

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to the action you should take, you should immediately consult an independent financial adviser authorised under the Financial Services and Markets Act 2000 if you are in the UK, or another appropriately authorised independent financial adviser if you are in a territory outside the UK. If you sell or have sold or otherwise transferred all of your shares in Capital & Regional plc, please send this Circular and the accompanying form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee. If you sell or have sold or otherwise transferred only part of your holding of existing shares please consult the bank, stockbroker or other agent through whom the sale or transfer was effected.

CAPITAL & REGIONAL PLC

(incorporated and registered in England and Wales with registered number 01399411)

Proposal to convert to a Real Estate Investment Trust, and to authorise the purchase by the Company of its Deferred Shares and amend its Articles of Association for the purposes of the proposed conversion

and

Notice of General Meeting

Your attention is drawn to the letter from the Chairman of Capital & Regional plc which is set out in Part I of this Circular and which contains the Directors' recommendation to you to vote in favour of the Resolutions to be proposed at the General Meeting.

Notice of a General Meeting of the Company to be held at The Goring Hotel, The Archive Room, Beeston Place, London SW1W 0JW at 9.30 a.m. on 2 December 2014 is set out at the end of this Circular. Ordinary Shareholders will find enclosed with this Circular a Form of Proxy for use in connection with the General Meeting. Whether or not you intend to attend the General Meeting in person, if you hold your shares in certificated format, you are requested to complete and return the enclosed Form of Proxy to the Company's Registrars, Equiniti Limited, at Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA as soon as possible but in any event, to be valid, so as to arrive no later than 9.30 a.m. on 28 November 2014. You may also submit your proxy electronically at www.sharevote.co.uk using the Voting ID, Task ID and Shareholder Reference Number in the Form of Proxy. Shareholders who hold their shares in uncertificated form may use the CREST electronic appointment service. In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a "**CREST Proxy Instruction**") must be properly authenticated in accordance with CrestCo's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message must be transmitted so as to be received by the Company's Registrars, Equiniti Limited (Issuers Agent ID RA 19) by 9.30 a.m. on 28 November 2014. The return of a Form of Proxy (or the electronic appointment of a proxy) or the appointment of a proxy through CREST will not preclude a member from attending and voting at the General Meeting in person, should they subsequently decide to do so.

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EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Posting of Circular and Form of Proxy	13 November 2014
Latest time and date for receipt of completed Forms of Proxy for General or electronic proxy appointments	9.30 a.m. on 28 November 2014
Latest time and date for receipt of CREST Proxy Instruction	9.30 a.m. on 28 November 2014
General Meeting	9.30 a.m. on 2 December 2014
Expected date of buyback of Deferred Shares	2 December 2014
Expected date of conversion to a REIT	31 December 2014

DEFINITIONS

In this Circular, the following words and expressions have the following meanings:

“Articles of Association”	the articles of association of the Company in place on the date of this document;
“Business Day”	means a day (other than a Saturday, Sunday or public holiday) on which pounds sterling deposits may be dealt in on the London inter-bank market and on which commercial banks are open for general business in London;
“Buyback Agreement”	the agreement between the Company and the holders of all of the Deferred Shares in respect of the repurchase of the Company of all of the Deferred Shares in issue;
“Company”	Capital & Regional plc;
“CREST”	the UK paperless share settlement system of which CRESTCo Limited is the Operator (as defined in the Uncertificated Securities Regulations 2001);
“CREST Manual”	the manual, as amended from time to time, produced by Euroclear UK and Ireland Limited describing the CREST system and supplied by Euroclear UK and Ireland Limited to users and participants thereof;
“CREST member”	a person who has been admitted by Euroclear UK and Ireland Limited as a system member (as defined in the Uncertificated Securities Regulations 2001 (SI 2001/3755));
“CREST Proxy Instruction”	an instruction whereby CREST members send a CREST message appointing a proxy for a meeting and instructing the proxy on how to vote;
“CTA 2010”	the Corporation Tax Act 2010, as amended from time to time;
“Deferred Shares”	deferred shares of £0.09 each in the capital of the Company;
“Directors” or “the Board”	the directors of the Company whose names are set out on page 6 of this Circular;
“FA 2006”	the Finance Act 2006;
“Form of Proxy”	the hard copy form of proxy accompanying this document for use by the shareholders of the Company in connection with the General Meeting;
“General Meeting”	the General Meeting of the Company convened for 9.30 a.m. on 2 December 2014;
“Group”	the Company, its wholly owned subsidiaries and its 75 per cent. subsidiaries from time to time, and “Group members” and “Group Companies” shall be construed accordingly;
“Group UK REIT”	the meaning ascribed to it by section 523(5) CTA 2010, namely a Group the principal company of which has given a notice under section 523 CTA 2010 specifying a date from which the Group is to be a UK REIT;
“HMRC”	HM Revenue & Customs;
“IAS”	International Accounting Standards;
“Latest Practicable Date”	11 November 2014, being the latest practicable date prior to the publication of this document;
“London Stock Exchange” or “LSE”	London Stock Exchange plc;
“New Article”	the proposed new article 154 required in connection with the proposed conversion to REIT status and to be included in the Articles of Association;

“Non-PID Dividend”	any dividend received by a shareholder of the Company that is not a PID;
“Notice”	the notice of the General Meeting attached to this document;
“Ordinary Shareholders”	the holders of Ordinary Shares;
“Ordinary Shares”	ordinary shares of £0.01 each in the capital of the Company;
“principal company”	the parent of a group, and in the case of the Group, the Company;
“Property Income Distribution” or “PID”	a dividend received by a shareholder of a REIT in respect of profits and gains of the Tax Exempt Business;
“Property Rental Business”	a UK property business within the meaning of section 205 CTA 2010 or an overseas property business within the meaning of section 206 CTA 2010, but, in each case, subject to specified exclusions referred to in section 519 CTA 2010;
“Qualifying Property Rental Business”	a Property Rental Business fulfilling conditions A and B of section 529 CTA 2010;
“Real Estate Investment Trust” or “REIT”	a Real Estate Investment Trust as defined in Part 12 CTA 2010;
“REIT Regime” or “UK REIT Regime”	the tax regime applicable to REITs in the UK comprising provisions contained in Part 12 CTA 2010 and the regulations made thereunder;
“Residual Business”	the Group’s business which is not included in the Tax Exempt Business;
“Resolutions”	the resolutions to be proposed at the General Meeting as set out in the Notice;
“Shareholder(s)”	the holder(s) of shares in the Company; and
“Tax Exempt Business”	the qualifying property rental business of UK resident Group companies and the qualifying property rental business in the UK of non-UK resident Group companies; and
“UK”	the United Kingdom.

Part I

Letter from the Chairman of Capital & Regional plc

(Incorporated in England and Wales with registered number 01399411)

Directors:

John Clare (Chairman)
Hugh Scott-Barrett (Chief Executive)
Charles Staveley (Group Finance Director)
Mark Bourgeois (Executive Director)
Kenneth Ford (Executive Director)
Neno Haasbroek (Non-Executive Director)
Tony Hales (Non-Executive Director)
Philip Newton (Non-Executive Director)
Louis Norval (Non-Executive Director)

Registered Office
52 Grosvenor Gardens
London
SW1W 0AU

13 November 2014

Dear Shareholder

**Proposal to convert to a Real Estate Investment Trust,
and to authorise the purchase by the Company
of its Deferred Shares and amend its
Articles of Association for the purposes of
the proposed conversion**

1. Introduction

I am writing to you to present proposals for the Company to convert to a REIT and, for the purposes of the conversion, to purchase all of the Deferred Shares in issue and amend its Articles of Association. This Circular explains the background to the proposed conversion and the purchase by the Company of the Deferred Shares and the proposed amendments to the Articles, and sets out the reasons why the Board thinks that the proposals are in the best interests of Shareholders as a whole. Set out at the end of this Circular is a notice convening the General Meeting, which will be held The Goring Hotel, The Archive Room, Beeston Place, London SW1W 0JW at 9.30 a.m. on 2 December 2014 to approve the Resolutions. A Form of Proxy to enable you to vote on the Resolutions should you be unable to attend the meeting is also enclosed.

A REIT is a company or group that invests in property and enjoys a measure of protection from corporation tax in return for an obligation to distribute a significant amount of the REIT's cash flows to shareholders. In various forms, REITs are increasingly becoming the predominant listed property vehicle in many of the major jurisdictions around the world. The United States, Australia and Holland have long had their own form of REIT and latterly REIT structures have been adopted in both Asia (Japan, Korea, Singapore and Hong Kong) and in Europe (Belgium and France).

The basic structure of a REIT is explained in Part II of this Circular, including the conditions which must be satisfied to be eligible to be a REIT. As a REIT, the Group will no longer pay UK direct taxes on the income and capital gains from its qualifying property rental business in the UK (including any overseas qualifying property rental business carried on by UK resident Group companies) (the "**Tax Exempt Business**").

Whilst throughout this Circular we refer to the "conversion" to a REIT, Shareholders should be aware that "conversion" is actually simply an election by the Company for the Group to be taxed under a particular regime. There will be no change to the Company's legal status or to its current listing on the LSE.

The Board is proposing that the Company buys back all the Deferred Shares in issue in order to satisfy one of the conditions to the conversion to REIT status. Further information about the purchase of the Deferred Shares is out in paragraph 6 of this Part I. The Board also proposes that certain amendments be made to the Articles of Association in order to be confident that the Company will not become subject to certain additional tax charges provided for under the REIT regime. Further information about the amendments to the Articles of Association is set out in paragraph 7 of this Part I. Accordingly, the Company is convening the General Meeting at which

the Resolutions will be proposed to authorise the purchase by the Company of the Deferred Shares on the terms of the Buyback Agreement and to amend the Articles of Association. If the Resolutions are not passed by the Ordinary Shareholders, the Board will not convert the Group into a REIT.

2. Financial implications for the Company of converting to a REIT

The principle underlying the REIT regime is that, in return for profits of the Group's Tax Exempt Business not being taxed, a dividend from this business will generally be taxed in the hands of shareholders as if it was rental income. The Group will remain liable for tax on its profits from other activities.

Overall, the amount of tax paid, both by the Company and the Shareholders, should reduce as a result of the conversion to a REIT.

3. Dividends

One requirement of the REIT regime is that a REIT must distribute to shareholders by way of a dividend at least 90 per cent. of the profits from its Tax Exempt Business in the form of a Property Income Distribution (a "PID"). Any further distribution will be designated as a PID or ordinary dividend at the Company's option. A PID will generally be subject to withholding tax at the basic rate of UK income tax, currently 20 per cent. Non-PID Dividends will be taxed in the same way as dividends paid prior to entry into the REIT regime. Under the REIT regime, the minimum distribution requirement is determined after taking account of tax deductions such as capital allowances arising from a REIT's capital expenditure.

The Company's interim dividend for 2014 was paid in September 2014 as an ordinary dividend with no PID element. The 2014 year end dividend scheduled to be paid in May 2015, is currently expected to be a Non-PID Dividend.

4. Benefits to the Company of converting to a REIT

The principal benefits for the Company of converting to a REIT are:

- tax ceases to be a constraining factor in asset management decisions;
- tax transparency for shareholders and the removal of the tax inefficiencies of the current structure, which particularly disadvantage UK tax exempt institutions; and
- a globally recognised structure as a REIT, which should broaden the potential investor base.

5. Exit from the REIT Regime

The Company can give notice to HMRC that it wants the Group to leave the REIT Regime at any time. The Board retains the right to decide to 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 Group.

If the Group (or a member of the Group) voluntarily leaves the REIT Regime within ten years of joining and disposes of any property that was involved in its Qualifying Property Rental Business within two years of leaving, any uplift in the base cost of the property as a result of the deemed disposal on entry into or exit from the REIT Regime is disregarded in calculating the gain or loss on the disposal.

It is important to note that the Company cannot guarantee continued compliance with all of the REIT conditions and that the REIT Regime may cease to apply in some circumstances. HMRC may require the Group to exit the REIT Regime if:

- it regards a breach of the conditions relating to the REIT Regime (including in relation to the Qualifying Property Rental Business) or distribution of profits, or an attempt by the Group to avoid tax, as sufficiently serious;
- the Group has committed a certain number of breaches of the REIT conditions in a specified period; or
- HMRC has given the Company two or more notices in relation to the avoidance of tax within a ten year period.

In addition, in the following cases, the Group will automatically lose REIT status:

- the conditions for REIT status relating to the share capital of the Company or the prohibition on borrowings with abnormal returns are breached;

- the Company ceases to be resident solely in the UK for tax purposes; or
- the Company becomes an open-ended company.

Shareholders should note that the Group could lose its status as a REIT as a result of the actions of third parties (for example, in the event of a successful takeover by a company that is not a REIT and which does not qualify as an 'institutional investor' for REIT purposes) or due to a breach of the close company condition if it is unable to remedy the breach within a specified period.

Where the Group is required to leave the REIT Regime within ten years of joining, or if it automatically loses its REIT status, HMRC has wide powers to direct how it is to be taxed, including in relation to the date on which the Group is treated as exiting the REIT Regime. In certain circumstances, the Group may be disqualified from being a REIT from the end of the accounting period preceding that in which the breach or failure occurred.

6. Proposed purchase of Deferred Shares

One of the conditions required to be satisfied by a company wishing to convert into a REIT is that the only shares issued by the relevant company are (a) ordinary shares or (b) ordinary shares and 'non-voting restricted preference shares'. The Company currently has Deferred Shares in issue and as a result this condition is currently not capable of being satisfied by the Company. Accordingly, the Company proposes to purchase all of the Deferred Shares in issue pursuant to the terms of the Buyback Agreement. A copy of the Buyback Agreement will be made available for inspection at the Company's registered office from 13 November 2014, being the date of the Notice, until the General Meeting and from 15 minutes prior to the start of the General Meeting until the end of the General Meeting.

Under the terms of issue of the Deferred Shares, the Company may purchase any or all of the Deferred Shares without first obtaining the consent of the holders of Deferred Shares in consideration for the payment to holders of Deferred Shares whose shares are purchased of an amount not exceeding £0.01 in respect of all of the Deferred Shares being purchased. Accordingly, the Company will purchase all of the Deferred Shares in issue with the consideration due to each holder of Deferred Shares being £0.01 in aggregate. It is intended that the Company purchase the Deferred Shares in accordance with the Buyback Agreement immediately following the General Meeting if Resolution 1 is passed.

7. Proposed changes to the Articles of Association

Under the REIT regime, a tax charge may be levied on the Company if it makes a distribution to a company (or an entity which is treated as a body corporate by a jurisdiction which has a double tax treaty with the UK or for the purpose of such a treaty) which is beneficially entitled (directly or indirectly) to 10 per cent. or more of the shares or dividends of the Company or controls (directly or indirectly) 10 per cent. or more of the voting rights of the Company unless the Company has taken reasonable steps to avoid such a distribution being paid. The amendments proposed to be made to the Articles of Association are intended to give the Board the powers it needs in order to be able to demonstrate to HMRC that such "reasonable steps" have been taken. The proposed changes would take effect from the date the Group becomes a REIT. A more detailed explanation of the proposed changes to the Articles of Association is set out at Part IV of this Circular together with the text of the proposed New Article. The full text of the Articles of Association as amended to include the New Article will be made available for inspection at the Company's registered office and at the General Meeting.

8. General Meeting

A General Meeting of the Company will be held at The Goring Hotel, The Archive Room, Beeston Place, London SW1W 0JW at 9.30 a.m. on 2 December 2014 for the purpose of authorising the proposed purchase by the Company of the Deferred Shares and amending the Articles of Association. You will find enclosed with this Circular a form of proxy for use in connection with the General Meeting. Further details on the General Meeting and the actions Shareholders should take are set out in Part V of this Circular.

Your attention is drawn to the further information set out in Parts II to IV of this Circular.

If the Resolutions are passed and the Deferred Shares bought back, the Directors intend to make all necessary notifications to HMRC in order to enable the Company to convert to a REIT with effect from 31 December 2014.

9. Recommendation

The Board considers the proposed conversion to REIT status, and the passing of the Resolutions to authorise the purchase by the Company of the Deferred Shares and amend the Articles of Association, to be in the best interests of the Company and its Shareholders as a whole and recommends that Ordinary Shareholders vote in favour of the Resolutions, as the Directors intend to do in respect of their own shareholdings, totalling 205,707,339 Ordinary Shares in aggregate, representing approximately 29.4% of the Ordinary Shares currently in issue.

Yours sincerely

John Clare
Chairman

Part II

The REIT regime

The following paragraphs are intended as a general guide only and constitute a high level summary of the Company's understanding of certain aspects of current UK law and HMRC practice relating to the UK REIT Regime, each of which is subject to change, possibly with retrospective effect.

Overview

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 direct tax on its profits, and secondly, directly (subject to any available exemption or with the benefit of a tax credit) when the shareholder receives a dividend. When investing through a taxable closed-ended corporate vehicle that is not a REIT, UK non-tax paying entities, such as UK pension funds, bear tax indirectly which they would not suffer if they were to invest directly in the property assets.

The UK REIT Regime was originally introduced by FA 2006 and the relevant legislation is now contained in Part 12 CTA 2010.

As part of a Group UK REIT, UK resident Group members would no longer pay UK direct taxes on income and capital gains arising from their Qualifying Property Rental Businesses in the UK and elsewhere (and non-UK resident Group members with a UK Qualifying Property Rental Business would no longer pay UK direct taxes on income from their UK Qualifying Property Rental Businesses), provided that certain conditions are satisfied. Instead, distributions in respect of the tax exempt Qualifying Property Rental Businesses will be treated for UK tax purposes as UK property income in the hands of shareholders. Part III of this Circular contains further detail as to the UK tax treatment of shareholders in a REIT.

Gains arising in UK resident companies on the disposal of shares in property owning companies may, however, be subject to UK corporation tax. In addition, REIT Group members will remain subject to overseas direct taxes in respect of any property rental business carried on outside the UK, and UK and overseas direct taxes are still payable in respect of any income and gains from the REIT Group's businesses (generally including any property trading business) not included in the Qualifying Property Rental Business (the "**Residual Business**").

Whilst within the REIT Regime, the Qualifying Property Rental Business will for corporation tax purposes be treated as a separate business from the Residual Business and a loss incurred by the Qualifying Property Rental Business cannot be set off against profits of the Residual Business (and *vice versa*).

A dividend paid by the Company relating to profits or gains of the Qualifying Property Rental Business of the members of the Group is referred to as a Property Income Distribution 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. Part III contains further detail as to the UK tax treatment of shareholders in a REIT.

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

Qualification as a REIT

A group becomes a group UK REIT by the principal company in the group serving notice on HMRC before the beginning of the first accounting period for which it wishes the group members to become a REIT. In order to qualify as a REIT, the principal company and the REIT Group must satisfy certain conditions set out in Chapter 2 of Part 12 CTA 2010. A non-exhaustive summary of the material conditions is set out below. Broadly, the principal company must satisfy the conditions set out in paragraphs (A), (B), (C), (D) and (F) below and the Group as a whole must satisfy the conditions set out in paragraph (E).

(A) Company conditions

The principal company must satisfy the following conditions:

- (a) it must be and remain resident solely in the UK for tax purposes;
- (b) it must be closed-ended;
- (c) throughout each accounting period, its ordinary shares must either be listed on a recognised stock exchange or traded on a recognised stock exchange, such as the London Stock Exchange. This listing or traded requirement is relaxed in the REIT Group's first three accounting periods but the REIT Group can benefit from this relaxation only once; and
- (d) it must not be a "close company" save where this is only the case because it has as a participator an "institutional investor" (as defined in section 528(4)A CTA 2010). For these purposes "close company" is as defined in section 439 CTA 2010 as adapted by section 528(5) CTA 2010. In summary, the close company condition amounts to a requirement that the company cannot be under the control of five or fewer participators, or of participators who are directors, subject to certain exceptions. "Participators" for these purposes is defined in section 454 CTA 2010. This close company condition is relaxed for a REIT group's first three years.

(B) Share capital restrictions

The principal company must have only one class of ordinary shares in issue and the only other class of shares it may have in issue are non-voting fixed rate preference shares including shares which would be restricted preference shares but for the fact that they carry a right of conversion into shares or securities in the Company.

(C) Restrictions on types of borrowing

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

(D) Financial statements

The principal company must prepare financial statements in accordance with statutory requirements set out in sections 532 and 533 CTA 2010 and submit these to HMRC. The financial statements must set out the information about the Qualifying Property Rental Business and the Residual Business separately. The REIT Regime specifies the information to be included and the basis of preparation of these financial statements.

(E) Conditions for the Qualifying Property Rental Business (including the Balance of Business conditions)

The Qualifying Property Rental Business must satisfy the conditions summarised below in respect of each accounting period during which the Group is to be treated as a REIT:

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

- (d) the income profits arising from the Qualifying Property Rental Business must represent at least 75 per cent. of the Group's total profits for the accounting period. Profits for this purpose means profits calculated in accordance with IAS, 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
- (e) at the beginning of the accounting period the value of the assets in the Qualifying Property Rental Business must represent at least 75 per cent. of the total value of assets held by the Group. Cash held on deposit and gilts are included in the value of the assets relating to the Qualifying Property Rental Business for the purpose of meeting this condition.

(F) Distribution condition

The principal company of a group UK REIT will be required (to the extent permitted by law) to distribute to shareholders (by way of cash or stock dividend) at least 90 per cent. of the income profits arising in each accounting period of the UK resident members of the Group in respect of their Qualifying Property Rental Business and of the non-UK resident members of the Group in respect of their UK Qualifying Property Rental Business. The distribution must be made on or before the filing date for the REIT's tax return for the accounting period in question. Income profits for these purposes are to be calculated, broadly, in accordance with normal tax rules. Failure to meet this requirement will result in a tax charge calculated by reference to the extent of the failure, although this charge can be avoided if and to the extent that an additional dividend is paid within a specified period which brings the amount of profits distributed up to the required level. For the purpose of satisfying the 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.

Investment in other REITs

A REIT may now make investments in other REITs. The legislation exempts a distribution of profits or gains of a Qualifying Property Rental Business of one REIT to another REIT. The investing REIT is required to distribute 100 per cent. of any such distributions to its shareholders. The investment by one REIT in another REIT will effectively be treated as a Qualifying Property Rental Business asset for the purposes of the 75 per cent assets condition (see paragraph (E)(e) above).

Effect of becoming a REIT

(A) Tax savings

As a REIT, the Group will not pay UK corporation tax on profits and gains from the Qualifying Property Rental Business. However, corporation tax will still apply in the normal way in respect of the Residual Business. Corporation tax could also be payable were a member of the Group (as opposed to property involved in the UK Qualifying Property Rental Business) to be sold. The Group will also continue to be liable for other taxes such as VAT, stamp duty land tax, stamp duty and national insurance contributions in the normal way.

(B) Dividends

A dividend paid by the principal company of a REIT will be a PID to the extent necessary to satisfy the 90 per cent. distribution condition. If the dividend exceeds the amount required to satisfy the 90 per cent. test, the REIT may determine that all or part of the excess is a Non-PID Dividend paid out of the profits of the activities of the Residual Business. Any remaining balance of the dividend (or other distribution) will generally be deemed to be a PID, firstly in respect of the income profits for the current year or previous years out of which a PID can be paid and secondly in respect of capital gains which are exempt from tax by virtue of the REIT Regime. Any remaining balance will be attributed to other distributions.

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 UK tax treatment of certain categories of shareholder while the Group is in the REIT Regime are contained in Part III.

If the Group ceases to be a REIT, dividends paid by the principal company may nevertheless be PIDs for a transitional period to the extent they are paid in respect of profits and gains of the Qualifying Property Rental Business whilst the Group was a REIT.

(C) Interest cover ratio

A tax charge will arise if, in respect of any accounting period, the Group's ratio of income profits (before capital allowances and brought forward losses) to financing costs in respect of its Qualifying Property Rental Business is less than 1.25:1. The amount (if any) by which the financing costs exceeds the amount of those costs which would cause that ratio to equal 1.25 (subject to a cap of 20 per cent. of the income profits) is chargeable to corporation tax. In other words, if and to the extent that, in respect of any accounting period, the finance costs are more than 80% of the profits of the Qualifying Property Rental Business the excess is subject to corporation tax. Financing costs comprise interest on, and amortisation of discounts and premiums in relation to, borrowings and other similar amounts.

(D) The "10 per cent. rule"

The principal company of a REIT may become subject to an additional charge to corporation tax if it pays a dividend to, or in respect of, a person who, directly or indirectly, is beneficially entitled to 10 per cent. or more of the principal company's dividends or share capital or who controls 10 per cent. or more of the voting rights in the principal company. However, this tax charge only applies where the dividend is paid to a person that is a company or is deemed to be a body corporate for the purposes of an overseas jurisdiction with which the UK has a double taxation agreement, or for the purposes of such a double tax agreement. It does not apply where a nominee has such a 10 per cent. or greater holding unless any person for whom the nominee holds the shares meets the test in its own right. This additional charge to corporation tax does not apply if the principal company of the REIT Group has taken reasonable steps to prevent a distribution to or in respect of such a person being made.

Part III

Tax Treatment of shareholders after entry into the REIT regime

Introduction

The following paragraphs are intended as a general guide only and are based on the Company's understanding of current UK tax law and HMRC practice, each of which is subject to change, possibly with retrospective effect. They are not advice. They do not constitute advice and they are not an exhaustive summary of all legislation applicable to the REIT Regime.

The following paragraphs relate only to certain limited aspects of the UK taxation treatment of PIDs and Non-PID Dividends paid by the Company, and to disposals of shares in the Company, in each case after the Company becomes a REIT. They apply only to shareholders who are the absolute beneficial owners of both their shares in and dividends from the Company and hold their shares as investments and, except where otherwise indicated, they apply only to shareholders who are resident for tax purposes solely in the UK (save where express reference is made to non-UK resident shareholders). They do not apply to Substantial Shareholders, as defined in Part IV of this Circular. Nor do they apply to certain categories of shareholders, such as dealers in securities or distributions, persons who have or are deemed to have acquired their shares by reason of their or another's employment, persons who hold their shares by virtue of an interest in any partnership, collective investment schemes, insurance companies, life assurance companies, mutual companies, or Lloyds members. They apply to charities, trustees, pension scheme administrators or persons who hold their shares in connection with a UK branch, agency or permanent establishment only where indicated at paragraph B(iv)(d) below.

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

(A) UK Taxation of Non-PID Dividends

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

(B) UK Taxation of PIDs

(i) UK taxation of Shareholders who are UK tax resident individuals

Subject to certain exceptions, a PID will generally be treated in the hands of Shareholders who are individuals as the profit of a single UK property business (as defined in section 264 Income Tax (Trading and Other Income) Act 2005). A PID is, together with any property income distribution from any other UK REIT, treated as profit from a UK property business separate from any other UK property business carried on by the relevant Shareholder. This means that any surplus expenses from a Shareholder's separate UK property business cannot be off-set against a PID as part of a single calculation of the profits of the Shareholder's UK property business. A Shareholder who is subject to income tax at the basic rate will be liable to pay income tax at 20 per cent. on the PID. Higher rate taxpayers will be subject to tax at 40 per cent. and additional rate taxpayers at 45 per cent.

No dividend tax credit will be available in respect of PIDs. However, credit will be available in respect of the basic rate tax withheld by the Company (where required) in respect of the PID.

Please see also paragraph B(iv) (Withholding tax), below.

(ii) UK taxation of UK tax resident corporate Shareholders

Subject to certain exceptions, a PID will generally be treated in the hands of Shareholders who are within the charge to corporation tax as profit of a UK property business (as defined in Part 4 of the Corporation Tax Act 2009). A PID is, together with any property income distribution from any other UK REIT, treated as profit from a UK property business separate from any other UK property business carried on by the relevant shareholder. This means that any surplus expenses from a shareholder's separate UK property business cannot be off-set against a PID as part of a single calculation of the shareholder's UK property business profits.

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

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

Where a shareholder who is resident for tax purposes outside the UK receives a PID, the PID will generally be chargeable to UK income tax as profit of a UK property business and this tax will generally be collected by way of withholding tax. Such income is not within the non-resident landlord scheme.

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

(iv) Withholding tax

(a) General

Subject to certain exceptions summarised at paragraph B(iv)(d) below, the Company is required to withhold tax at source at the basic rate (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) Shareholders solely resident in the UK

Where tax has been withheld at source, shareholders who are individuals may, depending on their particular circumstances, either be liable to further tax on their PID at their applicable marginal rate, or be entitled to claim repayment of some or all of the tax withheld on their PID. Shareholders who are corporates will generally be liable to pay corporation tax on their PID (see paragraph B(ii) above) and if (exceptionally) income tax is withheld at source, the tax withheld can be set against their liability to corporation tax or income tax which they are required to withhold in the accounting period in which the PID is received.

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

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

(d) Exceptions to requirements to withhold income tax

As indicated above, in certain circumstances the Company is not required to withhold income tax at source from a PID. These include where the Company reasonably believes that the person beneficially entitled to the PID is a company resident for tax purposes in the UK or a company resident for tax purposes outside the UK which is trading through a permanent establishment in the UK and which is required to bring the PID into account in computing the taxable profits attributable to its permanent establishment. They also include where the Company reasonably believes that the PID is paid to a charity, the scheme administrator of a registered pension scheme, the sub-scheme administrator of a certain pension sub-schemes, the account manager of an Individual Savings Account (ISA), the plan manager of a Personal Equity Plan (PEP), or the account provider for a child trust fund, in each case, provided the Company reasonably believes that the PID will be applied for the purposes of the relevant scheme, account, plan or fund.

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

(C) UK taxation of chargeable gains, stamp duty and stamp duty reserve tax in respect of Shares

(i) UK taxation of chargeable gains

Chargeable gains arising on the disposal of shares in the Company following its entry into the REIT Regime should be taxed in the same way as previously. The entry of the Group into the REIT Regime will not cause a disposal of shares in the Company by shareholders for UK chargeable gains purposes.

(ii) UK stamp duty and UK stamp duty reserve tax (SDRT)

An agreement for the sale and a conveyance or transfer on sale of shares in the Company following its entry into the REIT Regime should be subject to UK SDRT and stamp duty on the same basis as previously.

Part IV

Details of proposed amendments to the Articles of Association

1. UK REIT requirements

If a distribution is paid to a Substantial Shareholder (as defined below) and the Company has not taken reasonable steps to avoid doing so, the Company will become subject to a tax charge.

In order to enable the Company to demonstrate to HMRC that it has taken reasonable steps to avoid paying a dividend (or making any other distribution) to a Substantial Shareholder, it is proposed that the Articles of Association should be amended to include the New Article. The text of the New Article is as set out below and full text of the Articles of Association as amended to include the New Article will be made available for inspection at the registered office of the Company from the date of this Circular until 15 minutes prior to the start of the General Meeting and at the General Meeting.

For these purposes, a “Substantial Shareholder” is a company that:

- is beneficially entitled, directly or indirectly, to at least 10 per cent. of the Company’s distributions;
- is beneficially entitled, directly or indirectly, to at least 10 per cent. of the Company’s share capital; or
- controls, directly or indirectly, at least 10 per cent. of the voting rights of the Company.

A nominee holding the bare legal interest in respect of any shares will not be a Substantial Shareholder for these purposes in respect of or by virtue of those shares.

For these purposes, a “company” includes certain entities which are treated as bodies corporate under the laws of an overseas jurisdiction with which the UK has a double taxation agreement or for the purposes of such a double tax agreement.

2. Summary of amendments

In summary, the amendments contained in the New Article:

- provide the Directors with powers to identify Substantial Shareholders;
- prohibit the payment of dividends on Ordinary Shares that form part of a Substantial Shareholding, unless certain conditions are met;
- allow dividends to be paid in respect of Ordinary Shares that form part of a Substantial Shareholding where the Shareholder has disposed of its rights to dividends in respect of such Ordinary Shares; and
- seek to ensure that if a dividend is paid in respect of Ordinary Shares that form part of a Substantial Shareholding and the Shareholder has not disposed of its rights to dividends in respect of such Ordinary Shares, the Substantial Shareholder concerned does not become beneficially entitled to that dividend.

References in this Part to a “Substantial Shareholding” are to the Ordinary Shares in respect of which a person is a Substantial Shareholder. References in this Part to dividends include other distributions.

The New Article is consistent with the provisions described in current HMRC published guidance in relation to what constitutes “reasonable steps” for these purposes.

The effects of these changes are explained in further detail below.

3. Identification of Substantial Shareholders

The share register of the Company records the legal owners of Ordinary Shares and the number of Ordinary Shares that they own in the Company 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.

Accordingly, the New Article requires a Substantial Shareholder and any registered Shareholder holding Ordinary Shares on behalf of a Substantial Shareholder to notify the Company if its Ordinary Shares form part of a Substantial Shareholding. Such a notice must be given within two Business Days.

If a person is a Substantial Shareholder at the date the New Article is adopted, that Substantial Shareholder (and any registered Shareholder holding Ordinary Shares on its behalf) must give such a notice within two Business Days after the date the New Article is adopted.

The New Article gives the Board the right to require any person to provide information in relation to any 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 specify in the notice), the Board is entitled to impose sanctions, including withholding dividends (as described in paragraph 4 below).

4. Preventing payment of a dividend to a Substantial Shareholder

The New Article provides that a dividend will not be paid in respect of 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:

- (i) the Substantial Shareholder concerned is not beneficially entitled to the dividends (see also paragraph 5 below);
- (ii) the shareholding is not part of a Substantial Shareholding;
- (iii) 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
- (iv) 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 in respect of 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.

5. Payment of a dividend where rights to it have been transferred

The New Article provides that dividends may be paid in respect of 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 dividends) 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 inform the Company immediately if the information in the certificate becomes, or will become, incorrect.

The Directors may require that any such certificate is copied or provided to such persons as they may determine, including HMRC, and contains such legally binding representations and obligations as the Directors may determine.

If the Board believes a certificate given in these circumstances is or has become inaccurate, then it will have the power to withhold payment of future dividends (as described in paragraph 4 above).

In addition, the Board may require a Substantial Shareholder to indemnify the Company on an after tax basis in respect of any tax payable (and other costs incurred) as a result of a dividend having been paid to a Substantial Shareholder. The Board may (in the circumstances described in paragraph 7 below) arrange for the sale of the relevant Ordinary Shares and retain any such amount from the proceeds. Any such amount may also be recovered out of dividends to which the Substantial Shareholder concerned may become entitled in the future.

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.

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 sufficient of its entitlement to dividends.

6. Trust arrangements where rights to dividends have not been disposed of by a Substantial Shareholder

The New Article provides that if a dividend is, in fact, paid in respect of 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 the Company is not notified of this 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, for example, be the purchaser of the Ordinary Shares if the Substantial Shareholder is in the process of selling down its 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 any other person nominated by the Board.

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 would do so subject to the terms of the trust and as a result could not validly claim to be beneficially entitled to those dividends.

7. Power of sale in respect of Substantial Shareholdings

Where:

- (i) either:
 - (a) any information provided by any person in relation to the Ordinary Shares proves materially inaccurate or misleading; or
 - (b) any person fails to provide information in relation to the Ordinary Shares or fails to give notice in respect of the Ordinary Shares; and
- (ii) the Company incurs a charge to tax as a result of a dividend having been paid on a Substantial Shareholding which comprises such Ordinary Shares,

the Board may arrange for the sale of sufficient of the relevant Ordinary Shares to enable the Company to receive from the sale proceeds an amount equal to the tax so payable, the expenses of the sale and any additional tax suffered in respect of the amount the Company receives.

8. Takeovers

The New 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 Group to cease to qualify as a UK-REIT.

9. Other

The New Article also gives the Company power to require any Shareholder who applies to be paid dividends without any tax withheld to provide such certificate as the Board may require to establish the Shareholder's entitlement to that treatment. The New Article also confirms that the relevant sections may be amended by special resolution passed by Shareholders in the future, including to give powers to the Directors to ensure that the Company can comply with the close company condition, described in Part II of this Circular, which powers may include the ability to arrange for the sale of shares on behalf of Shareholders.

10. Text of New Article 154

Set out below is the text of the New Article:

154.1 “It is a cardinal principle that, for so long as the Company is a real estate investment trust (“REIT”) or the principal company of a REIT, for the purposes of part 12 CTA 2010, the Company should not be liable to pay tax under section 551 CTA 2010 on or in connection with the making of a Distribution.

154.2 This article supports such cardinal principle by, among other things, imposing restrictions and obligations on the shareholders of the Company and, indirectly, certain other persons who may have an interest in the Company, and shall be construed accordingly so as to give effect to such cardinal principle.

Definitions and interpretation

154.3 For the purposes of this article only, the following words and expressions shall bear the following meanings (notwithstanding that a different meaning may be given to any such word or expression in another provision of these Articles):

“**CTA 2010**” means the UK Corporation Tax Act 2010 (as such legislation may be modified, supplemented or replaced from time to time);

“**Distribution**” means 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 made which does not involve a cash payment being made;

“**Distribution Transfer**” means 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 and whether as a result of the transfer or not) is a Substantial Shareholder;

“**Distribution Transfer Certificate**” means a certificate in such form as the directors may specify from time to time to the effect that a 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;

“**Excess Charge**” means, in relation to a Distribution which is paid or payable to a person, all tax or other amounts which the directors consider has become payable by the Company or any other member of the Group under section 551 CTA 2010 and any interest, penalties, fines or surcharge attributable or relating to such tax as a result of such Distribution being paid to or in respect of that person;

“**Group**” means the Company and the other companies in its group for the purposes of section 606 CTA 2010;

“**HMRC**” means HM Revenue & Customs;

“**interest in the Company**” includes, without limitation, an interest in a Distribution made or to be made by the Company;

“**person**” includes a body of persons, corporate or unincorporated, and wherever domiciled;

“**Relevant Registered Shareholder**” means a shareholder who holds all or some of the shares in the Company that comprise a Substantial Shareholding (whether or not the shareholder is a Substantial Shareholder);

“**Reporting Obligation**” means 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 in a group REIT;

“**Substantial Shareholding**” means the shares in the Company in relation to or by virtue of which (in whole or in part) a person is a Substantial Shareholder; and

“**Substantial Shareholder**” means any person whose interest in the Company, whether legal or beneficial, direct or indirect, may cause any member of the Group to be liable to pay tax under section 551 CTA 2010 on or in connection with the making of a Distribution to or in respect of such person including, at the date of adoption of this article, any holder of excessive rights as defined in section 553 CTA 2010.

154.4 Where under this article 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) to:

154.4.1 be addressed to the Company, the directors or such other persons as the directors may determine (including HMRC);

154.4.2 include such information as the directors consider is required for the Company to comply with any Reporting Obligation;

154.4.3 contain such legally binding representations and obligations as the directors may determine;

154.4.4 include an undertaking to notify the Company if the information in the certificate or declaration becomes or will become incorrect;

154.4.5 be copied or provided to such persons as the directors may determine (including HMRC); and

154.4.6 be executed in such form (including as a deed or deed poll) as the directors may determine

154.5 This article shall apply notwithstanding any provisions to the contrary in any other article.

Notification of Substantial Shareholder and other status

154.6 Each shareholder and any other relevant person shall serve notice in writing on the Company at its registered office on:

154.6.1 his becoming a Substantial Shareholder or his being a Substantial Shareholder on the date this article comes into effect (together with the percentage of voting rights, share capital and dividends he controls or is beneficially entitled to, details of the identity of the shareholder(s) who hold(s) the relevant Substantial Shareholding and such other information, certificates or declarations as the directors may require from time to time);

154.6.2 his becoming a Relevant Registered Shareholder or being a Relevant Registered Shareholder on the date this article 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

154.6.3 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.

Any such notice shall be delivered by the end of the second working day after (i) the day on which the person becomes a Substantial Shareholder or a Relevant Registered Shareholder, (ii) the day this article comes into effect, as the case may be, or (iii) the change in relevant particulars occurs, or in each case within such shorter or longer period as the directors may specify from time to time.

154.7 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.

Distributions in respect of Substantial Shareholdings

154.8 In respect of any Distribution, the directors may, if the directors determine that the condition set out in article 154.9 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 for in article 154.10 and until such payment the persons who would otherwise be entitled to the Distribution shall have no right to or beneficial interest in the Distribution or its payment.

- 154.9 The condition referred to in article 154.8 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:
- 154.9.1 the directors believe that such shares comprise all or part of a Substantial Shareholding of a Substantial Shareholder; and
- 154.9.2 the directors are not satisfied that such Substantial Shareholder would not be beneficially entitled to the Distribution if it was paid,
- 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 shall not be satisfied unless it is satisfied in respect of all such Substantial Shareholders.
- 154.10 If a Distribution has been withheld in respect of any shares in the Company in accordance with article 154.8, it shall be paid as follows:
- 154.10.1 if it is established to the satisfaction of the directors that the condition in article 154.9 is not satisfied in relation to such shares, the whole amount of the Distribution withheld shall be paid;
- 154.10.2 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, the Distribution attributable to such transferred shares shall be paid (provided the directors are satisfied that following such transfer such transferred shares concerned do not form part of a Substantial Shareholding); and
- 154.10.3 if the directors are satisfied that as a result of a transfer of interests in shares referred to in article 154.10.2 above the remaining shares no longer form part of a Substantial Shareholding, the Distribution attributable to such remaining shares shall be paid.
- In this article 154.10, 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.
- 154.11 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.
- 154.12 The directors may withhold payment of a Distribution in respect of any shares in the Company if any notice given by the directors pursuant to article 154.7 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 154.8 and until such payment the persons who would otherwise be entitled to the Distribution shall have no right to or beneficial interest in the Distribution or its payment.
- 154.13 If the directors decide that payment of a Distribution should be withheld under article 154.8 or article 154.12 they shall within five working days give notice in writing of that decision to the Relevant Registered Shareholder.
- 154.14 If any Distribution shall be paid in respect of a Substantial Shareholding and an Excess Charge becomes payable, the Substantial Shareholder shall indemnify the Company on demand on an after tax basis in respect of such Excess Charge and all costs and expenses incurred by the Company in connection with the recovery of such amount (including the expenses of a sale pursuant to article 154.20). 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 article 154.20 or out of any subsequent Distribution in respect of the shares to such person or to the holders of 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).

Distribution trust

- 154.15 If a Distribution is paid in respect of a Substantial Shareholding (except where the Distribution is paid in circumstances where the Substantial Shareholder is not beneficially entitled to the Distribution), the Distribution and any income arising from it shall be held by the payee or other person to whom the Distribution or the right to it is transferred on trust absolutely for the persons nominated by the relevant Substantial Shareholder under article 154.16 in such proportions as the Substantial Shareholder shall in the nomination direct or, in default of such nomination being validly made within 12 years after the date the Distribution is made, for the Company or such other persons as may be nominated by the directors from time to time.
- 154.16 The relevant Substantial Shareholder of shares in the Company in respect of which a Distribution referred to in article 154.15 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 154.15, and the Substantial Shareholder may in any such nomination state the proportions in which the Distribution is to be so 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 154.15 the trustee of the trust, the nomination shall not take effect until it is delivered to the person who is the trustee.
- 154.17 Any income arising from a Distribution which is held on trust under article 154.15 shall, until the earlier of (i) the making of a valid nomination under article 154.16 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, and so no apportionment shall take place.
- 154.18 No person who by virtue of article 154.15 holds a Distribution on trust shall be under any obligation to invest the Distribution or to deposit it in an interest-bearing account.
- 154.19 No person who by virtue of article 154.15 holds a Distribution on trust shall be liable for any breach of trust unless due to his own fraud or wilful wrongdoing or, in the case of an incorporated person, the fraud or wilful wrongdoing of its directors, officers or employees.

Power to dispose

154.20 If at any time the directors believe that:

154.20.1 Either:

154.20.1.1 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 this article 154 was materially inaccurate or misleading; or

154.20.1.2 a Substantial Shareholder has failed to provide information requested pursuant to article 154.7 or has failed to notify the Board of its position as a Substantial Shareholder in accordance with article 154.6 for the purposes of the preceding provisions of this article 154; and

154.20.2 a Distribution is paid in respect of a Substantial Shareholding comprising such shares and an Excess Charge becomes payable,

the directors may arrange for the Company to sell sufficient shares that form part of the Substantial Shareholding concerned as the directors consider is necessary in order for the net proceeds of the sale to equal (or exceed by as small an amount as practicable) the liability of the Substantial Shareholder pursuant to article 154.14. For this purpose, the directors may make 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 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.

- 154.21 Any sale pursuant to article 154.20 above shall be at the price which the directors consider is the best price reasonably obtainable PROVIDED THAT the directors shall not be liable to the holder or holders of the relevant shares for any alleged deficiency in the amount of the sale proceeds or any other matter relating to the sale.
- 154.22 To the extent that the net proceeds of the sale exceed the amount to be retained pursuant to article 154.14, such excess shall be paid over by the Company to the former holder or holders of the relevant shares upon surrender of any certificate or other evidence of title relating to the shares, without interest. The receipt of the Company shall be a good discharge for the purchase money.
- 154.23 The title of any transferee of shares shall not be affected by any irregularity or invalidity of any actions purportedly taken pursuant to this article 154.

General

- 154.24 The directors shall be entitled to assume, without enquiry, unless any director has reason to believe otherwise, that a person is not a Substantial Shareholder or a Relevant Registered Shareholder.
- 154.25 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 article 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 article shall be binding on all persons and shall not be open to challenge on any ground whatsoever.
- 154.26 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 shareholder or any other person, for identifying or failing to identify any person as a Substantial Shareholder or a Relevant Registered Shareholder.
- 154.27 The directors shall not be obliged to serve any notice required under this article 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 article shall not prevent the implementation of or invalidate any procedure under this article.
- 154.28 The provisions of articles 138 to 147 shall apply to the service upon any person of any notice required by this article. Any notice required by this article to be served upon a person who is not a shareholder or upon a person who is a shareholder but whose address is not within the UK and who has failed to supply to the company an address within the UK pursuant to these articles, shall be deemed validly served if such notice is sent through the post in a pre-paid cover addressed to that person or shareholder 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.
- 154.29 Any notice required or permitted to be given pursuant to this article may relate to more than one share and shall specify the share or shares to which it relates.
- 154.30 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 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 information, certificates or declarations as they may require from time to time.

This article may be amended by Special Resolution from time to time, including to give powers to the directors to take such steps as they may require in order to ensure that the Company can satisfy Section 528(4) CTA 2010, which relates to close company status, which powers may include the ability to arrange for the sale of shares on behalf of Shareholders.

Part V

Details of the General Meeting

1. General Meeting

A General Meeting will be held at The Goring Hotel, The Archive Room, Beeston Place, London SW1W 0JW at 9.30 a.m. on 2 December 2014 for the purpose of authorising the purchase of the Deferred Shares pursuant to the Buyback Agreement and amending the Articles of Association. An explanation of the proposed New Article is set out Part IV of this Circular.

Notice of the General Meeting is set out at the end of this Circular and you will find enclosed with this Circular a form of proxy for use in connection with the General Meeting.

2. Actions to be taken

Whether or not Ordinary Shareholders propose to attend the General Meeting, it is important that they complete, sign and return the enclosed Form of Proxy. The completion and return of a form of proxy will not preclude Ordinary Shareholders from attending and voting at the General Meeting should they wish to do so.

Ordinary Shareholders may submit their proxy votes by post, by courier or by hand if they prefer. To be valid, the Form of Proxy must be received by the Company's registrar not later than 48 hours, excluding non-Business Days, before the time of the General Meeting by sending it to the address shown on the Form of Proxy or to the Company's Registrars, Equiniti Limited, at Aspect House, Spencer Road, Lancing BN99 6DA.

Alternatively, shareholders whose shares are held in certificated form may prefer to give their instructions electronically at www.sharevote.co.uk, or, if their shares are held in CREST, they may give their instructions via the CREST system as detailed in the notes to the Notice of General meeting, set out in Part VI of this Circular.

3. Resolutions

Resolution 1 set out in the Notice authorises the terms of the Buyback Agreement pursuant to which the Company will purchase all of the Deferred Shares. Resolution 2 amends the Articles of Association, with effect from the date when the Company converts into a REIT, by introducing the New Article.

Notice of General Meeting

Capital & Regional plc (the “Company”)

(Incorporated and registered in England and Wales with registered number 01399411)

NOTICE IS HEREBY GIVEN that a General Meeting of the Company will be held at The Goring Hotel, The Archive Room, Beeston Place, London SW1W 0JW on 2 December 2014 at 9.30 a.m. to consider and, if thought fit, pass the following resolutions, which in the case of resolution 1 will be proposed as an ordinary resolution and in the case of resolution 2 will be proposed as a special resolution:

Ordinary Resolution

1. THAT the terms of the proposed contract (a draft of which has been produced to the meeting and initialled by the chairman of the meeting for the purposes of identification only, and having been on display at the registered office of the Company and at the meeting in accordance with section 696 Companies Act 2006) between the Company and all of the holders of deferred shares of £0.09 each in the capital of the Company pursuant to which the Company will purchase all of the deferred shares in issue be and are hereby authorised for the purposes of section 694 of the Companies Act 2006 and that such authority shall expire at the conclusion of the next Annual General Meeting of the Company or on the date falling 15 months after the date on which this resolution is passed, whichever is the earlier.

Special Resolution

2. THAT with effect from (and including) the first day of the first accounting period, as defined in Section 12 of the Income and Corporation Taxes Act 1988, starting after the date of this resolution in respect of which the Company has given a valid notice under Section 109 of the Finance Act 2006, the Articles of Association produced to the meeting and initialled by the chairman of the meeting for the purpose of identification be adopted as the Articles of Association of the Company in substitution for, and the exclusion of, the existing Articles of Association.

By Order of the Board
Stuart Wetherly
Company Secretary

Registered office:
52 Grosvenor Gardens
London SW1W 0AU

13 November 2014

Notes for the General Meeting:

1. An Ordinary Shareholder who is unable or does not wish to attend the General Meeting but who is entitled to attend, speak and vote at the General Meeting is entitled to appoint a proxy to exercise all or any of his/ her rights to attend and to speak and vote on his/her behalf at the meeting. A proxy need not be a member of the Company but must attend the meeting to represent you. A Form of Proxy which may be used to make such appointment and give proxy instructions accompanies this Notice. If you do not have a Form of Proxy, or if you require additional forms, please contact the Company's Registrars, Equiniti Limited, on 0871 384 2438 (from within the UK) or +44 121 415 7047 (from outside of the UK). Calls to this number cost eight pence per minute excluding VAT plus network extras. Lines are open 8.30 a.m. to 5.30 p.m., Monday to Friday, excluding UK public holidays. You can only appoint a proxy using the procedures set out in these notes and the notes to the Form of Proxy. You may appoint a proxy by returning the Form of Proxy (see note 3 below), by registering the proxy appointment electronically (see note 8 below) or (if you are a CREST member) by utilising the CREST electronic proxy appointment service (see note 9 below)
2. An Ordinary Shareholder entitled to attend, speak and vote at the meeting is entitled to appoint one or more proxies to attend, speak and vote instead of the Ordinary Shareholder provided that each proxy is appointed in respect of a different share or shares held by that Ordinary Shareholder. If you wish to do so, please contact the Company's Registrars in accordance with the instructions in Note 1 above.
3. To be effective, the Form of Proxy must be lodged at the offices of Equiniti Limited at Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA by 9.30 a.m. on 28 November 2014 or not later than 48 hours, excluding non-Business Days, before the time appointed for the holding of the meeting or adjourned meeting or (in the case of a poll taken otherwise than at or on the same date as the meeting or adjourned meeting) for the taking of the poll at which it is to be used.
4. In the case of an Ordinary Shareholder who 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.
5. Any power of attorney or any other authority under which the Form of Proxy is signed (or a duly certified copy of such power or authority) must be included with the Form of Proxy.
6. 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 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 General Meeting.
7. The appointment of a proxy will not prevent an Ordinary Shareholder from attending the General Meeting and voting in person if he/she wishes to do so.
8. Ordinary Shareholders can register the appointment of a proxy or voting instructions for the meeting by logging onto www.sharevote.co.uk. Ordinary Shareholders need to use a 25-digit number made up of their Voting ID, Task ID and Shareholder Reference Number printed on their Form of Proxy. Full details of the procedure are given on the website. The proxy appointment and/or voting instructions must be received by Equiniti Limited not later than 48 hours, excluding non-Business Days, before the time appointed for the meeting. Please note that any electronic communications sent to the Company's Registrars, Equiniti Limited, that is found to contain a computer virus will not be accepted. The use of the internet service in connection with the General Meeting is governed by Equiniti Limited's conditions of use set out on the website, www.sharevote.co.uk, and may be read by logging onto the site.
9. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the General Meeting and any adjournment(s) thereof by using the procedures described in the CREST Manual (as defined in the Circular) which can be viewed at www.euroclear.com. CREST personal members or other CREST sponsored 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 appropriate action on their behalf.
10. In order for a proxy appointment or instruction made by means of CREST to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear's specifications and must contain the information required for such instructions, as described in the CREST Manual. 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 be transmitted so as to be received by Equiniti Limited (Issuers Agent ID RA19) not later than 48 hours, excluding non-Business Days, before the time appointed for the meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which Equiniti (Issuers Agent ID RA19) 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 provider(s) should note that Euroclear does not make available special procedures in CREST for any particular messages. 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 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 provider(s) are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
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.
13. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, 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).
14. 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. If the Company is not able to decide which proxy was received last, it may decide at its discretion which proxy appointment (if any) is to be treated as valid.
15. An Ordinary Shareholder wishing to vote in person on the Resolutions should attend the General Meeting at The Goring Hotel, The Archive Room, Beeston Place, London SW1W 0JW on 2 December 2014 at 9.30 a.m. in order to do so. An Ordinary Shareholder attending the meeting in person should bring their admission card to avoid delay at registration.
16. Any person to whom this Notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a "Nominated Person") may, under an agreement between him/her and the Ordinary Shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the General Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the Ordinary Shareholder as to the exercise of voting rights.
17. The statement of the rights of Ordinary Shareholders in relation to the appointment of proxies in notes 1 and 2 above does not apply to Nominated Persons. The rights described in these paragraphs can only be exercised by Ordinary Shareholders.

18. Only those Shareholders entered on the register of members of the Company at 6.00 p.m. on 28 November 2014 or, in the event that the meeting is adjourned, on the register of members not later than 6.00 p.m. on the date two Business Days before the date fixed for the adjourned meeting, shall be entitled to attend and vote at the relevant meeting in respect of the number of Ordinary Shares registered in their names at any time. Changes to the register of members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the General Meeting.
19. As at 11 November 2014, the Company's issued share capital consists of 700,752,626 Ordinary Shares, carrying one vote each and 71,348,933 Deferred Shares, which are non-voting. Therefore the total number of voting rights in the Company as at 11 November 2014 is 700,752,626. The Company does not hold any shares in treasury.
20. Any corporation which is an Ordinary Shareholder can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not vote in relation to the same Ordinary Shares.
21. The outcome of the voting on the Resolutions will be announced via a Regulatory News Service and made available at www.capreg.com as soon as practicable after the General Meeting.
22. You may not use any electronic address provided either in this Notice or any related documents (including the Proxy) to communicate with the Company for any purposes other than those expressly stated.
23. Any member attending the meeting has the right to ask questions. The Company must cause to be answered any such question relating to the business being dealt with at the meeting but no such answer need be given if (a) to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information, (b) the answer has already been given on a website in the form of an answer to a question, or (c) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.
24. A copy of the proposed new articles of association of the Company, together with a copy of the existing articles of association of the Company marked to show the changes being proposed, and a copy of the Buyback Agreement, will be made available for inspection at the Company's registered office from 13 November 2014, being the date of sending the Notice, until the General Meeting and from 15 minutes prior to the start of the General Meeting until the end of the General Meeting.
25. A copy of this Notice, and other information required by section 311A of the Companies Act 2006, can be found on the Company's website www.capreg.com.

Explanatory notes to the Resolutions

Resolution 1 is proposed an ordinary resolution. This means that for this resolution to be passed, more than half the votes cast must be in favour of the resolution. Resolution 2 is proposed as a special resolution. This means that for this resolution to be passed, at least three-quarters of the votes cast must be in favour of the resolution.