged Share Capital |
|---|---|---|---|---|
| David MacLellan | – | – | – | – |
| Elizabeth McMeikan | 20,400 | – | – | 0.00% |
| Chris Ireland | 50,345 | 0.01% | – | 0.01% |
| Hazel Adam | 19,566 | 0.00% | – | 0.00% |
| Malcolm Cooper | 45,000 | 0.01% | – | 0.01% |
| Ian Mattioli MBE | 1,370,552 | 0.31% | – | 0.19% |
| Jill May | – | – | 128,592 | 0.02% |
| Sarah Slater | – | – | 20,000 | 0.00% |

4.2 Save as disclosed in this paragraph 4, no Director or Proposed Director has any interest, whether beneficial or non-beneficial, in the share or loan capital of the Company as at the Latest Practicable Date.

4.3 Save as disclosed in this document in connection with the Merger, none of the Directors or Proposed Directors has, or has had, an interest in any transaction which is or was unusual in its nature or conditions or significant to the business of the Company or that has been effected by the Company since its incorporation.

4.4 The Company has not made any loans to the Directors or the Proposed Directors which are outstanding, nor has it ever provided any guarantees for the benefit of any Director or Proposed Director, or the Directors or Proposed Directors collectively.

4.5 Over the five years preceding the date of this document, the Directors and the Proposed Directors hold or have held the following directorships (apart from their directorships of the Company) or memberships of administrative, management or supervisory bodies and/or partnerships:

| Name | Current | Previous |
|---|---|---|
| David MacLellan | Aquila European Renewables plc<br>Denholm Industrial Group Limited<br>DJR Acquisitions Limited<br>J. & J. Denholm Limited<br>New Stone GP LLP<br>RJD General Partner (Scotland) II Limited<br>RJD General Partner II Limited<br>RJD General Partner III Limited<br>RJD GP III (Scotland) Limited<br>RJD Group Limited<br>RJD Partners Limited<br>Tesseract Holdings Limited<br>The Lindsell Train Investment Trust plc | Blue Ocean Maritime Income Limited<br>Granite One Hundred Holdings Limited<br>Havelock Europa plc<br>RJD Burgess GP (Scotland) Limited[9]<br>RJD Burgess GP Limited[10]<br>RLPE Founder Partner Limited[11]<br>RLPE General Partner Limited[12]<br>Stone Technologies Group Limited |

[9] Company dissolved via voluntary strike-off on 21/12/21
[10] Company dissolved via voluntary strike-off on 21/12/21
[11] Company dissolved via voluntary strike-off on 26/02/19
[12] Company dissolved via voluntary strike-off on 26/02/19

| Name | Current | Previous |
|---|---|---|
| Elizabeth McMeikan | Dalata Hotel Group plc<br>Fresca Group Limited<br>McBride plc<br>Nichols plc<br>S. G. Property Investments Ltd.<br>Second Growth CIC<br>St. Rhadegund Properties Limited<br>The Fresca ESOP Limited | CH & Co Catering Group (Holdings) Limited<br>Custodian Real Estate (Drop) Limited[13]<br>Custodian Real Estate (Drop Holdings) Limited[14]<br>Flybe Group Limited<br>J D Wetherspoon plc<br>The Unite Group plc |
| Chris Ireland | D IV LLP[15]<br>Warwick Street (KS) LLP[16]<br>Warwick Street (KSI) LLP[17] | Churston Heard Limited<br>Custodian Real Estate (Drop Holdings) Limited[18]<br>Custodian Real Estate (Drop) Limited[19]<br>Environmental Governance Limited<br>Investment Property Forum<br>J P Sturge Limited<br>JLL 2002<br>JLL 2003 Limited<br>Jones Lang Lasalle Capital Investments, Limited<br>Jones Lang Lasalle Dorchester Ltd<br>Jones Lang Lasalle Global Finance UK Limited<br>Jones Lang Lasalle International Holdings Limited<br>Jones Lang Lasalle Limited<br>Jones Lang Lasalle Procurement Funding Ltd<br>Jones Lang Lasalle UK Fc<br>Jones Lang Lasalle UK Hanover<br>KHK Group Limited<br>King & Co Limited<br>King Sturge Holdings Limited |
| Hazel Adam | — | abrdn Latin American Income Fund Limited[20]<br>Custodian Real Estate (Drop Holdings) Limited[21]<br>Custodian Real Estate (Drop) Limited[22] |

[13] Company put into members' voluntary liquidation on 21/12/2022
[14] Company put into members' voluntary liquidation on 21/12/2022
[15] Company put into a court ordered liquidation on 10/05/22
[16] Company put into members' voluntary liquidation on 03/11/23
[17] Company put into members' voluntary liquidation on 03/11/23
[18] Company put into members' voluntary liquidation on 21/12/2022
[19] Company put into members' voluntary liquidation on 21/12/2022
[20] Company put into members' voluntary liquidation on 12/06/2023
[21] Company put into members' voluntary liquidation on 21/12/2022
[22] Company put into members' voluntary liquidation on 21/12/2022

| Name | Current | Previous |
|---|---|---|
| Malcolm Cooper | Act (Administration) Limited<br>Local Pensions Partnership Investments Ltd<br>Morgan Sindall Group plc<br>MORhomes plc<br>Southern Water Services Limited | CLS Holdings plc<br>National Grid William Limited<br>The UK Residential REIT PLC[23] |
| Ian Mattioli MBE | Amati Global Investors Limited<br>Custodian Capital Limited<br>Futuregreen Limited<br>Kanabo Group plc<br>Ludlow Wealth Management Group Ltd<br>LWMG Midco Limited<br>LWMG Topco Limited<br>Mattioli Woods (New Walk) Limited<br>Mattioli Woods plc<br>Maven Capital GCM Limited<br>Professional Independent Pension Trustees Limited | Boyd Coughlan Limited<br>Custodian Real Estate (Drop Holdings) Limited[24]<br>Custodian Real Estate (Drop) Limited[25]<br>Custodian REIT Limited<br>Eltek House Limited<br>Glentrool Land (North West 8) Limited<br>Hurley Partners Limited<br>John Bradley Financial Services Limited<br>Lanson House Limited<br>Ludlow Wealth Management Group Ltd<br>Mainsforth Developments Limited<br>MDl First Limited<br>MDL First Limited<br>Pension Consulting Limited<br>Taylor Patterson Associates Limited<br>Taylor Patterson Financial Planning Limited<br>Taylor Patterson Group Limited<br>Taylor Patterson Trustees Ltd<br>TCF Global Independent Financial Services Limited |
| Jill May | abrdn (APIT Nominee) Limited<br>abrdn APIT (General Partner) Limited<br>abrdn Property Income Trust Limited<br>Alpha Financial Markets Consulting plc<br>JP Morgan Claverhouse Investment Trust plc<br>Langham Farms Limited<br>Langham Industries Limited<br>May Family Holdings Limited<br>Tusk Trust Limited<br>Wellington College Educational Enterprises Ltd | Ruffer Investment Company Limited |

[23] Company dissolved via voluntary strike-off on 11/01/22
[24] Company put into members' voluntary liquidation on 21/12/2022
[25] Company put into members' voluntary liquidation on 21/12/2022

| Name | Current | Previous |
|---|---|---|
| Sarah Slater | abrdn (APIT Nominee) Limited<br>abrdn APIT (General Partner) Limited<br>abrdn Property Income Trust Limited<br>Sarah Slater Consulting Limited | — |

4.6 Save as disclosed in paragraph 4.5 above, none of the Directors or the Proposed Directors has, in the five years before the date of this document:

(a) had any convictions in relation to fraudulent offences;

(b) been associated with any bankruptcies, receiverships or liquidations of any partnership or company, or any company put into administration, through acting in the capacity as a member of the administrative, management or supervisory body or as a partner, founder or senior manager of such partnership or company; and

(c) had any official public incrimination and/or sanctions by statutory or regulatory authorities (including designated professional bodies) and have not been disqualified by a court from acting as a member of the administration, management or supervisory bodies of any issuer or from acting in the management or conduct of the affairs of any issuer.

4.7 None of the Directors or the Proposed Directors has any family relationship with another Director or Proposed Director.

4.8 Ian Mattioli MBE is Chair of the Investment Manager, CEO of Mattioli Woods (the Investment Manager's parent company) and is beneficially interested in the share capital of Mattioli Woods. The individual private clients of Mattioli Woods represent approximately 65 per cent. of the Company's shareholder register by value[26]. Save for Ian Mattioli MBE, all of the Directors are independent of the Investment Manager and any other company in the same group of companies as the Investment Manager.

4.9 Save as disclosed above, none of the Directors or the Proposed Directors has any conflict of interest or potential conflicts of interest between any of his or her duties carried out on behalf of the Company and his or her private interests and any other duties.

4.10 The Company intends to maintain an appropriate level of directors' and officers' liability insurance on behalf of the Directors and the Proposed Directors at the expense of the Company.

**5 Directors' and Proposed Directors' appointment letters**

5.1 No Director or Proposed Director has a service contract with the Company, nor are any such contracts proposed.

5.2 Each Director has entered into a letter of appointment with the Company. Under the terms of their appointment, each Director is required to seek re-election at any annual general meeting at which either the Articles require, or the Board resolves, that they stand for re-election. As at the date of this document, the Board has resolved that all Directors will be subject to annual re-election at each annual general meeting. Each Director's appointment under their respective letter of appointment is terminable immediately by either party (the Company or the Director) giving written notice and no compensation or benefits are payable upon termination of office as a Director of the Company becoming effective. Each of the Proposed Directors has also entered into a letter of appointment with the Company, to take effect from the Effective Date, the terms of which are broadly similar to those of the current Directors.

5.3 Each of the Directors is entitled (and following their appointment each Proposed Director will be entitled) to receive a fee from the Company at such rate as may be determined in accordance with the Articles. The current annual fees are: David MacLellan – £70,000;

[26] Based on shareholder registers as at 31 December 2023, shares held by Mattioli Woods on behalf of discretionary managed portfolios operated on behalf of its clients represented 3.5 per cent. and 6.4 per cent. of the CREI and API shareholder registers by value, respectively.

Elizabeth McMeikan – £47,250; Chris Ireland – £44,250; Hazel Adam – £44,250; Malcolm Cooper – £47,250; and Ian Mattioli – £42,000. Following their appointment as Directors, the Proposed Directors are each expected to be entitled to the prevailing base Non-Executive Director fee of £42,000 per annum (as they are not initially expected to chair any Board committees or hold the Senior Independent Director role, to which fee increments are applied).

5.4 The aggregate of the remuneration (including any contingent or deferred compensation), and benefits in kind granted to the Directors by the CREI Group for the year ended 31 March 2023 was £320,330.

5.5 The Directors are also entitled to out-of-pocket expenses incurred in the proper performance of their duties.

## 6 Articles of Association

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

### 6.1 Objects

The Articles do not provide for any objects of the Company and accordingly the Company's objects are unrestricted.

### 6.2 Voting rights

Subject to any special terms as to voting upon which any shares may be issued, or may for the time being be held and any restriction on voting referred to below, every Shareholder present in person, by proxy or by a duly authorised corporate representative at a general meeting of the Company shall have one vote on a show of hands and, on a poll, every Shareholder present in person, by proxy, or by a duly authorised corporate representative shall have one vote for every Ordinary Share of which he is the holder.

A Shareholder is not entitled to vote unless all calls or other sums due from him have been paid.

Unless the Board determines otherwise, a Shareholder is also not entitled to attend or vote at meetings of the Company in respect of any shares held by him in relation to which he or any other person appearing to be interested in such shares has been duly served with a notice under section 793 of the Companies Act and, having failed to comply with such notice within the period specified in such notice (being not less than 28 days from the date of service of such notice (or, where the default shares represent at least 0.25 per cent. of their class, 14 days)), is served with a disenfranchisement notice. Such disentitlement will apply only for so long as the notice from the Company has not been complied with or until the Company has withdrawn the disenfranchisement notice, whichever is the earlier.

### 6.3 General meetings

The Company must hold an annual general meeting each year in addition to any other general meetings held in the year. The directors can call a general meeting at any time.

At least 21 clear days' written notice must be given for every annual general meeting. For all other general meetings, not less than 14 days' written notice must be given. The notice for any general meeting must state: (i) whether the meeting is an annual general meeting or general meeting; (ii) the date, time and place of the meeting; (iii) the general nature of the business of the meeting; (iv) any intention to propose a resolution as a special resolution; and (v) that a member entitled to attend and vote is entitled to appoint one or more proxies to attend, to speak and to vote instead of him and that a proxy need not also be a member. All members who are entitled to receive notice under the Articles must be given notice.

Before a general meeting starts, there must be a quorum, being two members present in person or by proxy.

Each director may attend and speak at any general meeting.

Where the Company has given an electronic address in any notice of meeting, any document or information relating to proceedings at the meeting may be sent by electronic means to that address, subject to any conditions or limitations specified in the relevant notice of meeting.

6.4 **Dividends**

Subject to the Companies Act, the Company may, by ordinary resolution, declare dividends to be paid to members of the Company according to their rights and interests in the profits of the Company available for distribution, but no dividend shall be declared in excess of the amount recommended by the Board.

Subject to the Companies Act, the Board may from time to time pay to the Shareholders of the Company such interim dividends as appear to the Board to be justified by the profits available for distribution and the position of the Company, on such dates and in respect of such periods as it thinks fit.

Except insofar as the rights attaching to, or the terms of issue of, any share otherwise provide (no such shares presently being in issue), all dividends shall be apportioned and paid *pro rata* according to the amounts paid or credited as paid up (other than in advance of calls) on the shares during any portion or portions of the period in respect of which the dividend is paid. Any dividend unclaimed after a period of 12 years from the date of declaration shall be forfeited and shall revert to the Company.

The Board may, if authorised by an ordinary resolution, offer the holders of Ordinary Shares the right to elect to receive additional Ordinary Shares, credited as fully paid, instead of cash in respect of any dividend or any part of any dividend.

The Board may withhold dividends payable on shares representing not less than 0.25 per cent. by number of the issued shares of any class (calculated exclusive of treasury shares) after there has been a failure to comply with any notice under section 793 of the Companies Act requiring the disclosure of information relating to interests in the shares concerned as referred to in paragraph 6.10 below.

6.5 **Return of capital**

On a voluntary winding-up of the Company, the liquidator may, with the sanction of a special resolution of the Company and subject to the Companies Act and the Insolvency Act 1986 (as amended), divide amongst the Shareholders of the Company in specie the whole or any part of the assets of the Company, or vest the whole or any part of the assets in trustees upon such trusts for the benefit of the members as the liquidator, with the like sanction, shall determine.

6.6 **Continuation vote**

The Board is obliged to propose a continuation vote at every seventh annual general meeting of the Company. If at such annual general meeting, such resolution is not passed, the Board shall, within three months of such meeting, convene a general meeting 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.

The first continuation vote should have been proposed at the annual general meeting of the Company held on 1 September 2020, being the seventh annual general meeting of the Company following the date of its incorporation on 27 January 2014. However, as announced by the Company on 3 November 2023, this was not brought to the attention of the Board and, as a result, such a continuation vote was not proposed. In order to ratify this oversight, the Company convened a general meeting on 21 November 2023 at which Shareholders passed a special resolution to, *inter alia*, ratify the absence of the continuation vote at the annual general meeting in 2020 and release the Directors from any obligation to propose that continuation vote.

In accordance with the Articles, the next continuation vote will be proposed at the Company's 14$^{th}$ annual general meeting, which is expected to be held in 2027.

6.7 **Transfer of Shares**

The Articles provide for shares to be held in uncertificated form. The Ordinary Shares are freely transferable although they are subject to such of the restrictions in the Articles relating to Substantial Shareholders, ERISA and the US Investment Company Act.

In the case of certificated shares, the transfer shall be made by an instrument of transfer in the usual form or in any other form which the Board may approve. A transfer of an uncertificated share need not be in writing, but shall comply with such rules as the Board may make in relation to the transfer of such shares, a CREST transfer being acceptable under the current rules.

The instrument of transfer of a certificated share shall be executed by or on behalf of the transferor and (in the case of a partly paid share) by or on behalf of the transferee, and the transferor is deemed to remain the holder of the share until the name of the transferee is entered in the register of members.

The Board may, in its absolute discretion and without assigning any reason therefore refuse to register any instrument of transfer of shares, all or any of which are not fully paid.

The Board may also refuse to register a transfer unless (in the case of a certificated share):

(i) the instrument of transfer, duly stamped (if required) is lodged at the registered office of the Company or at some other place as the Board may appoint accompanied by the relevant share certificate and such other evidence of the right to transfer as the Board may reasonably require;

(ii) the instrument of transfer is in respect of only one class of share; and

(iii) in the case of a transfer to joint holders, the transfer is in favour of not more than four such transferees.

The Board may decline to register the transfer of shares to a transferee: (i) whose ownership of shares may cause the Company's assets to be deemed "plan assets" for the purposes of ERISA of the US Code; or (ii) whose ownership of shares may cause the Company to be required to register as an "investment company" under the US Investment Company Act (including because the purchaser of the shares is not a "qualified purchaser" as defined in the US Investment Company Act) or members of the senior management of the Company to register as an "investment adviser" under the US Investment Advisers Act of 1940; or (iii) whose ownership of shares may cause the Company to register under the US Exchange Act or any similar legislation; or (iv) whose ownership of shares may cause the Company not being considered a "Foreign Private Issuer" as such term, is defined in rule 3b-4(c) under the US Exchange Act; or (v) whose ownership may result in a person holding shares in violation of the transfer restrictions put forth in any prospectus published by the Company, from time to time, in connection with any increase in the Company's share capital pursuant to the Articles; or (vi) whose ownership of shares may cause the Company to be a "controlled foreign corporation" for the purposes of the US Code, or may cause the Company to suffer any pecuniary disadvantage (including any excise tax, penalties or liabilities under ERISA or the US Code or FATCA) including as a result of the relevant shareholder failing to provide information concerning itself as requested by the Company in accordance with the Articles; or (vii) whose ownership of shares may cause the Company to be required to comply with any registration or filing requirements in any jurisdiction with which the Company would not otherwise be required to comply.

The Board will have the right to require, upon notice, that a holder of shares transfers the shares to an eligible transferee within 14 days of the notice, among other things, if the continued holding of such shares by such holder may cause or is likely to cause or result in any of the following: (i) the Company's assets to be deemed "plan assets" for the purposes of ERISA of the US Code; (ii) the Company to be required to register as an "investment company" under the US Investment Company Act (including because the purchaser of the shares is not a "qualified purchaser" as defined in the US Investment Company Act) or members of the senior management of the Company to register as an "investment adviser" under the US Investment Advisers Act of 1940; (iii) the Company to be required to register under the US Exchange Act or any similar legislation; (iv) the Company not being considered a "Foreign Private Issuer" as such term, is defined in rule 3b-4(c) under the US Exchange Act; (v) a person holding shares in violation of the transfer restrictions put forth in any prospectus published by the Company, from time to time, in connection with any increase in the Company's share capital pursuant to the Articles; (vi) the Company to be a "controlled foreign corporation" for the purposes of the US Code, or may cause the Company to suffer

any pecuniary disadvantage (including any excise tax, penalties or liabilities under ERISA or the US Code or FATCA) including as a result of the relevant shareholder failing to provide information concerning itself as requested by the Company in accordance with the Articles; or (vii) the Company to be required to comply with any registration or filing requirements in any jurisdiction with which the Company would not otherwise be required to comply. Failing any such transfer, the Board shall have the right to instruct that any shares held by the relevant holder in uncertificated form are converted into certificated form in order to allow the Company to transfer such shares.

In the case of uncertificated shares, the Board may refuse to register a transfer if the Uncertificated Securities Regulations 2001 (as amended) allow it to do so, and must do so where such regulations so require.

The Board may also decline to register a transfer of shares if they represent not less than 0.25 per cent. by number of their class and there has been a failure to comply with a notice requiring disclosure of interests in the shares (as referred to in paragraph 6.10 below) unless the Shareholder has not, and proves that no other person has, failed to supply the required information. Such refusal may continue until the failure has been remedied, but the Board shall not decline to register:

(i) a transfer in connection with a *bona fide* sale of the beneficial interest in any shares to any person who is unconnected with the Shareholder and with any other person appearing to be interested in the share;

(ii) a transfer pursuant to the acceptance of an offer made to all the Company's Shareholders or all the Shareholders of a particular class to acquire all or a proportion of the shares or the shares of a particular class; or

(iii) a transfer in consequence of a sale made through a recognised investment exchange or any stock exchange outside the UK on which the Company's shares are normally traded.

6.8 **Variation of rights**

Subject to the Companies Act, all or any of the rights attached to any class of share may (unless otherwise provided by the terms of issue of shares of that class) be varied (whether or not the Company is being wound up) either with the written consent of the holders of not less than three-quarters in nominal value of the issued shares of that class (excluding any shares of that class held as treasury shares) or with the sanction of a special resolution passed at a separate general meeting of such holders. The quorum at any such general meeting is two persons together holding or representing by proxy at least one-third in nominal value of the issued shares of that class (excluding any shares of that class held as treasury shares) and at an adjourned meeting the quorum is one holder present in person or by proxy, whatever the amount of his shareholding. Any holder of shares of the class in question present in person or by proxy may demand a poll. Every holder of shares of the class shall be entitled, on a poll, to one vote for every share of the class held by him. Except as mentioned above, such rights shall not be varied.

The special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the Articles or the conditions of issue of such shares, be deemed to be varied by the creation or issue of new shares ranking *pari passu* therewith or subsequent thereto.

6.9 **Share capital and changes in capital**

Subject to and in accordance with the provisions of the Companies Act, the Company may issue redeemable shares. Without prejudice to any special rights previously conferred on the holders of any existing shares, any share may be issued with such rights or such restrictions as the Company shall from time to time determine by ordinary resolution.

Subject to the provisions of the Articles and the Companies Act, the power of the Company to offer, allot and issue any shares lawfully held by the Company or on its behalf (such as shares held in treasury) shall be exercised by the Board at such time and for such consideration and upon such terms and conditions as the Board shall determine.

The Company may by ordinary resolution alter its share capital, in accordance with the Companies Act. The resolution may determine that, as between holders of shares resulting from a sub- division any of the shares may have any preference or advantage or be subject to any restriction as compared with the others.

Subject to the Companies Act, the Company may by special resolution reduce its share capital, any capital redemption reserve or any share premium account in any way.

Subject to the Companies Act and the Listing Rules and to any rights conferred on the holders of any class of shares, the Company may purchase all or any of its own shares of any class (including any redeemable shares). The Company may only purchase Ordinary Shares out of distributable reserves or the proceeds of a new issue of shares made for the purpose of funding the repurchase.

The Articles do not impose any conditions governing changes in the capital of the Company which are more stringent than is required by law.

6.10 **Disclosure of interests in shares**

Section 793 of the Companies Act provides a public company with the statutory means to ascertain the persons who are, or have within the last three years been, interested in its relevant share capital and the nature of such interests. When a Shareholder receives a statutory notice of this nature, he or she has 28 days (or 14 days where the shares represent at least 0.25 per cent. of their class) to comply with it, failing which the Company may decide to restrict the rights relating to the relevant shares and send out a further notice to the holder (known as a "disenfranchisement notice''). The disenfranchisement notice will state that the identified shares no longer give the Shareholder any right to attend or vote at a Shareholders' meeting or to exercise any other right in relation to Shareholders' meetings.

Once the disenfranchisement notice has been given, if the directors are satisfied that all the information required by any statutory notice has been supplied, the Company shall, within not more than seven days, withdraw the disenfranchisement notice.

The Articles do not restrict in any way the provisions of section 793 of the Companies Act.

6.11 **Non-UK Shareholders**

Shareholders with addresses outside the United Kingdom are not entitled to receive notices from the Company unless they have given the Company an address within the United Kingdom at which such notices shall be served.

6.12 **Untraced Shareholders**

Subject to various notice requirements, the Company may sell any of a Shareholder's shares in the Company if, during a period of 12 years, at least three dividends (either interim or final) on such shares have become payable and no cheque or warrant or other method of payment for amounts payable in respect of such shares sent and payable in a manner authorised by the Articles has been cashed or effected and no communication has been received by the Company from the member or person concerned.

6.13 **Borrowing powers**

The Board may exercise all the powers of the Company to borrow money and to mortgage or charge all or any of its undertaking, property and assets (present and future) and uncalled capital and, subject to any relevant statutes, to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligations of the Company or any third party provided that the Board shall restrict the borrowings of the Company and exercise all powers of control exercisable by the Company, so as to secure (so far as the Board is able) that the aggregate amount for the time being of all borrowings by the Group (excluding any money owed between members of the Group) shall not at any time without the previous sanction of an ordinary resolution of the Company exceed an amount equal to 50 per cent. of the Company's total assets.

These borrowing powers may be varied by an alteration to the Articles which would require a special resolution of the Shareholders.

6.14 **Directors**

Subject to the Companies Act, and provided he has made the necessary disclosures, a director may be a party to or otherwise directly or indirectly interested in any transaction or arrangement with the Company or in which the Company is otherwise interested or a proposed transaction or arrangement with the Company.

The Board has the power to authorise any matter which would or might otherwise constitute or give rise to a breach of the duty of a director under section 175 of the Companies Act to avoid a situation in which he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict with, the interests of the Company. Any such authorisation will only be effective if the matter is proposed in writing for consideration in accordance with the Board's normal procedures, any requirement about the quorum of the meeting is met without including the director in question and any other interested director and the matter was agreed to without such directors voting (or would have been agreed to if the votes of such directors had not been counted). The Board may impose terms or conditions in respect of its authorisation.

Save as mentioned below, a director shall not vote in respect of any matter in which he has, directly or indirectly, any material interest (otherwise than by virtue of his interests in shares or debentures or other securities of, or otherwise in or through, the Company) or a duty which conflicts or may conflict with the interests of the Company. A director shall not be counted in the quorum at a meeting in relation to any resolution on which he is debarred from voting.

A director shall (in the absence of material interests other than those indicated below) be entitled to vote (and be counted in the quorum) in respect of any resolution concerning any of the following matters:

(i) the giving of any guarantee, security or indemnity to him or any other person in respect of money lent to, or an obligation incurred by him or any other person at the request of or for the benefit of, the Company;

(ii) the giving of any guarantee, security or indemnity to a third party in respect of an obligation of the Company for which he himself has assumed any responsibility in whole or in part alone or jointly under a guarantee or indemnity or by the giving of security;

(iii) any proposal concerning his being a participant in the underwriting or sub- underwriting of an offer of shares, debentures or other securities by the Company;

(iv) any proposal concerning any other company in which he is interested, directly or indirectly, and whether as an officer or Shareholder or otherwise, provided that he is not the holder of or beneficially interested in one per cent. or more of any class of the equity share capital of such company (or of any corporate third party through which his interest is derived) or of the voting rights available to members of the relevant company (any such interest being deemed to be a material interest in all circumstances);

(v) any arrangement for the benefit of employees of the Company (and/or the members of their families (including a spouse or civil partner or a former spouse or former civil partner) or any person who is or was dependent on such persons, including but without being limited to a retirement benefits scheme and an employees' share plan) which does not accord to any director any privilege or advantage not generally accorded to the employees to which such arrangement relates; and

(vi) any proposal concerning any insurance which the Company is empowered to purchase and/or maintain for the benefit of any of the directors or for persons who include directors, provided that for that purpose "insurance" means only insurance against liability incurred by a director in respect of any act or omission by him in the execution of the duties of his office or otherwise in relation thereto or any other insurance which the Company is empowered to purchase and/or maintain for, or for the benefit of any groups of persons consisting of or including, directors.

The directors shall be paid such remuneration by way of fees for their services as may be determined by the Board, save that, unless otherwise approved by ordinary resolution of the Company in general meeting, the aggregate amount of such fees of all directors shall not exceed £300,000 per annum, with this limit rising each year by the prevailing consumer prices

index from the date of adoption of the Articles (25 August 2021). As at the date of this document, the applicable limit is £348,000.[27] The directors shall also be entitled to be repaid by the Company all hotel expenses and other expenses of travelling to and from board meetings, committee meetings, general meetings or otherwise incurred while engaged in the business of the Company. Any director who by request of the Board performs special services or goes or resides abroad for any purposes of the Company may be paid such extra remuneration by way of salary, percentage of profits or otherwise as the Board may determine.

The Company may provide benefits, whether by the payment of gratuities or pensions or by insurance or otherwise, to or for the benefit of past directors who held executive office or employment with the Company or a predecessor in business of any of them or to or for the benefit of persons who are or were related to or dependants of any such directors.

The directors and officers of the Company are entitled to be indemnified against all losses and liabilities which they may sustain in the execution of the duties of their office, except to the extent that such an indemnity is not permitted by sections 232 or 234 of the Companies Act. Subject to sections 205(2) to (4) of the Companies Act, the Company may provide a director with funds to meet his expenditure in defending any civil or criminal proceedings brought or threatened against him in relation to the Company. The Company may also provide a director with funds to meet expenditure incurred in connection with proceedings brought by a regulatory authority.

The directors are obliged to retire by rotation and are eligible for re-election at the third annual general meeting after the annual general meeting at which they were elected. Any non-executive director who has held office for nine years or more is subject to re-election annually. Any director appointed by the Board holds office only until the next annual general meeting, when he is eligible for re-election.

There is no age limit for directors.

Unless and until otherwise determined by ordinary resolution of the Company, the directors (other than alternate directors) shall not be less than two in number.

6.15 **Redemption and conversion**

The Ordinary Shares are neither redeemable nor convertible.

6.16 **Electronic communication**

The Company may communicate electronically with its members in accordance with the provisions of the Companies Act.

6.17 **General**

There is nothing contained in the Articles which governs the ownership threshold above which member ownership must be disclosed. There are no provisions in the Articles which would have the effect of delaying, deferring or preventing a change of control of the Company.

Save as set out above, there are no provisions in the Articles or otherwise which give any person enhanced rights in the Company's profits.

There are no conversion rights attached to any of the shares in the Company pursuant to the Articles or otherwise.

6.18 **REIT provisions**

A summary of the REIT provisions included in the Articles is set out in paragraph 3 of Part 7 (*REIT status and taxation*) of this document.

## 7 UK City Code on Takeovers and Mergers

The Takeover Code applies to the Company.

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[27] As explained in Part 1 (*Letter from the Chairman*) of this document, following completion of the Merger, it is expected that Jill May and Sarah Slater will join the CREI Board as non-executive directors. As the current annual fees of the Directors are £295,000 in aggregate, the Board expects that the cap on directors' fees will need to be increased to accommodate the enlarged Board. The Board expects to seek Shareholder's authority to increase the cap at the Company's annual general meeting in 2024.

Given the existence of the buyback powers described in this document, there are certain considerations that Shareholders should be aware of with regard to the Takeover Code.

Under Rule 9 of the Takeover Code, any person who acquires shares which, taken together with shares already held by him or shares held or acquired by persons acting in concert with him, carry 30 per cent. or more of the voting rights of a company which is subject to the Takeover Code, is normally required to make a general offer to all the remaining shareholders to acquire their shares. Similarly, when any person or persons acting in concert already hold more than 30 per cent. but not more than 50 per cent. of the voting rights of such company, a general offer will normally be required if any further shares increasing that person's percentage of voting rights are acquired.

Under Rule 37 of the Takeover Code when a company purchases its own voting shares, a resulting increase in the percentage of voting rights carried by the shareholdings of any person or group of persons acting in concert will be treated as an acquisition for the purposes of Rule 9 of the Takeover Code. A shareholder who is neither a director nor acting in concert with a Director will not normally incur an obligation to make an offer under Rule 9 of the Takeover Code in these circumstances.

However, under note 2 to Rule 37 of the Takeover Code where a shareholder has acquired shares at a time when he had reason to believe that a purchase by the company of its own voting shares would take place, then an obligation to make a mandatory bid under Rule 9 of the Takeover Code may arise.

The buyback powers could have implications under Rule 9 of the Takeover Code for Shareholders with significant shareholdings. The buyback powers should enable the Company to anticipate the possibility of such a situation arising. Prior to the Board implementing any share buyback the Board will seek to identify any Shareholders who they are aware may be deemed to be acting in concert under note 1 of Rule 37 of the Takeover Code and will seek an appropriate waiver in accordance with note 3 of Rule 37. However, neither the Company, nor any of the Directors, nor the Investment Advisor will incur any liability to any Shareholder(s) if they fail to identify the possibility of a mandatory offer arising or, if having identified such a possibility, they fail to notify the relevant Shareholder(s) or if the relevant Shareholder(s) fail(s) to take appropriate action.

If an offer is made for the shares or any class of shares in the capital of a company and if, within 4 months after the date of such offer, the offer is approved by shareholders comprising 90 per cent. in value of the shares affected (excluding any shares held as treasury shares) then the offeror may, within 2 months after the expiration of those 4 months, send an acquisition notice to any dissenting shareholders informing them that it wishes to acquire their shares (an "**Acquisition Notice**"). Where an Acquisition Notice is given, the offeror is then entitled and bound to acquire those shares on the terms on which the original offer, approved by the shareholders comprising 90 per cent. in value of the shares affected, was made.

## 8 Related party transactions

Save as disclosed in the historical financial information incorporated by reference in Part 4 (*Financial information on the CREI Group*) of this document and the entry by the Company into the Amended and Restated Investment Management Agreement, there have been no related party transactions entered into by the Company at any time during or subsequent to the period covered by the historical financial information incorporated by reference in Part 4 (*Financial information on the CREI Group*) of this document up to the date of this document.

## 9 Working capital

In the Company's opinion, the working capital available to the CREI Group is sufficient for its present requirements, that is for at least the next 12 months from the date of this document.

## 10 Investment restrictions

In addition to those restrictions set out in Part 2 of this document and in accordance with the requirements of the Listing Rules, the Company will comply with the investment restrictions set out below and will continue to do so for so long as they remain requirements of the FCA:

(a) neither the Company nor any of its subsidiaries will conduct any trading activity which is significant in the context of its group as a whole;

(b) the Company will avoid cross-financing between businesses forming part of its investment portfolio;

(c) the Company will avoid the operation of common treasury functions as between the Company and investee companies;

(d) not more than 10 per cent., in aggregate, of the value of the total assets of the Company will be invested in other listed closed-ended investment funds other than closed-ended investment funds which themselves have published investment policies to invest no more than 15 per cent. of their total assets in other listed closed-ended investment funds; and

(e) the Company must, at all times, invest and manage its assets in a way which is consistent with its object of spreading investment risk and in accordance with its investment policy.

In the event of any material breach of the Company's investment policy or of the investment restrictions applicable to the Company, Shareholders will be informed of the actions to be taken by the Company and/or the Investment Manager (at the time of such breach) through an announcement via a RIS.

## 11 Material contracts

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the Company or a member of the CREI Group: (a) within the two years immediately preceding the date of this document; or (b) at any time, and contain provisions under which the Company or a member of the CREI Group has an obligation or entitlement which is, or may be, material to the CREI Group as at the date of this document:

### 11.1 Sponsor Agreement

A sponsor agreement dated 1 February 2024 between the Company, the Investment Manager and Deutsche Numis, pursuant to which Deutsche Numis has been appointed as sole sponsor to the Company in connection with Admission and the Prospectus.

The Sponsor Agreement is subject to, *inter alia*, Admission occurring by not later than 8.00 a.m. on 2 April 2024, or such later time and/or date as Deutsche Numis and the Company may agree (not being later than the Long-Stop Date).

Pursuant to the Sponsor Agreement, Deutsche Numis is entitled to be paid a fee and is entitled to be reimbursed for all reasonably and properly incurred out of pocket expenses that it incurs in connection with its appointment.

Under the Sponsor Agreement, the Company and the Investment Manager have given certain warranties and indemnities to Deutsche Numis, which are customary for an agreement of this nature. Deutsche Numis has the right to terminate the agreement in certain customary circumstances.

The Sponsor Agreement is governed by English law.

### 11.2 Receiving Agent Services Agreement

A receiving agent services agreement dated 1 February 2024 between the Company and Link Group, pursuant to which Link has been appointed to provide receiving agent services to the Company in connection with the Merger. In its role as receiving agent, Link Group will, among other things, (i) validate and process the Forms of Proxy received in relation to the CREI General Meeting; (ii) calculate the number of New CREI Shares due to API Shareholders; and (iii) arrange for the issue of New CREI Shares to API Shareholders (subject to Admission).

Under the terms of the agreement, Link is entitled to customary fees. Link is also entitled to reimbursement of all reasonable out of pocket expenses incurred by it in connection with its duties under the agreement.

The agreement limits Link's liability thereunder to the lesser of £250,000 or an amount equal to five times the fee payable to Link under the agreement.

Under the terms of the agreement, the Company has agreed to indemnify, defend and hold harmless Link, its affiliates and their directors, officers, employees and agents against any and all losses, damages, liabilities, professional fees (including but not limited to legal fees), court costs and expenses resulting or arising from the Company's breach of the agreement and, in addition, any third-party claims, actions, proceedings, investigations or litigation relating to or arising from or in connection with the agreement or the services provided thereunder, except to the extent such losses are determined to have resulted from the fraud, wilful default or negligence on the part of any party seeking indemnity under the agreement. The indemnity is customary for an agreement of this nature.

The agreement is governed by the laws of England.

11.3 **Confidentiality Agreement**

A confidentiality agreement dated 10 July 2023 between the Company and API, pursuant to which each party has agreed that it will, subject to certain exceptions: (a) keep confidential information relating to the other party secure, secret and confidential; (b) not use or exploit the confidential information in any way except in connection with the consideration and evaluation of CREI's and API's respective businesses in connection with the Merger or any substantially equivalent transaction; (c) not directly or indirectly disclose or make available any confidential information in whole or in part to any person except as expressly permitted by, and in accordance with, the agreement; and (d) not copy, reduce to writing or otherwise record the confidential information except as strictly necessary.

Each party has also agreed to maintain security measures to safeguard the confidential information and protect it from unauthorised access or use which shall be no less stringent than those which the party applies to protect its own confidential information.

These confidentiality obligations will remain in force until the earlier of the completion of the Merger (or any substantially equivalent transaction) and 10 July 2025.

The Confidentiality Agreement also includes standstill obligations under which CREI has agreed that, for a period of 9 months starting on the date of the agreement, it will not, and will procure that certain connected persons (including members of the CREI Group, the Investment Manager, members of the Investment Manager's group, and any persons acting in concert with any of them) (the "**Connected Persons**") will, alone or jointly, without the prior written consent of the API Board:

- directly or indirectly acquire (or agree to, or offer to, or receive an option to, or do or omit to do any act as a result of which CREI or any such persons shall, acquire) any interest, including any ownership or voting rights, in any shares of API, or any derivatives referenced to such shares; or
- make any announcement with respect to any offer or potential offer to acquire any shares of API or with respect to any scheme, arrangement or transaction regarding API or take any step which would, under the Takeover Code, require such an announcement to be made.

The standstill restrictions referred to in this paragraph cease to apply in certain circumstances, including if any person (other than a Connected Person) makes any announcement of a firm intention to acquire API Shares carrying 30 per cent. or more of the voting rights in API or incurs a mandatory offer obligation in respect of API.

The Confidentiality Agreement is governed by the law of England and Wales.

11.4 **Existing Investment Management Agreement**

An investment management agreement entered into between the Company and the Investment Manager dated 22 June 2020, as amended by a side letter dated 8 June 2023, pursuant to which the Investment Manager has been appointed on an exclusive basis as investment manager to the Company and as the Company's alternative investment fund manager for the purposes of the AIFM Rules.

Under the Existing Investment Management Agreement, the Investment Manager has responsibility for, without limitation:

(i) general property management of the properties held by the Company, including inspecting the state of repair and condition of the properties, instructing on any appropriate works or repair and considering energy saving systems or procedures and administrative systems to ensure that the properties adhere to all health and safety requirements and/or regulations, managing relationships between the Company and any occupational tenants, managing rent reviews, lease renewals and its letting strategy and advising on, and managing, the refurbishment of vacant properties;

(ii) sourcing and assisting with the acquisition of properties that fall within the Company's investment policy and managing all aspects of the process of acquisition or disposal in relation to a property, or any part thereof, including negotiating and agreeing terms in respect of any such acquisition or disposal;

(iii) developing and implementing an asset management strategy to deliver added value;

(iv) collecting rents and conducting general administration of the service charge and insurance arrangements provided for under the leases;

(v) obtaining buildings insurance for the properties;

(vi) arranging senior and subordinated debt (if required) to optimise the capital structure and support the acquisition process; and

(vii) coordinating with third parties providing services to the Company.

In addition, the Investment Manager calculates the Net Asset Value of the Ordinary Shares on a quarterly basis and these calculations are reported to Shareholders by an RIS announcement as soon as practicable after the end of the relevant quarter.

The services provided by the Investment Manager to the Company pursuant to the Existing Investment Management Agreement are divided into three categories: (1) Investment Management Services, (2) Asset Management Services and (3) Administrative Services, as each such term is more fully defined and described in the Existing Investment Management Agreement.

The Investment Manager's appointment pursuant to the Existing Investment Management Agreement commenced on 1 June 2020 and shall continue in force until it is terminated by either party serving at least one year's prior written notice on the other party. The Company shall be entitled to request the separate provision of the Investment Management Services, Asset Management Services and Administrative Services and may, by serving at least one year's prior written notice to the Investment Manager, terminate the provision of each or any of the Investment Management Services, Asset Management Services and/or Administrative Services (and terminate the ongoing payment of the Investment Management Services Fee, Asset Management Services Fee and/or Administrative Services Fee (as applicable)) separately (as each such term is more fully defined and described below and in the Existing Investment Management Agreement).

In consideration of the provision of the services to the Company under the Existing Investment Management Agreement, the Company pays fees to the Investment Manager. Details of the fees payable to the Investment Manager under the Existing Investment Management Agreement are set out in are set out in paragraph 15.1 of Part 2 (*Information on the CREI Group*) of this document.

The Investment Manager has appointed Richard Shepherd-Cross as the "Key Director" and Ed Moore, Alex Nix and Tom Donnachie as the "Key Managers", being responsible for the delivery by the Investment Manager of the services pursuant to the Existing Investment Management Agreement. Richard Shepherd-Cross shall devote no less than 75 per cent. of his working time to his role as Key Director of the Investment Manager for and on behalf of the Company and Ed Moore, Alex Nix and Tom Donnachie shall each devote as much time as is reasonably considered necessary to fulfil their respective roles as Key Managers of the Investment Manager acting for and on behalf of the Company. If the Key Director or any of the Key Managers resigns from the Investment Manager or their membership of or

employment by the Investment Manager is terminated, the Investment Manager shall immediately notify the Company (a "**Notification**").

The Company may terminate the Existing Investment Management Agreement at any time by notice in writing to the Investment Manager in the following circumstances: (a) a material breach by Investment Manager of its obligations under the Existing Investment Management Agreement which is not remedied within 20 business days (or such longer period as may be agreed by both parties acting reasonably in regard to the relevant breach and giving a reasonable period in which to remedy the same if not possible within 20 business days) of such breach having been notified to Investment Manager, which at the time of the giving of the notice was not of such seriousness as to fall within (b); (b) Investment Manager commits breaches of the Existing Investment Management Agreement which are individually or cumulatively of such seriousness as to permit the Company as a matter of law to treat the Existing Investment Management Agreement as repudiated by breach; (c) the Company receives a Notification in respect of two Key Managers and neither relevant Key Manager is replaced by an alternative employee within 90 days of the relevant Key Manager ceasing to be employed (any such replacement to be approved in writing in advance by the CREI Board); (d) the Company receives a Notification regarding the Key Director and the Key Director is not replaced by an alternative managing officer within 180 days of the Key Director ceasing to be employed (any such replacement to be approved in writing in advance by the CREI Board); and/or (e) in the event of Investment Manager's fraud or gross negligence, or the withdrawal or failure to obtain any licence, consent, authorisation or permission required by it for the provision of the services required pursuant to the Existing Investment Management Agreement, or in the case of its insolvency.

Unless otherwise agreed between the Company and Investment Manager, the Existing Investment Management Agreement shall automatically terminate with immediate effect upon an insolvency event of the Company.

The Investment Manager shall be entitled to terminate the Existing Investment Management Agreement immediately if there is a material breach of the Existing Investment Management Agreement by the Company and the breach is not remedied on or before the date falling 20 business days after notice in writing of the breach is served upon the Company.

The Existing Investment Management Agreement is governed by the laws of England.

11.5 **Amended and Restated Investment Management Agreement**

An amended and restated investment management agreement dated 19 January 2024, together with a side letter thereto also dated 19 January 2024, between the Company and the Investment Manager, pursuant to which the Investment Manager will, with effect from completion of the Merger, continue to be appointed on an exclusive basis as investment manager to the Company and as the Company's alternative investment fund manager for the purposes of the AIFM Rules.

For the avoidance of doubt, if the Merger does not become effective, the terms of the Amended and Restated Investment Management Agreement will not take effect and the Existing Investment Management Agreement (as summarised in paragraph 11.4 above) shall continue until terminated in accordance with its terms.

Under the Amended and Restated Investment Management Agreement, the Investment Manager has responsibility for, without limitation:

(i) general property management of the properties held by the Company, including inspecting the state of repair and condition of the properties, instructing on any appropriate works or repair and considering energy saving systems or procedures and administrative systems to ensure that the properties adhere to all health and safety requirements and/or regulations, managing relationships between the Company and any occupational tenants, managing rent reviews, lease renewals and its letting strategy and advising on, and managing, the refurbishment of vacant properties;

(ii) sourcing and assisting with the acquisition of properties that fall within the Company's investment policy and managing all aspects of the process of acquisition or disposal in relation to a property, or any part thereof, including negotiating and agreeing terms in respect of any such acquisition or disposal;

(iii) developing and implementing an asset management strategy to deliver added value;

(iv) collecting rents and conducting general administration of the service charge and insurance arrangements provided for under the leases;

(v) obtaining buildings insurance for the properties;

(vi) arranging senior and subordinated debt (if required) to optimise the capital structure and support the acquisition process;

(vii) coordinating with third parties providing services to the Company; and

(viii) direct marketing of the Company to Mattioli Woods' wealth management consultants to enable advised clients of companies within the Mattioli Woods group to participate in new share issues (being issues of new shares in the capital of the Company other than through a share-for-share exchange to enable a corporate acquisition).

In addition, the Investment Manager calculates the Net Asset Value of the Ordinary Shares on a quarterly basis and these calculations are reported to Shareholders in the Company's interim financial statements and annual accounts and/or by RIS.

The services provided by the Investment Manager to the Company pursuant to the Amended and Restated Investment Management Agreement are divided into four categories: (1) Investment Management Services, (2) Asset Management Services, (3) Administrative Services and (4) Marketing Services, as each such term is more fully defined and described in the Amended and Restated Investment Management Agreement.

The Investment Manager's appointment pursuant to the Amended and Restated Investment Management Agreement will commence on the Effective Date and shall continue in force until it is terminated by either party serving at least one year's prior written notice on the other party, save that such notice may not be served prior to the conclusion of the Transition Period. Following the conclusion of the Transition Period, the Company shall be entitled to request the separate provision of the Investment Management Services, Asset Management Services and Administrative Services and may, by serving at least one year's prior written notice to the Investment Manager, terminate the provision of each or any of the Investment Management Services, Asset Management Services and/or Administrative Services (and terminate the ongoing payment of the Investment Management Fee, Asset Management Fee and/or Administrative Fee (as applicable)) separately (as each such term is more fully defined and described below and in the Amended and Restated Investment Management Agreement).

In consideration of the provision of the services to the Company under the Amended and Restated Investment Management Agreement, the Company will pay fees to the Investment Manager. Details of the fees payable to the Investment Manager under the Amended and Restated Investment Management Agreement are set out in are set out in paragraph 15.1 of Part 2 (*Information on the CREI Group*) of this document.

The Investment Manager has appointed Richard Shepherd-Cross as the "Key Director" and Ed Moore, Alex Nix and Tom Donnachie as the "Key Managers", being responsible for the delivery by the Investment Manager of the services pursuant to the Amended and Restated Investment Management Agreement. The Key Director shall devote no less than 75 per cent. of his working time to his role as Key Director of the Investment Manager for and on behalf of the Company and the Key Managers shall each devote as much time as is reasonably considered necessary to fulfil their respective roles as Key Managers of the Investment Manager acting for and on behalf of the Company. If the Key Director or any of the Key Managers resigns from the Investment Manager or their membership of or employment by the Investment Manager is terminated, the Investment Manager shall immediately notify the Company (a "**Notification**").

The Company may terminate the Amended and Restated Investment Management Agreement at any time by notice in writing to the Investment Manager in the following circumstances: (a) a material breach by Investment Manager of its obligations under the Amended and Restated Investment Management Agreement which is not remedied within 20 business days (or such longer period as may be agreed by both parties acting reasonably in regard to the relevant breach and giving a reasonable period in which to remedy the same if not possible within 20 business days) of such breach having been notified to Investment

Manager, which at the time of the giving of the notice was not of such seriousness as to fall within (b); (b) Investment Manager commits breaches of the Amended and Restated Investment Management Agreement which are individually or cumulatively of such seriousness as to permit the Company as a matter of law to treat the Amended and Restated Investment Management Agreement as repudiated by breach; (c) the Company receives a Notification in respect of two Key Managers and neither relevant Key Manager is replaced within 90 days by an alternative employee approved by the Company; (d) the Company receives a Notification regarding the Key Director and the Key Director is not replaced within 180 days by an alternative managing officer approved by the Company; (e) if a force majeure event has continued for a continuous period of ninety (90) days; (f) in the event of the Investment Manager's fraud or gross negligence, or the withdrawal or failure to obtain any licence, consent, authorisation or permission required by it for the provision of the services required pursuant to the Amended and Restated Investment Management Agreement, or in the case of its insolvency.

Unless otherwise agreed between the Company and Investment Manager, the Amended and Restated Investment Management Agreement shall automatically terminate with immediate effect upon an insolvency event of the Company.

The Investment Manager shall be entitled to terminate the Amended and Restated Investment Management Agreement immediately if there is a material breach of the Amended and Restated Investment Management Agreement by the Company and the breach is not remedied on or before the date falling 20 business days after notice in writing of the breach is served upon the Company.

The Company and the Investment Manager have agreed that the CREI Board, in consultation with the Investment Manager, intends to conduct an internal review of the scope of the company secretarial services provided as part of the Administrative Services pursuant to the terms of the Amended and Restated Investment Management Agreement. Following such review, the Company and the Investment Manager will seek agreement (which shall not be unreasonably withheld) to vary the scope of such services and, following any adjustment, the Company and the Investment Manager shall cooperate in good faith and use reasonable efforts to ensure that the relevant services may be transitioned smoothly to any new services provider.

The Amended and Restated Investment Management Agreement is governed by the laws of England.

11.6 **Registrar Services Agreement**

A registrar services agreement between the Company and the Registrar dated 20 February 2014, pursuant to which the Registrar has been appointed as registrar to the Company.

The Registrar Services Agreement shall continue unless terminated by either party on not less than six months' notice, such notice to expire at the end of any successive 12 month period from the effective date of the agreement, being 21 February 2014. The agreement is also subject to immediate termination on the occurrence of certain events, including material and continuing breach or insolvency.

The Registrar Services Agreement limits the Registrar's liability thereunder to the lesser of £1,000,000 or an amount equal to ten times the annual fee payable to the Registrar pursuant to the Registrar Services Agreement.

The Registrar Services Agreement contains a provision whereby the Company indemnifies the Registrar and its affiliates against any and all losses, damages, liabilities, professional fees, court costs and expenses resulting or arising from the Company's breach of the agreement and, in addition, any third-party claims, actions, proceedings, investigations or litigation relating to or arising from or in connection with the agreement or the services provided thereunder, except to the extent such losses are determined to have resulted solely from fraud, wilful default, negligence or breach of the Registrar Services Agreement of or by the party seeking indemnification. The indemnity is customary for an agreement of this nature.

Under the terms of the Registrar Services Agreement, the Registrar is entitled to customary fees.

The Registrar Services Agreement is governed by the laws of England.

11.7 **Depositary Agreement**

On 25 February 2014, the Company, Custodian Capital and Langham Hall LLP entered into a depositary agreement (the "**Original Depositary Agreement**"). Pursuant to a novation agreement between the Company, Custodian Capital, Langham Hall LLP and the Depositary, the rights and obligations of Langham Hall LLP under the Original Depositary Agreement were transferred to the Depositary with effect from 31 March 2015 (such novated agreement being the "**Depositary Agreement**").

Under the Depositary Agreement, the Depositary is responsible for ensuring the Company's cash flows are properly monitored, the safe keeping of property entrusted to it by the Company (including maintaining an assets register) and the oversight and supervision of the Company and Custodian Capital (as the Company's AIFM).

The Company currently pays the Depositary an annual fee of £40,318 for its services. The agreement contains customary representations, warranties and undertakings from the Company and Custodian Capital in favour of the Depositary and warranties from the Depositary. The agreement also contains a joint and several indemnity from the Company and Custodian Capital in favour of the Depositary against, *inter alia*, any liability or loss suffered by the Depositary (and its officers, agents and employees) as a result of or in connection with the proper provision of services under the agreement. The agreement may be terminated by the Depositary, the Company and/or Custodian Capital by giving not less than six months' written notice.

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

11.8 **Aviva Facility Agreement**

The facility agreement originally dated 5 April 2017 and amended and restated on 22 December 2020 and further amended and restated on 15 June 2022 between the Company as the borrower, Aviva Commercial Finance Limited as lender, Aviva Commercial Finance Limited as agent of the other finance parties and Aviva Commercial Finance Limited as security agent for the secured parties.

The Aviva Facility Agreement relates to a facility of £75 million comprising:

- a £35 million loan repayable on 6 April 2032, with fixed annual interest of 3.02 per cent.;
- a £15 million loan repayable on 3 November 2032 with fixed annual interest of 3.26 per cent.; and
- a £25 million loan repayable on 3 November 2032 with fixed annual interest of 4.10 per cent.

Interest is payable on each loan on each interest payment date (being 10 April. 10 July, 10 October and 10 December in each year), and on termination of each loan.

The purpose of the facility is to refinance the cost of acquiring certain properties, payment of fees, costs, expenses and taxes incurred by the Company in connection with such acquisitions, and the general working capital purposes of the Group.

The Aviva Facility is secured against a discrete pool of assets of the Group.

Under the Aviva Facility Agreement, the Company has given standard representations, warranties and covenants to Aviva and the agreement contains events of default, which include (amongst other things) cross default provisions, and conditions precedent to funding which are normal for a facility of this type.

Financial covenants pursuant to the terms of the Aviva Facility Agreement include that the Company must ensure: (i) a maximum loan to value ratio of 50 per cent; (ii) historical interest cover of at least 250 per cent. at all times; (iii) projected interest cover of at least 250 per cent. at all times; and (iv) overall gearing does not exceed 35 per cent.

The Aviva Facility Agreement is governed by English law.

11.9 **Scottish Widows First Facility Agreement**

The facility agreement dated 14 August 2015 between the Company as the borrower, Lloyds Bank plc and Scottish Widows Limited as mandated lead arrangers, Scottish Widows Limited as lender, Lloyds Bank plc as agent of the other finance parties and Lloyds Bank plc as security agent for the secured parties.

The Scottish Widows First Facility Agreement relates to a facility of £20 million.

The purpose of the facility is: (i) to refinance the cost of acquisition of properties; (ii) to pay fees, costs and expenses due under the agreement; and (iii) for general working capital purposes.

The Scottish Widows First Facility is secured against the assets of the Group.

Interest is payable under the Scottish Widows First Facility on each interest payment date (being 10 January, 10 April. 10 July and 10 October in each year), and on termination, at a fixed rate of 3.935 per cent. per annum. The Scottish Widows First Facility is repayable in August 2025.

Under the Scottish Widows First Facility Agreement, the Company has given standard representations, warranties and covenants to the other parties and the agreement contains events of default, which include (amongst other things) cross default provisions, and conditions precedent to funding which are normal for a facility of this type.

Financial covenants pursuant to the terms of the Scottish Widows First Facility Agreement include that the Company must ensure: (i) interest cover is at all times, at least 250 per cent. (ii) a maximum loan to value ratio of 45 per cent., calculated against certain properties referred to in the agreement; (iii) the overall gearing does not exceed 35 per cent; and (iv) the weighted average unexpired length is not at any time less than 60 months.

The Scottish Widows First Facility Agreement is governed by English law.

11.10 **Scottish Widows Second Facility Agreement**

The facility agreement dated 2 June 2016, between the Company as the borrower, Lloyds Bank plc and Scottish Widows Limited as mandated lead arrangers, Scottish Widows Limited as lender, Lloyds Bank plc as agent of the other finance parties and Lloyds Bank plc as security agent for the secured parties.

The Scottish Widows Second Facility Agreement relates to a facility of £45 million.

The purpose of the Scottish Widows Second Facility is:

i. to repay amounts owed under certain prior facility agreements between the Company and Lloyds Bank plc;

ii. to refinance the cost of acquisition of properties to raise funds for additional property purchases;

iii. for the payment of fees, costs and expenses due under the agreement; and

iv. for general working capital purposes.

The Scottish Widows Second Facility is secured against the assets of the Group.

Interest is payable under the Scottish Widows Second Facility on each interest payment date (being 10 January, 10 April. 10 July and 10 October in each year), and on termination, at a fixed rate of 2.987 per cent. per annum. The Scottish Widows Second Facility is repayable in June 2028.

Under the Scottish Widows Second Facility Agreement, the Company has given standard representations, warranties and covenants to the other parties and the agreement contains events of default, which include (amongst other things) cross default provisions, and conditions precedent to funding which are normal for a facility of this type.

Financial covenants pursuant to the terms of the Scottish Widows Second Facility Agreement include that the Company must ensure: (i) interest cover is at all times, at least 250 per cent. (ii) a maximum loan to value ratio of 45 per cent., calculated against certain properties

referred to in the agreement; (iii) the overall gearing does not exceed 35 per cent.; and (iv) the weighted average unexpired length is not at any time less than 60 months.

The Scottish Widows Second Facility Agreement is governed by English law.

11.11 **Revolving Credit Facility Agreement**

The revolving credit facility agreement dated 17 September 2019 between the Company as the borrower, Lloyds Bank plc as mandated lead arranger, Lloyds Bank plc as lender, Lloyds Bank plc as agent of the other finance parties and Lloyds Bank plc as security agent for the secured parties.

The agreement relates to a £50 million revolving credit facility with interest of between 1.62 per cent. and 1.92 per cent. above SONIA, determined by reference to the prevailing LTV ratio of a discrete security pool of assets. Interest is payable on each interest payment date (being 10 January, 10 April, 10 July and 10 October in each year) and on termination.

On 10 November 2023 the Company and Lloyds Bank plc agreed to extend the term of the RCF for a term of three years, so as to expire in November 2026, with options to extend the term by a further year on each of the first and second anniversaries of the renewal. The RCF includes an 'accordion' option whereby the facility limit can be increased to £75 million with Lloyds Bank's approval.

The Revolving Credit Facility is secured against a discrete pool of assets of the Group.

Under the Revolving Credit Facility Agreement, the Company has given standard representations, warranties and covenants to Lloyds Bank and the agreement contains events of default, which include (amongst other things) cross default provisions, and conditions precedent to funding which are normal for a facility of this type.

Financial covenants pursuant to the terms of the Revolving Credit Facility Agreement include that the Company must ensure: (i) a maximum loan to value ratio of 50 per cent.; and (ii) interest cover of at least 200 per cent. at all times.

The Revolving Credit Facility Agreement is governed by English law.

## 12 Synergy information

Paragraph 4 of Part 1 (*Letter from the Chairman*) of this document contains statements of estimated cost savings and synergies expected to arise from the Merger (together, the "**Quantified Financial Benefits Statement**"). A copy of the Quantified Financial Benefits Statement is set out below:

*"The CREI Directors, having reviewed and analysed the potential cost savings of the Combined Group, as well as taking into account factors they can influence, believe the Combined Group can deliver shareholder value through the expected realisation of approximately:*

- *£1.0 million of pre-tax recurring run-rate cost synergies by the end of the first year following the Effective Date (the "**Recurring Cost Synergies**"); and*
- *£2.1 million of additional non-recurring pre-tax cost synergies during the Transition Period (the "**Transition Period Cost Synergies**").*

*The Recurring Cost Synergies are expected to be realised principally from:*

- *Management fees: unification of investment management under Custodian Capital, delivering an estimated £0.5 million of annualised run-rate cost synergies derived from lower management and administrative fees charged on the API investment properties (the "**Management Fee Savings**"); and*
- *Corporate and administrative: rationalisation of duplicated listing, administration and operational expenses delivering at least an estimated £0.5 million of annualised run rate cost synergies.*

*The additional Transition Period Cost Synergies are expected to be realised principally from:*

- *Amended management fee tiers: reduction in the management fees payable by CREI to Custodian Capital for the Transition Period delivering an estimated £0.3 million of*

*annualised run rate cost synergies (£0.6 million total estimated cost synergies) through the consolidation of the first two fee tiers into one fee tier, such that the consolidated fee tier will be calculated as a fee of 0.75 per cent. in respect of the NAV of the Combined Group which is less than or equal to £500 million (rather than a fee of 0.90 per cent. in respect of NAV up to £200 million and 0.75 per cent. up to £500 million) (the "**Amended Management Fee Tier Savings**"); and*

- *Partial management fee waiver: Custodian Capital has agreed to waive its management fee in relation to the NAV attributable to the API portfolio for the first nine months following completion of the Merger (the "**Partial Management Fee Waiver Savings**") delivering an estimated £1.5 million of cost synergies in the first year following the Effective Date.*

*In order to achieve the Management Fee Savings, the Amended Management Fee Tier Savings and the Partial Management Fee Waiver Savings, it is estimated that API will incur one-off costs of between £1.5 million and £2.0 million in connection with the termination of the API Investment Management Agreement. These costs will be incurred within the first year following the Effective Date and have been reflected as a cost to API within the Exchange Ratio. The CREI Directors expect that any costs incurred in the realisation of the other cost synergies will be immaterial.*

*Other potential adverse effects of the Merger have been considered and were determined by the CREI Directors to be immaterial for the analysis.*

*The identified cost savings will accrue as a direct result of the Merger and would not be achieved on a standalone basis.*

*These statements relating to identified cost savings and estimated savings relate to future actions or circumstances which by their nature involve risks, uncertainties and contingencies. As a consequence, the identified synergies and estimated savings referred to may not be achieved, may be achieved later or sooner than estimated, or those achieved could be materially difference from those estimated."*

**Bases of belief and principal assumptions**

Following initial discussion regarding the Merger, a team of Custodian Capital staff has evaluated and assessed the potential synergies available arising from the Merger.

The team which comprises senior Custodian Capital personnel, worked to identify, challenge, and quantify potential synergies as well as the potential costs to achieve and timing of such synergies. The Custodian Capital team has performed a bottom-up analysis of costs included in the API financial information and has sought to include in the synergy analysis those costs which the team believes will be either reduced or eliminated from within the Combined Group.

The Management Fee Savings and Amended Management Fee Tier savings are based on applying Custodian Capital's tiered fee structure, including the proposed amended fee tiers in the Transition Period, and assumptions regarding the *pro forma* NAV of the Combined Group. The Partial Management Fee Waiver is based upon excluding the NAV attributable to API from the *pro forma* NAV of the Combined Group in calculating fees payable to Custodian Capital for the first nine months following the Effective Date.

In general, the synergy assumptions related to the corporate and administrative synergies have in turn been risk adjusted, exercising a degree of prudence in the calculation of the estimated synergy benefits set out above.

The cost bases used as the basis for the quantified financial benefits exercise are the CREI and API full year expenses for the twelve-month period to 30 September 2023, and the independent CREI and API property valuations as at 31 December.

The CREI Directors have, in addition, made the following assumptions:

- The value of the Combined Group property portfolio remaining at or above the 31 December 2023 independent property valuation of £1.0 billion.
- CREI retains its status as a UK-REIT.

- There will be no material impact on the underlying operations of either CREI or API or their ability to continue to conduct their businesses.
- There will be no material change to macroeconomic, political, regulatory or legal conditions in the markets or regions in which CREI or API operate that will materially impact on the implementation or costs to achieve the proposed cost savings.
- There will be no change in tax legislation or tax rates or other legislation in the UK or Guernsey that could materially impact the ability to achieve any benefits.

**Reports**

As required by Rule 28.1(a) of the Takeover Code, RSM UK Corporate Finance LLP, as reporting accountants to CREI, and Deutsche Numis, as financial advisers to CREI, have provided the opinions required under that Rule at the time of the Merger Announcement. As required by Rule 27.2(d)(ii) of the Takeover Code, each of RSM UK Corporate Finance LLP and Deutsche Numis have confirmed to CREI that the reports that they produced continue to apply.

**Notes**

These statements are not intended as a profit forecast and should not be interpreted as such. These statements of estimated synergies relate to future actions and circumstances which, by their nature, involve risks, uncertainties and contingencies. As a result, the estimated synergies referred to may not be achieved, or may be achieved later or sooner than estimated, or those achieved could be materially different from those estimated. Neither the Quantified Financial Benefits Statement nor any other statement in this announcement should be construed as a profit forecast or interpreted to mean that CREI's earnings in the first full year following the Effective Date, or in any subsequent period, will necessarily match or be greater than or be less than those of CREI or API for the relevant preceding financial period or any other period.

Due to the scale of the Combined Group, there may be additional changes to the Combined Group's operations. As a result, and given the fact that the changes relate to the future, the resulting synergies may be materially greater or less than those estimated.

## 13 Litigation

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

## 14 Admission, clearing and settlement

All of the Existing CREI Shares are admitted to trading on the premium segment of the Main Market and to the premium listing segment of the Official List.

Applications will be made to the FCA and to the London Stock Exchange, respectively, for the New CREI Shares issued pursuant to the Merger to be admitted to the premium listing segment of the Official List and to trading on the premium segment of the Main Market. It is expected that Admission will become effective and that dealings on the London Stock Exchange in the New CREI Shares will commence at 8.00 a.m. (London time) on 2 April 2024.

No application is being made for the New CREI Shares to be dealt with in or on any stock exchange or investment exchange other than the Main Market.

The New CREI Shares will be issued in registered form and may be held in either certificated or uncertificated form. In the case of New CREI Shares to be issued in uncertificated form pursuant to the Merger, these will be transferred to successful applicants through the CREST system. The New CREI Shares will be eligible for settlement through CREST with effect from Admission.

CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by written instrument. The Articles permit the holding of CREI Shares under the CREST system. Settlement of transactions in the New CREI Shares following Admission may take place within the CREST system if any Shareholder so wishes.

Link Group on behalf of the Company will arrange for CREST to be instructed to credit the appropriate CREST accounts of the API Shareholders concerned or their nominees with their respective entitlements to the New CREI Shares as soon as is reasonably practical on the morning of Admission. The names of API Shareholders or their nominees that hold New CREI Shares through their CREST accounts will be entered directly on to the share register of the Company.

Dealings in the New CREI Shares in advance of the crediting of the relevant stock account shall be at the risk of the person concerned.

Where applicable, definitive share certificates in respect of the New CREI Shares are expected to be despatched by post at the risk of recipients to the relevant holders within 14 calendar days of the Effective Date. Prior to the despatch of definitive share certificates in respect of any New CREI Shares which are held in certificated form, transfer of those New CREI Shares will be certified against the Register. No temporary documents of title will be issued.

The New CREI Shares to be issued to API Shareholders pursuant to the Merger will, following Admission, rank *pari passu* in all respects with the Existing CREI Shares and will carry the right to receive all dividends and distributions declared, made or paid on or in respect of the CREI Shares by reference to a record date after Admission.

The ISIN number of the CREI Shares is GB00BJFLFT45 and the SEDOL code is BJFLFT4.

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

The CREI Shares are denominated in Sterling.

**15 Material interests**

There are no interests that are material to the issue of New CREI Shares pursuant to the Merger and no conflicting interests.

**16 General**

16.1 There will be no proceeds received by the CREI Group as a result of the issue of New CREI Shares to API Shareholders in connection with the Merger. The total costs and expenses of, and incidental to, the Merger and Admission payable by the Company, are estimated to amount to approximately £5.9 million (excluding VAT).

16.2 Custodian Capital Limited accepts responsibility for and has authorised the inclusion (in the form and context in which it is included) of the information contained the paragraphs entitled "CREI Portfolio" and "Investment Manager" in Part 2 (*Information on the CREI Group*) of this document and declares that, to the best of its knowledge, the information contained in those paragraphs is in accordance with the facts and those parts of the document make no omission likely to affect their import.

16.3 Numis Securities Limited has given and has not withdrawn its written consent to the inclusion in this document of the references to its name in the form and context in which they appear.

16.4 RSM UK Corporate Finance LLP has given and has not withdrawn its written consent to the inclusion in this document of the references to its name in the form and context in which they appear.

16.5 Knight Frank LLP of 55 Baker Street, Marylebone, London W1U 8AN, which is qualified for the purposes of the valuation report in Part A of Part 6 (*Property valuation reports*) of this document in accordance with the RICS Valuation – Global Standards, January 2022, issued

by the Royal Institution of Chartered Surveyors, has given and not withdrawn its consent to the inclusion in this document of its report in Part A of Part 6 (*Property valuation reports*) of this document and to the issue of this document with the inclusion of its name and references to it in the form and context in which they appear and has authorised the contents of its report in Part A of Part 6 (*Property valuation reports*) of this document for the purposes of Prospectus Regulation Rule 5.3.2R(2)(f), in the form and context in which it appears. Knight Frank LLP is a limited liability partnership incorporated in England and Wales on 3 November 2003 (registered number OC305934) and its Legal Entity Identifier is 213800995RRALBMRYV38.

16.6 Savills Advisory Services Limited of 33 Margaret Street, London, W1G 0JD, which is qualified for the purposes of the valuation report in Part B of Part 6 (*Property valuation reports*) of this document in accordance with the RICS Valuation – Global Standards, January 2022, issued by the Royal Institution of Chartered Surveyors, has given and not withdrawn its consent to the inclusion in this document of its report in Part B of Part 6 (*Property valuation reports*) of this document and to the issue of this document with the inclusion of its name and references to it in the form and context in which they appear and has authorised the contents of its report in Part B of Part 6 (*Property valuation reports*) of this document for the purposes of Prospectus Regulation Rule 5.3.2R(2)(f), in the form and context in which it appears. Savills Advisory Services Limited is a private limited company incorporated in England and Wales on 17 April 2007 (registered number 06215875).

16.7 There has been no material change in the valuation of the properties which are the subject of the Property Valuation Reports that appear in Part 6 (*Property valuation reports*) of this document since the date of the relevant valuations contained in those reports.

16.8 Where third party information has been referenced in this document, the source of that third party information has been disclosed. All information in this document that has been sourced from third parties has been accurately reproduced and, as far as the Company is aware and able to ascertain from information published by such third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading.

## 17 Auditors

The auditors to the Company are Deloitte LLP of 1 New Street Square, London EC4A 3HQ. Deloitte LLP is registered to carry out audit work by the Institute of Chartered Accountants in England and Wales.

## 18 Depositary

Langham Hall UK Depositary LLP, of 8th floor, 1 Fleet Place, London EC4M 7RA, acts as the Company's depositary. The Depositary is authorised and regulated by the FCA. The Depositary is a limited liability partnership registered in England and Wales with registered number OC388007 and its telephone number is +44 (0)20 3597 7969. The Depositary was incorporated on 20 September 2013. The Depositary is not involved, directly or indirectly, with the business affairs, organisation, sponsorship or management of the Company and is not responsible for the preparation of the Prospectus and accepts no responsibility for any information contained in the Prospectus.

## 19 Regulatory disclosures

In the 12-month period prior to the date of this Prospectus, the Company disclosed the following information under the UK Market Abuse Regulation which is relevant as at the date of this Prospectus:

| Nature of information | Date of release |
|---|---|
| ***Merger*** | |
| Announcement of the Merger | 19 January 2024 |
| ***Dividends*** | |
| Declaration of third quarterly interim dividend for the financial year ending 31 March 2024 of 1.375 pence per share | 5 January 2024 |
| Declaration of second quarterly interim dividend for the financial year ending 31 March 2024 of 1.375 pence per share | 18 October 2023 |
| Declaration of first quarterly interim dividend for the financial year ending 31 March 2024 of 1.375 pence per share | 10 July 2023 |
| Declaration of fourth quarterly interim dividend for the financial year ended 31 March 2023 of 1.375 pence per share | 27 April 2023 |
| Declaration of third quarterly interim dividend for the financial year ended 31 March 2023 of 1.375 pence per share | 2 February 2023 |
| ***Disposals*** | |
| Disposal of an industrial unit in Milton Keynes for £8.0m, representing a 9.5 per cent. or £0.7m premium to the 30 September 2023 valuation | 22 January 2024 |
| Disposal of a 16,869 square foot office in Derby for £2.05m, 36 per cent. ahead of the 30 September 2023 valuation | 9 January 2024 |
| Disposal of a children's day nursery in Chesham for £0.55m, in line with the 30 September 2023 valuation | 13 November 2023 |
| Disposal of a high street retail unit in Bury St Edmunds at auction for £0.85m, in line with the 31 March 2023 valuation | 27 June 2023 |
| Disposal of a high street retail unit in Cirencester at auction for £0.72m, in line with the 31 March 2023 valuation | 12 June 2023 |
| ***Trading updates*** | |
| Edison issues update on CREI | 18 December 2023 |
| Trading update for the quarter ended 30 September 2023 | 31 October 2023 |
| Trading update for the quarter ended 31 March 2023 | 10 May 2023 |
| Trading update for the quarter ended 31 December 2022 | 8 February 2023 |
| ***Release of financial information*** | |
| Interim results for the six months ended 30 September 2023 | 6 December 2023 |
| Final results for the year ended 31 March 2023 | 15 June 2023 |
| ***Shareholder meetings*** | |
| Results of general meeting to ratify the absence of a continuation vote at the annual general meeting in 2020 | 21 November 2023 |
| Notice of general meeting to ratify the absence of a continuation vote at the annual general meeting in 2020 | 3 November 2023 |

## 20 Documents incorporated by reference

The following parts of the CREI 2023 Annual Report and Accounts, the CREI 2023 Interim Report, the API 2023 Interim Report and the API 2022 Annual Report and Accounts, which have been previously published, have been incorporated into this document by reference. The CREI 2023 Annual Report and Accounts and CREI 2023 Interim Report are available from CREI's website at www.custodianreit.com/annual-interim-reports/ and are available for inspection in accordance with paragraph 21 below. The API 2023 Interim Report and the API 2022 Annual Report and Accounts are available from API's website at www.abrdnpit.co.uk/en-gb/literature and are available for inspection in accordance with paragraph 21 below.

| Reference document | Information incorporated by reference | Page number(s) in the document |
|---|---|---|
| CREI 2023 Annual Report and Accounts | Highlights | 2-3 |
| | Business model and strategy | 4-7 |
| | Chair's statement | 8-13 |
| | Investment Manager's Report | 14-19 |
| | ESG Committee report | 20-25 |
| | Financial review | 26-28 |
| | Principal risks and uncertainties | 30-35 |
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| | Governance report | 46-51 |
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| | Remuneration report | 59-61 |
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| | Consolidated and Company statements of financial position | 77 |
| | Consolidated and Company statements of cash flows | 78 |
| | Consolidated statement of changes in equity | 79 |
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| | Notes to the financial statements | 81-101 |
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| CREI 2023 Interim Report | Property highlights | 2 |
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| | Business model and strategy | 4-6 |
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| Reference document | Information incorporated by reference | Page number(s) in the document |
|---|---|---|
| API 2022 Annual Report and Accounts | Consolidated Statement of Comprehensive Income | 90 |
| | Consolidated Balance Sheet | 91 |
| | Consolidated Statement of Changes in Equity | 92 |
| | Consolidated Cash Flow Statement | 93 |
| | Notes to the Consolidated Financial Statements | 94-121 |
| API 2023 Interim Report | Consolidated Statement of Comprehensive Income | 32 |
| | Consolidated Balance Sheet | 33 |
| | Consolidated Statement of Changes in Equity | 34 |
| | Consolidated Cash Flow Statement | 35 |
| | Notes to the Consolidated Financial Statements | 36-47 |

## 21 Documents on display

Copies of the following documents will be available for inspection at the registered office of the Company and the offices of Stephenson Harwood LLP, 1 Finsbury Circus, London, EC2M 7SH during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) for 12 months following the date of this document and shall be available on the Company's website (www.custodianreit.com):

(a) this document;

(b) the Company's memorandum of association and Articles;

(c) the Property Valuation Reports of the External Valuers contained in Part 6 (*Property valuation reports*) of this document;

(d) the CREI 2023 Annual Report and Accounts;

(e) the CREI 2023 Interim Report;

(f) the API 2022 Annual Report and Accounts;

(g) the API 2023 Interim Report;

(h) the Merger Announcement; and

(i) the Scheme Document.

Dated: 1 February 2024

# Part 9

## Definitions

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

| | |
|---|---|
| "**2023 AGM**" | the annual general meeting of the Company held on 8 August 2023 |
| "**Admission**" | admission of the New CREI Shares to be issued pursuant to the Merger: (i) to trading on the premium segment of the Main Market becoming effective in accordance with the LSE Admission Standards; and (ii) to the premium listing segment of the Official List becoming effective in accordance with the Listing Rules |
| "**AIC**" | the Association of Investment Companies |
| "**AIC Code**" | the 2019 AIC Code of Corporate Governance |
| "**AIFM**" | alternative investment fund manager |
| "**AIFM Rules**" | the UK's implementation of the European Union's Alternative Investment Fund Managers Directive (No. 2011/61/EU) and all legislation made pursuant thereto, including the Alternative Investment Fund Managers Regulations 2013 and any other applicable UK implementing legislation and regulations |
| "**AIFMD**" or "**AIFM Directive**" | the European Union's Alternative Investment Fund Managers directive (No. 2011/61/EU) and all legislation made pursuant thereto, including, where applicable, the applicable implementing legislation and regulations in each member state of the European Union |
| "**Amended and Restated Investment Management Agreement**" | the amended and restated investment management agreement dated 19 January 2024, together with the side letter thereto also dated 19 January 2024, between the Company and the Investment Manager, a summary of which is set out in paragraph 11.5 of Part 8 (*Additional information*) of this document |
| "**Amended Management Fee Tier Savings**" | has the meaning given to it in paragraph 4 of Part 1 (*Letter from the Chairman*) of this document |
| "**API**" | abrdn Property Income Trust Limited |
| "**API 2022 Annual Report and Accounts**" | the annual report and audited accounts of the API Group for the financial year ended 31 December 2022 |
| "**API 2023 Interim Report**" | the unaudited interim accounts of the API Group for the six months ended 30 June 2023 |
| "**API Articles**" | the articles of incorporation of API |
| "**API Board"** or "**API Directors**" | the board of directors of API |
| "**API Court Meeting**" | the meeting of the Scheme Shareholders to be convened by order of the Court pursuant to section 107 of the Companies Law of Guernsey for the purpose of considering and, if thought fit, approving the Scheme (with or without amendment), including any adjournment thereof |
| "**API General Meeting**" | the extraordinary general meeting of API Shareholders to be convened in connection with the Scheme to consider and, if thought fit, to approve the API Resolution (with or without amendment), including any adjournment, postponement or reconvening thereof |
| "**API Group**" | API and its subsidiaries from time to time |

| | |
|---|---|
| "**API Investment Management Agreement**" | the investment management agreement dated 10 December 2018 between API and the API Investment Manager |
| "**API Investment Manager**" | abrdn Fund Managers Limited, a private limited company with company number 00740118 |
| "**API Meetings**" | the API Court Meeting and the API General Meeting |
| "**API Q1 Dividend**" | in the event that the Scheme does not become Effective by the date expected that is set out in the Scheme Document but prior to the Long Stop Date, the dividend to be declared by API in respect of the quarter ended 31 March 2024 |
| "**API Q1 Uncovered Dividend Portion**" | has the meaning given to it in paragraph 2 of Part 1 (*Letter from the Chairman*) of this document |
| "**API Q4 Dividend**" | the quarterly final dividend of up to 1.0 penny per API Share expected to be declared by API in respect of the quarter ended 31 December 2023 and paid in late February 2024 |
| "**API Resolution**" | the resolution to be proposed at the API General Meeting necessary to implement the Scheme, including a resolution authorising the API Board to take all actions as they may consider necessary or appropriate to give effect to the Scheme, a resolution to amend the API Articles by the adoption and inclusion of a new article under which any API Shares issued or transferred after the Scheme Record Time (other than to CREI and/or its nominees) shall be automatically transferred to CREI (and, where applicable, for consideration to be paid to the transferee or to the original recipient of the API Shares so transferred or issued) on the same terms as the Merger (other than terms as to timings and formalities |
| "**API Shareholder**" | a holder of API Shares |
| "**API Shares**" | ordinary shares of £0.01 each in the capital of API |
| "**Articles**" | the articles of association of the Company |
| "**Audit and Risk Committee**" | the audit and risk committee of the Board |
| "**Auditors**" | Deloitte LLP |
| "**Aviva**" | Aviva Commercial Finance Limited |
| "**Aviva Facility**" | the £75 million term loan facility with Aviva pursuant to the terms of the Aviva Facility Agreement, comprising: (i) a £35 million fixed rate tranche repayable on 6 April 2032; (ii) a £15 million fixed rate tranche repayable on 3 November 2032; and (iii) a £25 million fixed rate tranche repayable on 3 November 2032 |
| "**Aviva Facility Agreement**" | the amended and restated facility agreement dated 15 June 2022 pursuant to which the Company secured the Aviva Facility, a summary of which is set out in paragraph 11.8 of Part 8 (*Additional information*) of this document |
| "**Business Day**" | a day (excluding Saturdays and Sundays, or public holidays in England or Guernsey) on which banks in the City of London and Guernsey are generally open for business |
| "**certificated**" or "**in certificated form**" | not in uncertificated form |
| "**Closing Price**" | the closing middle market price of an API Share or CREI Share (as applicable) as derived from the Daily Official List on any particular date |

| | |
|---|---|
| "**Combined Group**" | CREI and its subsidiaries and subsidiary undertakings, including API, following the Merger becoming effective |
| "**Common Reporting Standard**" | the Common Reporting Standard on Automatic Exchange of Information |
| "**Companies Act**" | the Companies Act 2006 and any statutory modification or re-enactment thereof for the time being in force |
| "**Companies Law of Guernsey"** | the Companies (Guernsey) Law, 2008, as amended |
| "**Company**" or "**CREI**" | Custodian Property Income REIT plc |
| "**Conditions**" | the conditions to the implementation of the Merger as summarised in paragraph 9 (*Structure of the Merger*) of Part 1 (*Letter from the Chairman*) of this document and set out in full in Part III (*Conditions to the Implementation of and Certain Further Terms of the Scheme and the Merger*) of the Scheme Document |
| "**Confidentiality Agreement**" | the confidentiality agreement dated 10 July 2023 between the Company and API, a summary of which is set out in paragraph 11.3 of Part 8 (*Additional information*) of this document |
| "**Core**" | Core real estate, which is considered to generally offer the lowest risk and target returns, referring to real estate requiring little asset management and fully let on long leases |
| "**Core-plus**" | Core-plus real estate, which is considered to generally offer low-to-moderate risk and target returns, typically referring to high quality and well-occupied properties but also providing asset management opportunities |
| "**Court**" | the Royal Court of Guernsey |
| "**Court Order**" | the order of the Court sanctioning the Scheme under the Companies Law of Guernsey |
| "**CREI 2023 Annual Report and Accounts**" | the annual report and audited accounts of the CREI Group for the financial year ended 31 March 2023 |
| "**CREI 2023 Interim Report**" | the unaudited interim accounts of the CREI Group for the six months ended 30 September 2023 |
| "**CREI General Meeting**" | the general meeting of CREI to be held at 9.30 a.m. on 27 February 2024 to approve the CREI Resolution, notice of which is set out in Part 10 (*Notice of General Meeting*) of this document |
| "**CREI Group**" | CREI and its subsidiaries from time to time |
| "**CREI Portfolio**" | the property assets of the CREI Group as at the date of this document, details of which are set out in Part 2 (*Information on the CREI Group*) of this document |
| "**CREI Q3 Dividend**" | the quarterly interim dividend of up to 1.375 pence per CREI Share expected to be declared by CREI in respect of the quarter ended 31 December 2023 and paid in late February 2024 |
| "**CREI Q4 Dividend**" | any quarterly final dividend declared by CREI in respect of the quarter ended 31 March 2024 |
| "**CREI Q4 Uncovered Dividend Portion**" | has the meaning given to it in paragraph 2 of Part 1 (*Letter from the Chairman*) of this document |
| "**CREI Resolution**" | the ordinary resolution to be proposed at the CREI General Meeting to approve the issue of the New CREI Shares in connection with the Merger |

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| "**CREI Shares**" or "**Ordinary Shares**" | ordinary shares of £0.01 each in the capital of the Company and, as the context may require, may include Existing CREI Shares and New CREI Shares |
| "**CREST**" | the computerised settlement system operated by Euroclear which facilitates the transfer of title to shares in uncertificated form |
| "**CREST Regulations**" | the Uncertificated Securities Regulations 2001 (SI 2001 No. 2001/3755), as amended |
| "**CTA 2010**" | Corporation Tax Act 2010 and any statutory modification or re-enactment thereof for the time being in force |
| "**Depositary**" | Langham Hall UK Depositary LLP |
| "**Depositary Agreement**" | the depositary agreement dated 25 February 2014 between the Company and Langham Hall UK LLP (and novated to the Depositary with effect from 31 March 2015), a summary of which is set out in paragraph 11.7 of Part 8 (*Additional information*) of this document |
| "**Deutsche Numis**" | Numis Securities Limited, which is registered in England and Wales (registered number 2285918) |
| "**Directors**" or "**CREI Directors**" or "**Board**" or "**CREI Board**" | the board of directors of the Company |
| "**Disclosure Guidance and Transparency Rules**" or "**DTRs**" | the disclosure guidance and transparency rules contained within the FCA Handbook |
| "**Distribution**" | any dividend or other distribution on or in respect of the shares of the Company and references to a Distribution being paid include a distribution not involving a cash payment being made |
| "**Distribution Transfer**" | a disposal or transfer (however effected) by a person of his rights to a Distribution from the Company such that he is not beneficially entitled (directly or indirectly) to such a Distribution and no person who is so entitled subsequent to such disposal or transfer (whether the immediate transferee or not) is (whether as a result of the transfer or not) a Substantial Shareholder |
| "**Distribution Transfer Certificate**" | a certificate in such form as the Directors may specify from time to time to the effect that the relevant person has made a Distribution Transfer, which certificate may be required by the Directors to satisfy them that a Substantial Shareholder is not beneficially entitled (directly or indirectly) to a Distribution |
| "**Dividend Discrepancy**" | has the meaning given to it in paragraph 2 of Part 1 (*Letter from the Chairman*) of this document |
| "**EEA**" | European Economic Area |
| "**Effective**" | (a) if the Merger is implemented by way of the Scheme, the Scheme having become effective pursuant to its terms; or (b) if the Merger is implemented by way of a Takeover Offer, the Takeover Offer having been declared or having become unconditional in all respects in accordance with the requirements of the Takeover Code |
| "**Effective Date**" | the date on which the Merger becomes Effective, expected to be 2 April 2024 |
| "**Enlarged Share Capital**" | the issued ordinary share capital of the Company immediately following Admission |
| "**EPC**" | Energy Performance Certificate |
| "**EPRA**" | European Public Real Estate Association |

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| "**EPRA Guidance**" | the EPRA Best Practices Recommendations Guidelines October 2019 |
| "**EPRA NTA**" | EPRA net tangible asset value, a measure that assumes entities buy and sell assets, thereby crystallising certain levels of deferred tax liability |
| "**EPRA Topped-Up Net Initial Yield**" | the current annualised rent, net of costs, adjusted for the expiration of rent free periods and other unexpired lease incentives, expressed as a percentage of capital value (adding notional purchasers costs), calculated in line with EPRA Guidance |
| "**ERISA**" | US Employee Retirement Income Security Act of 1974, as amended |
| "**ERV**" | estimated rental value |
| "**ESG**" | environmental, social and governance |
| "**ESG Committee**" | the ESG committee of the Board |
| "**EU**" | the European Union |
| "**Euroclear**" | Euroclear UK & International Limited, being the operator of CREST |
| "**EUWA**" | European Union (Withdrawal) Act 2018 (as amended) |
| "**Excess**" | has the meaning given to it in paragraph 2 of Part 1 (*Letter from the Chairman*) of this document |
| "**Excess Charge**" | in relation to a Distribution which is paid or payable to a person, all tax or other amounts which the Directors consider may become payable by the Company or any other member of the Group under section 551 of the CTA 2010 and any interest, penalties, fines or surcharge attributable to such tax as a result of such Distribution being paid to or in respect of that person |
| "**Exchange Ratio**" | 0.78 New CREI Shares for each Scheme Share |
| "**Excluded Shares**" | (a) any API Shares registered in the name of, or beneficially owned by: (i) CREI or any member of the CREI Group; or (ii) any nominee of any of the foregoing; or<br>(b) any API Shares which are held by API as treasury shares (within the meaning of the Companies Law of Guernsey),<br>in each case, at any relevant time |
| "**Excluded Territories**" | the United States, Australia, Canada, Japan, Singapore, South Africa, and any other jurisdiction where the extension or the availability of the New CREI Shares to be issued pursuant to the Merger (and any other transaction contemplated thereby) would breach any applicable law or regulation |
| "**Existing CREI Shares**" | the 440,850,398 existing CREI Shares in issue as at the date of this document |
| "**Existing Investment Management Agreement**" | the investment management agreement dated 22 June 2020 between the Company and the Investment Manager, as amended by a side letter dated 8 June 2023, a summary of which is set out in paragraph 11.4 of Part 8 (*Additional information*) of this document |
| "**External Valuers**" | Knight Frank and Savills |
| "**Facility Agreements**" | the Scottish Widows Facilities, the Aviva Facility and the Revolving Credit Facility |
| "**FATCA**" | the US Foreign Account Tax Compliance Act |

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| "**FCA**" | the Financial Conduct Authority |
| "**FCA Handbook**" | the FCA handbook of rules and guidance as amended from time to time |
| "**FSMA**" | the Financial Services and Markets Act 2000 (as amended) and any statutory modification or re-enactment thereof for the time being in force |
| "**Group**" | the CREI Group or, following the Merger, the Combined Group |
| "**HMRC**" | His Majesty's Revenue and Customs |
| "**IFRS**" | international financial reporting standards |
| "**interest in the Company**" | includes, without limitation, an interest in a Distribution made or to be made by the Company |
| "**Investment Management Agreement**" | the Existing Investment Management Agreement or, following the Merger, the Amended and Restated Investment Management Agreement |
| "**Investment Manager**" or "**Custodian Capital**" | Custodian Capital Limited, a private limited company incorporated in England and Wales with company number 06504305 |
| "**IPO**" | initial public offering |
| "**ISA**" | a UK individual savings account |
| "**Knight Frank**" | Knight Frank LLP, which is registered in England and Wales (registered number OC305934) |
| "**Latest Practicable Date**" | 30 January 2024, being the latest practicable date prior to the date of this document for ascertaining certain information contained herein |
| "**Lazard**" or "**Rule 3 Adviser**" | Lazard & Co., Limited, the independent financial adviser to API pursuant to Rule 3 of the Takeover Code |
| "**Link Group**" or "**Link**" | a trading name of Link Market Services Limited |
| "**Listing Rules**" | the listing rules made by the FCA pursuant to Part VI of the FSMA |
| "**Lloyds Bank**" | Lloyds Bank plc |
| "**London Stock Exchange**" | London Stock Exchange plc |
| "**Long Stop Date**" | 30 April 2024, or such later date (if any) as CREI and API may agree, with the consent of the Takeover Panel, and the Court (if required) may allow |
| "**LSE Admission Standards**" | the admission and disclosure standards published by the London Stock Exchange |
| "**LTV**" | loan to value |
| "**Main Market**" | the London Stock Exchange's main market |
| "**Management Engagement Committee**" | the management engagement committee of the Board |
| "**Management Fee Savings**" | has the meaning given to it in paragraph 4 of Part 1 (*Letter from the Chairman*) of this document |
| "**Mattioli Woods**" | Custodian Capital's parent company, Mattioli Woods plc, a public limited company incorporated in England and Wales with company number 03140521 |
| "**Mattioli Woods Clients**" | the individual private clients of Mattioli Woods |
| "**Member State**" | any member state of the European Economic Area |

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| "**Merger**" | the recommended offer made by CREI to acquire the entire issued ordinary share capital of API to be effected by means of the Scheme (or, if CREI so elects and subject to the Takeover Panel's consent, a Takeover Offer) on the terms and subject to the conditions set out in the Scheme Document, as summarised in paragraph 9 of Part 1 (*Letter from the Chairman*) of this document |
| "**Merger Announcement**" | the joint announcement of the Merger made by CREI and API on 19 January 2024 pursuant to Rule 2.7 of the Takeover Code, including its Appendices |
| "**NAV**" or "**Net Asset Value**" | the net asset value of the Company as a whole on the relevant date calculated in accordance with the Company's normal accounting policies |
| "**NAV per CREI Share**" or "**NAV per Ordinary Share**" | at any time the NAV attributable to the CREI Shares divided by the number of CREI Shares in issue (other than CREI Shares held in treasury) at the date of calculation |
| "**New CREI Shares**" | the new CREI Shares to be issued and allotted as fully paid to the Scheme Shareholders pursuant to the Merger |
| "**Nominations Committee**" | the nominations committee of the Board |
| "**Non-PID Dividend**" | a dividend paid by the Company that is not a PID |
| "**NTA**" | net tangible assets |
| "**Notice of General Meeting**" | the notice of the CREI General Meeting contained in Part 10 (*Notice of General Meeting*) of this document |
| "**Offer Document**" | should the Merger be implemented by means of a Takeover Offer, the document to be sent to API Shareholders containing the full terms and conditions of such Takeover Offer |
| "**Offer Period**" | the offer period (as defined by the Takeover Code) relating to API, which commenced on 19 January 2024 |
| "**Official List**" | the Official List of the FCA |
| "**Overseas Shareholders**" | CREI Shareholders or API Shareholders with registered addresses outside the United Kingdom or who are citizens or residents outside the United Kingdom |
| "**Partial Management Fee Waiver Savings**" | has the meaning given to it in paragraph 4 of Part 1 (*Letter from the Chairman*) of this document |
| "**PID**" | the distribution by the Company of the profits of its Property Rental Business, including distributions received by it from other UK REITs, by way of a dividend in cash or the issue of share capital in lieu of a cash dividend in accordance with Section 530 of the CTA 2010 |
| "**Property Rental Business**" | in respect of a REIT, "Property Rental Business" as defined for the purposes of Part 12 CTA 2010 |
| "**Property Valuation Reports**" | the condensed property valuation reports prepared by the External Valuers in respect of the CREI Portfolio as at 31 December 2023, set out in Part 6 (*Property valuation reports*) of this document |
| "**Proposals**" | the Merger, the issue and allotment of the New CREI Shares in connection with the Merger and Admission |
| "**Proposed Directors**" | Jill May and Sarah Slater |
| "**Prospectus**" | the prospectus component of this document prepared in accordance with the Prospectus Regulation Rules of the FCA made pursuant to section 73A of FSMA |

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| "**Prospectus Regulation Rules**" | the rules and regulations made by the FCA under Part VI of FSMA |
| "**Quantified Financial Benefits Statement**" | the statements of estimated cost savings and synergies arising from the Merger contained in paragraph 4 of Part 1 (*Letter from the Chairman*) of this document |
| "**RBSI**" | The Royal Bank of Scotland International Limited |
| "**Recurring Cost Synergies**" | has the meaning given to it in paragraph 4 of Part 1 (*Letter from the Chairman*) of this document |
| "**Register**" | the register of members of the Company |
| "**Registrar**" and "**Receiving Agent**" | Link Market Services Limited, trading as Link Group |
| "**Registrar Services Agreement**" | the registrar services agreement between the Company and the Registrar, a summary of which is set out in paragraph 11.6 of Part 8 (*Additional information*) of this document |
| "**Regulation S**" | Regulation S promulgated under the US Securities Act |
| "**REIT**" | a company or group to which Part 12 of the CTA 2010 applies (including, where relevant, a REIT Group) |
| "**REIT Group**" | a group UK REIT within the meaning of Part 12 CTA 2010 |
| "**REIT Regime**" | Part 12 CTA 2010 (and related regulations) |
| "**Relevant Registered Shareholder**" | a Shareholder who holds all or some of the shares in the Company that comprise a Substantial Shareholding (whether or not a Substantial Shareholder) |
| "**Reporting Obligation**" | any obligation from time to time of the Company to provide information or reports to HMRC as a result of or in connection with the Company's status as a REIT or the principal company of a REIT Group |
| "**Residual Business**" | that part of the business of companies within a REIT that is not part of the Property Rental Business |
| "**Revolving Credit Facility**" or "**RCF**" | the revolving credit facility of £50 million with Lloyds Bank pursuant to the terms of the Revolving Credit Facility Agreement, which has been extended to expire in November 2026 and which can be increased to £75 million with Lloyds Bank's approval |
| "**Revolving Credit Facility Agreement**" | the revolving credit facility agreement dated 17 September 2019 pursuant to which the Company secured the Revolving Credit Facility, a summary of which is set out in paragraph 11.11 of Part 8 (*Additional information)* of this document |
| "**RICS**" | Royal Institution of Chartered Surveyors |
| "**RIS**" | a regulatory information service authorised by the FCA to release regulatory announcements to the London Stock Exchange |
| "**Rolled-Forward Unaudited EPRA NTA**" | the rolled-forward, unaudited EPRA NTA of each of CREI and API as at 31 December 2023, as more specifically shown in paragraphs 10 and 11 of Appendix 2 to the Merger Announcement |
| "**Sanction Hearing**" | the hearing of the Court to sanction the Scheme under Part VIII of the Companies Law of Guernsey, including any adjournment thereof |
| "**Savills**" | Savills Advisory Services Limited, which is registered in England and Wales (registered number 06215875) |

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| "**Scheme**" | the proposed scheme of arrangement under Part VIII of the Companies Law of Guernsey between API and the Scheme Shareholders set out in the Scheme Document pursuant to which Scheme Shareholders shall be issued New CREI Shares by CREI |
| "**Scheme Document**" | the scheme document to be posted to the API Shareholders on the same date as this document |
| "**Scheme Record Time**" | the time and date specified in the Scheme Document by reference to which the entitlements of Scheme Shareholders under the Scheme will be determined, expected to be 6.00 p.m. on the Business Day immediately prior to the Effective Date |
| "**Scheme Shareholders**" | the holders of Scheme Shares |
| "**Scheme Shares**" | the API Shares:<br>(a) in issue at the date of this document;<br>(b) (if any) issued after the date of this document and prior to the Voting Record Time; and<br>(c) (if any) issued at or after the Voting Record Time and prior to the Scheme Record Time in respect of which the original or any subsequent holder thereof is bound by the Scheme, or shall by such time have agreed in writing to be bound by the Scheme,<br>in each case at any relevant date or time, but excluding any Excluded Shares |
| "**Scottish Widows**" | Scottish Widows Limited |
| "**Scottish Widows Facilities**" | the Scottish Widows First Facility and the Scottish Widows Second Facility |
| "**Scottish Widows First Facility**" | the £20 million fixed-rate term loan facility with Scottish Widows repayable in August 2025, pursuant to the terms of the Scottish Widows First Facility Agreement |
| "**Scottish Widows First Facility Agreement**" | the facility agreement dated 14 August 2015 pursuant to which the Company secured the Scottish Widows First Facility, a summary of which is set out in paragraph 11.9 of Part 8 (*Additional information*) of this document |
| "**Scottish Widows Second Facility**" | the £45 million fixed-rate term loan facility with Scottish Widows repayable in June 2028, pursuant to the terms of the Scottish Widows Second Facility Agreement |
| "**Scottish Widows Second Facility Agreement**" | the facility agreement dated 2 June 2016 pursuant to which the Company secured the Scottish Widows Second Facility, a summary of which is set out in paragraph 11.10 of Part 8 (*Additional information*) of this document |
| "**SDRT**" | stamp duty reserve tax |
| "**Shareholder**" or "**CREI Shareholder**" | a holder of CREI Shares |
| "**SIPP**" | a UK self-invested personal pension scheme |
| "**Sponsor Agreement**" | the sponsor agreement dated 1 February 2024 between the Company, the Investment Manager and Deutsche Numis, a summary of which is set out in paragraph 11.1 of Part 8 (*Additional information*) of this document |
| "**SONIA**" | the sterling overnight index average reference rate |
| "**SSAS**" | a UK small self-administered pension scheme |

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| "**Substantial Interest**" | in relation to an undertaking, a direct or indirect interest of 20 per cent. or more of: (a) the total voting rights conferred by the equity share capital of such undertaking; or (b) the relevant partnership interest |
| "**Substantial Shareholder**" | any person whose interest in the Company, whether legal or beneficial, direct or indirect, may cause the Company to be liable to an Excess Charge on or in connection with the making of a Distribution to or in respect of such person including, at the date of adoption of the Articles, any person who would be "the holder of excessive rights" as defined in Section 553 of CTA 2010 if such section applied to the Company |
| "**Substantial Shareholding**" | the shares in relation to which or by virtue of which (in whole or in part) a person is a Substantial Shareholder |
| "**Takeover Code**" | the City Code on Takeovers and Mergers |
| "**Takeover Offer**" | should the Merger be implemented by way of a takeover offer (which shall be an offer for the purposes of section 337 of the Companies Law of Guernsey), the offer to be made by or on behalf of CREI to acquire the entire issued ordinary share capital of API and, where the context requires, any subsequent revision, variation, extension or renewal of such offer |
| "**Takeover Panel**" | the Panel on Takeovers and Mergers |
| "**Transition Period**" | the period of two years from the Effective Date |
| "**Transition Period Cost Synergies**" | has the meaning given to it in paragraph 4 of Part 1 (*Letter from the Chairman*) of this document |
| "**UK Corporate Governance Code**" | the UK Corporate Governance Code as published by the Financial Reporting Council from time to time |
| "**UK Market Abuse Regulation**" | Regulation (EU) No. 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse as it forms part of the domestic law of the United Kingdom by virtue of the EUWA |
| "**UK MiFID II**" | the UK's implementation of Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU (MiFID), together with the UK version of Regulation (EU) No 600/2014 of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Regulation (EU) No 648/2012 (MiFIR), which forms part of the domestic law of the United Kingdom by virtue of the EUWA |
| "**UK MiFID II Delegated Regulation**" | Commission Delegated Regulation (EU) 2017/565 of 25 April 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council as regards organisational requirements and operating conditions for investment firms and defined terms for the purposes of that Directive, as it forms part of the domestic law of the United Kingdom by virtue of the EUWA |
| "**UK PRIIPs Regulation**" | Regulation (EU) No 1286/2014 of the European Parliament and of the Council of 26 November 2014 on key information documents for packaged retail and insurance-based investment products, together with its implementing and delegated acts, as they form part of the domestic law of the United Kingdom by virtue of the EUWA |
| "**UK Prospectus Regulation**" | Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a |

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| | regulated market, and repealing Directive 2003/71/EC, as it forms part of the domestic law of the United Kingdom by virtue of the EUWA |
| "**uncertificated**" or "**in uncertificated form**" | a share recorded on the Register as being held in uncertificated form in CREST and title to which, by virtue of the CREST Regulations, may be transferred by means of CREST |
| "**United Kingdom**" or "**UK**" | the United Kingdom of Great Britain and Northern Ireland |
| "**United States**" or "**US**" | the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia |
| "**US Code**" | US Internal Revenue Code, as amended |
| "**US Exchange Act**" | US Securities Exchange Act of 1934, as amended |
| "**US Investment Company Act**" | US Investment Company Act of 1940, as amended |
| "**US Securities Act**" | US Securities Act of 1933, as amended |
| "**VAT**" | value added tax |
| "**Voting Record Time**" | 6.00 p.m. on 26 February 2024 or, if the API Court Meeting is adjourned, 6.00 p.m. on the day which is two days (excluding non-working days) before the date of such adjourned meeting |
| "**Wider CREI Group**" | CREI and its parent undertakings and its and such parent undertakings' subsidiary undertakings, CREI and their respective associated undertakings, and any other body corporate, partnership, joint venture or person in which CREI and all such undertakings (aggregating their interests) have a Substantial Interest |

# Part 10

## Notice of General Meeting

## NOTICE OF GENERAL MEETING
## Custodian Property Income REIT plc

*(incorporated in England and Wales with company number 8863271 and registered as an investment company under section 833 of the Companies Act 2006)*

Notice is hereby given that a General Meeting of Custodian Property Income REIT plc (the "**Company**") will be held at the offices of Deutsche Numis, 45 Gresham Street, London EC2V 7BF at 9.30 a.m. on 27 February 2024 to consider and, if thought fit, approve the following ordinary resolution:

**Ordinary Resolution**

**THAT** the directors of the Company (the "**Directors**") be and hereby are generally and unconditionally authorised, in addition to any existing authorities, pursuant to section 551 of the Companies Act 2006 to exercise all powers of the Company to allot shares in the Company and to grant rights to subscribe for or convert any security into shares of the Company, in each case credited as fully paid, with authority to deal with fractional entitlements arising out of such allotment as they think fit, provided that this authority shall be limited to the allotment of up to 305,000,000 new ordinary shares of £0.01 each in the capital of the Company ("**New CREI Shares**") pursuant to the terms of the proposed acquisition by the Company of the entire issued and to be issued share capital of abrdn Property Income Trust Limited ("**API**"), whether by way of a scheme of arrangement pursuant to Part VIII of the Companies (Guernsey) Law, 2008, as amended, or by way of contractual takeover offer, on the terms and subject to the conditions set out in the scheme document sent to shareholders and other securities holders of API dated 1 February 2024, and which authority shall expire at the close of business on 31 December 2024 (unless previously revoked, renewed or varied by the Company in general meeting) save that the Company may before such expiry make an offer or enter into an agreement which would or might require shares to be allotted, or rights to subscribe for or to convert securities into shares to be granted, after such expiry and the Directors may allot shares or grant such rights in pursuance of such an offer or agreement as if the authority conferred by this resolution had not expired.

**By order of the Board**
**Ed Moore**
Company Secretary
Dated: 1 February 2024

*Registered Office:*
*1 New Walk Place*
*Leicester*
*LE1 6RU*

**Notes:**

**Entitlement to vote**

1. Only those Shareholders registered in the Company's register of members at:

   - close of business on 23 February 2024; or
   - if this meeting is adjourned, at close of business, two days prior to the date of the adjourned meeting;

   shall be entitled to submit their vote by proxy before the meeting. Changes to the register of members after the relevant deadline shall be disregarded in determining the rights of any person to vote.

**Attending the meeting**

2. If you wish to attend the meeting in person, please arrive at the offices of Deutsche Numis, 45 Gresham Street, London EC2V 7BF by 9.15 a.m. on 27 February 2024 for registration. For shareholders with special needs, please advise Ed Moore at 1 New Walk Place, Leicester, LE1 6RU in advance of the meeting.

**Appointment of proxies**

3. If you are a Shareholder who is entitled to vote, you are entitled to appoint a proxy to exercise your right to vote. You can only appoint a proxy using the procedures set out in these notes.

   A proxy or proxies may be appointed by:

   (a) appointing a proxy using the internet (see note 8)

   (b) by downloading the Shareholder app, LinkVote+, on the Apple App Store or Google Play and following the instructions (see note 8)

   (c) if you are an institutional investor using Proxymity (see note 8)

   (d) through CREST electronic proxy appointment service (see notes 9-12)

   You are strongly encouraged to exercise your proxy vote online as indicated above. However, if you would like to receive a hardcopy Form of Proxy, please contact the Company's Registrar, Link Group (see notes 13-16 below).

4. If you are not a member of the Company but you have been nominated by a member of the Company to enjoy information rights, you do not have a right to appoint any proxies under the procedures set out in this "Appointment of proxies" section. Please read note 29 ("Nominated persons") below.

5. A proxy does not need to be a shareholder of the Company but must attend the meeting to represent you. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. If you wish your proxy to speak on your behalf at the meeting, you will need to appoint your own choice of proxy (not the Chair) and give your instructions directly to them.

6. Appointment of a proxy does not preclude you from attending the meeting and voting in person. If you have appointed a proxy and attend the meeting and vote in person, your proxy appointment will automatically be terminated.

7. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If you either select the "Discretion" option or if no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the meeting (including, without limitation, any resolution to adjourn the meeting or any resolution to amend a resolution proposed at the meeting).

**Appointment of proxies to vote electronically through the internet**

8. You can direct your proxy to vote online at www.signalshares.com. You will require your username and password in order to log in and vote. If you have not previously registered to use the Shareholder Portal, you will require your Investor Code (IVC) which can be found on your share certificate or dividend voucher, or by contacting Link Group at shareholderenquiries@linkgroup.co.uk or by calling on 0371 664 0300. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. The Helpline is open between 9.00 a.m. until 5.30 p.m., Monday to Friday excluding public holidays in England and Wales. To be valid a proxy lodged online must be lodged no later than 9.30 a.m. on 23 February 2024, being not less than 48 hours (excluding non-business days) before the time appointed for the holding of the General Meeting or any adjourned meeting. You can also vote by downloading the Shareholder app, LinkVote+, on the Apple App Store or Google Play and following the instructions.

   LinkVote+ is a free app for smartphone and tablet provided by Link Group (the company's registrar). It offers shareholders the option to submit a proxy appointment quickly and easily online, as well as real-time access to their shareholding records. The app is available to download on both the Apple App Store and Google Play, or by scanning the relevant QR code below.

| **Apple App Store** | **Google Play** |
|---|---|

   Or if you are an institutional investor, you may also be able to appoint a proxy electronically via the Proxymity platform, a process which has been agreed by the Company and approved by the Registrar. For further information regarding Proxymity, please go to proxymity.io. Your proxy must be lodged by 9.30 a.m. on 23 February 2024 in order to be considered valid or, if the meeting is adjourned, by the time which is 48 hours (excluding non-business days) before the time of the adjourned meeting. Before you can appoint a proxy via this process you will need to have agreed to Proxymity's associated terms and conditions. It is important that you read these carefully as you will be bound by them and they will govern the electronic appointment of your proxy. An electronic proxy appointment via the Proxymity platform may be revoked completely by sending an authenticated message via the platform instructing the removal of your proxy vote.

**Appointment of proxies electronically through CREST**

9. CREST members who wish to appoint a proxy or proxies for the meeting (or any adjournment of it) through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual on the Euroclear website at www.euroclear.com. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

10. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "**CREST Proxy Instruction**") must be properly authenticated

in accordance with Euroclear UK and International Limited's specifications, and must contain the information required for such instruction, as described in the CREST Manual (available at www.euroclear.com). The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the Company's agent (CREST ID RA10) by no later than 9.30 a.m. on 23 February 2024 (or, if the meeting is adjourned, no later than 48 hours (excluding any part of a day that is not a working day) before the time of any adjourned meeting). For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST Application Host) from which the Company's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

11. CREST members and, where applicable, their CREST sponsors, or voting service providers should note that Euroclear UK & International Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider(s), to procure that his or her CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections.

12. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

**Hardcopy Forms of Proxy**

13. Should you require one, hardcopy Forms of Proxy are available on request from Link Group at: shareholderenquiries@linkgroup.co.uk or by calling on 0371 664 0300. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. The Helpline is open between 9.00 a.m. until 5.30 p.m., Monday to Friday excluding public holidays in England and Wales.

14. To appoint a proxy using a hardcopy Form of Proxy (available on request), the form must be:

    - Completed and signed;
    - Either:
        - Sent or delivered by post or by hand to Link Group at PXS 1, Central Square, 29 Wellington Street, Leeds, LS1 4DL; or
        - Scanned and attached to an email sent to the Company by email to the address: info@custodiancapital.com; and
    - Received by either the Company or Link Group no later than 9.30 a.m. on 23 February 2024.

15. In the case of a Shareholder which is a company, the Form of Proxy must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company.

16. Any power of attorney, letter of representation or any other authority under which the Form of Proxy is signed (or a duly certified copy of such power of attorney, letter of representation or authority) must be included with the Form of Proxy in order for the proxy appointment to be valid.

**Appointment of proxy by joint members**

17. In the case of joint holders, where more than one of the joint holders completes a proxy appointment, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).

**Changing proxy instructions**

18. Shareholders may change proxy instructions by submitting a new proxy appointment using the methods set out above. Note that the cut-off time for receipt of proxy appointments (see above) also applies in relation to amended instructions; any amended proxy appointment received after the cut-off time will be disregarded.

19. Where you have appointed a proxy using a hard-copy Form of Proxy and would like to change the instructions using another hard-copy Form of Proxy, please contact Link Group (for details of which, see note 13).

20. If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.

**Termination of proxy appointments**

21. A Shareholder may change a proxy instruction but to do so you will need to inform the Company in writing by either:

    - Sending a signed hard copy notice clearly stating your intention to revoke your proxy appointment to Link Group; or
    - Signing a hard copy notice clearly stating your intention to revoke your proxy appointment and sending a scanned copy to the Company by email to the address: info@custodiancapital.com.

22. In the case of a Shareholder which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice.

23. In either case, the revocation notice must be received by the Company no later than 9.30 a.m. on 23 February 2024.

24. If you attempt to revoke your proxy appointment but the revocation is received after the time specified, your original proxy appointment will remain valid.

**Corporate representatives**

25. A corporation which is a Shareholder can appoint one or more corporate representatives who may exercise, on its behalf, all its powers as a member provided that no more than one corporate representative exercises powers over the same share. We would recommend that corporations wishing to appoint a corporate representative appoint the Chair of the Meeting or submit their votes by proxy in advance of the meeting, as set out in notes 8 to 16 above.

**Issued shares and total voting rights**

26. As at close of business on 30 January 2024 (being the latest practicable date prior to publication of this Notice), the Company's issued share capital comprised 440,850,398 ordinary shares of £0.01 each, carrying one vote each, and no ordinary shares were held in treasury. Therefore, the total number of voting rights in the Company as at close of business on 30 January 2024 (being the latest practicable date prior to publication of this Notice) was 440,850,398.

27. The website referred to in note 34 will include information on the current issued share capital voting rights.

**Questions on the resolutions to be proposed at the meeting**

28. Any member attending the General Meeting has the right to ask questions. Section 319A of the Companies Act requires the Directors to answer any question raised at the General Meeting which relates to the business of the General Meeting, although no answer need be given:

    (a) if to do so would interfere unduly with the proceedings of the General Meeting or involve disclosure of confidential information;

(b) if the answer has already been given on the Company's website; or

(c) if it is undesirable in the best interests of the Company or the good order of the General Meeting that the question be answered.

Should you have any questions relating to the resolutions to be proposed at the General Meeting, please send them by 9.30 a.m. on 23 February 2024 to info@custodiancapital.com. We will collate the questions submitted and will publish the answers to a representative sample of those questions on our website following the meeting. For any general queries in relation to the meeting see notes 32 and 33.

**Nominated persons**

29. If you are a person who has been nominated under section 146 of the Companies Act 2006 to enjoy information rights ("**Nominated Person**"):

- You may have a right under an agreement between you and the Shareholder of the Company who has nominated you to have information rights ("**Relevant Shareholder**") to be appointed or to have someone else appointed as a proxy for the meeting.
- If you either do not have such a right, or if you have such a right but do not wish to exercise it, you may have a right under an agreement between you and the Relevant Shareholder to give instructions to the Relevant Shareholder as to the exercise of voting rights.
- Your main point of contact in terms of your investment in the Company remains the Relevant Shareholder (or, perhaps, your custodian or broker) and you should continue to contact them (and not the Company) regarding any changes or queries relating to your personal details and your interest in the Company (including any administrative matters). The only exception to this is where the Company expressly requests a response from you.
- Please refer to notes 1 to 6 above regarding the right to attend, vote and appoint proxies in relation to this General Meeting.

**Voting**

30. Voting on all resolutions will be conducted by way of a poll. This is a more transparent method of voting as Shareholders' votes are counted according to the number of shares registered in their names.

31. As soon as practicable following the meeting, the results of the voting will be announced via a regulatory information service and placed on the Company's website.

**Communication**

32. Except as provided above, Shareholders who have general queries about the meeting should contact the Company on info@custodiancapital.com (no other methods of communication will be accepted).

33. You may not use any electronic address provided either in this Notice of General Meeting or any related documents (including the letter from the Chair) to communicate with the Company for any purposes other than those expressly stated.

**Website**

34. A copy of the notice of the General Meeting, including these explanatory notes and other information required by Section 311A of the Companies Act, is included on the Company's website, www.custodianreit.com.