THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the action you should take, please seek advice from your stockbroker, solicitor, accountant, bank manager or other appropriately qualified independent financial adviser authorised under the Financial Services and Markets Act 2000 if you are resident in the United Kingdom or, if you reside elsewhere, by another appropriately authorised independent financial adviser.

If you have sold or otherwise transferred all of your shares in F&C UK Real Estate Investments Limited (the "Company"), you should pass this document at once, together with the accompanying Form of Proxy, to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for transmission to the purchaser or transferee.

The Company is authorised as an authorised closed-ended investment scheme by the Guernsey Financial Services Commission (the "Commission") under Section 8 of the Protection of Investors (Bailiwick of Guernsey) Law, 1987 as amended and the Authorised Closed-ended Investment Scheme Rules 2008 made thereunder. The Commission has not reviewed this document and takes no responsibility for the correctness of any statements made or opinions expressed with regard to the Company.

F&C UK REAL ESTATE INVESTMENTS LIMITED

(incorporated with limited liability in Guernsey with registered number 41870)

Recommended proposals for the entry of the Company into the UK-REIT regime and approval of the Related Party Transaction

and

Notice of Extraordinary General Meeting

Your attention is drawn to the letter from the Chairman of the Company which is set out in Part I of this document. The letter contains the recommendation that you vote in favour of the Resolutions to be proposed at the General Meeting referred to below.

Notice of the extraordinary general meeting of the Company to be held at 9.00 a.m. on 19 December 2014 at Trafalgar Court, Les Banques, St Peter Port, Guernsey GY1 3QL (the "General Meeting") is set out at the end of this document. To be valid, the Form of Proxy accompanying this document must be completed and returned, in accordance with the instructions thereon, so as to be received by the Registrars, Computershare Investor Services (Guernsey) Limited, PO Box 82, The Pavilions, Bridgwater Road, Bristol BS99 7NH, as soon as possible, but in any event not later than 9.00 a.m. on 17 December 2014.

CONTENTS

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Latest time and date for receipt of completed Form of Proxy	9.00 a.m. on 17 December 2014
General Meeting	9.00 a.m. on 19 December 2014
UK-REIT notification to HMRC	end December 2014
Entry to UK-REIT regime	January 2015

Notes:

(1) All references to time in this document are to UK time

(2) If any of the above times and/or dates should change, the revised times and/or dates will be notified to Shareholders by an announcement on a Regulatory Information Service

DEFINITIONS

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

"Articles"	the articles of incorporation of the Company
"Associate"	has the meaning given in the Listing Rules
"Bank"	Lloyds TSB Bank plc
"Board" or **"Directors"**	the board of directors of the Company
"Company"	F&C UK Real Estate Investments Limited
"Form of Proxy"	the form of proxy for use at the General Meeting
"General Meeting"	the extraordinary general meeting of the Company convened for 9.00 a.m. on 19 December 2014 (or any adjournment thereof) notice of which is set out on page 28 of this document
"Group"	the Company and any other direct or indirect subsidiaries of the Company from time to time
"HMRC"	HM Revenue & Customs
"IFRS"	International Financial Reporting Standards as adopted in the European Union
"Independent Shareholders"	the Shareholders excluding Friends Life Limited and its Associates
"IPT Property Subsidiary"	IPT Property Holdings Limited, a company incorporated in Guernsey with registered number 41194
"IRP Property Subsidiary"	IRP Holdings Limited, a company incorporated in Guernsey with registered number 41869
"Listing Rules"	the listing rules made by the Financial Conduct Authority under Part VI of the Financial Services and Markets Act 2000 as amended
"Non-PID Dividend"	a dividend which is not treated for UK tax purposes as a PID
"Ordinary Shares" or **"Shares"**	ordinary shares of 1p each in the capital of the Company
"PID"	a property income distribution, being a dividend received by a Shareholder of the Company in respect of profits and gains of the Tax Exempt Business of the UK resident members of the Group or in respect of the profits or gains of a non-UK resident member of the Group insofar as they derive from its UK qualifying property rental business
"POI Law"	the Protection of Investors (Bailiwick of Guernsey) Law, 1987, as amended
"property rental business"	a UK property rental business within the meaning of section 205 of the Corporation Tax Act 2009 or an overseas property business within the meaning of section 206 of such act, but in each case, excluding certain specified types of business

"Proposals"	the proposals for the Company to become resident in the UK for tax purposes, to apply for entry to the UK-REIT regime and to amend the Articles
"qualifying property rental business"	a property rental business fulfilling the conditions in section 529 of the Corporation Tax Act 2010
"Registrars"	Computershare Investor Services (Guernsey) Limited
"Related Party Transaction"	the amendment to the Articles to permit the Company to pay distributions to Friends Life Limited who are deemed under the UK-REIT regime to be a Substantial Shareholder
"Resolutions"	Resolution 1 and Resolution 2
"Resolution 1"	the resolution to approve the Related Party Transaction set out in the notice of the General Meeting on page 28 of this document
"Resolution 2"	the resolution to amend the Articles set out in the notice of the General Meeting on page 28 of this document
"Rules"	the Authorised Closed-ended Investment Scheme Rules 2008
"Shareholders"	the holders of Shares
"Substantial Shareholder"	a company or other corporate person who 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
"Substantial Shareholding"	the Ordinary Shares in respect of which a Substantial Shareholder is entitled to dividends (directly or indirectly) and/or to which a Substantial Shareholder is beneficially entitled (directly or indirectly) and/or votes attached to which are controlled (directly or indirectly) by the Substantial Shareholder
"Tax-Exempt Business"	the Group's qualifying property rental business in the UK and elsewhere in respect of which corporation tax on income and capital gains will no longer be payable following entry to the UK-REIT regime provided that certain conditions are satisfied
"UK Listing Authority"	the Financial Conduct Authority in its capacity as the competent authority for the purposes of Part VI of the Financial Services and Markets Act 2000, as amended
"UK-REIT" or **"REIT"**	a real estate investment trust established in the United Kingdom under the UK-REIT regime
"UK-REIT regime"	the legislation contained in Part 12 of the Corporation Tax Act 2010 and the regulations made thereunder

RISK FACTORS

The risk factors set out below are those which are considered to be material but are not the only risks relating to the Company, the Shares or the Proposals. There may be additional material risks that the Company does not consider to be material or which the Company is not aware.

Risks relating to regulation and legal changes

Changes in regulation and the law including tax laws or political events may substantially and adversely effect the market value of the Company's portfolio and or the rental income of the portfolio. Any change in the tax legislation could effect the Company's ability to provide returns to Shareholders or alter the post-tax returns to Shareholders.

Risks relating to the REIT status of the Company

The Company cannot guarantee that it will obtain REIT status nor can it guarantee that it will maintain continued compliance with all of the REIT conditions. There is a risk that the UK-REIT regime may cease to apply in some circumstances. HMRC may require the Company to exit the UK-REIT regime if:

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

In addition, if the conditions for REIT status relating to the share capital of the Company or the prohibition on entering into loans with abnormal returns are breached or the Company ceases to be UK tax resident, becomes dual tax resident or an open-ended investment company, the Company will automatically lose REIT status. The Company could therefore lose its status as a REIT as a result of actions by third parties, for example, in the event of a successful takeover by a company that is not a REIT or due to a breach of the close company condition if it is unable to remedy the breach within a specified timeframe. If the Company were to be required to leave the REIT regime within ten years of joining, HMRC has wide powers to direct how it would be taxed, including in relation to the date on which the Company would be treated as exiting the REIT regime which could have a material impact on the financial condition of the Company and, as a result, Shareholder returns.

Risks relating to property and property-related assets

Investments in property are relatively illiquid. Such illiquidity may affect the Company's ability to vary its portfolio or dispose of or liquidate part of its portfolio in a timely fashion and at satisfactory prices in response to changes in economic, real estate market or other conditions. This could have an adverse effect on the Company's financial condition and results of operations.

Returns from an investment in property depend largely upon the amount of rental income generated from the property and the expenses incurred in the development or redevelopment and management of the property, as well as upon changes in its market value.

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

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

PART I

F&C UK REAL ESTATE INVESTMENTS LIMITED

(incorporated with limited liability in Guernsey with registration number 41870)

Directors:
Quentin Spicer *(Chairman)*
Andrew Gulliford
Graham Harrison
Vikram Lall
Christopher Sherwell

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

25 November 2014

Dear Shareholder

Recommended proposals for entry into the UK-REIT regime

Introduction and background to the Proposals

F&C UK Real Estate Investments Limited is an authorised closed-ended investment scheme incorporated in Guernsey which is listed on the Official List of the UK Listing Authority. The Company's investment objective is to provide Shareholders with an attractive level of income together with the potential for capital and income growth from investing in a diversified UK commercial property portfolio.

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

The basic principle of the regime is that in relation to a company or group with UK-REIT status, the net rental income derived from the company's or group's rental property portfolio is exempt from UK corporation tax, as are capital gains on the disposal of the rental properties. The UK-REIT regime, in essence, seeks to treat investors in the REIT as if they held an interest in the property rental business directly.

Prior to 17 July 2012 groups entering the UK-REIT regime were required to pay a one off charge equal to 2 per cent. of the value of their property assets. This conversion charge no longer applies.

The Board believes that it is in the best interests of the Group and Shareholders taken as a whole that the Group reduces its liability to UK tax. Accordingly, the Board is proposing that the Company takes the necessary steps for the Group to achieve UK-REIT status.

In addition, the Company has lent approximately £128 million to the IRP Property Subsidiary and approximately £90 million to the IPT Property Subsidiary. Whilst these loans are in place, interest is payable on them which is deductible in the normal way when computing the Group's liability to income tax. Given the current interest rate environment, it is expected that the deductible intra-group interest will reduce over time and, unless the Group obtains UK-REIT status, the UK income tax payable under these arrangements would increase significantly.

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

The purpose of this document is therefore to explain why the Board thinks that the Proposals are in the best interests of Shareholders as a whole and to explain the background to the proposed changes to the Articles which are being submitted for approval at the General Meeting. If approved by Shareholders, the proposed amendments to the Articles will not take effect unless the Board elects to seek approval as a UK-REIT. This document also seeks Shareholder approval for a related party transaction in relation to Friends Life Limited's Substantial Shareholding in the Company under the UK-REIT regime.

Background to conversion to UK-REIT status

UK-REITs

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

UK-REITs are intended to enable the income from rented property assets to be generated in a tax efficient manner and to ensure that the net return for shareholders from investing in a property are broadly consistent with returns from direct property investment. Notwithstanding that the Company may become a UK-REIT the Company will continue to be an authorised closed-ended investment scheme in Guernsey (for so long as it remains incorporated and administered in Guernsey and complies with the POI Law and the Rules).

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

Conditions to become a UK-REIT

Prior to 17 July 2012 groups entering the UK-REIT regime were required to pay a one off charge equal to 2 per cent. of the value of their property assets. This conversion charge no longer applies.

In order to be eligible to apply for UK-REIT status, a group of companies will need to meet certain conditions which are summarised below and are discussed in more detail on page 15. These conditions are as follows:

(a) the parent company must be a solely UK tax resident company whose ordinary shares are listed on a recognised stock exchange (which includes the Official List of the UK Listing Authority) and not be an open-ended investment company;

(b) the parent company must not be a "close company";

(c) the property rental business should comprise at least 75 per cent. of the overall group's activities, measured by reference to both the value of its assets and its total profits;

(d) a minimum of 90 per cent. of the UK-REIT's "profits" for an accounting period (calculated under UK tax principles after interest, capital allowances, other deductions for tax purposes and excluding chargeable gains) from the Tax-Exempt Business must be distributed to investors. This distribution is referred to as a property income distribution or "PID"; and

(e) the group must not enter into any loans considered to be on uncommercial terms.

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

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

(a) The Group will be subject to a financing costs cover test on the Tax-Exempt Business. This is a form of gearing test. The Group will need to be within the limits envisaged by the test to avoid an additional tax charge. It is expected that the Group should be well within these limits. In effect this would require the Group to limit the interest paid on the borrowings to no more that 1.25 times its net rental income.

(b) The Company would suffer a tax charge in the event that distributions are made to any Substantial Shareholder. Further details are set out in paragraph headed "The Substantial Shareholder rule" below. The Group can protect itself against the risk of this tax penalty provided it can demonstrate it has taken reasonable steps to avoid paying distributions to such Substantial Shareholders. The proposed amendments to the Articles should enable the Group to satisfy this requirement.

Reasons for and benefits of the Company becoming a UK-REIT

The income tax charge suffered by the Group for the period ended 30 June 2013 was £479,000. For the year ended 30 June 2014, it is estimated that the income tax charge suffered by the Group will increase to £540,000 and it is anticipated that this income tax charge will increase in the future as a result of the refinancing of the Group's intra-group loans over time.

However, by obtaining UK-REIT status, the Group will no longer be subject to UK income tax on the profits and gains from their qualifying property rental business provided that it meets certain conditions nor will it be subject to corporation tax on these profits. This will effectively reduce the burden of taxation for most Shareholders in respect of the Tax-Exempt Business as the payment of UK income tax on the Group's property rental income is expected to increase significantly over time.

The Group current has in place a £115 million loan facility with Lloyds TSB Bank plc which is due to be repaid in January 2017, of which £109 million is currently drawn down. Although the Group will have to pay additional interest to the Bank and will incur some tax as a result of the Substantial Shareholer rule discussed below once the Company enters the UK-REIT regime, these costs are not expected to be material to the Group over the long term or to outweigh the benefits of the Company becoming a UK-REIT.

The Board therefore believes that the Company's net assets and total returns will be increased. Furthermore, the level of dividend cover which is currently around 90 per cent. should improve over time if the Group was to become a UK-REIT.

The Board believes that it is in the best interests of the Group and Shareholders taken as a whole that the Group reduces its liability to UK tax. Accordingly, the Board is proposing that the Company takes the necessary steps for the Group to achieve UK-REIT status.

Further details of the UK-REIT regime and the implications of the Company becoming a UK-REIT are set out in Part II of this document.

The implications of the Company becoming a UK-REIT

General

Obtaining UK-REIT status would not materially alter the Group's business or operations, but (on the basis of the relevant conditions being satisfied) is a more tax-efficient structure when compared overall with the Group's current position as a non-resident landlord. It is not expected that there will

be any changes to the investment policy or investment strategy or the legal corporate structure of the Group. It is the intention of the Board that the Group's business will comprise predominantly of Tax-Exempt Business. The Board is not proposing any changes to its management and administrative arrangements, save to reflect the change in tax residency noted below.

Board changes

If the Proposals are approved, Mr Sherwell and Mr Harrison will retire from the Board on the date the Company enters the UK-REIT regime. The Board is currently considering potential candidates to join the Board as well as further refreshment of the Board going forward.

Dividend policy

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

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

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

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

Tax position of the Shareholders

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

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

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

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

The Substantial Shareholder rule

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

Under the UK-REIT regime a Substantial Shareholder is defined as a holder of excessive rights in a company (or other body corporate) which, either directly or indirectly (i) is beneficially entitled to 10 per cent. or more of the company's dividends; (ii) is beneficially entitled to 10 per cent. or more of a company's share capital; or (iii) controls 10 per cent. or more of the voting rights in a company.

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

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

The Board considers it appropriate that the Company should put in place the mechanisms in accordance with the guidance issued by HMRC so that the Company can avoid the imposition of such a tax charge in circumstances where a Substantial Shareholding occurs following its entry into the UK-REIT regime. The changes proposed to be made to the Articles will give the Board the powers it needs to demonstrate to HMRC that such "reasonable steps" have been taken.

The Company has agreed that notwithstanding the fact that the UK-REIT regime will deem Friends Life Limited to be a Substantial Shareholder the Company will continue to make distributions to such Shareholder provided that it holds no more than its current holding of 32,883,448 Ordinary Shares at the time of the relevant distribution (or such lower number as they may hold in the future). The Company has also agreed with Friends Life Limited that it will not propose a resolution to amend this provision permitting distributions to Friends Life Limited notwithstanding such shareholding.

Tax residency of the Company

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

To become tax resident in the United Kingdom it is intended that the Company will move its central management and control into the United Kingdom in January 2015. This means that once the Company has entered the UK-REIT regime future Board and Shareholder meetings (including the annual general meeting) will be held in the United Kingdom. The changes proposed to be made to the Articles will permit the Company to hold these meetings in the UK and will require the majority of the Board to be UK resident.

Amendment to the Articles

A description of the proposed amendments to the Articles, including the permitted distributions to Friends Life Limited, are set out in more detail in Part IV of this document.

A copy of the existing Articles and the proposed new Articles marked to show the changes will be available during normal business hours (Saturdays, Sundays and public holidays excepted) at the offices of Dickson Minto W.S., Broadgate Tower, 20 Primrose Street, London EC2A 2EW up to and including close of business on 19 December 2014 and at the venue of the General Meeting for at least 15 minutes prior to the start of the meeting and up until the close of the meeting.

The adoption of the new Articles is conditional upon the approval of Shareholders at the General Meeting. Accordingly, pursuant to Resolution 2, Shareholders are being asked to approve the adoption of the new Articles. Resolution 2 will be proposed as a special resolution which means that in order for Resolution 2 to be passed at least 75 per cent. of the votes cast on the resolution must be in favour. Resolution 2 is conditional on the passing of Resolution 1 in connection with the approval of the Related Party Transaction.

Expected timetable for entry into the UK-REIT regime

A company satisfying the conditions for UK-REIT status can choose the date from which the UK-REIT regime will apply by specifying such date in its notice to HMRC. The Board, subject to the passing of Resolutions 1 and 2 at the General Meeting, intends to serve notice to HMRC for entry to the UK-REIT regime at the end of December 2014 with entry to the UK-REIT regime expected to take effect in January 2015. A new accounting period for tax purposes will begin on the date of entry into the UK-REIT regime.

The Related Party Transaction

As Friends Life Limited holds more than 10 per cent. of the voting rights in the Company, it is considered to be a 'related party' for the purposes of the Listing Rules. As at 24 November 2014 (the latest practicable date prior to the publication of this document) Friends Life Limited currently directly or indirectly holds 32,883,448 Ordinary Shares, being approximately 14.2 per cent. of the issued share capital of the Company. Friends Life Limited is therefore a substantial shareholder and a related party of the Company under Chapter 11 of the Listing Rules.

The amendment of the Articles to allow for distributions to be made to Friends Life Limited notwithstanding it holds 32,883,448 Ordinary Shares (or such lower number as they may hold in the future) therefore requires the approval of Independent Shareholders at the General Meeting.

Accordingly, Resolution 1 will be proposed at the General Meeting to approve the Related Party Transaction. Resolution 1 will be proposed as an ordinary resolution which means that in order for Resolution 1 to be passed at least 50 per cent. of the votes cast on the resolution must be in favour. Friends Life Limited will not vote on and have undertaken to take all reasonable steps to ensure that their Associates will not vote on Resolution 1. The Board, having been advised by Dickson Minto W.S. as sponsor, considers that the Related Party Transaction is fair and reasonable insofar as Shareholders are concerned.

Guernsey regulatory notification

The Commission has been notified of the Proposals pursuant to Part 5 of the Rules.

General Meeting

The entry into the UK-REIT regime are conditional, *inter alia*, on the approval of Shareholders. You will find set out at the end of this document a notice convening the General Meeting at 9.00 a.m. on 19 December 2014, to be held at Trafalgar Court, Les Banques, St. Peter Port, Guernsey GY1 3QL. All Shareholders are entitled to attend and vote on the Resolutions to be proposed at the General Meeting.

Action to be taken

Shareholders will find enclosed a Form of Proxy for use at the General Meeting. Whether or not you propose to attend the General Meeting, you should complete the Form of Proxy and return it to Computershare Investor Services (Guernsey) Limited, PO Box 82, The Pavilions, Bridgewater Road, Bristol BS99 7NH, as soon as possible, but in any event not later than 9.00 a.m. on 17 December 2014.

Recommendation

The Board considers that the Proposals and the Resolutions are in the best interests of the Shareholders as a whole. Accordingly, the Board unanimously recommends all Shareholders to vote in favour of the Resolutions to be proposed at the General Meeting. The Directors, who in aggregate hold voting rights in 385,690 Shares (being 0.17 per cent. of the issued share capital), intend to vote such Shares in favour of the Resolutions.

Yours faithfully,

Quentin Spicer
Chairman

PART II

THE UK-REIT REGIME

The UK-REIT regime

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

Overview

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

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

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

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

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

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

Shareholders with a certificate setting out how much of their dividend is a PID and how much is a Non-PID Dividend.

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

Qualification as a UK-REIT

The Group will become a UK-REIT by the Company (as the principal company of the Group) serving notice on HMRC setting out the date from which the Group wishes to obtain UK-REIT status. The date may be in the future but notice cannot be given retrospectively. In order to qualify as a UK-REIT, the Group must satisfy certain conditions set out in Part 12 of the Corporation Tax Act 2010. A non-exhaustive summary of the material conditions is set out below. Broadly, the Company must satisfy the conditions set out in paragraphs (A), (B), (C) and (D) below and the Group companies must satisfy the conditions set out in paragraph (E).

(A) *Company conditions*

The Company must be a solely UK-resident company (other than an open-ended investment company) whose ordinary shares are listed on a recognised stock exchange, such as the London Stock Exchange. The Company must also not (apart from in one exceptional circumstance) be a "close company" (as defined in section 439 of the Corporation Tax Act 2010) (the "close company condition"). In summary, the close company condition amounts to a requirement that not less than 35 per cent. of the UK-REIT's shares are beneficially held by the public and for this purpose the "public" excludes directors or the UK-REIT and certain of their associates, and shareholders who, alone or together with certain associates, control more than 5 per cent. of the UK-REIT's share capital.

(B) *Share capital restrictions*

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

(C) *Interest restrictions*

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

(D) *Financial Statements*

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

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

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

(a) the Tax-Exempt Business must throughout the accounting period involve at least three properties;

(b) throughout the accounting period no one property may represent more than 40 per cent. of the total value of the properties involved in the Tax-Exempt Business. Assets must be valued at fair value and in accordance with International Accounting Standards ("IAS") and at fair value when the IAS offers a choice between a cost basis and a fair value basis;

(c) treating all members of the Group as a single company, the Tax-Exempt Business must not include any property which is classified as owner-occupied in accordance with generally accepted accounting practice; and

(d) at least 90 per cent. of the amounts shown in the Financial Statements of the Group companies as income profits (broadly calculated using the normal tax rules) of the UK resident members of the Group arising in respect of the Tax-Exempt Business in the accounting period, and the income profits of the non-UK resident members of the Group insofar as they arise in respect of such members' UK qualifying property rental business in the accounting period, must be distributed by the Company on or before the filing date for the Company's tax return for the accounting period (the "90 per cent. distribution test"). For the purpose of satisfying the 90 per cent. distribution test, any dividend withheld in order to comply with the 10 per cent. rule will be treated as having been paid;

(e) the profits arising from the qualifying property rental business must represent at least 75 per cent. of the Group's total profits for the accounting period (the "75 per cent. profits test"). Profits for this purpose means profits before deduction of tax and excludes realised and unrealised gains and losses on the disposal of property, calculated in accordance with IAS; and

(f) at the beginning of the accounting period the value of the assets in the qualifying property rental business must represent at least 75 per cent. of the total value of assets held by the Group (the "75 per cent. assets test"). Assets must be valued in accordance with IAS and at fair value where IAS offers a choice of valuation between cost basis and fair value and in applying this test no account is to be taken of liabilities secured against or otherwise relating to assets (whether generally or specifically). Cash held by any company in the Group is deemed to be an asset of the property rental business for the purposes of the 75 per cent. assets test.

Effect of becoming a UK-REIT

(A) *Tax savings*

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

(B) *Attribution of dividends*

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

(a) In satisfaction of the obligation to distribute 90 per cent. of the profits of the Tax-Exempt Business, calculated under tax principles and excluding chargeable gains, which arise in the accounting period – paid, under deduction of income tax at 20 per cent. where appropriate, as a PID.

(b) At the discretion of the Company, a distribution of all or any of the following:

(i) profits earned by the Residual (taxable) Business in the period;

(ii) reserves of the Residual Business including brought forward reserves;

(iii) profits representing the difference between the accounting distributable profits and profits calculated for tax purposes of the Tax-Exempt Business (the difference principally results from the effect of claiming capital allowances in calculating the profits of the Tax-Exempt Business).

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

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

(d) Distribution of gains relating to the Tax-Exempt Business – paid under deduction of 20 per cent. basic rate income tax, where appropriate, as a PID.

(e) Distribution of any other amount – treated as a normal dividend (to which a tax credit may be attached) and no tax is withheld by the Company.

(C) *Financial Statements*

As mentioned above, a UK-REIT will be required to submit Financial Statements to HMRC.

(D) *Interest cover ratio*

A tax charge will arise if, in respect of any accounting period, the ratio of the income profits (before capital allowances) of the UK resident members of the Group plus the UK income profits of any non-UK resident member of the Group, in each case, in respect of its Tax-Exempt Business plus the financing costs incurred in respect of the Tax-Exempt Business divided by the financing costs incurred in respect of the Tax-Exempt Business, excluding certain intra-group financing costs, is less than 1.25. This ratio is calculated by reference to the Financial Statements, apportioning costs relating partly to the Tax-Exempt Business and partly to the Residual Business reasonably. The amount (if any) by which the financing costs exceed the amount of those costs which would cause that ratio to equal 1.25 is chargeable to corporation tax.

(E) *Property development and property trading by a UK-REIT*

A property development by a UK resident member of the Group can be within the Tax-Exempt Business provided certain conditions are met. However, if the costs of the development exceed 30 per cent. of the fair value of the asset at the later of: (a) the date on which the Company becomes a UK-REIT; and (b) the date of the acquisition of the development property, and the UK-REIT sells the development property within three years of completion, the property will be treated as never having been within the Tax-Exempt Business. If a UK resident member of the Group disposes of a property (whether or not a development property) in the course of a trade, the property will be treated as never having been within the Tax-Exempt Business.

(F) *Certain tax avoidance arrangements*

If HMRC believes that a member of the Group has been involved in certain tax avoidance arrangements, it may cancel the tax advantage obtained and, in addition, impose a tax charge equal to the amount of the tax advantage. These rules apply to both the Residual Business and the Tax-Exempt Business.

(G) *Movement of assets in and out of the Tax-Exempt Business*

In general, where an asset owned by a UK-resident member of the Group and used for the Tax-Exempt Business begins to be used for the Residual Business, there will be a capital gain tax-free step up in the base cost of the property. Where an asset owned by a UK-resident member of the Group and used for the Residual Business begins to be used for the Tax Exempt Business, this will generally constitute a taxable market value disposal of the asset, except for capital allowances purposes. Special rules apply to disposals by way of a trade and to development property.

(H) *Funds awaiting reinvestment*

Cash awaiting reinvestment, and all other cash, is deemed to be an asset of the qualifying property rental business for the purposes of REIT conditions.

(I) *Acquisitions and takeovers*

If a UK-REIT is taken over by another UK-REIT, the acquired UK-REIT does not necessarily cease to be a UK-REIT and will, provided the conditions are met, continue to enjoy tax-exemptions in respect of the profits of its Tax-Exempt Business and capital gains on disposal of properties in the Tax-Exempt Business.

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

(J) *Exit from the UK-REIT regime*

The Company can give notice to HMRC that it wants the Group to leave the UK-REIT regime at any time but not with retrospective consent. The Board retains the right to decide to exit the UK-REIT regime at any time in the future without Shareholder consent if it considers this to be in the best interests of the Group.

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

a) it regards a breach of the conditions or failure to satisfy the conditions relating to the Tax-Exempt Business, or an attempt to avoid tax, as sufficiently serious;

b) if the Company has committed a certain number of minor or inadvertent breaches in a specified period; or

c) if HMRC has given the Company at least two notices in relation to the avoidance of tax within a ten year period.

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

Shareholders should note that it is possible that the Company could lose its status as a UK-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 UK-REIT or due to a breach of the close company condition if it is unable to remedy the breach within a specified timeframe.

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

PART III

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

Introduction

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

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

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

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

(A) UK taxation of Non-PID Dividends

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

(B) UK taxation of PIDs

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

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

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

(ii) UK taxation of UK resident corporate Shareholders

Subject to certain exceptions, a PID will generally be treated in the hands of Shareholders who are within the charge to UK corporation tax as profits of a property rental business. This means that, subject to the availability of any exemptions or reliefs, such Shareholders should be liable to UK corporation tax on the entire amount of their PID. A PID is, together with any property income distribution from any other company to which Part 12 of the Corporation Tax Act 2010 applies, treated as a separate Schedule A business from any other Schedule A business (a "different Schedule A business") carried on by the relevant shareholder. This means that any surplus

expenses from a Shareholder's different Schedule A business cannot be off-set against a PID as part of a single calculation of the Shareholder's Schedule A profits.

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

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

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

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

(iv) Withholding tax

(a) *General*

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

(b) *Shareholders resident in the UK*

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

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

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

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

Shareholders should note that in certain circumstances the Company is not required to withhold UK income tax at source from a PID. These include where the Company reasonably believes that the person beneficially entitled to the PID is a company resident for tax purposes in the UK and where the person beneficially entitled to a PID is a charity, under section 531 of the Income Tax Act 2007 and section 485(3) of the Corporation Tax Act 2010.

Payments made to the manager of an individual savings account or a personal equity plan may also be made gross.

The Company will also not be required to withhold UK income tax at source from a PID where the Company reasonably believes that the body beneficially entitled to the PID is a partnership each member of which is either a body described in the paragraph above or the European Investment 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 Registrars.

A summary in tabular form of the UK tax position of distributions paid by the Company for certain groups of Shareholders is shown below (based on UK tax rates for the tax year to 5 April 2015).

UK resident individual	
PID	*Non-PID Dividend*
• Tax withheld by the Company at 20 per cent. • Taxed at the marginal income tax rate. • Credit is given for the tax withheld by the Company. Therefore, to the extent that an individual is a lower, higher or additional rate tax payer, a repayment or further tax may be due.	• No tax withheld by the Company. • Treated as dividend income grossed up by 100/90 when included in an individual's income tax calculation. • Taxed as top slice of income. • Notional non-repayable tax credit of 10 per cent. is available. Therefore, only if an individual is a higher or additional rate tax payer will further tax be due.
UK resident company	
PID	*Non-PID Dividend*
• No tax withheld by the Company. • Subject to corporation tax at the prevailing rate (full rate currently 21 per cent.).	• No tax withheld by the Company. • Treated as a normal UK company dividend – exempt from tax.
Non UK resident company	
PID	*Non-PID Dividend*
• Tax withheld by the Company at 20 per cent. • May reclaim the difference between 20 per cent. withholding and the relevant dividend withholding tax rate agreed under the relevant double tax treaty (if applicable). • No further UK tax.	• No tax withheld by the Company. • No UK tax.
UK tax exempt shareholder (including SIPPs and ISAs)	
PID	*Non-PID Dividend*
• No tax withheld by the Company. • No UK tax.	• No tax withheld by the Company. • No UK tax.

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

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

(a) UK taxation of chargeable gains

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

(b) UK stamp duty and UK stamp duty reserve tax ("SDRT")

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

(D) ISAs, SSASs and SIPPs

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

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

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

PART IV

THE PROPOSED AMENDMENTS TO THE ARTICLES

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

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

If a distribution is paid to a Substantial Shareholder and the Company has not taken reasonable steps to avoid doing so, the Company would become subject to a tax charge based on the quantum of distribution paid to the Substantial Shareholder (and not restricted to the excess over 10 per cent.).

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

The new Article:

(A) provides directors with powers to identify Substantial Shareholders;

(B) prohibits the payment of dividends on shares that form part of a Substantial Shareholding, unless certain conditions are met;

(C) allows dividends to be paid on shares that form part of a Substantial Shareholding where the shareholder has disposed of its rights to dividends on its shares; and

(D) seeks to ensure that if a dividend is paid on shares that form part of a Substantial Shareholding and arrangements of the kind referred to in (C) are not met, the Substantial Shareholder concerned does not become beneficially entitled to that dividend.

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

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

(A) *Identification of Substantial Shareholders*

The share register of the Company records the legal owner and the number of shares they own in the Company but does not identify the persons who are beneficial owners of the shares or are entitled to control the voting rights attached to the shares or are beneficially entitled to dividends.

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

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

The new Article provides that a dividend may not be paid on any shares that the Board believes may form part of a Substantial Shareholding unless the Board is satisfied that the Substantial Shareholder is not beneficially entitled to the dividend save that the Company will be permitted to pay dividends to Friends Life Limited provided that it holds no more than 32,883,448 Ordinary Shares (or such lower number of Ordinary Shares as they may hold in the future).

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

(a) the Substantial Shareholder concerned is not beneficially entitled to the dividends (see also (C) below);

(b) the shareholding is not part of a Substantial Shareholding;

(c) all or some of the shares and the right to the dividend have been transferred to a person who is not, and does not thereby become, a Substantial Shareholder (in which case the dividends would be paid to the transferee); or

(d) sufficient shares have been transferred (together with the right to the dividends) such that the shares retained are no longer part of a Substantial Shareholding (in which case the dividends would be paid on the retained shares).

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

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

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

(a) to ensure that the entitlement to future dividends will be disposed of; and

(b) to inform the Company immediately of any circumstances which would render the certificate no longer accurate.

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

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

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

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

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

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

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

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

(E) *Mandatory sale of Substantial Shareholdings*

The new Article also allows the Board to require the disposal of shares forming part of a Substantial Shareholding if:

(a) a Substantial Shareholder has been identified and a dividend has been announced or declared and the Board has not been satisfied that the Substantial Shareholder has transferred the right to the dividend (or otherwise is not beneficially entitled to it);

(b) there has been a failure to provide information requested by the Board; or

(c) any information provided by any person proves materially inaccurate or misleading.

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

(F) *Takeovers*

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

(G) *Other*

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

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

PART V

ADDITIONAL INFORMATION

1. Major Shareholders

As at 24 November 2014, the Company was aware of the following people who are directly or indirectly interested in 5 per cent. or more of the Company's issued share capital:

	Number of` Ordinary Shares	Percentage of issued share capital
F&C Asset Management*	20,724,850	8.98%
Brewin Dolphin Limited	12,812,654	5.50%

* This forms part of the Friends Life Limited holding of 32,883,448 Ordinary Shares.

2. No significant change

There has been no significant change in the trading or financial position of the Group since 30 June 2014 (being the end of the last financial period of the Company for which audited financial information has been published).

3. Consent

Dickson Minto W.S., which is authorised and regulated in the UK by the Financial Conduct Authority, has given and not withdrawn its written consent to the inclusion in this document of its name and the references to it in the form and context in which it appears.

4. Documents available for inspection

Copies of the following documents will be available for inspection during usual business hours on any day (Saturdays, Sundays and public holidays excepted) from the date of this document at the offices of Dickson Minto W.S., Broadgate Tower, 20 Primrose Street, London EC2A 2EW up to and including close of business on 19 December 2014 and at the venue of the General Meeting for at least 15 minutes prior to and during the General Meeting:

(a) this document;

(b) the existing Articles; and

(c) the new Articles.

25 November 2014

F&C UK REAL ESTATE INVESTMENTS LIMITED

(incorporated with limited liability in Guernsey with registration number 41870)

NOTICE OF AN EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of F&C UK Real Estate Investments Limited (the "Company") will be held at 9.00 a.m. on 19 December 2014 at Trafalgar Court, Les Banques, St Peter Port, Guernsey GY1 3QL to consider and, if thought fit, pass the following resolutions:

ORDINARY RESOLUTION

1. THAT the Related Party Transaction, being a related party transaction for the purposes of the Listing Rules of the UK Listing Authority, be and is hereby approved.

SPECIAL RESOLUTION

2. THAT, conditional on the passing of Resolution 1 and with effect from the Company entering into the UK-REIT regime pursuant to the terms of the notice given to HM Revenue & Customs in accordance with Part 12 of the Corporation Tax Act 2010, the Articles produced to the meeting and initialled by the Chairman of the Meeting for the purposes of identification containing amendments required for the purposes of the Company's entry into the UK-REIT regime be adopted as the Company's Articles in substitution for and to the exclusion of all existing Articles.

Defined terms in this Notice of General Meeting and the Resolutions have the same meanings as given to them in the circular sent to shareholders of the Company on 25 November 2014 save where the context requires otherwise.

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

By Order of the Board
Northern Trust International Fund
Administration Services (Guernsey) Limited
Secretary

25 November 2014

Notes:

1. A member entitled to attend and vote at the meeting may appoint one or more proxies to exercise all or any of his rights to attend and speak and vote instead of him or her. A proxy does not need to be a member of the Company. A member may appoint more than one proxy provided that each proxy is appointed to exercise the rights attached to a different share or shares held by him or her.
2. A reply paid Form of Proxy is enclosed. To be valid, the Form of Proxy and the original (or a certified true copy) of any power of attorney or other authority under which the Form of Proxy is signed must be deposited at the office of the Registrars, Computershare Investor Services (Guernsey) Limited, PO Box 82, The Pavilions, Bridgwater Road, Bristol BS99 7NH, no later than 9.00 a.m. on 17 December 2014 (or, in the event of an adjournment, the time which is 48 hours (excluding non-working days) before the adjourned meeting).
3. The return of a completed Form of Proxy or other instrument of proxy will not prevent you attending the General Meeting and voting in person if you wish. If you have appointed a proxy and attend the General Meeting in person your proxy appointment will remain valid and you may not vote at the General Meeting unless you have provided a hard copy notice to revoke the proxy to Computershare Investor Services (Guernsey) Limited, PO Box 82, The Pavilions, Bridgwater Road, Bristol BS99 7NH not later than 9.00 a.m. on 17 December 2014.
4. To have the right to attend, speak and vote and the General Meeting (and also for the purposes of calculating how many votes a member may cast on a poll) Shareholders must be registered in the register of members of the Company no later than 48 hours prior to the commencement of the General Meeting or any adjourned meeting. 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 meeting.
5. As at 24 November 2014 (being the last business day prior to the publication of this notice) the Company's issued share capital consisted of 230,855,539 ordinary shares, carrying one vote each. Therefore, the total voting rights in the Company as at 24 November 2014 were 230,855,539 votes.
6. Any person holding 5 per cent. or more of the total voting rights of the Company who appoints a person other than the chairman of the meeting as his proxy will need to ensure that both he and his proxy complies with their respective disclosure obligations under the UK Disclosure and Transparency Rules.
7. Information regarding the General Meeting is available from the Company's webpage at www.fcre.co.uk