

**THIS REGISTRATION DOCUMENT, THE SECURITIES NOTE AND THE SUMMARY ARE IMPORTANT AND REQUIRE YOUR IMMEDIATE ATTENTION. If you are in any doubt about the action you should take, you should immediately contact your stockbroker, accountant or other independent financial adviser, who is authorised under the Financial Services and Markets Act 2000 (as amended) (“FSMA”) if you are in the United Kingdom, or another appropriately authorised independent financial adviser if you are in a territory outside the United Kingdom.**

This Registration Document, the Securities Note and the Summary together comprise a prospectus relating to Supermarket Income REIT plc (the “**Company**”) (the “**Prospectus**”) prepared in accordance with the Prospectus Rules of the Financial Conduct Authority (the “**FCA**”) made under s.73A Financial Services and Markets Act 2000, as amended (“**Prospectus Rules**” and “**FSMA**” respectively). A copy of this Registration Document has been filed with, and approved by, the FCA pursuant to section 87A of FSMA and will be made available to the public in accordance with paragraph 3.2 of the Prospectus Rules.

This Registration Document is valid for a period of up to 12 months following its publication and will not be updated. A future prospectus for any issuance of additional Ordinary Shares may, for a period of up to 12 months from the date of publication of this Registration Document, consist of this Registration Document, a Future Summary and Future Securities Note applicable to each issue and subject to a separate approval by the FCA on each issue. Persons receiving this Registration Document should read the Prospectus together as a whole and should be aware that any update in respect of a Future Summary and Future Securities Note may constitute a material change for the purposes of the Prospectus Rules.

The Directors, whose names are set out under the heading “**Directors, Registered Office, Company Secretary and Advisers**” in Part 3 of this Registration Document, and the Company accept responsibility for the information contained in this Registration Document. To the best of the knowledge of the Directors and the Company (who have taken all reasonable care to ensure that such is the case), the information contained in this Registration Document is in accordance with the facts and does not omit anything likely to affect the import of such information.

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## **SUPERMARKET INCOME REIT PLC**

(Incorporated under the Companies Act 2006 and registered in England and Wales with registered number 10799126)

### **REGISTRATION DOCUMENT**

and

### **NOTICE OF GENERAL MEETING**

*Financial Adviser, Broker and Placing Agent*

### **STIFEL NICOLAUS EUROPE LIMITED**

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Stifel Nicolaus Europe Limited (“**Stifel**”) which is authorised and regulated in the United Kingdom by the FCA, is acting exclusively for the Company and no one else and will not regard any other person (whether or not as a recipient of this Registration Document) as its client and will not be responsible to anyone other than the Company for providing the protections afforded to its clients, nor for providing advice, nor for the contents of this Registration Document or any transaction, or arrangement referred to in this Registration Document.

Apart from the responsibilities and liabilities, if any, which may be imposed on Stifel by FSMA or the regulatory regime established thereunder, or under the regulatory regime of any other jurisdiction where exclusion of liability under the relevant regulatory regime would be illegal, void or unenforceable, Stifel does not accept any responsibility whatsoever and makes no representation or warranty, express or implied, as to the contents of this Registration Document, including its accuracy or completeness, or for any other statement made or purported to be made by Stifel or on its behalf, the Company or any other person in connection with the Company or the Ordinary Shares and nothing contained in this Registration Document is or shall be relied upon as a promise or representation in this respect, whether as to the past or the future. Subject to applicable law, Stifel accordingly disclaims all and any responsibility or liability (whether direct or indirect, whether arising in tort, contract under statute or otherwise (save as referred to above)) which it might otherwise have in respect of this Registration Document or any such statement.

Investors should rely only on the information contained in this Registration Document (together with the Summary and Securities Note or any Future Summary and Future Securities Note). No person has been authorised to give any information or make any representations other than those contained in this Registration Document (together with the Summary and Securities Note or any Future Summary and Future Securities Note) and, if given or made, such information or representations must not be relied upon as having been so authorised by the Company or Stifel. Without prejudice to the Company's obligations under the Prospectus Rules, neither the delivery of this Registration Document (together with the Summary and Securities Note or any Future Summary and Future Securities Note) nor any subscription for or purchase of Ordinary Shares, under any circumstances, creates any implication that there has been no change in the affairs of the Company since, or that the information contained herein is correct at any time subsequent to, the date of this Registration Document.

Stifel and any of its affiliates may have engaged in transactions with, and provided various investment banking, financial advisory and other services for, the Company, for which it would have received customary fees. Stifel and any of its respective affiliates may provide such services to the Company and any of its respective affiliates in the future.

Stifel and any of its affiliates, acting as investors for its or their own accounts, may subscribe for or purchase Ordinary Shares and in that capacity may retain, purchase, sell, offer to sell or otherwise deal for its or their own account(s) in the Ordinary Shares and other securities of the Company or related investments. Accordingly, references in this Registration Document to Ordinary Shares and/or New Ordinary Shares being issued, offered, acquired subscribed or otherwise dealt with, should be read as including any issue or offer to, acquisition of, or subscription or dealing by Stifel and any of its affiliates acting as an investor for its or their own account(s). Neither Stifel nor any of its respective affiliates intends to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so. In addition, Stifel may enter into financing arrangements with investors, such as share swap arrangements or lending arrangements in connection with which Stifel may from time to time acquire, hold or dispose of shareholdings in the Company.

The contents of this Registration Document are not to be construed as legal, financial, business, investment or tax advice. Investors should consult their own legal adviser, financial adviser or tax adviser for legal, financial, business, investment or tax advice. Investors must inform themselves as to: (a) the legal requirements within their own countries for the purchase, holding, transfer, redemption or other disposal of Ordinary Shares; (b) any foreign exchange restrictions applicable to the purchase, holding, transfer, redemption or other disposal of Ordinary Shares which they might encounter; and (c) the income and other tax consequences which may apply in their own countries as a result of the purchase, holding, transfer, redemption or other disposal of Ordinary Shares. Investors must rely on their own representatives, including their own legal advisers and accountants, as to legal, financial, business, investment, tax, or other any related matters concerning the Company and an investment therein. Neither the Company or Stifel or any of their respective representatives is making any representation to any offeree or purchaser of Ordinary Shares regarding the legality of an investment in the Ordinary Shares by such offeree or purchaser under the laws applicable to such offeree or purchaser.

No action has been taken to permit the distribution of this Registration Document in any jurisdiction other than the United Kingdom. Accordingly, this Registration Document may not be used for the purpose of, and does not constitute, an offer or solicitation by anyone in any jurisdiction or in any circumstances in which such offer or solicitation is unlawful or not authorised or to any person to whom it is unlawful to make such offer or solicitation.

This Registration Document is not being sent to investors with registered addresses in Canada, Australia, the Republic of South Africa, Japan or, except in the limited circumstances described below, the United States, and does not constitute an offer to sell, or the solicitation of an offer to buy, Ordinary Shares in any jurisdiction in which such offer or solicitation is unlawful. In particular, this Registration Document is not for release, publication or distribution in or into Canada, Australia, the Republic of South Africa, Japan or, except in the limited circumstances described below, the United States.

The Company has not been, and will not be registered under the US Investment Company Act of 1940, as amended (the "**Investment Company Act**"), and investors will not be entitled to the benefits of the Investment Company Act. The Ordinary Shares have not been and will not be

registered under the US Securities Act of 1933, as amended (the “**Securities Act**”), or with any other securities regulatory authority of any state or other jurisdiction of the United States, or under the applicable securities laws of Canada, Australia, the Republic of South Africa or Japan and, except as set forth below, may not be offered, sold, pledged or otherwise transferred or delivered, directly or indirectly, in or into the United States or to, or for the account or benefit of, any US person, or to any national, resident or citizen of Canada, Australia, the Republic of South Africa or Japan. Ordinary Shares will be offered and sold only: (i) outside the United States to, and for the account or benefit of, non-US Persons in offshore transactions within the meaning of, and in reliance on, the exemption from registration provided by Regulation S under the Securities Act; and (ii) in a concurrent private placement in the United States to a limited number of “qualified institutional buyers” as defined in Rule 144A under the Securities Act that are also both “qualified purchasers” within the meaning of Section 2(a)(51) of the Investment Company Act and the rules thereunder and “accredited investors” as defined in Rule 501 under the Securities Act.

The date of this Registration Document is 25 April 2018.

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## PART 1

### RISK FACTORS

*Any investment in the Company is subject to a number of risks. Accordingly, prior to making any decision relating to any acquisition of Ordinary Shares, prospective investors should consider carefully the factors and risks associated with any investment in the Company, the REIT Group's business and the industry in which it operates, together with all other information contained in this Registration Document including, in particular, the risk factors described below. In addition, specific risk factors in respect of the Ordinary Shares will be set out in the Summary and Securities Note, and any Future Summary and Future Securities Note prepared in respect of this Registration Document.*

*The risks and uncertainties described below represent those the Directors consider to be material as at the date of this Registration Document. The following is not an exhaustive list or explanation of all risks which investors may face when making an investment in the Company and should be used as guidance only. Additional risks and uncertainties relating to the REIT Group that are not currently known to the Board, or that it currently deems immaterial, may individually or cumulatively also have a material adverse effect on the REIT Group's business, prospects, results of operations and financial position and, if any such risk should occur, the price of the Ordinary Shares may decline and investors could lose all or part of their investment.*

#### **1 Risks relating to the REIT Group's business**

##### **1.1 *The Company has a limited operating history***

The Company has a limited operating history upon which prospective inspectors may base an evaluation of the likely performance of the Company. Any investment in Ordinary Shares is, therefore, subject to all of the risks and uncertainties associated with a new business, including the risk that the Company will not achieve its investment objective and that the value of any investment made by the Company, and of the Ordinary Shares, could substantially decline.

##### **1.2 *Delays in the deployment of funds from share issues may affect distributions to Shareholders***

The Investment Adviser is currently engaged in negotiations with vendors regarding further potential investment opportunities, however the Company can provide no assurances that it will be able to acquire any further supermarket real estate assets. The Company is likely to face competition from a variety of other potential purchasers in identifying and acquiring suitable properties. Furthermore, the implementation of the Company's strategy is subject to a number of factors, some of which such as market conditions and property cycles may be beyond the control of the Investment Adviser. The failure to acquire any further properties will mean that the REIT Group will not receive further rental income, which is likely to adversely affect the Company's ability to meet its investment objective and therefore distributions which will be made to Shareholders.

Market conditions may have a negative impact on the Company's ability to identify and execute investments in suitable assets that generate acceptable returns. Locating suitable properties, conducting due diligence, negotiating acceptable purchase contracts and ultimately completing the purchase of a property typically require a significant amount of time. The Company may face delays in locating and acquiring suitable investments (resulting in exposure to a risk of increasing property prices) and, once the properties are identified, there could also be delays in completing the purchases, including delays in obtaining any necessary approvals. Necessary approvals may be refused, or granted only on onerous terms, and any such refusals, or the imposition of onerous terms, may result in an investment not proceeding as originally intended and could result in significant costs associated with aborting the transaction being incurred by the Company.

##### **1.3 *The REIT Group's performance will depend on general real estate market conditions***

Both the condition of the real estate market and the overall UK economy will impact the returns of the Company, and hence may have a negative impact on or delay the REIT Group's ability to execute investments in suitable assets that generate acceptable returns. Market conditions may also negatively impact on the revenues earned from property assets

and the price at which the REIT Group is able to dispose of these assets. In these circumstances, the Company's ability to make distributions to Shareholders from rental income could be affected which may, in turn, have an adverse effect on the REIT Group's performance, financial condition and business prospects.

#### **1.4 *Risks relating to the UK's proposed exit from the European Union***

A referendum was held on 23 June 2016 to decide whether the UK should remain in the EU. A vote was given in favour of the UK leaving the EU ("**Brexit**"). The extent of the impact of Brexit on the Company will depend in part on the nature of the arrangements that are currently being put in place between the UK and the EU following the eventual Brexit and the extent to which the UK continues to apply laws which are based on EU legislation. The REIT Group may be subject to a significant period of uncertainty in the period leading up to eventual Brexit including, among other things, uncertainty in relation to any potential regulatory or tax change. In addition, the macroeconomic effect of an eventual Brexit on the value of investments in the UK real estate sector and, by extension, the value of the investments in the REIT Group's investment portfolio, is unknown. Brexit could also create significant UK (and potentially global) stock market uncertainty, which may have a material adverse effect on the Net Asset Value and the price of Ordinary Shares. As such, it is not possible to foresee the impact that Brexit will have on the REIT Group and its investments at this stage. Brexit may also make it more difficult for the Company to raise capital in the EU and/or increase the regulatory compliance burden on the REIT Group. This could restrict the REIT Group's future activities and thereby negatively affect returns.

#### **1.5 *The REIT Group may not be able to dispose of its investments in a timely fashion and at satisfactory prices***

As property assets are expected to be relatively illiquid, such illiquidity may affect the REIT Group's ability to dispose of or liquidate its portfolio in a timely fashion. In addition, to the extent that market conditions are not favourable or deteriorate, the REIT Group may not be able to realise its real estate assets at satisfactory prices. This could result in a decrease in NAV and lower returns (if any) for Shareholders.

#### **1.6 *The REIT Group holds a portfolio of investment assets with a concentration of tenants***

All of the Company's assets are invested in UK property let to supermarket operators and other retailers in the UK food retail sector. Consequently, any downturn in the broader UK and its economy or specifically in the retail sector or regulatory changes in the UK or the retail sector could have a material adverse effect on the Company's results of operations or financial condition. Furthermore, the UK food retail sector is highly concentrated. Tesco, Sainsbury's, Asda and Morrisons (the "**Big Four**") have a combined market share of approximately 70 per cent. Accordingly, the Company has significant risk exposure to the Big Four as the majority of its tenants consist of the Big Four.

In order for the Company to continue to qualify as a REIT, no one property may represent more than 40 per cent. of the total value of all properties involved in the Property Rental Business. Furthermore, the Property Rental Business must, throughout the relevant accounting period, involve at least three properties. Greater concentration of investments in any sector or exposure to the creditworthiness of any one tenant or tenants may lead to greater volatility in the value of the Company's investments and NAV and may materially and adversely affect the performance of the Company and returns to Shareholders.

#### **1.7 *The Company's investment strategy is to leverage its investments***

Acquisition of property investments will be funded partly by borrowings. While the use of borrowings should enhance the NAV per Share where the value of the Company's underlying assets is rising, it will have the opposite effect where the underlying asset value is falling. In addition, in the event that the rental income of the Portfolio falls for whatever reason, the use of borrowings will increase the impact of such a fall on the net revenue of the Company and accordingly will have an adverse effect on the Company's ability to pay dividends to Shareholders. The stability of any investment's cash flow will affect the level of borrowing used to acquire it. There is no assurance that credit will be available under acceptable commercial terms. This may impair the ability of the Company to make investments which in turn may have a material adverse effect on performance of the Company.

Access to debt financing in the future will depend on, amongst other things, suitable market conditions. If conditions in credit markets are unfavourable at the time when sources of financing expire (the RCF is repayable on 30 August 2020) or when the REIT Group is seeking to refinance them, the REIT Group may not be able to obtain new sources of financing or may only be able to obtain new sources of financing at higher costs or on more restrictive terms. In such circumstances the Company may have to limit investment activity and the level of dividends the Company is able to pay may be reduced.

#### **1.8 *Interest rate risk***

Where the REIT Group has borrowed or intends to borrow on a variable rate basis, it has entered into, and may enter into, derivative instruments to mitigate the risk of movements in interest rates. The REIT Group's policy is that any future variable rate borrowings may also be appropriately hedged. To the extent that the REIT Group does not enter into hedging arrangements, or if such arrangements are no longer available or are only available on unacceptable terms, the REIT Group may be exposed to interest rate risk.

#### **1.9 *The appraisal value of the REIT Group's properties may not accurately reflect the current or future value of the REIT Group's assets***

The valuation of property is inherently subjective owing to the individual nature of each property and is based on a number of assumptions which may not turn out to be true, meaning that actual sale prices paid or received by the REIT Group (as applicable) may not reflect the valuations of the properties.

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

To the extent valuations of the Company's properties do not fully reflect the value of the underlying properties, whether due to the above factors or otherwise, this may have a material adverse effect on the Company's financial condition, business prospects and results of operations.

#### **1.10 *The Company can give no assurance as to how long it will take to invest proceeds from share issues***

Until such time as any proceeds from share issues are applied by the REIT Group to fund supermarket real estate investments, they will be held by the Company on interest bearing deposit in anticipation of future investment and to meet the running costs of the Company. Such deposits are very likely to yield lower returns than the expected returns from supermarket real estate investment. The Company can give no assurance as to how long it will take it to invest any or all of the proceeds from share issues, if at all, and the longer the period the greater the likely adverse effect on the REIT Group's performance, financial condition and business prospects.

#### **1.11 *The REIT Group may not acquire 100 per cent. control of its investments***

The Company's investment strategy does not restrict the REIT Group from entering into a variety of investment structures, such as joint ventures, acquisitions of controlling interests or acquisitions of minority interests (although the Directors do not currently propose that the REIT Group will take a passive or minority interest in supermarket real estate investments). In the event that the REIT Group acquires less than a 100 per cent. interest in a particular asset, the remaining ownership interest will be held by third parties and the subsequent management and control of such an asset may entail risks associated with multiple owners and decision-makers. Any such investment also involves the risk that third party owners might

become insolvent or fail to fund their share of any capital contribution which might be required. In addition, such third parties may have economic or other interests which are inconsistent with the REIT Group's interests, or they may obstruct the REIT Group's plans (for example, in implementing active asset management measures), or they may propose alternative plans. If such third parties are in a position to take or influence actions contrary to the REIT Group's interests and plans, the REIT Group may face the potential risk of impasses on decisions that affect the ability to implement its strategies and/or dispose of the real estate asset. The above circumstances may have a material adverse effect on the REIT Group's performance, financial condition and business prospects.

In addition, there is a risk of disputes between the REIT Group and third parties who have an interest in the supermarket real estate asset in question. Any litigation or arbitration resulting from any such disputes may increase the REIT Group's expenses and distract the Directors and the Investment Adviser from focusing their time to fulfil the Company's investment objective. The REIT Group may also, in certain circumstances, be liable for the actions of such third parties.

**1.12 *Any costs associated with potential investments that do not proceed to completion will affect the Company's performance***

The Company expects to incur certain third party costs associated with sourcing of suitable assets. Whilst the Company will always seek to minimise any such costs, it can give no assurances as to the ongoing level of these costs or that negotiations to acquire such assets will be successful; the greater number of these deals which do not reach completion, the greater impact of such costs on the Company's performance, financial condition and business prospects.

**1.13 *The REIT Group may be subject to liability following disposal of investments***

The REIT Group may be exposed to future liabilities and/or obligations with respect to the disposal of investments. The Company may be required to set aside money for warranty claims or contingent liabilities in respect of property disposals. The Company may be required to pay damages (including but not limited to litigation costs) to the extent that any representations or warranties that it has given to a purchaser prove to be inaccurate or to the extent that it has breached any of its covenants contained in the disposal documentation. In certain circumstances, it is possible that any incorrect representations and warranties could give rise to a right by the purchaser to unwind the contract in addition to the payment of damages. Further, the Company may become involved in disputes or litigation in connection with such disposed investments. Certain obligations and liabilities associated with the ownership of investments can also continue to exist notwithstanding any disposal, such as environmental liabilities. Any such claims, litigation or obligations, and any steps which the Company is required to take to meet the cost, such as sales of assets or increased borrowings, could have an adverse effect on the REIT Group's performance, financial condition and business prospects.

**1.14 *A default by a major tenant could result in a significant loss of letting income, void costs, a reduction in asset value and increased bad debts***

A downturn in business, bankruptcy or insolvency could force a major tenant to default on its rental obligations and/or vacate the premises. Such a default could result in a loss of rental income, void costs, an increase in bad debts and decrease the value of the relevant property. Moreover, such a default may prevent the REIT Group from increasing rents or result in lease terminations by, or reductions in rent for, other tenants under the conditions of their leases. This is a particular risk in relation to any tenant in respect of which the Company might have the maximum permitted exposure under the investment policy. Any of the above impacts of a default by a major tenant could have a material adverse effect on the REIT Group's business, financial condition, results of operations, future prospects or the price of Ordinary Shares.

**1.15 *The discovery of previously undetected environmentally hazardous conditions in the REIT Group's properties could result in unforeseen remedial work or future liabilities even after disposal of such property***

Under applicable environmental laws, a current or previous property owner may be liable for the cost of removing or remediating hazardous or toxic substances on, under or in such property, which cost could be substantial. While the Investment Adviser will undertake environmental due diligence before acquiring future properties, there is still a risk that third

parties may seek to recover from the REIT Group for personal injury or property damage associated with exposure to any release of hazardous substances. Payment of damages could adversely affect the Company's ability to make distributions to Shareholders from rental income.

Furthermore, the presence of environmentally hazardous substances, or the failure to remediate damage caused by such substances, may adversely affect the REIT Group's ability to sell or lease the relevant property at a level that would support the Company's investment strategy which would, in turn, have a material adverse effect on the REIT Group's performance, financial condition and business prospects.

**1.16 *Development or redevelopment expenditure may be necessary in the future to preserve rental income***

Returns from investment in property depend largely upon the amount of rental income generated from the property and the expenses incurred in the repair, maintenance and management of the property, as well as upon changes in its market value. Development or redevelopment expenditure may be necessary in the future to preserve the rental income generated from and/or the value of properties, and this may affect the REIT Group's profits and/or cashflows.

**1.17 *Redevelopment, refurbishment and/or expansion potential may be adversely affected by a number of factors***

The potential for the redevelopment, refurbishment and/or expansion of properties may be adversely affected by a number of factors, including constraints on location, planning legislation and the need to obtain other licences, consents and approvals and the existence of restrictive covenants affecting the title to such property. Consequently, on some of its assets, there may not be an opportunity for the REIT Group to carry out redevelopment or expansion or refurbishment or enhancement work, which, in each case, may have an adverse effect on the REIT Group's business, financial condition and/or results of operations.

**2 Risks relating to the Investment Adviser**

**2.1 *The REIT Group will continue to be dependent to some extent on the efforts of the Investment Adviser, together with the performance and retention of key personnel***

The REIT Group will continue to be reliant, to some extent, on the management and advisory services the Company receives from the Investment Adviser. Any failure to source assets, execute transactions or manage investments by the Investment Adviser may have a material adverse effect on the REIT Group's performance. The departure of any member of the Investment Adviser without adequate replacement may also have a material adverse effect on the REIT Group's performance.

The Investment Adviser is also responsible for carrying out the day to day management of the Company's affairs and, therefore, any disruption to the services of the Investment Adviser (whether due to termination of the Investment Advisory Agreement or otherwise) could cause a significant disruption to the Company's operations until a suitable replacement is found.

In addition, the Company only has limited control over the personnel of or used by the Investment Adviser. Any damage to the reputation of the personnel of the Investment Adviser could result in potential counterparties and other third parties such as occupiers, landlords, joint venture partners, lenders or developers being unwilling to deal with the Investment Adviser and/or the Company. This may have a material adverse effect on the ability of the Company to successfully pursue its investment strategy.

**2.2 *The past or current performance of the Company or the Investment Adviser is not a guarantee of the future performance of the REIT Group***

The past or current performance of the Company or the Investment Adviser is not indicative, or intended to be indicative, of future performance of the Company.

The previous experience of the Investment Adviser and companies and ventures advised and/or operated by members of the Investment Adviser may not be directly comparable with the Company's current business. Differences between the circumstances of the Company and the circumstances under which the track record information in this Registration Document was generated include (but are not limited to) actual acquisitions and investments made, investment objectives, fee arrangements, structure (including for tax purposes), terms,

leverage, performance targets, market conditions and investment horizons. All of these factors can affect returns and impact the usefulness of performance comparisons and, as a result, none of the historical information contained in this Registration Document is directly comparable to the Company's business or the returns which the Company may generate.

### **2.3 *Due diligence may not identify all risks and liabilities***

Prior to entering into an agreement to acquire a property, the Company will perform due diligence on the property concerned. In doing so it would typically rely on third parties to conduct a significant portion of this due diligence (including legal reports on title and property valuations). To the extent that such third parties underestimate or fail to identify risks and liabilities (including any environmental liabilities) associated with the property in question, the relevant member of the REIT Group may be affected by defects in title, or exposed to environmental, structural or operational defects requiring remediation, or may be unable to obtain necessary permits or permissions which may have a material adverse effect on the Company's profitability, the NAV and the price of Ordinary Shares.

A due diligence failure may also result in properties that are acquired failing to perform in accordance with projections, particularly as to rent and occupancy, which may have a material adverse effect on the Company's profitability, the NAV and the price of Ordinary Shares.

## **3 Risks relating to taxation and regulation**

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

The Company cannot guarantee the continued compliance with all of the REIT conditions and there is a risk that the REIT regime may cease to apply in certain circumstances. If the REIT Group fails to remain qualified as a REIT, members of the REIT Group may be subject to UK corporation tax on some or all of their property rental income and chargeable gains on the sale of properties which would reduce the amounts available to distribute to investors.

### **3.2 *Adverse changes in taxation law and in the tax position of the Company***

This Registration Document is prepared in accordance with current taxation laws and practice in the UK. UK taxation legislation and interpretation is subject to change. The taxation of an investment in the Company depends on the individual circumstances of investors. Any change in the Company's tax position or status or in tax legislation or proposed legislation, or in the interpretation of tax legislation or proposed legislation by tax authorities or courts, or tax rates, could adversely affect the Company's ability to pay dividends, dividend growth and the market value of the Ordinary Shares and thus may alter the net return to investors. In particular, an increase in the rates of SDLT could have a material impact on the cost of acquiring UK land and, therefore, on asset values. The UK government has been known to introduce retrospective tax legislation and this cannot be ruled out in the future.

### **3.3 *Disposals of property***

If a member of the REIT Group disposes of a property in the course of a trade, any gain will generally be subject to corporation tax (currently at 19 per cent. but reducing to 17 per cent. from April 2020). For example, acquiring a property with a view to sale followed by a disposal of the asset would indicate a trading activity, whereas disposal of a property as part of a normal variation of a property rental portfolio would not indicate a trading activity. While the REIT Group does not intend to dispose of property in the course of a trade, there can be no assurance that HMRC will not scrutinise any disposals and successfully contend that any or some of them have been in the course of a trade, with the consequence that corporation tax may be payable in respect of any profits from the disposal of such property.

### **3.4 *Distribution requirements may limit the Company's flexibility in executing its acquisition plans***

The REIT distribution requirements may limit the Company's ability to fund acquisitions and capital expenditures through retained income earnings. To maintain REIT status (and therefore full exemption from UK corporation tax and UK income tax on the profits of the REIT Group's property business), the Company is required to distribute (to the extent permitted by law) annually to Shareholders an amount sufficient to meet the 90 Per Cent

Distribution Condition by way of property income distributions. As a result of this condition, the Company's ability to grow through acquisition of new assets and development of existing assets could be limited if the Company was unable to obtain debt or issue shares.

**3.5 *The Company may be adversely affected by change of law, regulation and/or practice guidance in relation to the AIFM Directive***

Changes to laws, regulations and practice guidance (including any ESMA guidance or recommendations) could adversely affect the Company or the Investment Adviser. Regulation of, and practice guidance relating to, entities such as the Company, and their AIFMs and depositaries, is evolving and subject to change. In addition, many governmental agencies, self-regulatory organisations and exchanges are authorised to take extraordinary actions in the event of market emergencies. Changes to the legal and regulatory regime applicable to the Investment Adviser could adversely affect the Company because of the Company's reliance upon the continuing availability to it of the expertise of Investment Adviser and the likelihood that such changes would increase the on-going costs borne, directly or indirectly, by the Company by virtue of the contractual arrangements agreed between the Company and the Investment Adviser. The effect of any future legal or regulatory change (including changes in practice guidance) on the Company or on the Investment Adviser is not possible to predict, but could be substantial and adverse.

**3.6 *Changes to the AIFM Directive regime or its interpretation, or JTC Global AIFM Solutions Limited becoming unable to act as the Company's AIFM, may have a material adverse effect on the Company***

As the AIFM for the Company, the AIFM is required to comply with on-going capital, reporting and transparency obligations and a range of organisational requirements and conduct of business rules. The AIFM must also, as the AIFM for the Company, adopt a range of policies and procedures addressing areas such as risk management, liquidity management, conflicts of interest, valuations, compliance, internal audit and remuneration. If the AIFM were to fail to comply with the legal and other regulatory requirements applicable to an authorised AIFM or otherwise cease to hold authorisation as an AIFM, the AIFM would not be permitted to continue to manage the Company and a successor AIFM duly authorised as an AIFM would need to be appointed to perform this function. The Company is reliant upon the investment expertise of the AIFM and there is no guarantee that a suitably qualified successor AIFM could be found or could be engaged on terms comparable to those applicable to the AIFM. Any transition to a successor AIFM could result in significant costs being incurred by the Company and material disruptions to its investment activities and operations and to the marketing of interests in the Company.

Changes to the AIFM Directive regime or new recommendations and guidance as to its implementation may impose new operating requirements and result in a change in the operating procedures of the AIFM and its relationship with the Company and service providers and may impose restrictions on the investment activities that the AIFM (and in turn the Company) may engage in. Such changes may increase the on-going costs borne, directly or indirectly, by the Company by virtue of the contractual arrangements agreed between the Company and the Investment Adviser and between the Company/AIFM and service providers.

These factors may have a material adverse effect on the Company's financial condition, business, prospects and results of operations.

**3.7 *Packaged retail and insurance-based investment products ("PRIIPs")***

Investors should be aware that the PRIIPs Regulation requires the Company, as PRIIP manufacturer, to prepare a key information document ("KID"). This KID must be made available by the Company to retail investors prior to them making any investment decision and is available on the Company's website at [www.supermarketincomereit.com](http://www.supermarketincomereit.com). The content of KIDs is highly prescriptive, both in terms of the calculations underlying the numbers and the narrative, with limited ability to add further context and explanations, and therefore the KID should be read in conjunction with other material produced by the Company including the annual report, the quarterly factsheets and the Prospectus, all of which are available on the Company's website.

### 3.8 **FATCA**

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

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

Under the IGA, an FFI that is resident in the UK (a “**Reporting FI**”) is not subject to withholding under FATCA provided that it complies with the terms of the IGA, including requirements to register with the IRS and requirements to identify, and report certain information on, accounts held by US persons owning, directly or indirectly, an equity or debt interest in the Reporting FI (other than equity and debt interests that are regularly traded on an established securities market, for which see below), and report on accounts held by certain other persons or entities to HMRC.

The Company expects that it will be treated as a Reporting FI pursuant to the IGA and that it will comply with the requirements under the IGA. The Company also expects that its Ordinary Shares may, in accordance with current HMRC practice, comply with the conditions set out in the IGA to be “regularly traded on an established securities market” meaning that the Company should not have to report specific information on its Shareholders and their investments to HMRC for FATCA purposes (although such reporting may be required for the purposes of the Common Reporting Standard (“**CRS**”), as to which see below). However, there can be no assurance that the Company will be treated as a Reporting FI, that its Ordinary Shares will be considered to be “regularly traded on an established securities market” or that it will not in the future be subject to withholding tax under FATCA or the IGA. If the Company becomes subject to a withholding tax as a result of FATCA or the IGA, the return on investment of some or all Shareholders may be materially adversely affected.

**FATCA and the IGA are complex. The above description is based in part on regulations, official guidance and the IGA, all of which are subject to change. All prospective investors and Shareholders should consult with their own tax advisors regarding the possible implications of FATCA on their investment in the Company.**

### 3.8 **Automatic exchange of information (“**AEOI**”)**

To the extent that the Company may be a reporting financial institution under FATCA and/or CRS (a “**Financial Institution**”), it may require Shareholders to provide it with certain information in order to comply with its AEOI obligations which information may be provided to HMRC who may in turn exchange that information with certain other jurisdictions.

### 3.9 **Risks relating to US taxation**

The Company may be treated as a “passive foreign investment company” (“**PFIC**”) for federal US income tax purposes, which could have adverse consequences to US Shareholders. A non-US company (such as the Company) is deemed to be a PFIC if, during any taxable year, (i) 75 per cent. or more of its gross income consists of certain types of passive income, or (ii) the average value (or basis in certain cases) of its passive assets (generally assets that generate passive income) is 50 per cent. or more of the average value (or basis in certain cases) of all of its assets. For purposes of these tests, “passive income” includes dividends, interest, and gains from the sale or exchange of investment property and rents and royalties other than rents and royalties which are received from unrelated parties in connection with the active conduct of a trade or business.

The determination of PFIC status is a factual determination that must be made annually at the close of each taxable year. It has not been determined whether the Company will be treated as a PFIC in the current or preceding taxable years. Whether the Company is a PFIC in any taxable year will depend on whether and the extent to which it is treated as receiving rents in the conduct of an active business. If the Company were classified as a PFIC in any year with respect to which a US holder owns Ordinary Shares, the Company would continue

to be treated as a PFIC with respect to the US holder in all succeeding years during which the US holder owns such securities, regardless of whether the Company continues to meet the tests described above.

If the Company were treated as a PFIC for US tax purposes, US holder may become subject to certain US reporting obligations and to adverse US federal income tax consequences, including with respect to the distributions received and the gain, if any, derived from the sale or other disposition of Ordinary Shares. Specifically, the PFIC rules could have the effect of subjecting US holder to an interest charge on any “deferred tax amounts” and taxing gain upon the sale of shares as ordinary income. Certain of these adverse tax consequences may be mitigated if a US holder makes a mark-to-market election. However, no assurance can be provided that a mark-to-market election is or will be available for the Ordinary Shares. The Company does not expect to provide US holders with sufficient information to make a “qualified electing fund” election.

US investors are urged to consult their own tax advisors with respect to their own particular circumstances and with respect to the applicability of the PFIC rules and the availability of, and the procedures for making, any available US federal income tax elections to mitigate the impact of the PFIC rules.

### **3.10 *Additional risks to investors in the United States***

Not all rights available to shareholders under United States law will be available to holders of the Ordinary Shares. Shareholders may have difficulty in effecting service of process on the Company or the Directors or officers of the Company in the United States, in enforcing United States judgements in the United Kingdom or in enforcing United States federal securities laws in UK courts.

## PART 2

### IMPORTANT INFORMATION

#### 1 General

This Registration Document should be read in its entirety, along with Summary and Securities Note or any Future Summary and Future Securities Note, before making any application for Ordinary Shares. In assessing an investment in the Company, investors should rely only on the information in this Registration Document (together with the Summary and Securities Note or any Future Summary and Future Securities Note). No broker, dealer or other person has been authorised by the Company to issue any advertisement or to give any information or to make any representations in connection with the offering or sale of Ordinary Shares other than those contained in this Registration Document (together with the Summary and Securities Note or any Future Summary and Future Securities Note), and, if issued, given or made, such advertisement, information or representation must not be relied upon as having been authorised by the Company, the Board, the Investment Adviser or Stifel or any of their respective affiliates, directors, officers, employees or agents or any other person.

Where only parts of a document are incorporated by reference, the parts of any such document which are not incorporated by reference are either not relevant to prospective investors, or the information contained therein is covered elsewhere in this document.

Without prejudice to any obligation of the Company to publish a supplementary prospectus, neither the delivery of this Registration Document (together with the Summary and Securities Note or any Future Summary and Future Securities Note) nor any subscription or purchase of Ordinary Shares made pursuant to this Registration Document (together with the Summary and Securities Note or any Future Summary and Future Securities Note) shall, under any circumstances, create any implication that there has been no change in the affairs of the Company since, or that the information contained herein is correct at any time subsequent to, the date of this Registration Document.

This Registration Document (together with the Summary and Securities Note or any Future Summary and Future Securities Note) describes the Company and the REIT Group. Without prejudice to any obligation of the Company to publish a supplementary prospectus pursuant to section 87G of FSMA and paragraph 3.4 of the Prospectus Rules, neither the delivery of this Registration Document (together with the Summary and Securities Note or any Future Summary and Future Securities Note) at any time nor any purchase or sale made under this Registration Document (together with the Summary and Securities Note or any Future Summary and Future Securities Note) shall, under any circumstances, create any implication that there has not been a change in the business or affairs of the Company or of the REIT Group taken as a whole since the date of this Registration Document (together with the Summary and Securities Note or any Future Summary and Future Securities Note) or that the information contained herein is correct as at any time subsequent to its date.

Apart from the responsibilities and liabilities, if any, which may be imposed on Stifel by FSMA or the regulatory regime established thereunder, or under the regulatory regime of any jurisdiction where the exclusion of liability under the relevant regime would be illegal, void or unenforceable, neither Stifel or any of its respective affiliates or representatives accepts any responsibility whatsoever for the contents of this Registration Document or for any other statement made or purported to be made by it, or on its behalf, in connection with the Company or the Ordinary Shares. Accordingly, Stifel and its respective affiliates and representatives disclaim, to the fullest extent permitted by applicable law, all and any liability whether arising in tort, contract or otherwise (save as referred to above) which they might otherwise have in respect of such document or any such statement. No representation or warranty, express or implied, is made by Stifel or its respective affiliates or representatives as to the accuracy or completeness of such information, and nothing contained in this Registration Document is, or shall be relied upon as, a promise or representation by Stifel as to the past, present or future.

Stifel and its affiliates may have engaged in transactions with, and provided various investment banking, financial advisory and other services for, the Company, for which they may have received fees. Stifel and its affiliates may provide such services to the Company or members of the REIT Group in the future.

None of the Company, the Directors or Stifel, or any of their respective affiliates or representatives, is making any representation to any prospective investor regarding the legality of an investment in Ordinary Shares by any such prospective investor under the laws applicable to any such prospective investor.

This Registration Document is not intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of the Company, the Directors, Stifel or any of their respective affiliates and representatives that any recipient of this Registration Document should subscribe for or purchase Ordinary Shares. Prior to making any decision as to whether to subscribe for or purchase Ordinary Shares, prospective investors should read this Registration Document (together with the Summary and Securities Note or any Future Summary and Future Securities Note). Prospective investors should ensure that they read the whole of this Registration Document (together with the Summary and Securities Note or any Future Summary and Future Securities Note) carefully and not just rely on key information or information summarised within this Registration Document. In making an investment decision, prospective investors must rely upon their own examination of the Company and the terms of this Registration Document (together with the Summary and Securities Note or any Future Summary and Future Securities Note), including the risks involved.

Investors who subscribe for or purchase Ordinary Shares will be deemed to have acknowledged that (i) they have not relied on Stifel or any of its affiliates or representatives in connection with any investigation of the accuracy of any information contained in this Registration Document (together with the Summary and Securities Note or any Future Summary and Future Securities Note) or their investment decision and (ii) they have relied on the information contained in this Registration Document (together with the Summary and Securities Note or any Future Summary and Future Securities Note), and no person has been authorised to issue any advertisement, give any information or make any representation concerning the REIT Group or Ordinary Shares (other than as contained in this Registration Document) and, if issued, given or made, any such other information or representation should not be relied upon as having been authorised by the Company, the Directors or Stifel or any of their respective affiliates or representatives.

## **2 Interpretation**

Certain terms used in this Registration Document, including certain capitalised terms and certain technical and other terms are defined and explained in Part 15 (“**Glossary of Terms and Definitions**”) of this Registration Document.

## **3 No incorporation of website**

The content of any of the websites of the REIT Group does not form part of this Registration Document and prospective investors should not rely on it.

## **4 Presentation of financial information**

The REIT Group has prepared audited consolidated financial statements for the period from 1 June 2017 to 31 December 2017 (the “**Financial Statements**”), which is summarised in Part 13 (“**Historical Financial Information**”) of this Registration Document. Unless otherwise indicated, the financial information presented in this Registration Document has been prepared in accordance with IFRS.

Unless otherwise indicated, all financial information contained in this Registration Document relating to the REIT Group has been sourced, without material adjustment, from the Financial Statements of the REIT Group, on a basis consistent with the Company’s accounting policies.

The REIT Group has also prepared unaudited interim consolidated financial statements for the period from 1 June 2017 to 31 December 2017 (the “**Interim Financial Statements**”), certain parts of which are incorporated by reference and summarised in Part 12 (“**Operating and Financial Review**”) of this Registration Document.

The REIT Group also presents key performance indicators. These are based on dividend yield, LTV, NAV per Share, increase in Portfolio valuation and costs as a percentage of NAV.

## 5 Market, economic and industry data

This Registration Document contains information regarding the REIT Group's business and the market in which it operates and competes, which (save as mentioned below) the Company has obtained from various third party sources.

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

In particular, this Registration Document contains information from the following third party sources:

- The Investment Property Databank as maintained by Morgan Stanley Capital International
- IGD Services Limited (trading as The Institute of Grocery Distribution)
- Property Data Limited
- Morgan Williams
- Fooddeserts.org

Certain market share information and other statements in Part 7 ("**Details of the Market**") of this Registration Document and elsewhere in this Registration Document regarding the industry in which the REIT Group operates and the REIT Group's position relative to its competitors are not based on published statistical data or information obtained from independent third parties. Rather, such information and statements reflect the Directors' best estimates based upon information obtained from trade and business organisations and associations and other contacts within the industry in which it competes, as well as information published by its competitors and which, in each case, has not been independently verified. Trends described as industry trends may not apply across the industry due to the diversity of participants and, as such, may have a greater or lesser impact on the REIT Group than on other participants. Please also refer to Part 1 ("**Risk Factors**") of this Registration Document and paragraph 8 ("**Forward-looking statements**") of this Part 2 ("**Important information**").

## 6 Currency presentation

Unless otherwise indicated, all references in this Registration Document to "Pounds Sterling", "Pounds", "£", "pence" or "p" are to the lawful currency of the United Kingdom.

## 7 Roundings

Certain data in this Registration Document, including financial, statistical and operating information has been rounded. As a result of this rounding, the totals of data presented in this Registration Document may vary slightly from the actual arithmetic totals of such data.

In certain instances, the sum of the numbers in a column or a row in tables contained in this Registration Document may not conform exactly to the total figure given for that column or row. Percentages in tables have been rounded and accordingly may not add up to 100 per cent.

## 8 Forward-looking statements

This Registration Document includes statements that are, or may be deemed to be, "forward-looking statements". These forward-looking statements can be identified by the use of forward-looking terminology, including the terms "believes", "estimates", "forecasts", "plans", "prepares", "anticipates", "expects", "intends", "may", "will", "could" or "should" or, in each case, their negative or other variations or comparable terminology. These forward-looking statements include all matters about future events and developments and with respect to future financial results as well as other statements that do not relate to historical facts and events. They appear in a number of places throughout this Registration Document and include statements regarding the intentions, beliefs or current expectations of the REIT Group

and the Directors concerning, amongst other things, financing strategies, results of operations, financial condition, liquidity, prospects and dividend policy of the REIT Group and the markets in which it operates.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future.

Forward-looking statements are not guarantees of future performance and no assurance can be or is given that such future results will be achieved. The REIT Group's actual results of operations, financial condition, liquidity, dividend policy and the development of its financing strategies may differ materially from the impression created by the forward-looking statements contained in this Registration Document. In addition, even if the results of operations, financial condition, liquidity and dividend policy of the REIT Group, and the development of its financing strategies, are consistent with the forward-looking statements contained in this Registration Document, those results or developments may not be indicative of results or developments in subsequent periods. Important factors that could cause these differences include, but are not limited to, those factors set out in Part 1 ("**Risk Factors**") of this Registration Document.

Prospective investors are advised to read this Registration Document (along with the Summary and Securities Note or any Future Summary and Future Securities Note) in its entirety for a further discussion of the factors that could affect the REIT Group's future performance. In light of these risks, uncertainties and assumptions, the events described in the forward-looking statements in this Registration Document may not occur.

Consequently, neither the Company nor the Directors can give any assurances regarding the accuracy of the opinions set out in this Registration Document or the actual occurrence of any predicted developments.

Subject to their legal and regulatory obligations (including under the Listing Rules, Prospectus Rules, MAR and the Disclosure Guidance and Transparency Rules), the Company and Stifel expressly disclaim any obligations to update or revise any forward-looking statement contained herein to reflect any change in expectations with regard thereto or any change in events, conditions or circumstances on which any statement is based. All subsequent forward-looking statements that can be attributed either to the Company or to individuals acting on its behalf (including the Directors) are expressly qualified in their entirety by this paragraph.

Nothing in this paragraph 8 of Part 2 should be taken as limiting the working capital statement in paragraph 14 of Part 14 of this document.

## **9 Further share issues**

This Registration Document is valid for a period of up to 12 months following its publication. The Company may issue up to 150 million additional Ordinary Shares (less any New Ordinary Shares issued pursuant to the Initial Issue) at any time within a period of up to 12 months from the date of this Registration Document in connection with the Share Issuance Programme in one or more Tranches. The prospectus for any issuance of additional Ordinary Shares may, for a period of up to 12 months from the date of the publication of this Registration Document, consist of this Registration Document which will not be updated and a Future Summary and Future Securities Note which will be applicable to each issue and subject to separate approval by the FCA on each issue. Persons receiving this Registration Document should read the Prospectus (or any future prospectus) together as a whole and should be aware that any update in respect of a Future Summary and Future Securities Note may constitute a material change for the purposes of the Prospectus Rules.

## **10 London time**

All references to time in this Registration Document are to London time, unless otherwise stated.

## **11 Advice**

Prospective investors should not treat the contents of this Registration Document as advice relating to legal, taxation, investment or any other matters. Prospective investors should inform themselves as to: (a) the legal requirements within their own countries for the purchase, holding, transfer or other disposal of Ordinary Shares; (b) any foreign exchange restrictions applicable to the purchase, holding, transfer or other disposal of Ordinary Shares which they might encounter; and (c) the income and other tax consequences which may apply in their own countries as a result of the purchase, holding, transfer or other disposal of Ordinary Shares. Prospective investors must rely upon their own representatives, including their own legal advisers and accountants, as to legal, taxation, investment or any other related matters concerning the Company and an investment therein. Statements made in this Registration Document are based on the law and practice currently in force in England and Wales and the United States and are subject to changes therein.

## **12 Constitution**

All Shareholders are entitled to the benefit of, and are bound by and are deemed to have notice of, the provisions of the Articles of Association of the Company.

## PART 3

### DIRECTORS, REGISTERED OFFICE, COMPANY SECRETARY AND ADVISERS

#### Directors

Nick Hewson – (Non-Executive Chairman)

Vincent Prior – (Non-executive Director and Senior Independent Director)

Jon Austen – (Non-executive Director)

#### Administrator and Company Secretary

JTC (UK) Limited

7<sup>th</sup> Floor

9 Berkeley Street

London

W1J 8DW

#### Registered address and head office

7th Floor

9 Berkeley Street

London

W1J 8DW

#### AIFM

JTC Global AIFM Solutions Limited

Ground Floor

Dorey Court

Admiral Park

Guernsey

GY1 2HT

#### Investment Adviser

Atrato Capital Limited

33 Wigmore Street

London

W1U 1BZ

#### Financial Adviser, Broker and Placing Agent

Stifel Nicolaus Europe Limited

4th Floor

150 Cheapside

London

EC2V 6ET

#### English legal advisers to the Company

Macfarlanes LLP

20 Cursitor Street

London

EC4A 1LT

#### US legal advisers to the Company

Hughes Hubbard & Reed LLP

One Battery Park Plaza

New York

NY 10004-1482

#### English and US legal advisers to Stifel

CMS Cameron McKenna Nabarro Olswang LLP

Cannon Place

78 Cannon Street

London

EC4N 6AF

**Auditor and Reporting Accountant**

BDO LLP  
55 Baker Street  
London  
W1U 7EU

**Receiving Agent**

Link Asset Services  
Corporate Actions  
The Registry  
34 Beckenham Road  
Beckenham  
Kent  
BR3 4TU

**Registrars**

Link Asset Services  
The Registry  
34 Beckenham Road  
Beckenham  
Kent  
BR3 4TU

**Valuer**

Cushman & Wakefield Debenham Tie Leung Limited  
(trading as Cushman & Wakefield)  
125 Old Broad Street  
London  
EC2N 1AR

**PART 4**  
**LETTER FROM THE CHAIRMAN**  
**SUPERMARKET INCOME REIT PLC**

*Directors:* Nick Hewson  
Vincent Prior  
Jon Austen

*Registered office:* 7<sup>th</sup> Floor  
9 Berkeley Street  
London  
W1J 8DW

25 April 2018

Dear Shareholder

**Proposed issue and admission of New Ordinary Shares to the SFS (the “Initial Issue”) and proposed Share Issuance Programme**

**1 Introduction**

The Board of Supermarket Income REIT plc announced on 25 April 2018 that it intends to raise up to approximately £65 million (before expenses) by way of the Initial Issue. Pursuant to the Placing Agreement, Stifel has agreed to use its reasonable endeavours to procure subscribers for New Ordinary Shares under the Placing at the Issue Price. The Board has reserved the right, in consultation with Stifel and the Investment Adviser, to increase the size of the Initial Issue up to a maximum of 150 million New Ordinary Shares in aggregate if there is sufficient investor demand and sufficient assets available and suitable for investment, by increasing the size of the Placing, the Offer for Subscription or both by reallocating Ordinary Shares available under the Share Issuance Programme to the Initial Issue.

The Initial Issue is not underwritten. The Placing may be scaled back in order to satisfy valid applications under the Offer for Subscription, and the Offer for Subscription may be scaled back in favour of the Placing.

In addition to the Initial Issue, the Company is proposing to implement the Share Issuance Programme. Under the Share Issuance Programme, the Company intends to issue up to 150 million Ordinary Shares (less the number of New Ordinary Shares issued pursuant to the Initial Issue) in Tranches. Each Tranche will comprise a placing on similar terms to the Placing and may, at the discretion of the Company in consultation with Stifel, comprise an open offer component and/or an offer for subscription component on similar terms to the Offer for Subscription. The issue price for Ordinary Shares issued pursuant to the Share Issuance Programme is not known at the date of this Registration Document and may be different from the Issue Price of New Ordinary Shares issued pursuant to the Initial Issue.

I am writing to give you further details of the Initial Issue and Share Issuance Programme, to explain why the Board considers the Initial Issue and the Share Issuance Programme to be in the best interests of the Company and the Shareholders as a whole, to explain the related party elements of the transaction and to seek your approval of the Resolutions to be proposed at the General Meeting.

**2 Background to, and reasons for, the Initial Issue and Share Issuance Programme**

**2.1 Background and summary information on the REIT Group**

The Company is a public limited company incorporated in England and Wales on 1 June 2017. Application was made to the London Stock Exchange for all of the Company’s Ordinary Shares to be admitted to trading on the SFS on 21 July 2017, raising gross proceeds of £100 million through the issue of 100,000,000 Ordinary Shares at a price of 100 pence per Ordinary Share (the “IPO”). The Company is the principal company of the REIT Group.

In November 2017, in order to assist in financing the acquisition of an additional supermarket asset with an aggregate market value of approximately £50 million, the Company raised further gross proceeds of approximately £20 million through a follow-on placing of a further 19,999,999 Ordinary Shares (representing 19.99 per cent. of the Company's issued share capital at that time).

Accordingly, in accordance with the Company's Investment Policy, the Company has invested in four UK supermarket assets, operating both as physical supermarkets and as online fulfilment centres (for home delivery and/or click and collect) on large sites with the potential for capital growth through active asset management opportunities.

The targeted long term net total Shareholder return (comparing NAV progression and dividends) is currently 7 to 10 per cent. per annum.

## **2.2 Reasons for the Initial Issue and the Share Issuance Programme**

The REIT Group continues to see opportunities to purchase assets at attractive yields and with the potential to secure good quality income streams which can be distributed to Shareholders through the Company's quarterly dividend programme. The Portfolio also offers continued potential for capital growth, which has the potential to supplement the income returns generated from the REIT Group's assets.

The Directors continue to see a range of acquisition and development opportunities which meet the REIT Group's acquisition and investment criteria, giving rise to an attractive pipeline of capital deployment opportunities.

Accordingly, the REIT Group is seeking to raise additional finance through the Initial Issue and the Share Issuance Programme, which it will seek to deploy, together with debt finance where relevant and appropriate, in line with its investment strategy.

The Share Issuance Programme is being implemented in order to allow the Company to tailor future equity issuance to its immediate pipeline, providing flexibility and minimising cash drag. The total net proceeds of the Share Issuance Programme will depend on the number of Ordinary Shares issued throughout the Share Issuance Programme, the issue price of such Ordinary Shares, and the aggregate costs and commissions for each Tranche.

The issue price of Ordinary Shares issued pursuant to the Share Issuance Programme will be determined by the Board and will be calculated with reference to the most recent NAV per Share at the time of issue and rounded to two decimal places. In determining the issue price of Ordinary Shares issued pursuant to the Share Issuance Programme, the Board will also take into consideration, *inter alia*, the prevailing market conditions at that time. The issue price of Ordinary Shares issued through the Share Issuance Programme will be announced through an RIS.

The Directors believe that the Initial Issue and the Share Issuance Programme also provide the REIT Group with the opportunity to capitalise on further economies of scale that an enhanced capital base may bring.

## **3 Use of proceeds**

The Company is seeking to raise up to approximately £65 million (before expenses) through the Initial Issue. The Company will use the Net Issue Proceeds to acquire investments in accordance with the Company's investment objective and the Investment Policy.

The costs and expenses of the Initial Issue and the Share Issuance Programme payable by the Company, including any fees and commissions payable to Stifel, the fees payable to professional advisers and other related expense, are expected to be approximately £3 million (on the assumption that the Initial Issue and the Share Issuance Programme are fully subscribed for and 150 million Ordinary Shares are issued at the Issue Price).

Based on the assumption set out above, the aggregate proceeds of the Initial Issue and the Share Issuance Programme, after deduction of expenses, are expected to be approximately £148 million.

### 3.1 Pipeline

The Investment Adviser has identified three assets with an aggregate value of approximately £157 million (excluding acquisition costs) which meet the Investment Policy criteria (the “**Target Assets**”). The consideration for the purchase of any or all of the Target Assets, if made, will be met from the Net Issue Proceeds, with the balance to be funded from debt financing. The Investment Adviser has undertaken its own due diligence and negotiations in connection with certain of the Target Assets. Following Admission, the Directors may or may not accept the Target Assets or other assets as being suitable for the Company and may or may not pursue any such opportunities.

As at the date of this Registration Document, the Investment Adviser has entered into exclusivity arrangements with the owner of one of the Target Assets and is in advanced discussions with the owners of the other two Target Assets. No contractually binding obligations for the sale and purchase of the Target Assets have been entered into by the Investment Adviser or the Company.

Set out below are a number of key attributes in relation to the Target Assets. If all the Target Assets were acquired, the total expected purchase price would be approximately £157 million. If the Company raises less than £65 million pursuant to the Initial Issue, the Company and the Directors will consider which assets would best suit the size of the Portfolio, which may include some or none of the Target Assets.

This table provides an overview only of the characteristics of the Target Assets which the Investment Adviser is targeting on behalf of the Company:

	<u>Asset One</u>	<u>Asset Two</u>	<u>Asset Three</u>
<b>Expected purchase price</b>	£52m	£52m	£53m
<b>Expected rent – April 2018</b>	£2.7m	£2.6m	£2.7
<b>Location</b>	North England	South East England	North England
<b>Approx size (acres)</b>	6	9	9
<b>Approx size (sq ft)</b>	100,000	100,000	100,000
<b>Expected net initial yield</b>	4.90%	4.80%	4.90%
<b>Unexpired lease term</b>	Over 20 years	Over 15 years	Over 20 years
<b>RPI terms</b>	RPI 0-4	RPI 0-5	RPI 0-5
<b>Occupier</b>	Morrisons	Tesco	Tesco
<b>Source</b>	Off-market	Off-market	Off-market

## 4 Effects of the Initial Issue

### 4.1 Financial effects

Upon Admission, assuming Gross Initial Issue Proceeds of £65 million, the Enlarged Share Capital of the Company will be 184,356,434 Ordinary Shares. This includes 119,999,999 Existing Ordinary Shares, and 64,356,435 New Ordinary Shares to be issued pursuant to the Initial Issue. On this basis, the New Ordinary Shares will represent approximately 35 per cent. of the Enlarged Share Capital (assuming Gross Initial Issue Proceeds of £65 million).

The percentage of the Company’s issued share capital that the Existing Ordinary Shares represent will be reduced by 35 per cent. to approximately 65 per cent. as a result of the Initial Issue (again, assuming Gross Initial Issue Proceeds of £65 million).

## 5 Key terms of the Initial Issue

The Company is proposing to raise Gross Initial Issue Proceeds of up to approximately £65 million by way of the Placing and Offer for Subscription of up to 64,356,435 New Ordinary Shares, representing, in aggregate, approximately 35 per cent. of the Enlarged Share Capital, at an Issue Price, in each case, of 101 pence per New Ordinary Share. If the Company does not raise the Gross Initial Issue Proceeds, the Company may determine to proceed with the Initial Issue, provided that the Gross Initial Issue Proceeds is equal to or exceeds £20 million (the “**Minimum Proceeds**”)

The Board has reserved the right, in conjunction with Stifel, to increase the size of the Initial Issue up to a maximum of 150 million New Ordinary Shares in aggregate if there is sufficient investor demand and sufficient assets available and suitable for investment, by increasing the size of the Placing, the Offer for Subscription or both by reallocating Ordinary Shares available under the Share Issuance Programme to the Initial Issue. The Directors will only increase the size of the Initial Issue up to a maximum of 150 million New Ordinary Shares after taking into account demand for the New Ordinary Shares, prevailing market conditions, the estimated acquisition costs of properties that the Investment Adviser has identified as being suitable for purchase by the Company and the length of time it would likely take to invest the proceeds.

The Issue Price of 101 pence per New Ordinary Share represents a discount to the Closing Offer Price of 102 pence. The Issue Price has been set by the Directors following their assessment of market conditions and following discussion with a number of institutional investors. The Directors are in agreement that the level of discount and method of issue are appropriate to secure the investment sought.

The Initial Issue is not underwritten. The Placing may be scaled back in order to satisfy valid applications under the Offer for Subscription, and the Offer for Subscription may be scaled back in favour of the Placing.

The principal terms of the Placing Agreement are summarised in paragraph 12.1 of Part 14 (“**Additional Information**”) of this Registration Document.

The Initial Issue is conditional, *inter alia*, upon the following:

- Admission becoming effective by not later than 8.00 a.m. on 25 May 2018 (or such later time and/or date as the Company and Stifel may agree, being not later than 8.00 a.m. on 15 June 2018);
- the Resolutions being passed by Shareholders at the General Meeting (without material amendment);
- the Placing Agreement becoming unconditional in all respects (save for conditions relating to Admission) and not having been terminated in accordance with its terms before Admission; and
- the Minimum Proceeds having been raised pursuant to the Initial Issue.

Accordingly, if any of such conditions are not satisfied, or, if applicable, waived, the Initial Issue will not proceed and application monies will be returned (at the applicants’ risk) without interest as soon as possible. If the Initial Issue does not proceed, the Share Issuance Programme may still be implemented assuming the Resolutions are passed.

Application will be made for the New Ordinary Shares to be admitted to listing on the Specialist Fund Segment. It is expected that Admission will become effective and dealings in the New Ordinary Shares will commence by 8.00 a.m. on 25 May 2018 (whereupon an announcement will be made by the Company via a Regulatory Information Service).

## 5.1 **The Placing**

Stifel, as agent of the Company, has agreed to use its reasonable endeavours to place the Placing Shares with institutional and certain other investors at the Issue Price.

Under the Placing, New Ordinary Shares are being offered to institutional and other investors in the United Kingdom, elsewhere outside the United States in reliance on Regulation S and in a concurrent private placement in the United States to a limited number of “qualified institutional buyers” as defined in Rule 144A under the Securities Act that are also both “qualified purchasers” within the meaning of Section 2(a)(51) of the Investment Company Act and the rules thereunder and “accredited investors” as defined in Rule 501 under the Securities Act.

The Placing will close at 11.00 a.m. on 22 May 2018 (or such later date, not being later than 15 June 2018, as the Company and Stifel may agree). If the Placing is extended, the revised timetable will be notified through a Regulatory Information Service.

Participants in the Placing will be advised verbally or by electronic mail of their allocation as soon as practicable following allocation. Investors will be contractually committed to acquire the number of Placing Shares allocated to them at the Issue Price and, to the fullest extent permitted by law, will be deemed to have agreed not to exercise any rights to rescind or terminate, or otherwise withdraw from, such commitment.

When admitted to trading, the Placing Shares will be registered with ISIN (International Securities Identification Number) GB00BF345X11 and SEDOL (Stock Exchange Daily Official List) number BF345X1.

The Placing is conditional upon, among other things:

- the Placing Agreement becoming wholly unconditional (save as to Admission) and not having been terminated in accordance with its terms at any time prior to Admission;
- Admission having become effective on or before 8.00 a.m. on 25 May 2018 or such later time and/or date as the Company and Stifel may agree (being not later than 8.00 a.m. on 15 June 2018); and
- the Minimum Proceeds being raised (or such lesser amount as the Company and Stifel may determine and notify to investors via an RIS announcement and a supplementary prospectus).

The Company expressly reserves the right to determine, at any time prior to Admission, not to proceed with the Placing. If such right is exercised, the Placing will lapse and any monies received in respect of the Placing will be returned to investors without interest.

## 5.2 **The Offer for Subscription**

New Ordinary Shares are also available under the Offer for Subscription at the Issue Price. Further information on the Offer for Subscription and the terms and conditions of the Offer for Subscription, including the procedure for application and payment, are set out in Part 12 of the Securities Note and, where relevant, in the Subscription Form. The number of New Ordinary Shares issued pursuant to the Offer for Subscription may be scaled back to satisfy applications by Placees under the Placing.

Applications under the Offer for Subscription must be for New Ordinary Shares at the Issue Price, being 101 pence per New Ordinary Share. The aggregate subscription price is payable in full on application. Individual applications must be for a minimum subscription of 1,000 New Ordinary Shares and then in multiples of 1,000 New Ordinary Shares thereafter, although the Board may accept applications below the minimum amounts stated above in its absolute discretion. Multiple subscriptions under the Offer for Subscription by individual investors will not be accepted.

Completed Application Forms accompanied either by a cheque or banker's draft, appropriate delivery versus payment ("DVP") instructions or CHAPS payment in relation to the Offer for Subscription must be posted or delivered by hand (during normal business hours) to the Receiving Agent, Link Asset Services so as to be received as soon as possible and, in any event, no later than 11.00 a.m. on 21 May 2018.

Commitments under the Offer for Subscription, once made, may not be withdrawn without the consent of the Directors.

## 6 **Current trading and prospects**

On 5 February 2018 the Company released its interim results for the period from 1 June 2017 to 31 December 2017 (the "**Interim Period**"). Certain parts of these interim results are incorporated by reference as further detailed in Part 12 ("**Operating and Financial Review**") of this Registration Document. Financial highlights for the period to 31 March 2018 are set out below.

### 6.1 **Financial highlights**

During the Interim Period the REIT Group acquired four supermarket assets in the UK that operate both as physical supermarkets and as online fulfilment centres. The Portfolio benefits from highly attractive leases which include the following characteristics:

- a weighted average unexpired lease term of 18 years (with no break options);
- upward only, annual, RPI-linked rent reviews; and

- annualised passing rent roll of £10.8 million.

An average contracted rent increase of 3.9 per cent. was achieved in the period to 31 March 2018.

The Portfolio was independently valued on 31 March 2018 at £210,500,000, representing an increase of 4.5 per cent. above the aggregate acquisition price of the Portfolio (excluding acquisition costs), and reflecting an aggregated net initial yield of 4.8 per cent.

As at 31 March 2018, the net LTV ratio was 44 per cent. (44.5 per cent. as at 31 December 2017), with a cost of debt of 2.5 per cent. as at 31 March 2018 (2.2 per cent. for the Interim Period).

As at 31 March 2018, the unaudited NAV per Share was 96 pence per Ordinary Share (94 pence per Ordinary Share as at 31 December 2017).

## 6.2 **Future prospects**

The Board believes that UK supermarket assets are currently one of the most attractive and secure asset classes for investors seeking both income and the potential for capital growth through investment in the UK. Compared to other asset classes and other sectors within the property market, supermarket assets currently offer attractive yields.

The REIT Group has access to investment opportunities through the Investment Adviser's long-established industry contacts and extensive knowledge of the sector. The Investment Adviser has achieved a prominent position in the supermarket property sector. This expertise and network of contacts provide the Investment Adviser with access to off-market and specialised opportunities.

## 7 **Dividend entitlement**

At the time of the IPO, the Company stated that it would assemble a property portfolio supporting a targeted annual dividend of 5.5 pence per Ordinary Share. As a REIT, the Company is required to distribute (to the extent permitted by law) at least 90 per cent. of the profits from its UK Property Rental Business as dividends (in the form of property income distributions).

The Company declared its first interim dividend of 1.375 pence per Ordinary Share on 28 September 2017, and the Board declared a further dividend of 1.375 pence per Ordinary Share in respect of the period from 29 September 2017 to 31 December 2017.

On 16 April 2018, the Board declared the Company's third quarterly dividend of 1.375 pence per Ordinary Share (the "**Third Quarterly Dividend**"). The ex-entitlement date for the Third Quarterly Dividend is 26 April 2018, and the Third Quarterly Dividend is expected to be paid on or around 21 May 2018. New Ordinary Shares issued pursuant to the Initial Issue will not carry the right to receive the Third Quarterly Dividend.

The level of future dividends will be determined by the Board having regard to, among other things, the financial position and performance of the REIT Group at the relevant time, UK REIT requirements and the interests of Shareholders, as a whole.

## 8 **Overseas Shareholders**

### 8.1 **The United States**

This Registration Document, the Securities Note and the Summary are not being made available to US Persons or persons located inside the United States except in a concurrent private placement in the United States to a limited number of persons who are "qualified institutional buyers" as defined in Rule 144A under the Securities Act that are also both "qualified purchasers" within the meaning of Section 2(a)(51) of the Investment Company Act and the rules thereunder and "accredited investors" as defined in Rule 501 under the Securities Act. US Persons who receive this Registration Document, the Securities Note and the Summary are prohibited from redistributing this Registration Document, the Securities Note and the Summary to any person other than their advisors subject to an obligation of confidentiality in connection with such US private placement. The offer and sale of the New Ordinary Shares will not be and have not been registered under the Securities Act or state securities laws, and accordingly the New Ordinary Shares may not be offered, sold, transferred or delivered, directly or indirectly within the United States, or to or for the benefit of any US Person, except pursuant to applicable exemptions from such registration. There will

be no public offer of the New Ordinary Shares in the United States. The New Ordinary Shares are being offered or sold only outside the United States to non-US Persons in offshore transactions in reliance on the exemption from the registration requirements of the Securities Act provided by Regulation S thereunder. The Company has not been and will not be registered under the Investment Company Act and investors will not be entitled to the benefits of the Investment Company Act.

## 8.2 **Other jurisdictions**

This Registration Document, the Securities Note and the Summary are not being made available to Overseas Shareholders with registered addresses in any Restricted Jurisdiction and may not be treated as an invitation to subscribe for any New Ordinary Shares by any person resident or located in such jurisdictions or any other Restricted Jurisdiction.

The New Ordinary Shares have not been, and will not be, registered under the applicable securities laws of any Restricted Jurisdiction. Accordingly, the New Ordinary Shares may not be offered, sold, delivered or transferred, directly or indirectly, in or into any Restricted Jurisdiction to or for the account or benefit of any national, resident or citizen of any Restricted Jurisdiction.

This Registration Document, the Securities Note and the Summary have been prepared to comply with English law, the Prospectus Rules, the Listing Rules and MAR, and the information disclosed may not be the same as that which could have been disclosed if this Registration Document, the Securities Note and the Summary had been prepared in accordance with the laws of jurisdictions outside the United Kingdom.

**NONE OF THE SECURITIES REFERRED TO IN THIS REGISTRATION DOCUMENT, THE SECURITIES NOTE AND THE SUMMARY SHALL BE SOLD, ISSUED OR TRANSFERRED IN ANY JURISDICTION IN CONTRAVENTION OF APPLICABLE LAW.**

## 9 **Settlement and listing of, and dealings in, the New Ordinary Shares**

The result of the Placing and the Offer for Subscription is expected to be announced on 23 May 2018. The New Ordinary Shares will be issued credited as fully paid and will rank *pari passu* in all respects with the Existing Ordinary Shares. The New Ordinary Shares will be issued in registered form and will be capable of being held in both certificated and uncertificated form.

Applications will be made to the London Stock Exchange for the New Ordinary Shares to be admitted to trading on the SFS. It is expected that Admission will become effective and that dealings for normal settlement in the New Ordinary Shares will commence on the London Stock Exchange by 8.00 a.m. on 25 May 2018.

The Existing Ordinary Shares are already admitted to trading on the SFS and to CREST. It is expected that all of the New Ordinary Shares, when issued and fully paid, will be capable of being held and transferred by means of CREST. The New Ordinary Shares will trade under ISIN GB00BF345X11.

## 10 **Non-mainstream pooled investments**

The Ordinary Shares, and the New Ordinary Shares, do not constitute “non-mainstream pooled investments” for the purposes of the FCA’s Conduct of Business (“**COBS**”) rules and are therefore not subject to the restrictions on promotion to retail investors in COBS 4.12.

## 11 **Further information and risk factors**

Your attention is drawn to the further information set out in this Registration Document. In particular, your attention is drawn to the section entitled “**Risk Factors**”. You are advised to read the whole of this Registration Document, the documents incorporated by reference, the Securities Note and the Summary and not to rely solely on the information contained in this letter, before deciding the action to take in respect of the General Meeting.

## 12 **General Meeting**

The Initial Issue is subject to a number of conditions, including Shareholder approval to grant the Directors authority to allot the New Ordinary Shares and to disapply pre-emption rights pursuant to the Resolutions, as such rights are set out in the Articles.

The Resolutions grant the Directors authority to allot Ordinary Shares up to an aggregate nominal amount of £1,500,000 in connection with the Initial Issue and the Share Issuance Programme as if Section 561 of the Companies Act did not apply to any such allotment.

If the Resolutions are not approved at the General Meeting, the Company will be unable to complete the Initial Issue. A notice convening the General Meeting to be held at 12.00 p.m. on 21 May 2018 is set out in the Appendix to this Registration Document.

### **13 Taxation**

A general guide to certain aspects of current UK tax law and HM Revenue & Customs (“HMRC”) published practice as at the date of this Registration Document which applies only to certain Shareholders and prospective investors in the New Ordinary Shares pursuant to the Initial Issue resident for tax purposes in the UK is set out in Part 10 (“**REIT Status and Taxation**”) of this Registration Document. The summary does not purport to be a complete analysis or listing of all the potential tax consequences of holding Ordinary Shares or acquiring New Ordinary Shares pursuant to the Initial Issue. Shareholders and prospective investors in New Ordinary Shares pursuant to the Initial Issue are advised to consult their own independent tax advisers concerning the consequences under UK tax law of the acquisition, ownership and disposal of Ordinary Shares.

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

#### **14.1 In respect of the Offer for Subscription**

The Directors are proposing to offer New Ordinary Shares under the Offer for Subscription, subject to the terms of and conditions to the Offer for Subscription set out in Part 12 of the Securities Note. Applications under the Offer for Subscription must be for New Ordinary Shares at the Issue Price. The aggregate subscription price is payable in full on application. Individual applications must be for a minimum subscription of 1,000 New Ordinary Shares and then in multiples of 1,000 New Ordinary Shares thereafter, although the Board may accept applications below these minimum amounts in its absolute discretion.

Full details of the terms and conditions of the Offer for Subscription and the procedure for application and payment are contained in Part 12 of the Securities Note.

#### **14.2 In respect of the General Meeting**

You will find at the Appendix to this Registration Document a notice convening a General Meeting to be held at 12.00 p.m. on 21 May 2018 at 20 Cursitor Street, London EC4A 1LT. A Form of Proxy for use at the General Meeting or at any adjournments thereof accompanies this Registration Document. Whether or not you intend to be present in person at the General Meeting, you are requested to complete and sign the Form of Proxy in accordance with the instructions printed on it and return it as soon as possible, but in any event so as to be received no later than 6.00 p.m. on 17 May 2018 by the Company’s registrars, Link Asset Services, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU. The lodging of the Form of Proxy (or the electronic appointment of a proxy) will not preclude you from attending and voting at the General Meeting in person if you so wish. If you hold shares in CREST, you may appoint a proxy by completing and transmitting a CREST Proxy Instruction to the issuer’s agent, ID RA10, so that it is received no later than 6.00 p.m. on 17 May 2018.

The results of the votes cast at the General Meeting will be announced as soon as possible once known through a Regulatory Information Service and on the Company’s website ([www.supermarketincomereit.com](http://www.supermarketincomereit.com)). It is expected that this will be on 23 May 2018.

#### **14.3 General**

If you are in any doubt as to the action you should take, you are recommended to seek your own personal financial advice immediately from your stockbroker, bank manager, solicitor, accountant, fund manager or other independent financial adviser authorised under FSMA if you are in the United Kingdom or, if you are not, from another appropriately authorised independent financial adviser.

## **15 Recommendation and voting intentions**

The Board believes that the Initial Issue and the Resolutions are in the best interests of the Company and Shareholders as a whole. Accordingly, the Board unanimously recommends that you vote in favour of the Resolutions, as the Directors intend to do in respect of their own beneficial holdings.

Yours faithfully

Nick Hewson  
*Chairman*

## PART 5

### INFORMATION ABOUT THE COMPANY

#### 1 Introduction

The Company is a public limited company incorporated in England and Wales on 1 June 2017. The Company is the principal company of a group REIT (the “**REIT Group**”). Subject to its continuing compliance with certain conditions set out Part 12 CTA 2010, the REIT Group is not charged UK corporation tax on its profits and gains derived from its Property Rental Business. The Company is registered as an investment company under section 833 Companies Act and was established as a closed-ended investment company with an indefinite life.

The Ordinary Shares, and the New Ordinary Shares, do not constitute “non-mainstream pooled investments” for the purposes of the FCA’s Conduct of Business (“**COBS**”) rules and are therefore not subject to the restrictions on promotion to retail investors in COBS 4.12.

The Company has an independent board of non-executive directors and appointed the AIFM on 15 June 2017. The Company also appointed Atrato Capital Limited as its investment adviser with effect from the IPO. Further details of the governance of the Company are set out in Part 9 of this Registration Document.

Application was made to the London Stock Exchange for all of the Company’s Ordinary Shares to be admitted to trading on the SFS on 21 July 2017, raising gross proceeds of £100 million through the issue of 100,000,000 Ordinary Shares at a price of 100 pence per Ordinary Share.

On 30 August 2017, the Company announced that it had secured a revolving credit facility of £100 million (the “**RCF**”) from HSBC plc (“**HSBC**”). As at 1 September 2017, the Company had successfully invested the net proceeds of the IPO to acquire three supermarket real estate assets in the UK, which are let to Sainsbury’s and Tesco.

In November 2017, in order to assist in financing the acquisition of an additional supermarket asset with an aggregate market value of approximately £50 million, the Company raised further gross proceeds of approximately £20 million through a follow-on placing of a further 19,999,999 Ordinary Shares (representing 19.99 per cent. of the Company’s issued share capital at that time) (the “**Follow-on Placing**”). The proceeds of the Follow-on Placing were used to acquire the REIT Group’s fourth asset.

As at 31 March 2018, the market value of the Portfolio was £210,500,000 and the unaudited Net Asset Value per Share was 96 pence. As at 31 March 2018, the Company had a market capitalisation of approximately £120 million.

#### 2 The AIFM and the Investment Adviser

The Company appointed JTC Global AIFM Solutions Limited as the Company’s alternative investment fund manager (the “**AIFM**”) as part of the IPO. The AIFM provides certain services in relation to the Company and its portfolio, which includes risk management and portfolio management in respect of the Company in accordance with the Company’s investment strategy.

The AIFM ensures that investors are treated fairly in a number of ways, including by ensuring that any preferential treatment granted by the AIFM to one or more investors does not result in an overall material disadvantage to the other investors; by ensuring that its decision-making procedures are applied fairly as between investors; by applying relevant policies and procedures properly; by ensuring, to the extent within its power, that investors do not bear directly or indirectly fees, charges and expenses which are inappropriate in nature or amount; by complying with the rules and guidance of the GFSC (or equivalent) applicable to it and by conducting its activities honestly, fairly and with due skill, care and diligence.

The provisions of the AIFMD concerning professional indemnity insurance or additional own funds to cover professional negligence risk do not apply to the AIFM. Nevertheless, the AIFM has the benefit of professional indemnity and directors’ and officers’ liabilities insurance coverage.

As part of the IPO, the Company and the AIFM appointed Atrato Capital Limited (the “**Investment Adviser**”) to provide certain services in relation to the Company and its portfolio, which include advising in relation to financing and asset management opportunities.

Atrato Capital Limited was incorporated on 20 December 2016 and is owned by Ben Green and Steve Windsor. Atrato Capital Limited is an appointed representative of Consortium Investment Management LLP which is authorised and regulated by the FCA.

### **3 Portfolio development since IPO**

In accordance with the Company’s Investment Policy, the Company has invested in four supermarket assets, operating both as physical supermarkets and as online fulfilment centres (for home delivery and/or click and collect) on large sites with the potential for capital growth through active asset management opportunities. All of the assets included in the Portfolio were identified by the Investment Adviser as making up the Company’s target assets list at the time of the IPO.

The consideration for these acquisitions was funded out of the proceeds of the IPO, the proceeds of the Follow-on Placing, and drawdowns from the RCF.

Each property in the Portfolio is let on fully repairing and insuring lease terms, with upward only, annual, RPI-linked rent reviews. The Portfolio generates an annualised passing rent roll of £10.8 million with a current weighted average unexpired lease term of 18 years.

As at the date of this Registration Document, the Portfolio comprises four assets, details of which are set out in paragraph 1 of Part 6 (“**The Portfolio**”) of this Registration Document.

The Directors and the Investment Adviser believe that there is a strong pipeline of other assets which meet the Company’s stated Investment Policy and investment objective and which offer a similar return profile to the current Portfolio. The Investment Adviser has entered into detailed discussions with a number of potential vendors to discuss the availability of certain assets for purchase on indicative terms. The Investment Adviser has also commenced due diligence in connection with certain pipeline assets. The Directors may or may not accept these or other assets as being suitable for the Company and may or may not proceed with the acquisition of any such opportunities.

As at the date of this Registration Document, the Company has no contractual obligations with potential vendors in place but the Investment Adviser and the Board believe that with the Investment Adviser’s experience and the preparatory work undertaken by the Investment Adviser to date, suitable assets will be identified and could potentially be acquired in a relatively short time period following Admission.

### **4 Investment objective**

The Company’s investment objective is to provide its shareholders with an attractive level of income together with the potential for capital growth by investing in a diversified portfolio of supermarket real estate assets in the UK.

### **5 Investment Policy**

The Company is focused on investing in a diversified portfolio of principally freehold and long leasehold operational properties let to UK supermarket operators, which benefit from long-term growing income streams with high quality tenant covenants.

The Company will continue predominantly to target assets with long unexpired lease terms (typically more than 15 years to first break) with index-linked or fixed rental uplifts in order to provide investors with income security and considerable inflation protection.

The Company expects its assets to be leased to institutional grade tenants, with multi-billion pound revenues and strong consumer brands. The Company expects the majority of its tenants to consist of the four largest UK supermarket operators by market share, currently Tesco, Sainsbury’s, Asda and Morrisons. The Company may also invest in assets let to other supermarket operators and retailers, such as Lidl, Marks & Spencer, Aldi or Waitrose, where it believes the underlying asset covenant is consistent with the overarching objective of providing shareholders with regular and sustainable dividends as well as the potential for some capital value uplift over the longer term.

The Company will seek to diversify its exposure to individual cities, towns and regions. The Company will also seek to acquire different sized assets appealing to different consumer types with typical assets ranging from larger convenience based store formats through to the larger superstores.

The Company will target assets that it believes may benefit from future asset management opportunities. In addition, the Company will target assets that it believes offer good potential for alternative use over the longer term. This includes targeting assets in highly populated residential areas with strong transportation links.

The Company will primarily seek to acquire properties which are already operationally complete and fully let. The Company may invest, from time to time, in asset management or development opportunities, which, when complete, would fall within the Company's Investment Policy to invest in operational properties let to UK supermarket operators. In addition, the Company may seek to maximise alternative use values of existing operational assets by engaging with planning authorities and development partners. Any asset management or development opportunities will be conducted in such a way that the project will have no recourse to the other assets of the Company (outside of the funds committed to the development). The expected gross development cost to the REIT Group of any such developments will be limited to an amount representing 20 per cent. of the REIT Group's gross assets, measured at the commencement of the relevant development.

The Directors currently intend, at all times, to conduct the affairs of the Company so as to enable it to qualify as a REIT for the purposes of Part 12 of the CTA 2010 (and the regulations made thereunder).

## **6 Investment restrictions**

The Company will continue to invest and manage its assets with the objective of spreading risk and, in doing so, will maintain the following investment restrictions (all of which are reviewed by the Board semi-annually following semi-annual valuations produced in accordance with the Company's valuation policy):

- the Company will invest, directly or indirectly, at least 80 per cent. of its Gross Asset Value in properties let to UK supermarket operators;
- the Company may invest up to 20 per cent. of its Gross Asset Value in assets let to non-supermarket operators, when these assets are located on the same site, or are complimentary to, an existing asset;
- the Company will derive at least 60 per cent. of its rental income from a portfolio let to the largest four supermarket operators in the UK by market share;
- the expected gross development costs to the REIT Group of development opportunities will not exceed 20 per cent. of the REIT Group's gross assets at the commencement of the relevant development;
- the REIT Group may acquire property interests either directly or through corporate structures (whether onshore UK or offshore) and also through joint venture or other shared ownership or co-investment arrangements;
- the Company will not invest in other closed-ended investment companies; and
- neither the Company, nor any of its subsidiaries will conduct any trading activities which are significant in the context of the REIT Group as a whole.

In addition to the above investment restrictions, no individual property represents more than 40 per cent. of the prevailing Gross Asset Value at the date of this Registration Document, and no individual property will represent more than 40 per cent. of the prevailing Gross Asset Value at the time of investment.

In the event of a breach of the investment guidelines and restrictions set out above, the AIFM shall inform the Directors upon becoming aware of the same and if the Directors consider the breach to be material, notification will be made to a Regulatory Information Service. Any material change to the Investment Policy may only be made by shareholders' ordinary resolution.

## 7 Borrowing policy

The Directors intend that the Company will follow a prudent approach for the asset class with its gearing and maintain a conservative level of aggregate borrowings.

The Board intends that gearing, calculated as borrowings as a percentage of the REIT Group's gross assets, will be approximately 30 to 40 per cent. over the medium term (calculated at the time of drawdown). However, the REIT Group will have the ability to exceed this level from time to time as borrowings are incurred to finance the growth of the REIT Group's portfolio. The REIT Group will have a maximum level of aggregate borrowing of 60 per cent. of the Company's Gross Asset Value at the time of drawdown of the relevant borrowings.

Borrowings will over the longer term be diversified by covenant, lender, type and maturity profile and will primarily be secured at the asset or special purpose vehicle level and will therefore be non-recourse to the other assets of the REIT Group.

The Company will be permitted to invest cash, held by it for working capital purposes and awaiting investment, in cash deposits and gilts. The Company may enter into interest rate derivatives, from time to time, for the purposes of efficient portfolio management.

## 8 Investment Processes

### *Sourcing investments*

The Investment Adviser will continue to utilise both its and the Senior Adviser's extensive contacts in the UK supermarket sale and leaseback market to source investment opportunities for the Company, in particular through their longstanding and strong relationships with supermarket tenants and existing investors in supermarket properties.

### *Review and approval*

The Company and the AIFM will continue to review and decide whether to approve each opportunity based on the following investment considerations:

- institutional grade tenant with very strong financials and a proven operating track record;
- long unbroken lease terms, typically more than 15 years (to earlier of first break and expiry);
- fully repairing and insuring leases with upwards only rent review provisions linked to an inflation index such as RPI or CPI (with potentially a minimum and maximum level) or with fixed uplifts;
- primarily targeting assets that are freehold or long leasehold (longer than 75 years remaining at the time of acquisition);
- regional diversification; and
- strong residual land value.

Once a potential property investment has been identified as a result of the application of the research and advice provided by the Investment Adviser, initial due diligence on the potential property investment will be undertaken.

In all cases after the initial due diligence phase, the Investment Adviser makes a detailed recommendation to its Investment Committee.

The Investment Committee consists of members of Atrato Capital Limited and Mark Morgan as a representative of the Senior Adviser and acts as an internal check and balance on the Investment Adviser's identification of potential property investments. The Investment Committee will review the potential opportunities that the Investment Adviser has identified, as well as the associated due diligence. In challenging the Investment Adviser's assumptions in relation to an investment case, the Investment Committee will determine whether the potential property investment is suitable for the Company and will look at its long-term value potential compared to other opportunities. Ultimately, the Investment Committee will determine whether an investment opportunity is presented to the Board and the AIFM.

Following approval by the Investment Committee, the potential opportunity will be presented to the Board and the AIFM for their consideration and approval.

For this purpose, the Investment Adviser will produce a detailed report (an “**Investment Opportunity Report**”) for each potential investment opportunity being considered, which will (where appropriate) analyse: (i) tenant covenant strength; (ii) form of lease; (iii) availability of finance to acquire the asset; (iv) rental streams; (v) exit strategies; (vi) asset management opportunities; and (vii) external factors (such as market conditions).

The Company has incorporated a subsidiary in the UK, namely Supermarket Income Investments UK Limited (“**Midco**”). Midco has itself incorporated four subsidiaries in the UK (each an “**SPV**” and, together, the “**SPVs**”). The Company and/or Midco may also incorporate further SPVs. Acquisitions may, therefore, be made by the Company, Midco or any of the SPVs. Accordingly, if an acquisition is to be made by Midco or an SPV, the Investment Opportunity Report will be provided by the Company to Midco or the relevant SPV (as applicable) in order for the board of directors of either Midco or the relevant SPV (as applicable) to consider and decide whether to approve the potential opportunity.

References in this Registration Document to “the Company’s investments” and similar expressions mean investments of the REIT Group, whether made by the Company, Midco or an SPV (as applicable). Where material decisions are required to be made in relation to an asset held by Midco or an SPV (such as the acquisition or disposal of that asset), that decision will be made by the directors of Midco or the relevant SPV (as the case may be). Currently Midco and the SPVs’ sole director is Jon Austen.

Based on initial due diligence and the Investment Opportunity Report and on whether approval is given by the directors of Midco or the relevant SPV (as applicable), the Directors and the AIFM will determine whether detailed financial, legal and technical due diligence should then be carried out by the Investment Adviser.

#### *Execution*

Where a proposed transaction is approved as described above, the Investment Adviser, on behalf of the Company, will then perform appropriate due diligence, utilising third party professional advisers where needed. Due diligence reports will be submitted to the Directors and the AIFM with a recommendation prepared by the Investment Adviser comprising a full investment report detailing the fit of a particular transaction to the Investment Policy, together with an assessment of the potential risks and benefits of proceeding (or not) with a particular opportunity. Such reports, recommendations and assessments will be submitted to the Company and the AIFM, and, as required, by the Company to the directors of Midco or the relevant SPV (as applicable) for approval.

If an opportunity is presented to the Directors (and the directors of Midco or any relevant SPV, as applicable) and the AIFM and approval is given to proceed, the AIFM and the Investment Adviser will undertake the following roles and provide the following services to facilitate execution of the transaction:

- providing project management and overall control of the transaction, including co-ordinating the work of other professional advisers and service providers, such as agents, surveyors, valuers, lawyers, accountants and tax advisers;
- leading in the negotiation with any third party (whether buying, selling, refinancing, or otherwise);
- leading in the negotiation and structuring of the transaction to ensure it meets the Investment Policy and does not detrimentally impact the Company’s status as a REIT;
- leading in the negotiation and structuring of any borrowings on the transaction;
- reviewing the existing lease or preparing the negotiation of a new lease;
- working as closely as is required with the Directors and the directors of Midco or any relevant SPV (as applicable) during the acquisition process; and
- leading the preparation of final documentation (in conjunction with legal and accounting advisers).

#### *Monitoring and reporting*

The Investment Adviser will closely monitor the progress of the Company’s investments. This will include regular site visits and meetings with tenants on an asset-by-asset basis, as required, and at a minimum, on a bi-annual basis.

The Investment Adviser will update the Directors and the AIFM on the progress of the Company's investments on a quarterly basis, with additional formal contact being made where significant events have occurred which may impact the Company's income, expenditure or NAV. The Company will update Midco or any relevant SPV (as applicable) in a similar fashion pursuant to the terms of the Management Services Agreement.

The AIFM will oversee the preparation of valuation statements for the Company's portfolio in each six month period (working with the Administrator and professional valuers, and assisting the Company in selecting appropriate valuers).

#### *Holding and exit*

The Directors intend that all assets will be held for the long term (including forward funding developments). However, by exception, if an external offer is made to the Company and the returns are sufficiently attractive for Shareholders, the Directors may consider the sale of the asset and reinvestment of the proceeds into new assets.

## **9 Dividend policy**

The Company's stated intention is to pay dividends on a quarterly basis. The Board is currently targeting a minimum annual dividend of 5.5 pence per Ordinary Share (calculated on the IPO Issue Price). The Company will continue to seek to grow the dividend progressively, when the Net Issue Proceeds have been fully invested, through the Company's upward-only inflation-protected long-term lease agreements.

The first interim quarterly dividend of 1.375 pence per Ordinary Share was declared on 28 September 2017 in relation to the period from the IPO to 28 September 2017. A second interim quarterly dividend of 1.375 pence per Ordinary Share was declared on 5 February 2018 in relation to the period from 29 September 2017 to 31 December 2017. A third interim quarterly dividend of 1.375 pence per Ordinary Share was declared on 16 April 2018 in relation to the period from 1 January 2018 to 31 March 2018.

The targeted long term net total Shareholder return (comprising NAV progression and dividends) is currently 7 to 10 per cent. per annum.

**The dividend and return targets stated above are targets only and not a profit forecast. There can be no assurance that these targets will be met and they should not be taken as an indication of the Company's expected future results. Accordingly, potential investors should not place any reliance on these targets in deciding whether or not to invest in the Company and should decide for themselves whether or not the target dividend and target net total Shareholder return are reasonable or achievable.**

In order to comply with REIT status the Company is required to meet a minimum distribution test. This minimum distribution test requires the Company to distribute (to the extent permitted by law) 90 per cent. of the income profits of the UK Property Rental Business for each accounting period, as adjusted for tax purposes.

## **10 Net Asset Value update**

The Net Asset Value (and Net Asset Value per Share) is calculated semi-annually by the Administrator on behalf of the Company. Calculations are at fair value as determined by the Administrator on the basis of market value in accordance with the internationally accepted RICS Appraisal and Valuation Standards. Consistent with other listed European real estate investment companies, the Directors follow the guidance published by EPRA and disclose adjusted measures of Net Asset Value (and Net Asset Value per Share) which are designed by EPRA to reflect better the core long term operations of the business. Details of each semi-annual valuation, and of any suspension in the making of such valuations, are announced by the Company through an RIS as soon as practicable after the end of the relevant six month period. The semi-annual valuations of the Net Asset Value (and Net Asset Value per Share) are calculated on the basis of the most recent annual independent valuation of the REIT Group's properties and any other assets or most recent semi-annual desktop valuation. In addition, such valuations and calculations may also be carried out in case of an increase or decrease of the capital by the Company.

The calculation of the Net Asset Value (and Net Asset Value per Share) will only be suspended in circumstances where the underlying data necessary to value the investments of the REIT Group cannot readily, or without undue expenditure, be obtained or in other circumstances (such as a systems failure of the Administrator) which prevents the Company from making such calculations. Details of any suspension in making such calculations will be announced through an RIS as soon as practicable after any such suspension occurs.

## **11 General Meeting – authority to allot**

The Company currently does not have sufficient authority to allot the New Ordinary Shares to effect the Initial Issue or the Share Issuance Programme. Accordingly, the Resolutions, as set out in the Notice of General Meeting, are being proposed at the General Meeting to ensure that the Directors have sufficient authority to allot and issue the New Ordinary Shares under the Initial Issue, and Ordinary Shares under the Share Issuance Programme, on a non-pre-emptive basis, in substitution for the authorities granted pursuant to the IPO.

## **12 Discount management**

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

The Directors have the authority to make market purchases of up to 14.99 per cent. of the Ordinary Shares in issue as at IPO. The maximum price (exclusive of expenses) which may be paid for an Ordinary Share must not be more than the higher of: (i) 5 per cent. above the average of the mid-market values of the Ordinary Shares for the five Business Days before the purchase is made; or (ii) that stipulated by the regulatory technical standards adopted by the EU pursuant to the Market Abuse Regulation from time to time. Ordinary Shares will be repurchased only at prices below the prevailing NAV per Ordinary Share, which should have the effect of increasing the NAV per Ordinary Share for remaining Shareholders.

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

It is intended that a renewal of the authority to make market purchases will be sought from Shareholders at each annual general meeting of the Company. Purchases of Ordinary Shares will be made within guidelines established from time to time by the Board. Any purchase of Ordinary Shares would be made only out of the available cash resources of the Company. Ordinary Shares purchased by the Company may be held in treasury or cancelled.

The Directors will have regard to the Company's REIT status when making any repurchase and purchases of Ordinary Shares may be made only in accordance with the Companies Act and MAR.

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

## **13 Structure as a United Kingdom Real Estate Investment Trust**

As a REIT, the REIT Group has a tax efficient corporate structure with the consequences for UK Shareholders described in detail in Part 10 of this Registration Document. As a REIT:

- the REIT Group does not pay UK corporation tax on profits and gains from its Property Rental Business; and
- the Company is required to distribute (to the extent permitted by law) to Shareholders at least 90 per cent. of the income profits arising from the Property Rental Business as calculated for tax purposes, by the filing date of the Company's corporation tax return.

Under the REIT regime, a tax charge may be levied on the Company if it were to make a distribution to a Substantial Shareholder. The Articles of Association contain provisions relating to Substantial Shareholders as set out in paragraph 8.16 of Part 14 of this Registration Document.

## PART 6

### THE PORTFOLIO

#### 1 Introduction

As at the date of this Registration Document, the Portfolio comprises four supermarket real estate assets, operating both as physical supermarkets and as online fulfilment centres (for home delivery and/or click and collect), on large sites with the potential for capital growth through active asset management opportunities.

As at 31 March 2018, the Portfolio had a market value of £210,500,000. The Portfolio is let on fully repairing and insuring lease terms, with upward only, annual, RPI-linked rent reviews, generating an annualised passing rent roll of £10.8 million, with a current weighted averaged unexpired lease term of 18 years.

Part 8 of this Registration Document contains the Valuation Report on the Portfolio prepared for the Company by the Valuer. No material changes have occurred since the date of valuation as set out in the Valuation Report and this Registration Document. The Valuer is Cushman & Wakefield Debenham Tie Leung Limited (“**Cushman & Wakefield**”) (a private limited company incorporated in England on 16 October 1992 under the Companies Act 1985 with registered number 02757768).

Details of the four assets which make up the Portfolio as at the date of this Registration Document are set out below:

<b>Tenant</b>	Sainsbury's	Tesco	Tesco	Tesco
<b>Location</b>	Ashford, Kent	Thetford, Norwich	Lime Trees, Bristol	Cumbernauld, North Lanarkshire
<b>Acquisition month</b>	August	August	August	December
<b>Purchase price (excl. acquisition costs)</b>	£79.8m	£43.2m	£28.5m	£50.0m
<b>Valuation (31 March 2018)</b>	£83.2m	£43.7m	£29.1m	£54.5m
<b>Passing annual rent</b>	£3.82m	£2.56m	£1.53m	£2.94m
<b>Size (sq. ft.)</b>	125,000	78,000	55,000	117,000
<b>Rent review basis</b>	Annual RPI	Annual RPI	Annual RPI	Annual RPI
<b>Next rent review</b>	September 2018	December 2018	March 2019	March 2019
<b>Rent review collar</b>	3% cap, 1% floor	4% cap, 0% floor	4% cap, 0% floor	5% cap, 0% floor
<b>Lease expiry</b>	September 2038	December 2029	March 2031	August 2040

The Portfolio has been independently valued by the Valuer in accordance with the RICS Valuation – Global Standards 2017 (the “**Red Book**”). As at 31 March 2018, the Portfolio had a market value of £210,500,000, representing an increase of approximately £8.8 million above the aggregate acquisition price (excluding acquisition costs). Part 8 of this Registration Document contains the Valuation Report on the Portfolio prepared for the Company by the Valuer.

#### 2 Portfolio details

##### 2.1 Sainsbury's, Ashford

This Sainsbury's store comprises 125,000 sq. ft. situated on 17 acres in Ashford, Kent, which was acquired by the REIT Group in August 2017 for a consideration of £79.8 million, reflecting a net initial yield of 4.5 per cent. The site has more than 700 parking spaces and a petrol filling forecourt. The property is leased to Sainsbury's under annual, upward only, RPI-linked (capped and floored) rent reviews on full repairing and insuring terms with the first break being at the time of lease expiry in September 2038.

Sainsbury's first developed this site in the early 1990's and the store has since benefited from significant capital investment from the tenant. Sainsbury's undertook a major extension and refurbishment of the entire site in 2011. The Directors believe that this 17 acre site is well-

located to serve the growing local Ashford population, due to it being located in close proximity to Ashford town centre and directly adjacent to the M20 motorway and a large leisure park. With a low site cover ratio of approximately 17 per cent., the Directors believe the site could be developed to add additional retail or residential units subject to planning permission.

This store plays an important role in Sainsbury's online fulfilment network in the South East of England.

## **2.2 Tesco, Thetford**

This Tesco store comprises 78,000 sq. ft. on a 10.4 acre site with more than 500 parking spaces and a petrol filling forecourt. The REIT Group acquired the property in August 2017 for £43.2 million, reflecting a net initial yield of 5.6 per cent. taking into account the agreed RPI-linked rent review in December 2017.

The property is leased to Tesco under annual, upward only, RPI-linked (capped and floored) rent reviews on full repairing and insuring terms with the first break being at the time of lease expiry in December 2029. The property has a long history of strong trading and is situated directly adjacent to the future Kingsfleet development. The Crown Estate has final planning consent to build 5,000 homes, three schools and associated infrastructure right next to this store. The Kingsfleet development is expected to take over 15 years to complete and will ultimately re-position this Tesco store in the centre of the significantly enlarged town of Thetford.

The REIT Group is currently in discussions with Tesco and multiple vendors of standalone restaurants to use excess car park space for the development of a drive through restaurant, subject to planning permission.

This store fulfils both online home delivery and click and collect.

## **2.3 Tesco, Bristol**

The store is a Tesco 'superstore' comprising 55,000 sq. ft. on a 5.7 acre site with more than 450 parking spaces, which was acquired by the REIT Group in August 2017 for £28.5 million, reflecting a net initial yield of 4.9 per cent.

The property is leased to Tesco under annual, upward only, RPI-linked (capped and floored) rent reviews on full repairing and insuring terms with the first break being at the time of lease expiry in March 2031. The property is situated within the Henleaze suburb of Bristol and has a long history of strong trading performance. The site has the potential for asset management including a drive through restaurant (subject to planning).

This suburban store facilitates online fulfilment via click and collect.

## **2.4 Tesco, Cumbernauld**

The store is a modern Tesco 'Extra' supermarket comprising 117,000 sq. ft. on a 9.5 acre site with 570 parking spaces and a petrol filling forecourt. The REIT Group acquired the property in December 2017 for £50.0 million, reflecting a net initial yield of 5.3 per cent. or 5.5 per cent. taking into account the agreed RPI-linked rent review in March 2018.

The property is leased to Tesco under annual, upward only, RPI-linked (capped and floored) rent reviews on full repairing and insuring terms with the first break being at the time of lease expiry in August 2040. The site occupies a town centre location equidistant from Glasgow and Stirling. The store has an impressive trading record on site and plays an important role in Tesco's Scottish online fulfilment network.

The REIT Group has already received several expressions of interest from other non-grocery retailers to acquire excess space on the site, which benefits from a low site cover ratio of 25 per cent.

The store fulfils both online home delivery and click and collect.

## PART 7

### DETAILS OF THE MARKET

#### 1 Introduction

The Directors and the Investment Adviser believe that a significant investment opportunity currently exists in the UK supermarket property market with several barriers to entry and a shortage of new opportunities being presented to the market.

The Directors and the Investment Adviser believe that supermarket real estate assets are an attractive asset class for real estate investors seeking long-term inflation linked income with capital preservation over the longer term.

Supermarket real estate offers investors long-term stable income through landlord friendly underlying lease structures. These are often index-linked, long in duration (over 15 years) and leased to large multi-billion pound tenants which, on the basis of their size and high market share, may provide investors with income security over the longer term. The assets are typically modern buildings situated near population centres and transportation networks with larger stores also operating as online fulfilment centres. The locations of these assets are an important factor in ensuring that the sites attract sufficient footfall to trade profitably in a low margin, higher volume business environment. Equally, the location of the asset, and the often large site associated with it (for example, as a result of excess car parking facilities), also ensures that there are multiple opportunities for an active and engaged landlord to explore alternative uses for the assets, either in partnership with the tenant or at the end of the relevant lease.

In the current climate of rising inflation and the low cost of debt, the Investment Adviser believes that secure long income supermarket property leases with index-linked rent reviews are increasingly being presented to the market at attractive investment yields which represent an interesting investment opportunity.

#### 2 UK grocery market

UK consumer spending on grocery products has grown year-on-year since 1999. According to forecasts by IGD Retail Analysis, total spending will continue to increase by a further 15 per cent by 2022 to £213 billion. Tesco, Asda, Sainsbury's and Morrisons (the "**Big Four**") dominate this market with over 5,890 stores in the UK, which represents a combined market share of approximately 70 per cent. Each has a multi-billion pound revenue, established and recognised consumer brand and strong underlying credit covenants.

##### 2.1 *Tesco plc*

Tesco (founded in 1919) is a multinational grocery and general merchandise retailer. It is the eleventh-largest retailer in the world measured by revenues. Headquartered in Welwyn Garden City, Hertfordshire, England, Tesco has stores in 12 countries across Asia and Europe and is the grocery market leader in the UK (where it has a market share of approximately 28 per cent.), Ireland, Hungary, Malaysia and Thailand. The company employs over 460,000 people and operates over 6,900 stores across the world. Tesco's UK revenues for the year ending February 2018 were £44.7 billion.

##### 2.2 *Sainsbury's plc*

Sainsbury's (founded in 1869) is the second largest chain of supermarkets in the UK with a 16 per cent. market share. Headquartered in Holborn Circus, London, England, Sainsbury's employs over 160,000 people and operates over 1,400 stores across the UK. In 2016, Sainsbury's acquired Argos (a British catalogue retailer) from Home Retail Group, strengthening Sainsbury's multichannel capabilities. 2017 revenues were £26.2 billion.

##### 2.3 *Asda Stores Limited*

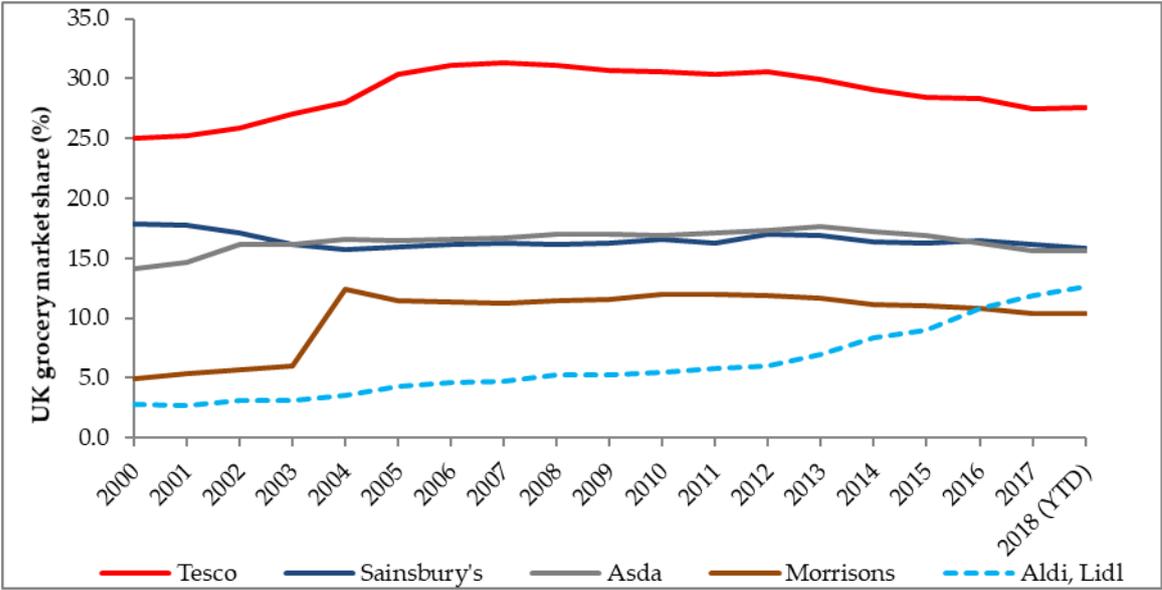
Asda (founded in 1949) is the third largest chain of supermarkets in the UK, headquartered in Leeds, West Yorkshire, England with a 15 per cent. market share. The company employs over 160,000 people and operates over 600 stores across the UK. Since 1999, ASDA has been a wholly owned subsidiary of Wal-Mart Stores Inc., the largest retailer in the world. 2017 revenues were £21 billion.

2.4 **WM Morrison Supermarkets plc**

Morrisons (founded in 1899) is the fourth-largest chain of supermarkets in the UK, with 10 per cent. market share, headquartered in Bradford, West Yorkshire, England. The company employs over 120,000 people and operates approximately 500 stores across the UK. 2017 revenues were £16 billion.

Although dominated by a few players, the market is dynamic and highly competitive, and has fragmented over the last 15 years with lower price operators (the “discounters”) led by Aldi and Lidl experiencing strong sales growth. The discounters continue to expand their presence by adding new stores and competing on price. This has resulted in them successfully gaining market share over the last few years, principally from smaller independent operators. However, this recent growth appears to be slowing: despite the wider market fragmentation, the Big Four have increased their percentage of the market from approximately 63 per cent. in 2000, to approximately 70 per cent. in 2017, as illustrated in the graph below.

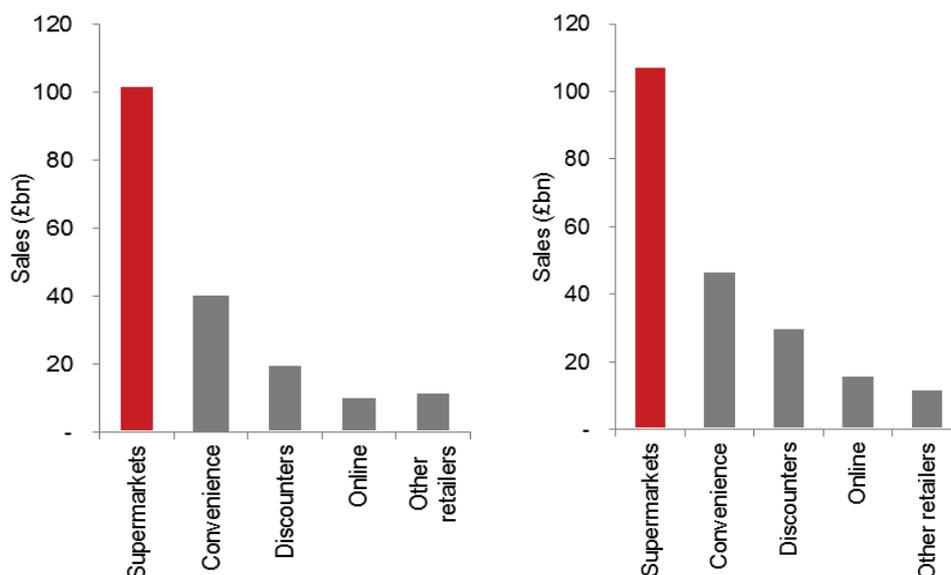
Graph 1: UK grocery market share by operator 2000 – 2018



Source: Kantar Worldpanel

The Investment Adviser believes one of the reasons that the Big Four have been able to protect their market share has been due to the nature of their underlying store portfolio. The larger operators have typically benefitted from a ‘first mover’ advantage with the largest sites, in the best locations, leaving the discounters with few operational choices except to compete aggressively on price. Although sales channels have also fragmented, with an increasing amount of convenience stores and online purchases, the larger stores remain the key driver to the market and the bedrock of the larger operators’ business models. According to IGD Retail Analysis research, hypermarket and supermarket stores continue to generate over 57 per cent. of sales in the UK, followed by convenience stores at 20 per cent. This trend is not expected to change over the next five years. Online sales and discounters are anticipated to continue to grow from their low base, although it is expected that they will remain at less than 25 per cent. of the total market by 2022.

Graph 2: GK grocery sales by channel – 2017 and 2022



### 3 Supermarket real estate sector

#### 3.1 Property lease arrangements

Supermarket lease agreements are often long-let and index-linked. Original lease tenors range from 20 to 30 years without break options. Rent reviews link the growth in rents to an inflation index such as RPI, RPIX or CPI (with caps and floors), or alternatively may have a fixed annual growth rate. Such rent reviews normally take place annually (although sometimes every five years), with the rent review delivering an increase in the rent at the growth rate, compounded over the period. An alternative lease structure is a five yearly review to open market rents. The Directors and the Investment Adviser do not believe that supermarkets with open market rent reviews represent an attractive investment opportunity. Due to the structure of the market, with many stores still owned by the operators and others subject to indexed rent reviews, it is very hard to establish evidence for rental increases. In addition, the Directors and the Investment Adviser do not believe that properties with open market rent reviews are offered to the market at a price discount sufficient to make them attractive.

Landlords often benefit from “full repairing and insuring leases”. These are lease agreements where the tenant is obligated to pay all taxes, building insurance, other outgoings and repair and maintenance costs on the property, in addition to the rent and service charge. Under such a lease, the tenant is responsible for all costs associated with the repair and maintenance of the building.

Operators will typically have the option to acquire the leased property at the lease maturity date at market value. Furthermore, to ensure that the operator does not transfer its lease obligation to other parties, assignment of the lease is often prohibited.

#### 3.2 Supermarket real estate yields

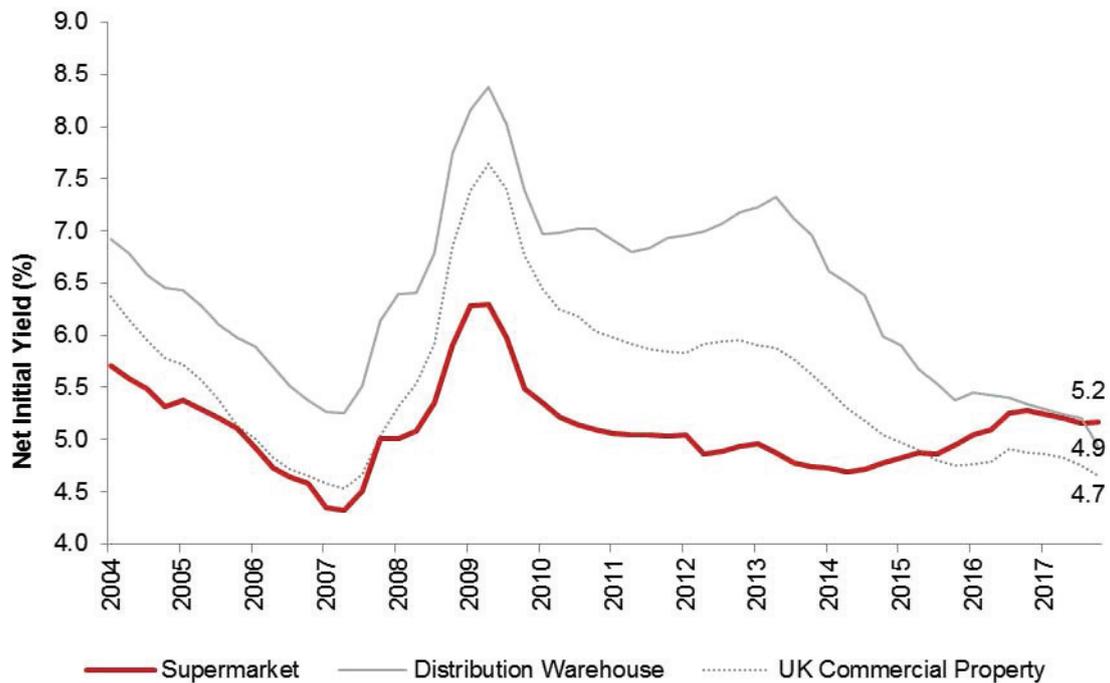
Supermarket property has a long record of positive total returns underpinned by strong income returns due in part to the long length of lease commitments, upward only rent growth and strong occupier covenants.

Investment yields on supermarket property have consistently been below five per cent. over the last 10 years, and reached a low of 4.6 per cent. in 2006. However, since 2013, the market dynamics have changed: in contrast to most other long-income property yields, the supermarket sector has experienced a negative yield shift with yields increasing by 10 per cent. to 5.2 per cent. as at December 2017. There are a number of reasons for this, including: (i) changes to the investment markets as institutional investors have looked to reduce their exposure to the sector in response to regulatory capital changes and, in certain areas, over-exposure to the asset class; and (ii) challenges at the operator level, as the grocery operators have struggled to maintain profitability, faced downgrades in their credit ratings, and been forced to adapt their trading strategies in the face of potential disruption to

their market from new operators. The Investment Adviser believes that the sector is now entering a period of increased stability where operators have a clearer vision on what their strategies should be as the investment market adapts to increased store buybacks from those operators as well as increased interest from potential foreign buyers.

The graph below shows that supermarket yields are now trading higher than all property yields for the first time since 2007. The graph also demonstrates the yield movements in the distribution warehouses sub-sector of the property market. Distribution warehouses are fundamentally performing a different role to supermarkets in the supply chain. However, the Investment Adviser believes there are certain similarities in areas such as online sales (with supermarkets often fulfilling online deliveries out of their larger stores) with both sectors predominantly existing to service the needs of the UK consumer market either directly (with supermarkets) or through onward delivery (with distribution warehouses). However, despite these similarities, over the last five years there has been a significant difference in how the underlying property yields have performed.

Graph 3: IPD All Property, supermarket and distribution warehouse yields 2004 – 2017

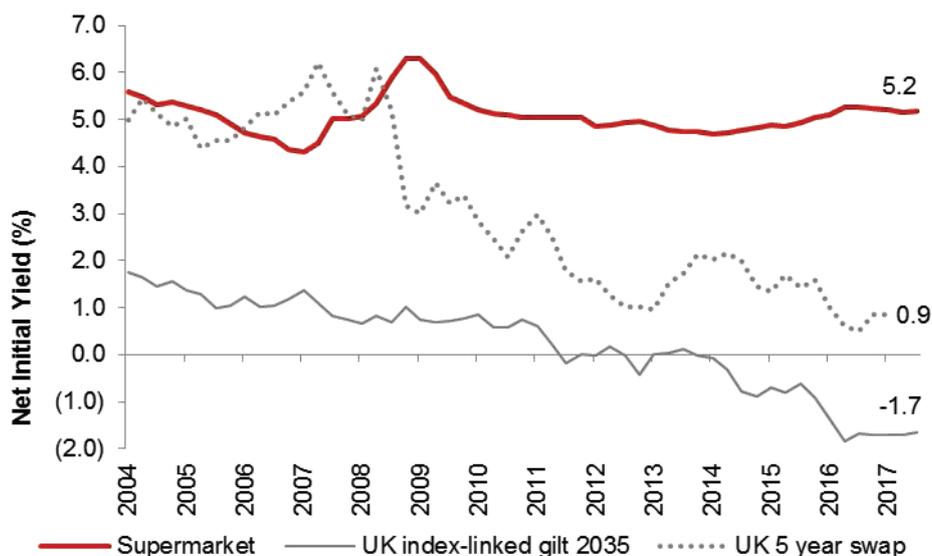


Source: IPD: 'All Property' is the entire property sector taken from the IPD Quarterly Universe, Supermarkets and Distribution Warehouse is a sub-category of the IPD Quarterly Universe. Annualised data is from December 2004 to December 2017.

### 3.3 Inflation protection

The Investment Adviser has experience in analysing how different asset classes offer protection against the effect of inflation, and how this protection is then valued by the relevant investment market. The Investment Adviser believes that, currently, real estate markets are under-valuing the inflation protection characteristics embedded in supermarket leases when compared to other comparable inflation-linked products, such as UK index-linked gilts. As illustrated in graph 4, UK index-linked gilts have traded at negative real yields since 2013 implying that investors in supermarket real estate receive approximately seven per cent. more in yield to source inflation protection from the supermarket sector.

Graph 4: IPD supermarket yields vs UK indexed-linked gilt and five year swap rates 2004 – 2017



Source: IPD and Bloomberg. "Supermarkets" is a sub-category from the IPD Quarterly Universe. Annualised data is from December 2004 to December 2017

### 3.4 Opportunities for asset management in the supermarket sector

In addition to current rental yields, supermarket property has additional potential for asset management upside opportunities to enhance total shareholder returns. These significant and multiple asset management opportunities can be categorised into three distinct segments:

#### 3.4.1 Light asset management

Light asset management typically involves small scale changes and improvements to a building which require limited additional capital and/or planning approvals. Examples include investing in green energy efficiency schemes such as energy efficient lighting, solar paneling, battery capture and storage and combined heat and power. These types of schemes may provide incremental additional returns for investors on a risk adjusted basis, but importantly can also assist the underlying operator in meeting certain strategic objectives in areas such as sustainability targets.

#### 3.4.2 Repurposing space

The repurposing of space allows operators to maximise the value of their building and potentially look to increase underlying footfall or revenues per square foot by adding new customer offerings or facilities in or around the store. Repurposing space typically requires an increased level of interaction with the operator and typically an element of planning approval. However, the primary use of the majority of the asset is not expected to change. Examples include adding restaurants, cafes and drive-through facilities on excess car parking or adapting some of the existing store for alternative use such as click and collect facilities.

#### 3.4.3 Heavy asset management

Heavy asset management requires significant interaction with the underlying operator and may result in material changes to the underlying store, including potentially a complete change of use. Typically these schemes will require detailed engagement with planners and long delays between the planning stage and final delivery. Examples could include residential development and/or conversion of the store to other forms of retail, leisure or logistics use.

The Company will look to engage and work closely with its tenants on all available asset management opportunities with a view to enhancing long term shareholder returns by increasing cash yields from light asset management and repurposing, and, where appropriate over the longer-term, releasing development profit opportunities from heavy asset management.

**4 UK supermarket real estate market dynamics**

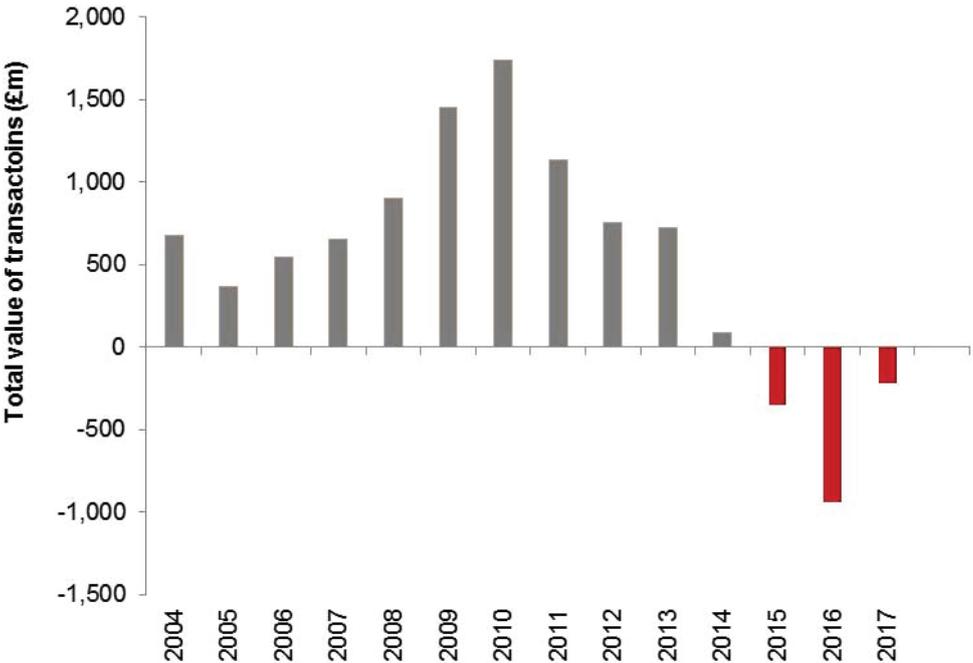
**4.1 Investment supply and demand**

After a period of heavy expansion in store numbers since 2000, the Big Four have substantially completed their store expansion plans and are now in a consolidation phase. Few new large properties are being developed by the operators and the strategic focus has generally shifted from creating new assets to increasing efficiencies on the supply side, meeting customer concerns with an improved shopping experience and further diversification in brands, merchandise and sales channels. The effect of this shift in strategic focus has been a reduction in the number of sale and leaseback transactions involving the Big Four, and therefore there has been a decline in the number of assets being offered to the investment market. The introduction of changes to accounting standards through IFRS16 (Lease Accounting) also means that supermarkets are less likely to use sale and leasebacks of existing stock as a financing tool in the future. IFRS16 effectively requires all rental obligations to be capitalised on a balance sheet as a financing rather than expensed as rental as rents fall due.

As the supply of new properties from the operators has reduced, many institutional property investors have also stopped seeking to buy these assets. As illustrated in graph 5, since 2014 institutional investors' share of the market has fallen to below £200 million for the first time since 2004. The Investment Adviser believes the main reason for this is general overexposure to the sector following the large number of sale and leasebacks between 2008 and 2013, but also changes to regulatory capital rules, which increase the cost of holding such assets for certain institutions.

2016 was the first year in which operators produced no new sale and leaseback supply since the early 2000s. Indeed, in a reversal of recent trends, Tesco has now become a net buyer of stores, spending around £1.5 billion on store buybacks since 2015. The Investment Adviser believes that operator buybacks will continue to be a key theme in the investment market as changes to accounting rules through IFRS 16 mean that reducing existing lease commitments will be an increasingly attractive way for the operators to strengthen their underlying balance sheet. Equally, following the significant expansion of store numbers over the last 15 years, the operators have now started to focus on refurbishing and upgrading existing stores rather than building new stores.

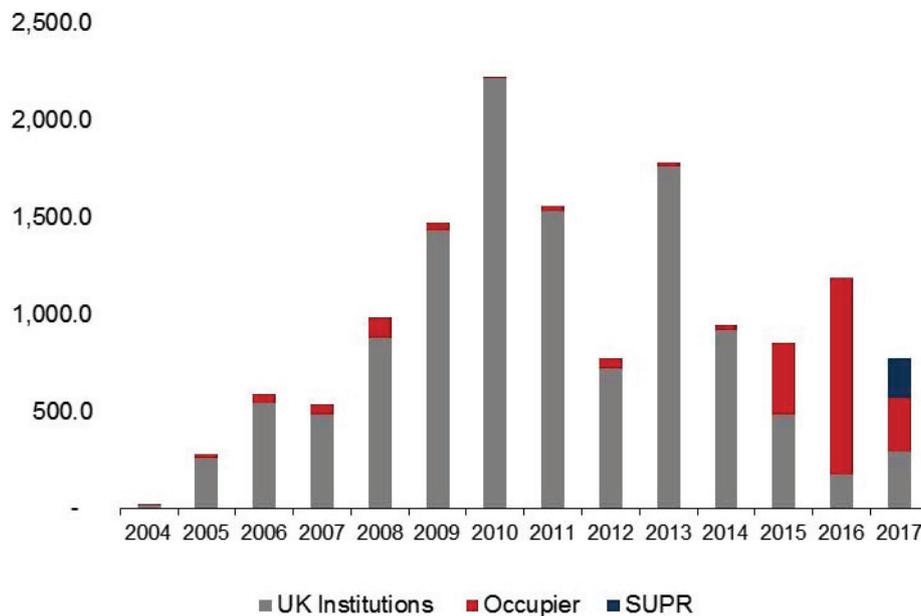
*Graph 5: Tesco sale and leasebacks / buy-backs 2004 – 2017 (YTD)*



Source: Property Data Limited, data from January 2014 to April 2017

Despite these changes in the investment market, demand for these supermarket assets has remained strong with over £1.5 billion of secondary market transactions taking place since 2015. The majority of this demand has arisen from operators seeking to buyback stores and overseas investors who appear to have taken advantage of the decline in sterling exchange rates and attractive asset pricing.

Graph 6: Supermarket transactions by purchaser type 2004 – 2017



The Investment Adviser believes that the reduced supply of new stock from operators against continued strong demand for supermarket assets from overseas investors, operators and increasingly pension fund investors generate favourable future supply and demand dynamics for long-term compression in yields closer to All Property with a corresponding increase in asset market values.

## 5 Future prospects

The Investment Adviser believes that current supermarket yields present a buying opportunity. Supermarket operators appear to be entering a period of higher earnings, improving their covenant as an operator. The Investment market, having experienced some changes over the last few years, appears to have favourable supply and demand characteristics. Meanwhile, the underlying nature of the asset continues to provide investors with long term, upward only rental growth, whilst the assets themselves, due to their location and structural design, offer asset management opportunities. All of these potential benefits are being priced at an investment yield which is currently higher than the rest of the property market. Against a backdrop of potential rising inflation and the uncertain economic outlook arising from events such as the UK's withdrawal from the European Union, the Directors and the Investment Adviser believe that these factors are highly attractive and therefore should continue to generate considerable investor interest.

# PART 8

## VALUATION REPORT



Cushman & Wakefield  
43/45 Portman Square  
London  
W1A 3BG

Tel 020 7935 5000  
Fax 020 7152 5360  
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### VALUATION RECORD

To: Supermarket Income REIT plc (the “**Company**”) 7<sup>th</sup> Floor 9 Berkeley Street London W1J 8DW Stifel Nicolaus Europe Limited (“**Stifel**”) 4<sup>th</sup> Floor 150 Cheapside London EC2V 6ET (the “**Addressees**”)

Property: The address, tenure and property type of each part of the property (the “**Properties**”) is included in Appendix 1 of this Valuation Report.

Report date: 25/04/2018

Valuation date: 31/03/2018 (the “**Valuation Date**”)

Our reference: PS6/DVT

## 1. Instructions

### 1.1. Appointment

We are pleased to submit our report and valuation (the “**Valuation Report**”), which has been prepared in accordance with the engagement letter entered into between us, the Company and Stifel dated 30 March 2018 (the “**Engagement Letter**”). This engagement letter and the terms set out therein constitute the “**Engagement**”.

Included in the Engagement is the Valuation Services Schedule (“**VSS**”). This Valuation Report is in condensed form and includes references to our VSS. The VSS is included in our full report, a copy of which (with commercially sensitive information redacted) may be obtained upon request from the Addressees. It is essential to understand that the contents of this Valuation Report are subject to the various matters we have assumed, which are referred to and confirmed as Assumptions in the VSS. Unless otherwise defined, all capitalised terms herein shall be as defined in the VSS.

We have valued the property interests in the above Properties and hereby confirm that as at the date of this Valuation Report, we have not become aware (after making reasonable enquiries of the Company and on the assumption that the Company has provided a full response to those enquiries) of any material change since 31 March 2018 in any matter relating to the Properties which in our opinion would have a material effect on the Market Value of the Properties as at today’s date, and in relation to market conditions and movements in property markets in which the Properties are located, we do not consider that any movement in respect of the Properties constitutes a material change to the Market Value reported.

A list of the addresses comprising the Properties, together with a note of their tenure, is included in Appendix 1.

## **1.2. Compliance with RICS Valuation – Global Standards**

We confirm that the valuation and Valuation Report have been prepared in accordance with the RICS Valuation – Global Standards which incorporate the International Valuation Standards (“**IVS**”) and the RICS UK Valuation Standards (the “**RICS Red Book**”) edition current at the Valuation Date. It follows that the valuation is compliant with IVS.

## **1.3. Status of Valuer and Conflicts of Interest**

We confirm that all valuers who have contributed to the valuation of the Properties have complied with the requirements of PS 1 of the RICS Red Book. We confirm that we have sufficient current knowledge of the relevant markets, and the skills and understanding to undertake the valuation of the Properties competently. We confirm that David Tittle has overall responsibility for the valuation of the Properties and is in a position to provide an objective and unbiased valuation and is competent to undertake the valuation. Finally, we confirm that we have undertaken the valuation of the Properties acting as an External Valuer as defined in the RICS Red Book.

As you are aware, Cushman and Wakefield have previous involvement with the separate properties which comprise the Properties in that Cushman and Wakefield have valued them for the purposes of the Company’s accounts in 2017.

## **1.4. Purpose of Valuation**

The purpose of this Valuation Report is for inclusion in a registration document (the “**Registration Document**”) dated 25 April 2018 published by the Company in connection with the Initial Issue (as defined in the Registration Document) (the “**Purpose of the Valuation Report**”).

In accordance with PS 2.5 and UKVS 4 of the RICS Red Book we have made certain disclosures in connection with this valuation instruction and our relationship with the Company. These are included in item 1.5 below.

## **1.5. Disclosures required under the provisions of PS 2.5 and UKVS 4**

### **David Tittle**

C&W was first instructed to address a Valuation Report to the Company in 2017. We are instructed to prepare Valuation Reports for the Company on a biannual basis for financial reporting purposes. David Tittle is the signatory of this Valuation Report.

C&W endorses the RICS view that it is good practice to rotate the valuer responsible for Regulated Purpose Valuations at intervals not exceeding seven years. C&W’s policy in this regard is explained in the VSS.

### **C&W’s relationship with the Company**

C&W have been carrying out valuation instructions for Supermarket Income REIT PLC since 2017.

### **Fee income from the Company**

On 1 September 2015, DTZ acquired Cushman & Wakefield and the combined group now trades under the Cushman & Wakefield brand. C&W’s financial year end is 31 December. We confirm that the proportion of fees payable by the Company and its subsidiary companies to C&W in the financial year ended 31 December 2017 was less than 5%.

## **1.6. Inspections**

The Properties have been inspected internally and externally between 1 June 2017 and 6 April 2018.

## 1.7. Floor areas

Unless specified otherwise, floor areas and analysis in this Valuation Report are based on the following bases of measurement, as defined in RICS Property Measurement (the edition current at the Valuation Date):

**Retail**                      GIA

## 1.8. Accommodation

### Source of Floor Areas

We have been provided with floor areas by the Company or their professional advisers, and we have carried out check measurements on site. There was no material difference between our measured areas and the areas provided by the Company or its professional advisers; consequently, we have adopted the areas provided.

## 1.9. Sources of Information

In addition to information established by us, we have relied on the information obtained from the Company and its professional advisers.

We have made the Assumption (as that term is defined in the VSS) that the information provided by the Company and its professional advisers in respect of the Properties is both complete and correct. We have made the further Assumption that details of all matters relevant to value within their collective knowledge, such as prospective lettings, rent reviews, outstanding requirements under legislation and planning decisions, have been made available to us, and that such information is up to date.

We have been provided with copies of Certificates of Title (the “**Certificates of Title**”) prepared by Macfarlanes LLP dated 31 August 2017 and Burness Paull LLP dated 18 December 2017. Save as disclosed in the Certificates of Title, we have made an Assumption that the Company is possessed of good and marketable freehold and leasehold title and that the Properties are free from rights of way or easements, restrictive covenants, disputes or onerous or unusual outgoing. We have also assumed that the Properties are free from mortgages, charges or other encumbrances.

## 2. Basis of valuation

Our opinion of the Market Value of the Properties has been primarily derived using comparable recent market transactions on arm’s length terms.

### Market Value

The term “Market Value” as referred to in VPS 4 Item 4 of the RICS Red Book and applying the conceptual framework which is set out in IVS 104: “The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.”

## 3. Taxation and costs

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

We have made a deduction to reflect a purchaser’s acquisition costs.

## 4. VAT

The Company has advised us that the option to tax has been exercised in respect of all the commercial elements of the Properties.

The capital valuations and rentals included in this Valuation Report are net of Value Added Tax at the prevailing rate.

**5. Property information**

**5.1. Enquiries**

We have made various enquiries relating to the Properties, details of which can be found in the VSS.

The results of our enquiries and inspections do not contradict the Assumptions which we have made and are referred to in the VSS.

As stated in the VSS, in accordance with the Company’s instructions, we have not made enquiries of the relevant planning authorities.

**6. Valuation**

We are of the opinion that the Market Value of the freehold and leasehold interests in the Properties, subject to the existing tenancies, as at the Valuation Date, subject to the Assumptions and comments in this Valuation Report and the Appendices was:

Freehold	£83,200,000 Eighty three million and two hundred thousand (words)
Long leasehold	£127,300,000 One hundred and twenty seven million and three hundred thousand (words)
<b>Total</b>	<b>£210,500,000 Two hundred and ten million and five hundred thousand (words)</b>

Long leasehold is defined as an interest with an unexpired term of more than 50 years.

**7. Modification and Alterations**

This Valuation Report or any part of it may not be modified, altered (including altering the context in which the Valuation Report is displayed) or reproduced without our prior written consent. Any person who breaches this provision shall indemnify us against all claims, costs, losses and expenses that we may suffer as a result of such breach.

To the fullest extent permitted by law, we hereby exclude all liability arising from use of and/ or reliance on this Valuation Report by any person or persons except as otherwise set out herein or in the VSS.

**8. Reliance and Responsibility**

For the purposes of Prospectus Rule 5.5.3(R)(2)(f), we are responsible for this Valuation Report and accept responsibility for the information contained in this Valuation Report and confirm that to the best of our knowledge (having taken all reasonable care to ensure that such is the case), the information contained in this Valuation Report is in accordance with the facts and contains no omissions likely to affect its import. We have given our consent for the purpose of Annex I paragraph 23.1 of the Prospectus Rules to the inclusion of this Valuation Report in the Registration Document and to the references to this Valuation Report and itself in the Registration Document in the form and context in which they appear.

This Valuation Report complies with Rule 5.6.5G of the Prospectus Rules and paragraphs 128 to 130 of CESR’s recommendations for the consistent implementation of the European Commission’s Regulation on Prospectuses no. 809/2004.

Signed for and on behalf of Cushman & Wakefield Debenham Tie Leung Limited.

**David Tittle FRICS**  
Partner  
RICS Registered Valuer

## APPENDIX 1 – Property Schedule

PROPERTY	INTEREST	PROPERTY TYPE	INSPECTION DATE
Sainsbury's Superstore, Simone Weil Avenue, ASHFORD, Kent, TN24 8YN	Freehold	Foodstore investment	26 June 2017
Tesco Superstore, Lime Trees Road, BRISTOL, Avon BS6 7XW	999 years from 25 October 2006 at a rent of £2, fixed throughout the term	Foodstore investment	10 January 2018
Tesco Extra Superstore, Tryst Road, CUMBERNAULD, G67 1JW	175 years (including option to extend) from 25 June 2003 at a peppercorn rent, fixed throughout the term	Foodstore investment	4 April 2018
Tesco Extra Superstore, Kilverstone, THETFORD, Norfolk, IP24 2RL	999 years from 9 October 2006 at a rent of £2, fixed throughout the term	Foodstore investment	29 June 2017

## APPENDIX 2 – Definitions Schedule

### 1. Bases of Valuation:

<b>Market Value</b>	<p>Market Value as referred to in VPS4, Item 4 of the current edition of the RICS Valuation – Global Standards which incorporate the International Valuation Standards (“<b>IVS</b>”) and the RICS UK Valuation Standards (the “<b>RICS Red Book</b>”), and applying the conceptual framework which is set out in IVS104:</p> <p><i>“The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”</i></p> <p>The conceptual framework set out in IVS104 is reproduced below:</p> <p><i>“30.2. The definition of Market Value must be applied in accordance with the following conceptual framework:</i></p> <ul style="list-style-type: none"><li>(a) <i>“The estimated amount” refers to a price expressed in terms of money payable for the asset in an arm’s length market transaction. Market Value is the most probable price reasonably obtainable in the market on the valuation date in keeping with the market value definition. It is the best price reasonably obtainable by the seller and the most advantageous price reasonably obtainable by the buyer. This estimate specifically excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, special considerations or concessions granted by anyone General Standards – IVS 104 Bases of Value General Standards General Standards – IVS 104 Bases of Value 19 associated with the sale, or any element of value available only to a specific owner or purchaser.</i></li><li>(b) <i>“An asset or liability should exchange” refers to the fact that the value of an asset or liability is an estimated amount rather than a predetermined amount or actual sale price. It is the price in a transaction that meets all the elements of the Market Value definition at the valuation date.</i></li><li>(c) <i>“On the valuation date” requires that the value is time-specific as of a given date. Because markets and market conditions may change, the estimated value may be incorrect or inappropriate at another time. The valuation amount will reflect the market state and circumstances as at the valuation date, not those at any other date.</i></li><li>(d) <i>“Between a willing buyer” refers to one who is motivated, but not compelled to buy. This buyer is neither over eager nor determined to buy at any price. This buyer is also one who purchases in accordance with the realities of the current market and with current market expectations, rather than in relation to an imaginary or hypothetical market that cannot be demonstrated or anticipated to exist. The assumed buyer would not pay a higher price than the market requires. The present owner is included among those who constitute “the market”.</i></li><li>(e) <i>“And a willing seller” is neither an over eager nor a forced seller prepared to sell at any price, nor one prepared to hold out for a price not considered reasonable in the current market. The willing seller is motivated to sell the asset at market terms for the best price attainable in the open market after proper marketing, whatever that price may be. The factual circumstances of the actual owner are not a part of this consideration because the willing seller is a hypothetical owner.</i></li></ul>
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	<p>(f) <i>“In an arm’s length transaction” is one between parties who do not have a particular or special relationship, e.g., parent and subsidiary companies or landlord and tenant, that may make the price level uncharacteristic of the market or inflated. The Market Value transaction is presumed to be between unrelated parties, each acting independently.</i></p> <p>(g) <i>“After proper marketing” means that the asset has been exposed to the market in the most appropriate manner to effect its disposal at the best price reasonably obtainable in accordance with the Market Value definition. The method of sale is deemed to be that most appropriate to obtain the best price in the market to which the seller has access. The length of exposure time is not a fixed period but will vary according to the type of asset and market conditions. The only criterion is that there must have been sufficient time to allow the asset to be brought to the attention of an adequate number of market participants. The exposure period occurs prior to the valuation date.</i></p> <p>(h) <i>“Where the parties had each acted knowledgeably, prudently” presumes that both the willing buyer and the willing seller are reasonably informed about the nature and characteristics of the asset, its actual and potential uses, and the state of the market as of the valuation date. Each is further presumed to use that knowledge prudently to seek the price that is most favourable for their respective positions in the transaction. Prudence is assessed by referring to the state of the market at the General Standards – IVS 104 Bases of Value International Valuation Standards General Standards – IVS 104 Bases of Value 20 valuation date, not with the benefit of hindsight at some later date. For example, it is not necessarily imprudent for a seller to sell assets in a market with falling prices at a price that is lower than previous market levels. In such cases, as is true for other exchanges in markets with changing prices, the prudent buyer or seller will act in accordance with the best market information available at the time.</i></p> <p>(i) <i>“And without compulsion” establishes that each party is motivated to undertake the transaction, but neither is forced or unduly coerced to complete it.</i></p> <p>30.3. <i>The concept of Market Value presumes a price negotiated in an open and competitive market where the participants are acting freely. The market for an asset could be an international market or a local market. The market could consist of numerous buyers and sellers, or could be one characterised by a limited number of market participants. The market in which the asset is presumed exposed for sale is the one in which the asset notionally being exchanged is normally exchanged.</i></p> <p>30.4. <i>The Market Value of an asset will reflect its highest and best use (see paras 140.1-140.5). The highest and best use is the use of an asset that maximises its potential and that is possible, legally permissible and financially feasible. The highest and best use may be for continuation of an asset’s existing use or for some alternative use. This is determined by the use that a market participant would have in mind for the asset when formulating the price that it would be willing to bid.</i></p>
<p><b>Fair Value – IFRS</b></p>	<p>Fair Value is referred to in VPS4 Item 7 of the RICS Red Book. Under these provisions, the term <b>“Fair Value”</b> means the definition adopted by the International Accounting Standards Board (<b>“IASB”</b>) in IFRS 13:</p> <p><i>“The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date”.</i></p>

<b>Fair Value – UK GAAP</b>	<p>Fair Value in accordance with RICS UK Valuation Standard (“UKVS”) 1. Under these provisions, the term “<b>Fair Value</b>” means:</p> <p><i>“The amount for which an asset could be exchanged, a liability settled, or an equity instrument granted between knowledgeable, willing parties in an arm’s length transaction.”</i></p>
<b>Market Rent</b>	<p>Market Rent as referred to in VPS 4 Item 5 of the RICS Red Book. Under VPS 4 Item 5 the term “<b>Market Rent</b>” is defined in IVS104 as: “The estimated amount for which an interest in real property should be leased on the valuation date between a willing lessor and a willing lessee on appropriate lease terms in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.</p> <p>Whenever Market Rent is provided the “appropriate lease terms” which it reflects should also be stated.</p> <p>The commentary from VPS4 Item 5 of the RICS Red Book is reproduced below:</p> <p><i>“5.1 <b>Market rent</b> will vary significantly according to the terms of the assumed lease contract. The appropriate lease terms will normally reflect current practice in the market in which the property is situated, although for certain purposes unusual terms may need to be stipulated. Matters such as the duration of the lease, the frequency of rent reviews and the responsibilities of the parties for maintenance and outgoings will all impact the <b>market rent</b>. In certain countries or states, statutory factors may either restrict the terms that may be agreed, or influence the impact of terms in the contract. These need to be taken into account were appropriate.</i></p> <p><i>5.2 <b>Market rent</b> will normally be used to indicate the amount for which a vacant property may be let, or for which a let property be may re-let when the existing lease terminates. <b>Market rent</b> is not a suitable basis for settling the amount of rent payable under a rent review provision in a lease, where the definitions and assumptions specified in the lease have to be used.</i></p> <p><i>5.3 Valuers must therefore take care to set out clearly the principal lease terms that are assumed when providing an opinion of <b>market rent</b>. If it is the market norm for lettings to include a payment or concession by one party to the other as an incentive to enter into a lease, and this is reflected in the general level of rents agreed, the <b>market rent</b> should also be expressed on this basis. The nature of the incentive assumed must be stated by the valuer, along with the assumed lease terms.”</i></p>
<b>Existing Use Value</b>	<p>Existing Use Value as defined in UKVS 1. Under UKVS 1, the term “<b>Existing Use Value</b>” is defined as follows:</p> <p><i>“The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction after proper marketing where the parties had acted knowledgeably, prudently and without compulsion, assuming that the buyer is granted vacant possession of all parts of the asset required by the business, and disregarding potential alternative uses and any other characteristics of the asset that would cause its market value to differ from that needed to replace the remaining service potential at least cost”.</i></p>

## 2. Special Assumptions:

<b>Special Assumptions</b>	<p>The Glossary of the RICS Red Book states that an Assumption “<i>that either assumes facts that differ from the actual facts existing at the valuation date, or that would not be made by a typical market participant in a transaction on the valuation date</i>” is a Special Assumption.</p>
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### APPENDIX 3 – Address, tenure and value

Address	Description & tenure	Occupational tenancies	Market Value as at 31 March 2018
<b>Property held for investment:</b>			
Sainsbury's Superstore, Simone Weil Avenue, ASHFORD, Kent TN24 8YN	<p>Out of town centre foodstore having a gross internal floor area of 11,609.4 m<sup>2</sup> (124,964 ft<sup>2</sup>). There are about 702 parking spaces and a 16 pump petrol filling station.</p> <p>Site area approx. 6.712 hectares (16.59 acres).</p> <p>Built in 1991 and extended in 2011.</p> <p>Freehold</p>	<p>Entirely let to Sainsbury's Supermarkets Ltd on full repairing and insuring terms for 25 years expiring 5th September 2038 with a tenant's option to renew on substantially the same terms for a period of 25 years at market rent.</p> <p>The rent is increased annually on 6th September in line with changes in the Retail Price Index (RPI) subject in any year to a minimum of 1.0% and a maximum of 3.0%.</p> <p>The tenant has a right of pre-emption to purchase the property if the freeholder decides to sell.</p>	£83,200,000
Tesco Superstore, Lime Trees Road, BRISTOL Avon BS6 7XW	<p>Out of town centre foodstore having a gross internal floor area of 5,045.7 m<sup>2</sup> (54,312 ft<sup>2</sup>) with 468 parking spaces.</p> <p>Site area approx. 2.961 hectares (7.32 acres).</p> <p>Built in 1993.</p> <p>999 years from 25th October 2006 at a rent of £2, fixed throughout the term.</p>	<p>Entirely sublet to Tesco Property Nominees (No.5) Limited and Tesco Property Nominees (No.6) Limited, guaranteed by Tesco Plc on full repairing and insuring terms for 20 years expiring 28th February 2031.</p> <p>The rent is increased annually on 1st March in line with changes in the Retail Price Index (RPI) subject in any year to a minimum of 0% and a maximum of 4.0%.</p> <p>The Tenant has an option to take 3 further leases of the premises, each for 10 years. The first further lease will commence at market rent subject to annual review on the same basis as the current lease.</p> <p>The tenant has the option to purchase the property on lease expiry and also has the right to substitute the asset.</p>	£29,100,000
Tesco Extra Superstore, Tryst Road, CUMBERNAULD G67 1JW	<p>Out of town centre foodstore having a gross internal floor area of 11,182.9 m<sup>2</sup> (120,373 ft<sup>2</sup>) with 584 parking spaces and a 12 pump petrol filling station.</p> <p>Site area approx. 3.78 hectares (9.34 acres).</p> <p>Built in 2004.</p> <p>175 years (including option to extent) from 25th June 2003 at a peppercorn rent, fixed throughout the term.</p>	<p>Entirely sublet to Tesco Property Nominees (No.5) Limited and Tesco Property Nominees (No.6) Limited, guaranteed by Tesco Plc on full repairing and insuring terms for 30 years expiring 25th August 2040.</p> <p>The rent is increased annually on 25th March in line with changes in the Retail Price Index (RPI) based on the 12 month's period published in September preceding the review subject in any year to a minimum of 0% and a maximum of 5.0%.</p> <p>The Tenant has an option to take 3 further leases of the premises, each for 10 years. The first further lease will commence at market rent subject to annual review on the same basis as the current lease.</p>	£54,500,000

Address	Description & tenure	Occupational tenancies	Market Value as at 31 March 2018
Tesco Extra Superstore, Kilverstone, THETFORD Norfolk IP24 2RL	<p>Out of town centre food store having a gross internal floor area of 7,286.6 sq m (78,239 sq ft) with 520 parking spaces and a 8 pump petrol filling station.</p> <p>Site area approx. 5.27 hectares (13.27 acres).</p> <p>Built in 1991.</p> <p>999 years from 9th October 2006 at a rent of £2, fixed throughout the term.</p>	<p>Entirely sublet to Tesco Stores Limited, guaranteed by Tesco Plc on full repairing and insuring terms for 20 years from 22nd December 2029.</p> <p>The rent is increased annually on 25th December in line with changes in the Retail Price Index (RPI) based on the 12 month's period published in May preceding the review subject in any year to a minimum of 0% and a maximum of 4.0%.</p> <p>The Tenant has an option to take 3 further leases of the premises, each for 10 years. The first further lease will commence at market rent subject to annual review on the same basis as the current lease.</p> <p>The tenant has the option to purchase the property on lease expiry and also has the right to substitute the asset.</p>	£43,700,000
<b>TOTAL MARKET VALUE</b>			<b>£210,500,000</b>

## PART 9

### DIRECTORS, MANAGEMENT AND CORPORATE GOVERNANCE

#### 1 Directors and Senior Management

##### *Directors*

The Board currently comprises three non-executive Directors. The Directors are as follows:

<u>Name</u>	<u>Position</u>	<u>Date appointed to the Board</u>
Nick Hewson	Chairman	5 June 2017
Vincent Prior	Non-executive Director and Senior Independent Director	5 June 2017
Jon Austen	Non-executive Director	5 June 2017

The business address of the Directors is currently 7th Floor, 9 Berkeley Street, London W1J 8DW.

The management expertise and experience of each of the Directors is set out below.

##### **Nick Hewson, age 61, Chairman**

Nick Hewson qualified as a chartered accountant in 1984. He serves as a non-executive director and chair of the audit committee of Redrow plc, a FTSE 250 company and one of the UK's leading housebuilders and construction companies. Prior to this, Nick was chair of the executive committee of Pradera AM plc, a European retail property fund management business. He was a founding partner of City Centre Partners LP for ten years until 2013. Nick was also the co-founder, CEO and chairman of Grantchester Holdings plc, a listed developer and investor in the UK retail warehouse industry, where he worked between 1990 and 2012.

##### **Vincent Prior, age 62, Non-executive Director and Senior Independent Director**

Vincent Prior is currently a director of VP Real Estate and advises corporate clients and investors on investment opportunities and how best to manage their existing property portfolios. Vincent joined Sainsbury's Property Investment team in 2008 and was subsequently appointed as Head of Property Investment. Over a five year period to 2014, the value of Sainsbury's property portfolio grew from £7.5 billion to £12 billion. Prior to this, Vincent was the head of Retail Advisory Services at Jones Lang LaSalle ("JLL") and provided strategic advice to a range of high profile supermarket and retail operators. Vincent started his career working for Tesco Stores plc where he helped to set up the store locations team.

##### **Jon Austen, age 62, Non-executive Director**

Jon Austen is a fellow of the Institute of Chartered Accounts of England and Wales and is currently chief financial officer at Audley Court Limited, which develops up-market retirement villages in the UK. Jon is also a non-executive director of McKay Securities plc, a company which specialises in office and industrial security in London and the South East of England. Prior to this, Jon was group finance director of Terrace Hill plc, before it merged with Urban&Civic and continued as group finance director following the merger. Jon has also held senior finance roles at London and Edinburgh Trust plc, Pricoa Property plc and Goodman Limited.

##### *Compensation*

Each of the Directors is entitled to receive a fee from the Company at such rate as may be determined in accordance with the Articles. Save for the Chairman, the fees are £35,000 for each Director per annum. The Chairman's fee is £55,000 per annum. In addition, the Chair of the Audit Committee receives an additional fee of £5,000 per annum and the Senior Independent Director receives an additional fee of £3,500 per annum.

Each of the Directors is also entitled to be paid all reasonable expenses properly incurred by them in attending general meetings, board or committee meetings or otherwise in connection with the business of the Company. The Board may determine that additional remuneration

may be paid, from time to time, to any one or more Directors in the event such Director or Directors are requested by the Board to perform extra or special services on behalf of the Company.

## **2 Conflicts of interest**

The AIFM, the Investment Adviser and their officers and employees may from time to time act for other clients or manage or advise other funds, which may have similar investment objectives and policies to that of the Company. Circumstances may arise where investment opportunities will be available to the Company which are also suitable for one or more of such clients of the AIFM or the Investment Adviser or such other funds. The Directors have satisfied themselves that the AIFM and the Investment Adviser have procedures in place to address potential conflicts of interest. Pursuant to the Investment Advisory Agreement, the Investment Adviser will not engage in any property acquisition services in relation to any asset(s) falling within the Company's stated Investment Policy and investment objective, which have been identified by the Investment Adviser without offering the Company a right of first refusal in respect of such asset(s).

The Directors will seek to ensure that any conflict of interest is resolved fairly and in the interests of the Company.

The AIFM, the Investment Adviser and any of their directors, officers, employees, agents and affiliates and the Directors and any person or company with whom they are affiliated or by whom they are employed (each an "**Interested Party**") may be involved in other financial, investment or other professional activities which may cause conflicts of interest with the Company. In particular, Interested Parties may provide services similar to those provided to the Company to other entities and shall not be liable to account for any profit from any such services. For example, an Interested Party may acquire on behalf of a client an investment in which the Company may invest.

There are no actual or potential conflicts of interest between any duties owed to the Company, the Directors or the Investment Adviser or any of the Directors and their private interests or duties.

## **3 Treasury policy**

The Company is permitted to invest cash held for working capital purposes and awaiting investment in accordance with the following provisions.

Until such time as funds are required for investment in real estate opportunities, the Company intends that cash not yet invested will be managed by the AIFM in consultation with the Investment Adviser.

The safekeeping of the Company's assets will be carried out by the Company. The Company shall be responsible for ensuring the Company's cash flows are properly monitored and shall review the AIFM's cash monitoring procedures. The Company may delegate some or all of its custody functions to a member of its Group.

The AIFM is responsible for managing cash not yet invested by the Company in property assets or otherwise applied in respect of the Company's operating expenses, such cash entrusted from time to time by the Company for management by the AIFM pursuant to the terms and conditions of the AIFM Agreement with the aim of preserving the capital value of such assets. Subject to the Company providing the AIFM reasonable notice when it requires the liquidation and/or transfer of a part of the entrusted assets in order to pursue the Investment Policy, the Company has given the AIFM full discretionary authority to invest in various types of financial instruments in Sterling including cash deposits, term deposits, depositary bonds, fixed rate depositary bonds, commercial paper, treasuries, bonds with short term to maturity and government securities as well as floating rate notes and other money market instruments. See paragraph 12.3 of Part 14 ("**Additional Information**") for a summary of the AIFM Agreement.

The Company hedges its interest rate exposure through the use of forward contracts, options, swaps or other forms of derivative instruments.

It is intended that all hedging policies of the Company be reviewed by the Board and the AIFM on a regular basis to ensure that the risks associated with the REIT Group's investments are being appropriately managed. Any transactions carried out will only be undertaken for the purpose of efficient portfolio management and will not be carried out for speculative reasons.

#### **4 Valuation policy**

The Net Asset Value (and Net Asset Value per Share) is calculated semi-annually by the Administrator on behalf of the Company. Calculations are at fair value as determined by the Administrator on the basis of market value in accordance with the internationally accepted RICS Appraisal and Valuation Standards. Consistent with other listed European real estate investment companies, the Directors follow the guidance published by EPRA and disclose adjusted measures of Net Asset Value (and Net Asset Value per Share) which are designed by EPRA to reflect better the core long term operations of the business. Details of each semi-annual valuation, and of any suspension in the making of such valuations, are announced by the Company through an RIS as soon as practicable after the end of the relevant six month period. The semi-annual valuations of the Net Asset Value (and Net Asset Value per Share) will be calculated on the basis of the most recent annual independent valuation of the Group's properties and any other assets or most recent semi-annual desktop valuation. In addition, such valuations and calculations may also be carried out in case of an increase or decrease of the capital by the Company.

The calculation of the Net Asset Value (and Net Asset Value per Share) will only be suspended in circumstances where the underlying data necessary to value the investments of the REIT Group cannot readily, or without undue expenditure, be obtained or in other circumstances (such as a systems failure of the Administrator) which prevents the Company from making such calculations. Details of any suspension in making such calculations will be announced through an RIS as soon as practicable after any such suspension occurs.

#### **5 Corporate governance**

##### ***General***

The Board has considered the principles and recommendations of the AIC Code by reference to the AIC Guidance. The AIC Code, as explained by the AIC Guidance, addresses all the principles set out in the UK Corporate Governance Code, as well as setting out additional principles and recommendations on issues that are of specific relevance to the Company as an investment company.

The Board considers that reporting against the principles and recommendations of the AIC Code, and by reference to the AIC Guidance, will provide better information to Shareholders.

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

The UK Corporate Governance Code includes provisions relating to: the role of the chief executive; the appointment of a senior independent director; executive directors' remuneration; and the need for an internal audit function. For the reasons set out in the AIC Guidance, the Board considers these provisions are not relevant to the position of the Company, being an externally managed investment company and the Company does not, therefore, intend to comply with them.

No individual or group of individuals dominates the Board's decision making process.

## 6 Committees

The Board has the following committees:

### 5.1 *The Audit Committee*

The Audit Committee comprises Jon Austen and Vincent Prior and is chaired by Jon Austen. Jon Austen has sufficient recent and relevant financial experience to act as chair of the Audit Committee. The Audit Committee has responsibility for, amongst other things, the planning and review of the REIT Group's annual report and accounts and half-yearly reports and the involvement of the REIT Group's auditors in the process. The committee focuses in particular on compliance with legal requirements, accounting standards and on ensuring that an effective system of internal financial control is maintained. The Audit Committee also reviews the objectivity of the REIT Group's auditors and the terms under which the REIT Group's auditors are appointed to perform non-audit services.

The terms of reference of the Audit Committee cover such issues as committee membership, frequency of meetings, quorum requirements and the right to attend meetings. The responsibilities of the Audit Committee covered in the terms of reference relate to the following: external audit, internal audit, financial reporting, internal controls and risk management. The terms of reference also set out reporting responsibilities and the authority of the committee to carry out its responsibilities.

The Audit Committee meets not less than twice a year and at the appropriate times in the reporting and audit cycle and at such other times as the Chairman shall require.

### 5.2 *Other committees*

The Board fulfils the responsibilities typically undertaken by a nomination committee and a remuneration committee.

The Board as a whole also fulfils the functions of a management engagement committee. The Board will review the actions and judgements of management in relation to the interim and annual financial statements and the Company's compliance with the rules of the London Stock Exchange, the Disclosure Guidance and Transparency Rules, the Market Abuse Regulation and the AIC Code. It will review the terms of the AIFM Agreement and the Investment Advisory Agreement and examine the effectiveness of the Company's internal control systems and the performance of the AIFM and the Investment Adviser, Administrator, Company Secretary and Registrar.

## 5 Senior Independent Director

The principal role of the Senior Independent Director (the "**SID**") is to support the Chairman in his role; to act as an intermediary between the Chairman and the other directors when necessary; and to assist the non-executive directors with their oversight of the Chairman.

The SID, taking into account the views of other directors as appropriate, will assist the directors in the annual performance evaluation of the Chairman.

The SID shall meet with directors without the Chairman present to enable:

- (a) the directors to relay to the SID any issues, concerns or observations they may have; and
- (b) the SID to relay to the directors his observations and any views he may have received from major shareholders.

The SID and the directors are expected to maintain an appropriate level of contact with each other between these meetings.

Nothing above is intended to preclude the Chairman and Directors from talking directly to each other.

The SID is available to discuss matters which Shareholders do not wish to raise with the Board more generally.

The SID will also act as the Board's contact with regulators as and when required.

## PART 10

### REIT STATUS AND TAXATION

#### 1 General

The statements below are intended to be a general summary of certain UK tax considerations relevant to prospective investors in the Ordinary Shares. This is not a comprehensive summary of all aspects of the taxation of the REIT Group and Shareholders and is not intended to constitute legal or tax advice.

The statements below are based on current UK tax law and what is understood to be the current practice (which may not be binding) of HMRC as at the date of this document, both of which are subject to change, possibly with retrospective effect. Prospective investors should familiarise themselves with, and where appropriate should consult their own professional advisers on, the overall tax consequences of investing in the Company. As is the case with any investment, there can be no guarantee that the tax position or proposed tax position prevailing at the time an investment in the Company is made will apply or will endure indefinitely. The tax consequences for each investor investing in the Company may depend on the investor's own tax position and upon relevant laws of any jurisdiction to which the investor is subject.

If you are in any doubt as to your tax position or if you are subject to tax in a jurisdiction outside the UK, you should consult an appropriate professional adviser without delay.

#### 2 UK Tax treatment of the REIT Group and the REIT regime

The REIT Group became a REIT with effect from 21 December 2017. Before this date, the Company and its subsidiaries were subject to UK corporation tax on their income, profits and gains in accordance with normal UK corporation tax principles (and without the benefit of the REIT exemption). On entry into the REIT regime, the assets of the REIT Group which were involved in the Property Rental Business were treated for UK tax purposes as sold and reacquired at market value (with any gain arising not being treated as a chargeable gain).

As a group UK REIT, with effect from 21 December 2017 the REIT Group is not charged UK corporation tax on its profits and gains derived from its UK Property Rental Business provided that certain conditions are satisfied. Instead, distributions by the principal company of the REIT (being the Company in this case) in respect of the UK Property Rental Business of the REIT are treated for UK tax purposes as UK property income in its shareholders' hands so far as the distribution is a distribution of profits which have benefitted from the REIT exemption from UK tax. Such a distribution paid by the Company is referred to in this section as a Property Income Distribution ("**PID**").

Any company which is a member of the REIT Group will be subject to UK tax in respect of profits and gains from business other than UK Property Rental Business (the "**Residual Business**"), where the UK has primary taxing rights over such profits. Such UK tax could be UK income tax charged at the basic rate of 20 per cent. or UK corporation tax charged at 19 per cent. (reducing to 17 per cent. from April 2020). Dividends by the Company relating to the Residual Business of the REIT Group (or relating to non-UK profits of any non-UK resident subsidiaries which are outside the scope of UK tax) are treated as normal dividends in the hands of the Shareholders. Any such dividend is referred to in this section as a Non-Property Income Distribution ("**Non-PID Dividend**").

Whilst the REIT regime applies to the REIT Group, the UK Property Rental Business will be treated for corporation tax purposes as a separate business from the Residual Business (and any property business carried on outside the UK by a non-UK resident subsidiary) and a loss incurred by one business cannot be set off against profits of the other.

### **3 Qualification as a REIT**

In order to continue to qualify as a REIT, the Company and other members of the REIT Group must continue to satisfy certain conditions set out in Part 12 CTA 2010. A breach of certain conditions could lead to a tax charge in the Company rather than termination of the REIT Group's REIT status. A non-exhaustive summary of the material conditions is set out below.

#### **3.1 Company conditions**

There are several conditions that the Company, as the principal company of the REIT Group, must satisfy in order for the REIT Group to maintain its REIT status. These are summarised below.

The Company must be a solely UK tax resident company whose ordinary share capital must be admitted to trading on a recognised stock exchange (which includes the Specialist Fund Segment) throughout each accounting period. In addition, in respect of each accounting period, the Company's ordinary share capital must either be listed on a recognised stock exchange throughout the period, or traded on a recognised stock exchange during the period. This additional condition is relaxed in the Company's first three accounting periods within the REIT regime.

The Company must not be an open-ended investment company.

The Company must not be a close company as defined by section 439 CTA 2010 and as applied by section 528(5) CTA 2010, other than by virtue of having a participator who is an institutional investor. Broadly, the close company condition requires that the Company is not under the control of five or fewer participators or of participators who are directors (participators for these purposes is defined by section 454 CTA 2010). An institutional investor includes the trustee or manager of an authorised unit trust (or overseas equivalent) or a pension scheme, an insurance company, a charity, a limited partnership which is a collective investment scheme, a registered social landlord, an open-ended investment company, a person with sovereign immunity, a UK REIT or the non-UK equivalent of a UK REIT. The close company condition is relaxed for the first three years following entry into the REIT regime.

#### **3.2 Share capital restrictions**

The Company must have only one class of ordinary shares in issue and the only other shares it may issue are particular types of non-voting restricted preference shares.

#### **3.3 Borrowing restrictions**

The Company must not be party to any loan in respect of which the lender is entitled to interest which exceeds a reasonable commercial return on the consideration lent or where the interest depends to any extent on the results of any of its business or on the value of any of its assets. A loan is not treated as carrying results-dependent interest by reason only that the terms of the loan provide for interest to reduce if the results improve or to increase if the results deteriorate. 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.

#### **3.4 Financial statements**

The Company must prepare financial statements in accordance with the statutory requirements set out in sections 532 and 533 CTA 2010 (the "**Financial Statements**") and submit these to HMRC. In particular, the Financial Statements must contain information about the Property Rental Business and the Residual Business separately.

#### **3.5 Conditions for the Property Rental Business**

A Property Rental Business must be carried on throughout each accounting period and satisfy the conditions summarised below in respect of each accounting period during which the REIT Group is to be treated as a REIT. Owner-occupied property (as interpreted by generally accepted accounting practice) is excluded from the tax exempt Property Rental Business.

The Property Rental Business must, throughout the accounting period, involve at least three properties.

Throughout the accounting period, no one property may represent more than 40 per cent. of the total value of all properties involved in the Property Rental Business. Assets must be valued in accordance with IFRS and at fair value when IFRS offers a choice between fair value and a costs basis.

The income profits arising from the Property Rental Business must represent at least 75 per cent. of the REIT Group's total income profits for the accounting period (the "**75 Per Cent Profits Condition**"). Profits for this purpose means profits calculated in accordance with international accounting standards but excluding, broadly, gains and losses on the disposal of property and gains and losses on the revaluation of properties, and certain exceptional items.

At the beginning of the accounting period the value of the assets in the Property Rental Business must represent at least 75 per cent. of the total value of assets of the REIT Group (the "**75 Per Cent Assets Condition**"). Cash held on deposit and gilts are included in the value of the assets relating to the Property Rental Business for the purpose of meeting this condition. Non-cash assets must be valued in accordance with IFRS and at fair value where IFRS offers a choice of valuation between fair value and a costs basis. In applying the test, no account is to be taken of liabilities secured against or otherwise relating to assets.

### 3.6 ***Distribution condition***

The Company must (to the extent permitted by law) distribute to Shareholders, on or before the filing date for the Company's tax return for the accounting period in question, at least 90 per cent. of the income profits (calculated, broadly, using UK tax rules) of the REIT Group to the extent they are derived from the UK Property Rental Business of the REIT Group. This requirement is referred to as the "**90 Per Cent Distribution Condition**". Failure to meet the 90 Per Cent Distribution Condition will result in a tax charge calculated by reference to the extent of the failure, although in certain circumstance where the failure to meet this condition is due to an increase in profits from the amounts originally shown in the Financial Statements, this charge can be mitigated by an additional dividend paid within a specified period which brings the profits distributed up to the required level. For the purpose of satisfying the 90 Per Cent Distribution Condition, any dividend withheld in order to comply with the 10 Per Cent Rule described below will be treated as having been paid.

## 4 **Investment in other REITs**

In general, a distribution received by a UK REIT from another REIT is (so far as the distribution is a distribution of profits which have benefitted from the REIT exemption in the distributing REIT) treated as tax exempt profits of the UK Property Rental Business of the investing REIT. The investing REIT must distribute 100 per cent. of such distributions to its shareholders (the "**100 Per Cent Distribution Condition**"). For the purposes of the 75 Per Cent Assets Condition, the investment by a REIT in the shares of another REIT is included as an asset of the investing REIT's Property Rental Business.

## 5 **Other consequences of the REIT regime**

### 5.1 ***Holders of excessive rights***

A REIT will become subject to an additional tax charge if it pays a dividend to, or in respect of, a holder of excessive rights (the "**10 Per Cent Rule**"). A holder of excessive rights is broadly, any shareholder with a 10 per cent. or greater holding which is a body corporate (or is deemed to be a body corporate in accordance with the law in an overseas jurisdiction with which the UK has a double taxation agreement or in accordance with that double taxation agreement).

The additional tax charge will be calculated by reference to the whole dividend paid to a holder of excessive rights, and not just by reference to the proportion which exceeds the 10 per cent. threshold. The tax charge will not be incurred if the REIT has taken reasonable steps to avoid paying dividends to such a shareholder. HMRC guidance describes certain actions that a REIT may take to demonstrate that it has taken "reasonable steps". One of these actions is to include restrictive provisions in the articles of association of the principal company of the REIT to address this condition. Such provisions are included in the Articles.

## 5.2 **Interest cover**

If the ratio of the REIT Group's income profits (before capital allowances) in respect of its UK Property Rental Business to the financing costs incurred in respect of the Property Rental Business is less than 1.25:1 for an accounting period then a tax charge will arise.

The ratio is based on the cost of debt finance taking into account interest, amortisation of discounts or premiums and the financing expense implicit in payments made under finance leases. The amount chargeable to corporation tax is capped at a maximum of 20 per cent. of the profits of the UK Property Rental Business for the accounting period in question.

## 5.3 **Certain tax avoidance arrangements**

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

## 5.4 **Movement of assets in and out of the UK Property Rental Business**

Where an asset owned by a REIT and used for the UK Property Rental Business begins to be used for the Residual Business, there is a tax-free step up in the base cost of the property. Where an asset used for the Residual Business begins to be used for the UK Property Rental 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 of development property.

## 5.5 **Joint ventures**

If a REIT is beneficially entitled to at least 40 per cent. of the profits available for distribution to equity holders in a joint venture company and at least 40 per cent. of the assets of the joint venture company available to equity holders in the event of a winding up, that joint venture company is carrying on a qualifying property rental business which satisfies the 75 Per Cent Profits Condition and the 75 Per Cent Assets Condition (the "**JV Company**"), and if certain other conditions are satisfied, the REIT may, by giving notice to HMRC, elect for the relevant proportion of the assets and income of the JV Company to be included in the Property Rental Business for tax purposes. In such circumstances, the income and assets of the JV Company will generally count towards the 90 Per Cent Distribution Condition, the 75 Per Cent Profits Condition and the 75 Per Cent Assets Condition. These rules also apply to joint venture groups.

## 5.6 **Acquisitions and takeovers**

If a REIT is taken over by another REIT, the acquired REIT does not necessarily cease to be a REIT and will, provided certain conditions are met, continue to enjoy tax exemptions in respect of the profits of its UK Property Rental Business and chargeable gains on disposals of properties in the UK Property Rental Business.

The position is different where a REIT is taken over by a purchaser which is not a REIT. In these circumstances, the acquired REIT is likely in most cases to fail to meet the requirements for being a REIT and will therefore be treated as leaving the REIT regime at the end of its accounting period preceding the takeover (and so ceasing from the end of this accounting period to benefit from tax exemptions on the profits of its UK Property Rental Business and chargeable gains on disposal of property forming part of its UK Property Rental Business). In these circumstances the properties in the UK Property Rental Business are treated as having been sold and reacquired at market value for the purposes of UK 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 acquired REIT was still in the REIT regime and future chargeable gains on the relevant assets will, therefore, be calculated by reference to a base cost equivalent to this market value. If the acquired REIT ends its accounting period immediately prior to the takeover becoming unconditional in all respects, dividends paid as PIDs before that date should not be re-characterised retrospectively as normal dividends.

## 6 **Exit from the REIT regime**

The Company can give notice to HMRC at any time that it wants the REIT Group to leave the REIT regime.

If the Company voluntarily leaves the REIT regime within ten years of joining and disposes of any asset that was used in the UK Property Rental Business within two years of leaving the REIT regime then any uplift in base cost of any property held by the REIT Group as a result of the deemed disposal on entry into the REIT regime, movement into the corporation tax ring fence around the UK Property Rental Business or exit from the REIT regime would be disregarded in calculating the gain or loss on the disposal.

It cannot be guaranteed that the REIT Group will be in continuing compliance with the REIT conditions at all times. HMRC may require the REIT Group to exit the REIT regime if:

- it regards a breach of the conditions relating to the REIT regime (including in relation to the Property Rental Business), or an attempt to obtain a tax advantage, as sufficiently serious;
- the REIT Group or the Company has committed a certain number of breaches in a specified period; or
- HMRC has given members of the REIT Group two or more notices in relation to the obtaining of a tax advantage within a ten-year period.

REIT status is also lost automatically if:

- the conditions for REIT status relating to the share capital of the Company and the prohibition on entering into loans with abnormal returns are breached;
- the Company ceases to be UK resident for tax purposes;
- the Company becomes dual-resident;
- the Company becomes an open-ended investment company; or
- in certain circumstances, the Company ceases to fulfil the close company conditions.

Where the REIT Group automatically loses REIT status or is required by HMRC to leave the REIT regime within 10 years of joining, HMRC has wide powers to direct how the REIT Group should be taxed, including in relation to the date on which the REIT Group is treated as exiting the REIT regime.

It should be noted that it is possible for the REIT Group to lose its REIT status 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 in other circumstances outside the Company's control (such as a change in law).

## **7 The UK tax treatment of UK tax resident Shareholders**

***The following statements do not purport to be a complete analysis of all potential UK tax consequences of acquiring, holding or disposing of Ordinary Shares.***

***They relate only to Shareholders who are resident and domiciled for tax purposes in (and only in) the UK (except insofar as express reference is made to the treatment of non-UK residents), who hold their Ordinary Shares as an investment (other than under an individual savings account, except insofar as express reference is made to the contrary) and who are the absolute beneficial owners of both the Ordinary Shares and any PID or Non-PID dividends paid on them.***

***The tax position of certain categories of Shareholder who are subject to special rules, such as persons who acquire (or are deemed to acquire) their Ordinary Shares in connection with an office or their (or another person's) employment, traders, brokers, dealers in securities, insurance companies, banks, financial institutions, investment companies, tax-exempt organisations, persons connected with the Company or the REIT Group, persons holding Ordinary Shares as part of hedging or conversion transactions, Shareholders who are not domiciled or resident in the UK, collective investment schemes and those who hold ten per cent. or more of the Ordinary Shares, is not considered. Nor do the following statements consider the tax position of any person holding investments in any HMRC-approved arrangements or schemes, including the enterprise investment scheme, venture capital scheme or business expansion scheme, or any person able to claim any inheritance tax relief or holding Ordinary Shares in connection with a trade, profession or vocation carried on in the UK (whether through a branch or agency or, in the case of a corporate Shareholder, a permanent establishment or otherwise).***

***The tax consequences for each investor of investing in the Company may depend upon the investor's own tax position and upon the relevant laws of any jurisdiction to which the investor is subject.***

### **7.1 Dividends**

When a REIT pays a dividend (including a stock dividend), that dividend will be a PID to the extent necessary to satisfy the 90 Per Cent Distribution Condition or the 100 Per Cent Distribution Condition. If the dividend exceeds the amount required to satisfy that condition, the REIT may determine that all or part of the balance 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 be a PID to the extent it is paid out of any remaining income profits of the UK Property Rental Business or gains which are exempt from tax by virtue of the REIT regime. Any further remaining balance (for example any remaining balance attributed to capital gains which are outside the scope of UK taxation) will be a Non-PID Dividend.

### **7.2 Non-PID Dividends**

Non-PID Dividends are treated in the same way as dividends received from UK companies that are not REITs. The Company is not required to withhold tax when paying a Non-PID Dividend.

#### **7.2.1 Shareholders who are individuals**

An individual shareholder who is tax resident in the UK and who receives a Non-PID Dividend from the Company is entitled to an annual tax-free allowance of dividend income (which is taxed at 0 per cent.). This allowance is £2,000 of dividend income for the 2018/2019 tax year and subsequent tax years.

To the extent that an individual shareholder's total dividend income exceeds the tax-free allowance, tax will be imposed at the rates of 7.5 per cent. for basic rate taxpayers, 32.5 per cent. for higher rate taxpayers, and 38.1 per cent. for additional rate taxpayers.

#### **7.2.2 Shareholders who are within the charge to corporation tax**

A Shareholder who is charged UK corporation tax and which is a "small company" for the purposes of UK taxation of dividends will generally not be subject to tax on Non-PID Dividends provided certain conditions are satisfied.

A Shareholder within the charge to UK corporation tax and which is not treated as a "small company" for the purposes of UK taxation of dividends will similarly not be subject to tax on Non-PID Dividends provided that the dividends fall within an exempt class and do not fall within certain anti-avoidance provisions. Exempt classes include dividends in respect of portfolio holdings (where the recipient owns less than 10 per cent. of the share capital of the payer) and dividends paid on "non-redeemable ordinary shares" for UK tax purposes.

### **7.3 PIDs**

#### **7.3.1 Shareholders who are individuals**

A PID will generally be treated in the hands of individuals as the profit of a single UK property business (as defined in Part 3 of the Income Tax (Trading and Other Income) Act 2005), subject to certain exceptions. A PID is, together with any PID from any other UK REIT, treated as a separate UK property business carried on by the relevant Shareholder. This means that any surplus expenses from any other property business of a Shareholder cannot be offset against a PID.

A Shareholder who is subject to income tax at the basic rate will be liable to pay income tax at a rate of 20 per cent., higher rate taxpayers will be liable to pay income tax at a rate of 40 per cent. and additional rate taxpayers will be liable to pay income tax at 45 per cent.

The £1,000 property income allowance introduced by Finance (No. 2) Act 2017 (and inserted at Part 6A of the Income Tax (Trading and Other Income) Act 2005) does not apply to PIDs.

Please also see paragraph 7.4 (withholding tax) below.

### **7.3.2 Shareholders who are within the charge to corporation tax**

A PID will generally be treated in the hands of its Shareholders who are charged UK corporation tax as the profit of a property business (as defined in Part 4 Corporation Tax 2009). A PID is, together with any PID from another UK REIT, treated as a separate property business carried on by the relevant Shareholder and must be accounted for separately. This means that any surplus expenses from any other property business of a Shareholder cannot be offset against a PID.

Please also see paragraph 7.4 (withholding tax) below.

### **7.3.3 Shareholders who are not resident for tax purposes in the UK**

Where a Shareholder who is resident for tax purposes outside of the UK receives a PID, the PID will generally be chargeable to UK income tax as profit of a UK property business and this tax will generally be collected by way of a withholding tax. Under section 548(7) CTA 2010, this income is expressly not non-resident landlord income for the purposes of regulation under section 971 Income Tax Act 2007.

It should be noted that HM Treasury and HMRC issued a consultation on 20 March 2017 relating to their proposal to bring non-resident companies within the charge to UK corporation tax on their income from 6 April 2020.

Please also see paragraph 7.4 (withholding tax) below.

## **7.4 Withholding tax**

### **7.4.1 General**

Subject to certain exceptions summarised below, the Company is required to withhold income tax at the basic rate from its PIDs. The Company provides Shareholders with a certificate setting out the gross amount of the PID, the amount of tax withheld, and the net amount of the PID.

### **7.4.2 Shareholders solely resident in the UK**

Where UK income tax has been withheld at source, individual Shareholders may, depending on their circumstances, either be liable to further tax on the PID at the applicable marginal rate or be entitled to claim repayment of some or all of the tax withheld on the PID.

Corporate Shareholders may, depending on their circumstances, be liable to pay UK corporation tax on their PID. However, it should be noted that where (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.

### **7.4.3 Shareholders who are not resident for tax purposes in the UK**

It is not possible for a Shareholder to make a claim under a relevant double taxation treaty with the UK for a PID to be paid by the Company gross or subject to withholding at a reduced rate. However, the Shareholder may be able to claim repayment of any part of the tax withheld from a PID, depending on the existence and terms of any such double taxation treaty between the UK and the country in which the Shareholder is resident for tax purposes.

### **7.4.4 Exceptions to requirement to withhold income tax**

In certain circumstances, the Company is not required to withhold income tax at source from a PID. These circumstances include where the Company reasonably believes that the person beneficially entitled to the PID is a company resident for tax purposes in the UK. They also include where the Company reasonably believes that the PID is paid to the scheme administrator of a registered pension scheme, or the sub-scheme administrator of certain sub-schemes or the account manager of an ISA, provided the Company reasonably believes that the PID will be applied for the purposes of the relevant scheme or account.

The Company will also not be required to withhold 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 a body described in the paragraph above.

In order to pay a PID without withholding tax, the Company will need to be satisfied that the Shareholder concerned is entitled to receive the PID gross before paying any PID to such Shareholder. For that purpose, the Company will require such Shareholders to submit a valid claim form. 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.

#### **7.5 Disposal of Ordinary Shares**

Individual Shareholders who are resident in the UK for tax purposes will generally be subject to UK capital gains tax in respect of any gain arising on the disposal of their Ordinary Shares. Subject to the availability of any exemptions, relief and/or allowable losses, a gain on the disposal of Ordinary Shares will be liable to tax at the current rates of 10 per cent. for basic rate tax payers and 20 per cent. for higher and additional rate tax payers. Shareholders who are temporarily non-resident in the UK may still be liable to UK tax on any capital gains realised (subject to any available exemption or relief).

Corporate Shareholders who are resident in the UK for tax purposes will generally be subject to UK corporation tax (currently at 19 per cent. but reducing to 17 per cent. from April 2020) on chargeable gains arising on a disposal of Ordinary Shares, subject to the availability of any exemptions, reliefs and/or allowable losses.

Capital losses realised on a disposal of Ordinary Shares must be set as far as possible against chargeable gains for the same tax year (or accounting period in the case of a corporate Shareholder), even if this reduces an individual Shareholder's total gain below the annual exemption. Any losses remaining can be carried forward without time limit and set off against net chargeable gains (i.e. after deducting the annual exemption) in the earliest later tax year. Losses generally cannot be carried back.

#### **7.6 Transfer of assets abroad**

The attention of individual Shareholders is drawn to the provisions contained in Chapter 2, Part 13 Income Tax Act 2007. These provisions are aimed at preventing the avoidance of income tax by individuals through the transfer of assets or income to persons (including companies) resident or domiciled outside the UK. These provisions may apply where a UK resident person makes a relevant transfer to a non-resident person and, as a result, income from which the individual may benefit becomes payable to that non-resident person.

There are, however, provisions which provide exemption from a charge to income tax in the above circumstances provided that the individual satisfies the board of HMRC that either: (i) it would not be reasonable to draw the conclusion, from all the circumstances of the case, that the purpose of avoiding liability to taxation was the purpose, or one of the purposes, for which the relevant transactions or any of them were effected; or (ii) all the relevant transactions were genuine commercial transactions and it would not be reasonable to draw the conclusion, from all the circumstances of the case, that any one or more of those transactions was more than incidentally designed for the purpose of avoiding liability to taxation.

#### **7.7 Stamp duty and stamp duty reserve tax ("SDRT")**

***The comments in this paragraph 7.7 apply regardless of whether Shareholders are UK tax resident***

No UK stamp duty or SDRT will be payable on the issue of Ordinary Shares.

Transfers of Ordinary Shares will generally be subject to stamp duty or SDRT at the rate of 0.5 per cent. of the consideration for the transfer (the duty payable being rounded up in the case of stamp duty to the nearest £5.00).

#### **7.8 ISAs, SSASs and SIPP**

Generally, Ordinary Shares acquired by a UK resident individual under a public offer (including the Offer for Subscription) or in the secondary market (but not as part of a placing or an open offer and not as part of the Placing) should be eligible to be held in an Individual

Savings Account (“**ISA**”), subject to applicable annual subscription limits. Individuals wishing to invest in Ordinary Shares through an ISA should contact their professional advisers regarding their eligibility.

Subject to the rules of the trustees of the relevant scheme, the Ordinary Shares should generally be eligible for inclusion in a small self-administered scheme (“**SSAS**”) or self-invested personal pension (“**SIPP**”) provided: (a) no member of the SSAS or SIPP (or person connected with such a member) occupies or uses any residential property held by the REIT Group; and (b) the SSAS or SIPP, alone or together with one or more associated persons, does not directly or indirectly hold 10 per cent. or more of any of the Ordinary Shares, voting rights in the Company, rights to income of the Company, rights to amounts on a distribution of the Company or rights to assets on a winding up of the Company.

## PART 11

### CAPITALISATION AND INDEBTEDNESS

The tables below set out the capitalisation of the REIT Group as at 31 December 2017 (sourced from its audited financial statements) and the indebtedness of the REIT Group as at 31 March 2018 (sourced from its unaudited management accounts):

	<b>Unaudited £000</b>
<b>Total current debt</b>	
Guaranteed	—
Secured	—
Unguaranteed/unsecured	—
	<hr/>
	—
	<hr/>
<b>Total non-current debt (excluding current portion of long term debt)</b>	
Guaranteed	—
Secured	95,483
Unguaranteed/unsecured	—
	<hr/>
	<b>95,483</b>
	<hr/>
<b>Total indebtedness</b>	<b>95,483</b>
	<hr/> <hr/>
<b>Shareholders' equity</b>	
Share capital	1,200
Share premium reserve	86,362
Capital reduction reserve	28,625
Cash flow hedge reserve	(90)
	<hr/>
<b>Total capitalisation</b>	<b>116,097</b>
	<hr/> <hr/>

The table below sets out the net financial indebtedness of the Group as at 31 March 2018:

	<b>Unaudited £000</b>
Cash	2,951
Cash equivalent	—
Trading securities	—
<b>Liquidity</b>	<b>2,951</b>
<b>Current financial receivables</b>	
Current bank debt	—
Current portion of non current debt	—
Other current financial debt	—
<b>Current financial debt</b>	<b>—</b>
<b>Net current financial indebtedness</b>	<b>2,951</b>
Non current bank loans	(95,483)
Bonds issued	—
Other non current loans	—
<b>Non current financial indebtedness</b>	<b>(95,483)</b>
<b>Net financial indebtedness</b>	<b>(92,532)</b>

Notes to the capitalisation and net indebtedness statement

- (a) The Shareholders' equity, which relates solely to the Company, is extracted without material adjustment from the audited financial statements of the REIT Group for the period ended 31 December 2017. Capitalisation does not include profit and loss reserve in accordance with the ESMA update of the CCSR recommendations for the consistent implementation of the European Commission's Regulation on Prospectuses No. 809/2004.
- (b) There has been no material change in the capitalisation of the REIT Group since 31 December 2017 to the date of this Registration Document.

## PART 12

### OPERATING AND FINANCIAL REVIEW

#### 1 Incorporation by reference

Parts of the Company's Interim Financial Statements, which were published on 5 February 2018, are incorporated by reference into this Registration Document. Copies of the Interim Financial Statements have been filed with the FCA and may be obtained from the Company's website ([www.supermarketincomereit.com](http://www.supermarketincomereit.com)) or free of charge, during normal business hours, at the Company's registered office.

Part 13 of this Registration Document sets out the historical financial information relating to the REIT Group for the period ended 31 December 2017.

#### 2 Cross-reference list

The following list is intended to enable investors to identify easily specific items of information which have been incorporated by reference from the Interim Financial Statements in this Registration Document:

INFORMATION INCORPORATED BY REFERENCE	PAGE REFERENCES
CHAIRMAN'S STATEMENT	3
INVESTMENT ADVISER'S REPORT	5
PRINCIPAL RISKS AND UNCERTAINTIES	10

#### 3 IPO

The Company's IPO in July 2017 (the "IPO") raised gross proceeds of £100 million. The Company's Ordinary Shares were admitted to trading on the Specialist Fund Segment on 21 July 2017.

The Company raised an additional £20 million as part of a follow-on placing in November 2017. On 30 August 2017, the Company announced that it had secured a revolving credit facility of £100 million (the "RCF") from HSBC plc ("HSBC").

In accordance with the Company's Investment Policy, the net proceeds of the IPO and the follow-on placing have been invested in four supermarkets operating both as physical supermarkets and as online fulfilment centres (for home delivery and/or click and collect) on large sites with the potential for capital growth through active asset management opportunities. The acquisition of the Portfolio was funded from the proceeds of the IPO, the follow-on equity fundraising, and drawdowns from the RCF.

All the assets in the Portfolio were identified by the Investment Adviser at the time of the IPO as part of the Company's target assets list.

The Portfolio is let on fully repairing and insuring lease terms, with upward only, annual, RPI-linked rent reviews, generating an annualised passing rent roll of £10.8 million with a current weighted average unexpired lease term of 18 years.

The Portfolio has been independently valued by Cushman & Wakefield in accordance with the RICS Valuation – Professional Standards 2017 (the "Red Book"). As at 31 March 2018, the Portfolio had a market value of £210,500,000, representing an increase of approximately £8.8 million above the aggregate acquisition price (excluding acquisition costs).

The Investment Adviser has identified a further pipeline of assets which meet the Company's investment criteria.

#### 4 Financial results

The REIT Group's NAV per Share as at 31 March 2018 equated to 96 pence per Ordinary Share. The costs incurred in connection with the IPO, together with the costs incurred in connection with the acquisition of the Portfolio (which primarily related to stamp duty land tax) reduced the NAV per Share by approximately 11 pence. This was partially offset by the valuation growth (exclusive of those property costs) in the period from the IPO to 31 March 2018 (the "Period") of £8.8 million, which improved the NAV per Share by approximately 7 pence per Ordinary Share.

The Directors believe that the valuation growth during the Period reflects: (i) the supermarket operators entering a period of recovery, improving their covenant strength as tenants; (ii) favourable supply and demand characteristics in the investment market; and (iii) the off-market nature of all the REIT Group's acquisitions. With contracted rents growing on average by 3.9 per cent. since the acquisition of the Portfolio, and the high degree of certainty of income inherent in the REIT Group's long leases, the Board believes further valuation growth can be achieved in the future.

Earnings for the Period were £3.3 million. This excludes the £2.3 million property valuation deficit that is principally the result of the capitalised costs of acquisition of the Portfolio of £11.1 million exceeding the valuation growth of the Portfolio of £8.8 million. Earnings per Ordinary Share for the Period were 1.92 pence.

## **5 Financing**

As at 31 March 2018, the Company had raised, in aggregate, £120 million (gross) of equity. The RCF has an initial term of 5 years (3 year term with two, one year, extension options), and is priced at a margin of 160 basis points over 3 months LIBOR. The termination date of the RCF is 30 August 2020. There is no current intention to refinance the RCF before its termination date, although the Company will continue to evaluate its optimal capital structure on an on-going basis.

The Directors believe that the RCF is an attractively priced debt facility, made possible due to the quality of the Portfolio and the strength of the tenant covenants. As at 31 December 2017, the REIT Group's net debt was £92.5 million reflecting a loan-to-value ("LTV") ratio of 44 per cent. The REIT Group will target a LTV ratio of 30-40 per cent. in the medium term, which the Board considers conservative given the low risk nature of the Portfolio.

## **6 Hedging**

The REIT Group has purchased an interest rate cap to partially mitigate some of the interest rate risk that arises as a result of the floating rate nature of the REIT Group's RCF. The REIT Group purchased a £63.5 million notional cap on 3-month Libor for the initial term of the RCF. The cap strike rate is 1.75 per cent. The REIT Group is therefore exposed to increases in three month Libor up to 1.75 per cent. If three month Libor rises above 1.75 per cent. the REIT Group's cost of debt is effectively fixed at 3.35 per cent. on the hedged notional amount.

## **7 Outlook**

The Company has delivered on its stated objectives at IPO, and the Directors have consequently seen continued support from the Company's initial Shareholders, as well as interest in the Company from prospective new investors.

The Board believes that supermarket assets are currently one of the most attractive and secure asset classes for investors seeking both income and the potential for capital growth. Compared to other asset classes and other sectors within the property market, supermarket assets currently offer attractive yields.

The REIT Group has access to investment opportunities as a result of the Investment Adviser's long-established industry contacts and knowledge of the sector. The Investment Adviser has achieved a prominent position in the supermarket property sector. This expertise and network of contacts provide the Investment Adviser with access to off-market and specialised opportunities.

The Board and the Investment Adviser believe the Company will continue to be able to deliver strong returns for Shareholders through a stable and growing income stream from the Portfolio, coupled with the potential for asset management upside. There is a strong pipeline of further assets which meet the Company's Investment Policy.

## PART 13

### HISTORICAL FINANCIAL INFORMATION

#### SECTION A: ACCOUNTANT'S REPORT ON THE HISTORICAL FINANCIAL INFORMATION OF THE REIT GROUP



BDO LLP  
55 Baker Street  
London  
W1U 7EU  
25 April 2018

The Directors  
Supermarket Income REIT plc  
7th Floor  
9 Berkeley Street  
London  
W1J 8DW

Stifel Nicolaus Europe Limited  
150 Cheapside  
London  
EC2V 6ET

Dear Sirs

**Supermarket Income REIT plc (the “Company”) and its subsidiary undertakings (together, the “Group”)**

#### **Introduction**

We report on the financial information set out in Section B of Part 13 of this Registration Document. This financial information has been prepared for inclusion in the registration document of the Company dated 25 April 2018 (the “**Registration Document**”) on the basis of the accounting policies set out in note 3 to the financial information. This report is required by item 20.1 of annex I of the Commission Regulation (EC) No. 809/2004 (the “**PD Regulation**”) and is given for the purpose of complying with that item and for no other purpose.

#### **Responsibilities**

The directors of the Company are responsible for preparing the financial information in accordance with International Financial Reporting Standards as adopted by the European Union.

It is our responsibility to form an opinion on the financial information and to report our opinion to you.

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

#### **Basis of opinion**

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

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

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in the United States of America or other jurisdictions outside the United Kingdom and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

### **Opinion**

In our opinion, the financial information gives, for the purposes of the Registration Document, a true and fair view of the state of affairs of the Group as at 31 December 2017 and of its results, cash flows and changes in equity for the period ended 31 December 2017 in accordance with International Financial Reporting Standards as adopted by the European Union.

### **Declaration**

For the purposes of Prospectus Rule 5.5.3R(2)(f) we are responsible for this report as part of the Registration Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Registration Document in compliance with item 1.2 of annex I of the PD Regulation.

Yours faithfully

DRAFT

BDO LLP

Chartered Accountants

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)

## SECTION B: FINANCIAL INFORMATION ON THE REIT GROUP

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the period from 1 June 2017 to 31 December 2017*

		1 June 2017 to 31 December 2017 £' 000
<b>Profit or loss</b>	<b>Note</b>	
Rental income	4	3,151
Administrative and other expenses	5	(965)
<b>Operating profit before changes in fair value of investment properties</b>		2,186
Changes in fair value of investment properties	11	(4,859)
<b>Operating loss</b>		(2,673)
Finance expense	7	(649)
<b>Loss before taxation</b>		(3,322)
Tax charge for the period	8	(231)
<b>Loss for the period</b>		(3,553)
<b>Other comprehensive income</b>		
<i>Items to be reclassified to profit or loss in subsequent periods</i>		
Changes in fair value of interest rate derivatives	15	(90)
<b>Total other comprehensive loss for the period</b>		(90)
<b>Total comprehensive loss for the period (attributable to ordinary shareholders)</b>		(3,643)
<b>Loss per share – basic and diluted (pence)</b>	9	(3.37)p

No operations were discontinued in the financial period.

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Note	As at 31 December 2017 £' 000
<b>Non-current assets</b>		
Investment property	11	207,900
Interest rate derivatives	15	55
<b>Total non-current assets</b>		<u>207,955</u>
<b>Current assets</b>		
Trade and other receivables	12	104
Cash and cash equivalents		1,251
<b>Total current assets</b>		<u>1,355</u>
<b>Total assets</b>		<u><u>209,310</u></u>
<b>Current liabilities</b>		
Deferred rental income		1,188
Current tax liabilities		231
Trade and other payables	13	1,525
<b>Total current liabilities</b>		<u>2,944</u>
<b>Non-current liabilities</b>		
Bank borrowings	14	93,822
<b>Total non-current liabilities</b>		<u>93,822</u>
<b>Total liabilities</b>		<u><u>96,766</u></u>
<b>Total net assets</b>		<u><u>112,544</u></u>
<b>Equity</b>		
Share capital	17	1,200
Share premium reserve	17	86,362
Capital reduction reserve	17	28,625
Accumulated loss		(3,553)
Cash flow hedge reserve		(90)
<b>Total equity</b>		<u>112,544</u>
<b>Net asset value per share – basic and diluted</b>	23	94p
<b>EPRA net asset value per share</b>	23	<u>94p</u>

## CONSOLIDATED CASH FLOW STATEMENT

For the period from 1 June 2017 to 31 December 2017

		1 June 2017 to 31 December 2017 £' 000
<b>Cash flows from operating activities</b>	<b>Note</b>	
Loss for the period (attributable to ordinary shareholders)		(3,553)
<i>Adjustments for:</i>		
Changes in fair value of investment properties	11	4,859
Finance expense	7	649
Movement in rent smoothing adjustments	4	(131)
Tax expense		231
Increase in trade and other receivables		(104)
Increase in deferred rental income		1,188
Increase in trade and other payables		738
<b>Cash generated from operations</b>		<b>3,877</b>
<b>Net cash flow generated from operating activities</b>		<b>3,877</b>
<b>Investing activities</b>		
Purchase of investment properties		(201,540)
Capitalised acquisition costs		(10,660)
<b>Net cash flow used in investing activities</b>		<b>(212,200)</b>
<b>Financing activities</b>		
Proceeds from issue of ordinary share capital	17	120,000
Cost of share issues	17	(2,438)
Issue of redeemable preference shares	17	12
Redemption of redeemable preference shares	17	(12)
Bank borrowings drawn		94,743
Loan arrangement fees paid		(1,032)
Bank interest paid		(166)
Interest rate cap premium paid		(158)
Dividends paid to equity holders	10	(1,375)
<b>Net cash flow generated from financing activities</b>		<b>209,574</b>
<b>Net increase in cash and cash equivalents for the period</b>		<b>1,251</b>
<b>Cash and cash equivalents at the start of the period</b>		<b>—</b>
<b>Cash and cash equivalents at the end of the period</b>		<b>1,251</b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period from 1 June 2017 to 31 December 2017

	Share capital £' 000	Share premium reserve £' 000	Cash flow hedge reserve £' 000	Capital reduction reserve £' 000	Accumulated loss £' 000	Total £' 000
<b>As at 1 June 2017</b>	—	—	—	—	—	—
<i>Comprehensive income for the period</i>						
Loss for the period	—	—	—	—	(3,553)	(3,553)
Other comprehensive income	—	—	(90)	—	—	(90)
<b>Total comprehensive loss for the period</b>	<b>—</b>	<b>—</b>	<b>(90)</b>	<b>—</b>	<b>(3,553)</b>	<b>(3,643)</b>
<i>Transactions with owners</i>						
Ordinary shares issued at a premium during the period	1,200	118,800	—	—	—	120,000
Share issue costs	—	(2,438)	—	—	—	(2,438)
Issue of redeemable preference shares	12	—	—	—	—	12
Redemption of redeemable preference shares	(12)	—	—	—	—	(12)
Transfer to capital reduction reserve	—	(30,000)	—	30,000	—	—
Interim dividend paid	—	—	—	(1,375)	—	(1,375)
<b>Balance at 31 December 2017</b>	<b>1,200</b>	<b>86,362</b>	<b>(90)</b>	<b>28,625</b>	<b>(3,553)</b>	<b>112,544</b>

## NOTES TO THE FINANCIAL INFORMATION

### 1. BASIS OF PREPARATION

#### General information

Supermarket Income REIT plc ('the Company') is a company registered in England and Wales with its registered office at 7<sup>th</sup> Floor 9 Berkeley Street, London, United Kingdom W1J 8DW. The principal activity of the Company and its subsidiaries ('the Group') is to provide its shareholders with an attractive level of income together with the potential for capital growth by investing in a diversified portfolio of supermarket real estate assets in the UK.

This consolidated financial information for the period from the Company's incorporation on 1 June 2017 to 31 December 2017 has been prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union, except for the requirement to include prior period comparatives as this is the Company's first financial period since incorporation.

At 31 December 2017 the Group comprised the Company and its wholly owned subsidiaries Supermarket Income Investments UK Limited, Supermarket Income Investments UK (NO1) Limited, Supermarket Income Investments UK (NO2) Limited, Supermarket Income Investments UK (NO3) Limited and Supermarket Income Investments UK (NO4) Limited. Each of these subsidiaries is incorporated in England and Wales and has the same registered office as the Company.

The consolidated financial information ('the financial information') has been prepared on a historical cost basis, except that investment properties and interest rate derivatives are measured at fair value. It was approved by the Board and authorised for issue on 25 April 2018.

#### Accounting convention and currency

The financial information is presented in Pounds Sterling and all values are rounded to the nearest thousand (£'000), except where otherwise indicated. Pounds Sterling is the functional currency of the Company and the presentation currency of the Group.

#### Going concern

In assessing the going concern basis of accounting the Directors have had regard to the guidance issued by the Financial Reporting Council.

During this initial period the Group raised £120 million from the issue of equity shares and a further £100 million under the credit facility referred to in note 14, of which £5.2 million remained available for drawdown as at 31 December 2017. There is currently significant headroom under the credit facility with all financial covenants met to date.

The Group generated a net cash flow from operating activities in the period of £3.9 million, with its cash balances at 31 December 2017 totalling £1.3 million and the Group having no capital commitments or contingent liabilities as at that date.

The Group benefits from a secure income stream from its property assets that are let to tenants with excellent covenant strength under long leases that are subject to upward only annual RPI rent reviews.

As a result, the Directors believe that the Group is well placed to manage its financing and other business risks and that the Group will remain viable, continuing to operate and meet its liabilities as they fall due. The Directors are therefore of the opinion that the going concern basis adopted in the preparation of the financial information is appropriate.

#### New standards, interpretations and amendments

The new standards, interpretations and amendments set out below, which are all not yet effective and have not been early adopted in this financial information, may have an effect on the future financial statements of the Group.

#### *Description of new standards:*

- **IFRS 9 'Financial Instruments'** This standard is replacing IAS 39 'Financial Instruments' and contains two primary measurement categories for financial assets. The standard also introduces new requirements that align hedge accounting more closely with risk management

and establishes a more principles-based approach. This standard has been endorsed by the European Union and is to be effective for annual periods beginning on or after 1 January 2018.

- **IFRS 15 'Revenue from contracts with customers'**. This standard is replacing IAS 11 'Construction Contracts' and IAS 18 'Revenue'. The standard introduces a new revenue recognition model that recognises revenue either at a point in time or over time. This standard has been endorsed by the European Union and is to be effective for annual periods beginning on or after 1 January 2018.
- **IFRS 16 'Leases'**. This standard introduces a single, on-balance sheet accounting model for leases which refers primarily to accounting for lessees. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. This standard has been endorsed by the European Union and is to be effective for annual periods beginning on or after 1 January 2019.

***Current assessment of expected impact:***

The Directors do not currently anticipate that the adoption of IFRS 9 will have a material impact on the financial statements, other than on presentation and disclosure, when the standard is first required to be applied by the Group, assuming that the existing capital structure and financing arrangements remain in place when it becomes effective.

The Group's revenues are currently all derived from property leases, which are outside the scope of IFRS 15 but within the scope of IFRS 16. The Directors therefore do not currently expect that IFRS 15 will have an impact on the financial statements when the standard is first required to be applied by the Group.

Since IFRS 16 will not result in significant changes of accounting policies for lessors, the Directors do not currently expect that the adoption of this standard will have a material impact on the financial statements when first required to be applied by the Group.

## **2. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS**

In the application of the Group's accounting policies, which are summarised in note 3, the Directors are required to make judgements, estimates and assumptions that affect the reported amounts recognised in the financial information and the disclosures therein.

The judgements, estimates and assumptions that the Directors consider have a significant risk of causing a material adjustment to the carrying amounts of the Group's assets and liabilities within the next twelve months are outlined below.

***Key estimate: fair value of investment properties***

The valuation of the Group's investment properties is at fair value, which is determined by the Group's independent valuer on the basis of market value in accordance with the RICS Valuation – Professional Standards (the 'Red Book'). Recognised valuation techniques are used by the independent valuer which are in accordance with those recommended by the International Valuation Standard Committee and compliant with IFRS 13 'Fair Value Measurement'.

The independent valuer has sufficient current local and national knowledge of the supermarket property market and has the requisite skills and understanding to undertake the valuation competently.

In forming an opinion as to fair value, the independent valuer makes a series of assumptions, which are typically market related, such as those in relation to net initial yields and expected rental values. These are based on the independent valuer's professional judgement. Other factors taken into account by the independent valuer in arriving at the valuation of the Group's investment properties include the length of property leases, the location of the properties and the strength of tenant covenants.

The fair value of the Group's investment properties as determined by the independent valuer, along with the significant methods and assumptions used in estimating this fair value, are set out in note 11.

**Key judgement: acquisition of investment properties**

The Group has acquired and intends to acquire further investment properties. At the time of each purchase the Directors assess whether an acquisition represents the acquisition of an asset or the acquisition of a business. To date all acquisitions of properties have been direct asset purchases.

The Group may in future acquire entities that own property assets. These acquisitions would be accounted for as a business combination only if an integrated set of activities were to be acquired in addition to the property. In the situations where such an acquisition was not be judged to be an acquisition of a business, the Group would not treat it as a business combination. Rather, the cost to acquire the entity concerned would be allocated between the identifiable assets and liabilities of the entity based upon their relative fair values at the acquisition date. Accordingly, no goodwill or additional deferred taxation would arise from such an acquisition.

**Key judgement: operating lease contracts – the Group as lessor**

The Group has acquired investment properties that are subject to commercial property leases with tenants. The Directors have concluded, based on an evaluation of the terms and conditions of the arrangements, that the Group retains all the significant risks and rewards of ownership of the properties acquired to date and so has accounted for these leases as operating leases rather than finance lease. Such considerations are required each time that the Group acquires a property.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The principal accounting policies applied in the preparation of the financial information are set out below.

**3.1 Basis of consolidation**

The consolidated financial information comprise the financial information of the Company and all of its subsidiaries drawn up to 31 December 2017.

Subsidiaries are those entities, including special purpose entities, directly or indirectly controlled by the Company. Control exists when the Company is exposed, or has rights, to variable returns from its investment with the investee and has the ability to affect those returns through its power over the investee. In assessing control, potential voting rights that presently are exercisable are taken into account.

The financial statements of subsidiaries are included in the consolidated financial information from the date that control commences until the date that control ceases.

In preparing the consolidated financial information, intra group balances, transactions and unrealised gains or losses are eliminated in full.

Uniform accounting policies are adopted for all companies within the Group.

**3.2 Segmental information**

The Directors are of the opinion that the Group is currently engaged in a single segment business, being the investment in the United Kingdom in supermarket property assets.

**3.3 Rental income**

Rental income arising on investment properties is accounted for in profit or loss on a straight line basis over the lease term, as adjusted for the following:

- Any rental income from fixed and minimum guaranteed rent review uplifts is recognised on a straight line basis over the shorter of the term to lease expiry or to the first tenant break option;
- Lease incentives are spread evenly over the lease term, even if payments are not made on such a basis. The lease term is the non-cancellable period of the lease together with any further term for which the tenant has the option to continue the lease, where, at the inception of the lease, the Directors are reasonably certain that the tenant will exercise that option.

Contingent rents are recognised in the period in which they are earned.

Where income is recognised in advance of the related cash flows due to fixed and minimum guaranteed rent review uplifts or lease incentives, an adjustment is made to ensure that the

carrying value of the relevant property, including the accrued rent relating to such uplifts or lease incentives, does not exceed the external valuation.

Rental income is invoiced in advance with that element of invoiced rental income that relates to a future period being included within current liabilities in the consolidated statement of financial position.

### **3.4 Finance expense**

Finance expense consists principally of interest payable and loan arrangement fees.

Loan arrangement fees are expensed using the effective interest method over the term of the relevant loan. Interest payable and any other finance costs, including commitment fees, which the Group incurs in connection with bank borrowings, are expensed in the period in which they occur.

### **3.5 Administrative and other expenses**

Administrative and other expenses, including the investment advisory fees payable to the Investment Adviser, are recognised in profit or loss on an accruals basis.

### **3.6 Dividends payable to shareholders**

Dividends to the Company's shareholders are recognised, when they become legally payable, as a reduction in equity in the financial statements. Interim equity dividends are recognised when paid. Final equity dividends will be recognised when approved by shareholders at an Annual General Meeting.

### **3.7 Taxation**

#### ***Non-REIT taxable income***

Taxation on the Group's profit or loss for the period that is not exempt from tax under the UK-REIT regulations comprises current and deferred tax, as applicable. Tax is recognised in profit or loss except to the extent that it relates to items recognised as direct movements in equity, in which case it is similarly recognised as a direct movement in equity.

Current tax is the expected tax payable on any non-REIT taxable income for the period, using tax rates enacted or substantively enacted at the end of the relevant period.

#### ***Entry to the UK-REIT regime***

The Group obtained its UK-REIT status effective from 21 December 2017. Entry to the regime results in, subject to continuing relevant UK-REIT criteria being met, the profits of the Group's property rental business, comprising both income and capital gains, being exempt from UK taxation.

The Group intends to ensure that it complies with the UK-REIT regulations on an on-going basis and regularly monitors the conditions required to maintain REIT status.

### **3.8 Investment properties**

Investment properties consist of land and buildings (all supermarkets) which are held to earn rental income together with the potential for capital growth.

Investment properties are recognised when the risks and rewards of ownership have been transferred and are measured initially at cost, being the fair value of consideration given, including transaction costs. Transaction costs include transfer taxes and professional fees for legal services. Any subsequent capital expenditure incurred in improving investment properties is capitalised in the period incurred and included within the book cost of the property. All other property expenditure is written off in profit or loss as incurred.

After initial recognition, investment properties are measured at fair value, with gains and losses recognised in profit or loss in the period in which they arise.

Gains and losses on disposals of investment properties will be determined as the difference between the net disposal proceeds and the carrying value of the relevant asset. These will be recognised in profit or loss in the period in which they arise.

### **3.9 Financial assets and liabilities**

Financial assets and liabilities are recognised when the relevant Group entity becomes a party to the unconditional contractual terms of an instrument. Unless otherwise indicated, the carrying amounts of financial assets and liabilities are considered by the Directors to be reasonable estimates of their fair values.

#### ***Financial assets***

Financial assets are recognised initially at their fair value. All of the Group's financial assets, except interest rate derivatives, currently constitute 'loans and receivables' which are measured at amortised cost using the effective interest method, less any impairment.

#### ***Cash and cash equivalents***

Cash and cash equivalents consist of cash in hand and short-term deposits in banks with an original maturity of three months or less.

#### ***Trade and other receivables***

Trade and other receivables, including rents receivable, are recognised and carried at the lower of their original invoiced value and recoverable amount. A provision for impairment will be made where there is objective evidence that the Group will not be able to recover balances in full. Balances will be written-off in profit or loss in circumstances where the probability of recovery is assessed as being remote.

#### ***Trade and other payables***

Trade and other payables are recognised initially at their fair value and subsequently at amortised cost.

#### ***Bank borrowings***

Bank borrowings are initially recognised at fair value net of attributable transaction costs. After initial recognition, bank borrowings are subsequently measured at amortised cost, using the effective interest method. The effective interest rate is calculated to include all associated transaction costs.

#### ***Derivative financial instruments and hedge accounting***

The Group's derivative financial instruments currently comprise interest rate caps that are designated as hedging instruments and for which hedge accounting is being applied. These instruments are used to manage the Group's cash flow interest rate risk.

The instruments are initially recognised at fair value on the date that the derivative contract is entered into, being the cost of any premium paid at inception and are subsequently re-measured at their fair values at each reporting date.

#### ***Fair value measurement***

The fair value of these instruments is the estimated amount that the Group would receive or pay to terminate the agreement at the period end date, taking into account current interest rate expectations and the current credit rating of the Company and its counterparties.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs significant to the fair value measurement as a whole.

A number of assumptions are used in determining the fair values including estimations over future interest rates and therefore future cash flows. The fair value represents the net present value of the difference between the cash flows produced by the contract rate and the valuation rate.

#### ***Hedge accounting***

At the inception of a hedging transaction, the Group documents the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking the hedging transaction. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

Assuming the criteria for applying hedge accounting continue to be met the effective portion of gains and losses on the revaluation of such instruments are recognised in other comprehensive income and accumulated in the cash flow hedging reserve. Any ineffective portion of such gains and losses will be recognised in profit or loss within finance income or expense as appropriate.

The cumulative gain or loss recognised in other comprehensive income is reclassified from the cash flow hedge reserve to profit or loss (finance expense) at the same time as the related hedged interest expense is recognised.

### 3.10 Equity instruments

Equity instruments issued by the Company are recorded at the amount of the proceeds received, net of directly attributable issue costs. Costs not directly attributable to the issue are immediately expensed in profit or loss.

Further details of the accounting for the proceeds from the issue of shares in the period are disclosed in note 17.

### 3.11 Fair value measurements and hierarchy

Fair value is the price that would be received on the sale of an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market. It is based on the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interest. A fair value measurement of a non-financial asset takes into account the best and highest value use for that asset.

The fair value hierarchy to be applied under IFRS 13 is as follows:

Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are carried at fair value and which will be recorded in the financial statements on a recurring basis, the Group will determine whether transfers have occurred between levels in the hierarchy by reassessing categorization at the end of each reporting period.

## 4. Rental income

	<b>1 June 2017 to 31 December 2017 £' 000</b>
Rental income – freehold property	1,408
Rental income – long leasehold property	1,743
<b>Total rental income</b>	<b>3,151</b>

Included within rental income is a £131,000 rent smoothing adjustment that arises as a result of IAS 17 'Leases' requiring that rental income in respect of leases with rents increasing by a fixed percentage to be accounted for on straight line basis over the lease term. During the period this resulted in an increase in rental income and an offsetting entry being recognised in profit or loss as an increase in the deficit on investment property revaluation.

Rental income comprises £1,408,000 relating to the Group's largest tenant and £1,743,000 relating to the Group's second largest tenant.

## 5. Administrative and other expenses

	1 June 2017 to 31 December 2017 £' 000
Investment Adviser fees	440
Directors' remuneration	81
Corporate administration fees	110
Legal and professional fees	201
Other administrative expenses	133
<b>Total administrative and other expenses</b>	<b>965</b>

The fees relating to the issue of shares in the period have been treated as share issue expenses and offset against the share premium reserve. Legal and professional fees and other administrative expenses include £260,000 of non-recurring costs relating to the establishment of the Company.

## 6. Directors' remuneration

	1 June 2017 to 31 December 2017 £' 000
Directors' fees	73
Employer's National Insurance Contributions	8
<b>Total directors' remuneration</b>	<b>81</b>

## 7. Finance expense

	1 June 2017 to 31 December 2017 £' 000
Interest payable on bank borrowings and hedging arrangements	453
Commitment fees payable on bank borrowings	85
Amortisation of loan arrangement fees	111
<b>Total finance expense</b>	<b>649</b>

## 8. Taxation

### a) Tax charge in profit or loss

	1 June 2017 to 31 December 2017 £' 000
<b>UK corporation tax</b>	<b>(231)</b>

The Company and its subsidiaries operate as a UK Group REIT. Subject to continuing compliance with certain rules, the UK REIT rules exempt the profits of the Group's property rental business from UK corporation tax. To operate as a UK Group REIT a number of conditions had to be satisfied in respect of the Company, the Group's qualifying activity and the Group's balance of business. Since the 21 December 2017 the Group has met all such applicable conditions. In the intervening period from incorporation of Company on 1 June 2017 to 21 December 2017 the Group was subject to UK corporation tax on its property rental business at an effective rate of 19%, resulting in the above tax liability.

The reconciliation of the loss before tax multiplied by the standard rate of corporation tax for the period of 19% to the total tax charge is as follows:

**b) Reconciliation of the tax charge for the period**

	<b>1 June 2017 to 31 December 2017 £' 000</b>
Loss on ordinary activities before taxation	(3,322)
Theoretical tax at UK standard corporation tax rate of 19%	(631)
Investment property revaluation not subject to taxation	923
REIT exempt income	(61)
<b>Tax charge in the period</b>	<b>231</b>

**9. Loss per share**

Earnings per share (EPS) or loss per share amounts are calculated by dividing the profit or loss for the period attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares in issue during the period. As there are no dilutive instruments outstanding, basic and diluted loss per share are identical.

The European Public Real Estate Association ('EPRA') publishes guidelines for calculating adjusted earnings on a comparable basis. EPRA EPS is a measure of EPS designed by EPRA to enable entities to present underlying earnings from core operating activities, which excludes fair value movements on investment properties.

The calculation of basic and diluted loss per share and EPRA EPS is as follows:

	<b>Net (loss)/ profit attributable to ordinary shareholders</b>	<b>Weighted average number of ordinary shares<sup>1</sup></b>	<b>Earnings/ (loss) per share</b>
<b>For the period from 1 June 2017 to 31 December 2017</b>	<b>£' 000</b>	<b>Number</b>	<b>Pence</b>
<b>Basic and diluted loss per share</b>	(3,553)	105,542,169	(3.37)p
<i>Adjustments to remove:</i>			
<i>Changes in fair value of investment properties</i>	4,859	105,542,169	4.61p
<b>EPRA EPS</b>	<b>1,306</b>	<b>105,542,169</b>	<b>1.24p</b>

<sup>1</sup> Based on the weighted average number of ordinary shares in issue from the date of the initial public offering to 31 December 2017. This excludes the period from 1 June 2017 to 20 July 2017 when the Group was effectively dormant.

## 10. Dividends

1 June 2017 to  
31 December  
2017  
£' 000

*Amounts recognised as a distribution to ordinary shareholders in the period:*

First interim dividend (1,375)

On 28 September 2017, the Company declared its first interim dividend of 1.375 pence per share for which 100 million ordinary shares were eligible. This dividend was paid on 27 October 2017.

On 5 February 2018 the Board has declared a second interim dividend of 1.375 pence per share in respect of the Group's first financial period which was paid on 2 March 2018. On 16 April 2018 the Board declared a further dividend in respect of the period 1 January 2018 to 31 March 2018 of 1.375 pence per Ordinary Share, which is payable on or around 21 May 2018. These amounts have not been included as liabilities as at 31 December 2017.

## 11. Investment property

In accordance with IAS 40 'Investment Property', the Group's investment properties have been independently valued at market value by Cushman & Wakefield, an accredited independent valuer with a recognised and relevant professional qualification and with recent experience in the locations and categories of the investment properties being valued. The valuations have been prepared in accordance with the RICS Valuation – Professional Standards (the 'Red Book') and incorporate the recommendations of the International Valuation Standards Committee which are consistent with the principles set out in IFRS 13.

The independent valuer in forming its opinion on valuation makes a series of assumptions. As explained in note 2, all the valuations of the Group's investment property at 31 December 2017 are classified as 'level 3' in the fair value hierarchy defined in IFRS 13.

The valuations are ultimately the responsibility of the Directors. Accordingly, the critical assumptions used in establishing the independent valuation are reviewed by the Board.

	Investment properties – freehold £' 000	Investment properties – long leasehold £' 000	Total £' 000
<b>At 1 June 2017</b>	—	—	—
Property additions	79,885	121,655	201,540
Capitalised acquisition costs	4,467	6,621	11,088
Revaluation movement	(1,152)	(3,576)	(4,728)
<b>Valuation at 31 December 2017</b>	<b>83,200</b>	<b>124,700</b>	<b>207,900</b>

All property acquisitions in the period were direct asset acquisitions.

Of the three properties held under long leaseholds, one has 160 years unexpired on the headlease with the option to extend, and the other two have 987 years unexpired. The Group has no material liabilities in respect of these headleases.

Included within the carrying value of investment properties at 31 December 2017 is £131,000 in respect of the smoothing of fixed contractual rent uplifts as described in note 4. The difference between rents on a straight line basis and rents actually receivable is included within the carrying value of the investment properties but does not increase that carrying value over fair value. The effect of this adjustment on the revaluation movement for the period is as follows:

	<b>As at 31 December 2017 £' 000</b>
Revaluation movement per above	(4,728)
Rent smoothing adjustment (note 4)	(131)
<b>Change in fair value recognised in profit or loss</b>	<b>(4,859)</b>

### ***Valuation techniques and key unobservable inputs***

#### *Valuation techniques used to derive fair values*

The valuations have been prepared on the basis of market value which is defined in the RICS Valuation Standards as 'the estimated amount for which an asset or liability should exchange on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion'. Market value as defined in the RICS Valuation Standards is the equivalent of fair value under IFRS.

#### *Unobservable inputs*

These include but are not limited to: the estimated rental value ('ERV') based on market conditions prevailing at the valuation date; the future rental growth – the estimated average increase in rent based on both market estimations and contractual situations; the equivalent yield (defined as the weighted average of the net initial yield and reversionary yield); and the physical condition of the individual properties determined by inspection.

A decrease in ERV would decrease fair value. A decrease in the equivalent yield would increase the fair value. An increase in the remaining lease term would increase the fair value.

### ***Sensitivity of measurement of significant unobservable inputs***

As described in note 2 to the financial information the determination of the valuation of the Group's investment property portfolio is open to judgements and is inherently subjective by nature.

#### *Sensitivity analysis – impact of changes in initial yields and passing rent*

Initial yields of the Group's investment properties at 31 December 2017 range from 4.3% to 5.5%. A 0.25% shift of the initial yield on all the Group's investment properties would have approximately a £10.3 million impact on the total valuation of the properties. A 1% movement in the passing rents across all the Group's investment properties would have approximately a £2.1 million impact on the total valuation of the properties.

## **12. Trade and other receivables**

	<b>As at 31 December 2017 £' 000</b>
Trade receivables	55
Prepayments and other receivables	49
	<b>104</b>

All trade receivables relate to amounts that are less than 30 days overdue as at the period end date.

### 13. Trade and other payables

	<b>As at 31 December 2017 £' 000</b>
Corporate accruals	1,137
Trade payables	53
VAT payable	335
	<u>1,525</u>

### 14. Bank borrowings

	<b>As at 31 December 2017 £' 000</b>
Amounts falling due after more than one year	
Secured debt	94,743
Less: Unamortised finance costs	(921)
Bank borrowings per the consolidated statement of financial position	<u>93,822</u>

On 30 August 2017 the Company announced that the Group had secured a revolving credit facility (the 'credit facility') of £100 million with HSBC Bank Plc.

The credit facility has a maturity of 3 years and contains options for extension of two years (split into two, one year extensions). The extension options require the agreement of both the Group and counterparty bank in order to exercise.

All the advances drawn under the credit facility have an interest charge which is payable quarterly based on a margin above three-month LIBOR. The margin payable by the Group on its bank borrowings as at 31 December 2017 was 160 basis points above three-month LIBOR.

Any associated fees in arranging the bank borrowings that are unamortised as at the end of the period are offset against amounts drawn under the facility as shown in the table above.

The Group has been in compliance with all of the financial covenants under the credit facility throughout the period covered by this financial information.

The bank borrowings are secured by way of charges over the individual investment properties held by certain asset-holding subsidiaries. The lending bank also holds charges over the shares of these subsidiaries and any intermediary holding companies of those subsidiaries. The Group does not provide any cross-group guarantees nor does the Company act as a guarantor to the lending bank.

At 31 December 2017, £94.7 million has been drawn down in total under the credit facility.

## 15. Interest rate derivatives

	<b>As at 31 December 2017 £' 000</b>
Non-current asset: Interest rate derivative	55

The interest rate derivative is remeasured to fair value by the counterparty bank on a quarterly basis.

<b>The fair value at the end of the period comprises:</b>	<b>£' 000</b>
Interest rate cap premium paid on inception	158
Amortisation in the period	(13)
Change in fair value of interest rate derivative in the period	(90)
<b>Fair value as at 31 December 2017</b>	<b>55</b>

To partially mitigate the interest rate risk that arises as a result of entering into the variable rate credit facility referred to in note 14, the Group entered into a derivative interest rate cap ('the cap') during the period. The total notional value of the cap was £63.5 million with its term coinciding with the expiry of the initial term of the credit facility. The strike rate of the cap as at 31 December 2017 was 1.75% which caps the Group's cost of borrowing at 3.35% on the hedged notional amount.

It is the Group's target to hedge at least 60% of the Group's total debt at any time using interest rate derivatives.

In accordance with the Group's treasury risk policy, the Group applies cash flow hedge accounting in partially hedging the interest rate risks arising on its variable rate linked loans. Changes in the fair values of derivatives that are designated as cash flow hedges and are effective are recognised directly in the cash flow hedge reserve and included in other comprehensive income.

Any ineffectiveness that may arise in this hedge relationship will be included in profit or loss.

The interest rate derivative valuation is classified as level 2 in the fair value hierarchy as defined in IFRS 13.

## 16. Financial instruments

### *Categories of financial instruments*

	<b>As at 31 December 2017 £'000</b>
<b>Financial assets</b>	
Loans and receivables:	
Cash and cash equivalents	1,251
Trade and other receivables	74
	<hr/> 1,325
Fair value through profit and loss:	
Interest rate derivative	55
	<hr/> 1,380
<b>Financial liabilities</b>	
Financial liabilities at amortised cost:	
Bank borrowings	93,822
Trade payables and accrued expenses	1,190
	<hr/> 95,012

At the balance sheet date, all financial assets and liabilities were measured at amortised cost except for the interest rate derivative which is measured at fair value. The interest rate derivative valuation is classified as level 2 in the fair value hierarchy as defined in IFRS 13 and its fair value was calculated using the present values of future cash flows, based on market forecasts of interest rates and adjusted for the credit risk of the counterparties.

### ***Financial risk management***

Through the Group's operations and use of debt financing it is exposed to certain risks. The Group's financial risk management objective is to minimise the effect of these risks, for example by using an interest rate cap to partially mitigate exposure to fluctuations in interest rates, as described in note 15.

The exposure to each financial risk considered potentially material to the Group, how it arises and the policy for managing it is summarised below.

### ***Market risk***

Market risk is defined as the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Group's market risk arises from open positions in interest bearing assets and liabilities, to the extent that these are exposed to general and specific market movements.

The Group's interest bearing financial instruments comprise cash and cash equivalents and bank borrowings. Changes in market interest rates therefore affect the Group's finance income and costs, although the Group has purchased an interest rate cap as described in note 15 in order to partially mitigate the risk in respect of finance costs. The Group's sensitivity to changes in interest rates, calculated on the basis of a ten basis point increase or decrease in closing three-month LIBOR, was as follows:

	<b>1 June 2017 to 31 December 2017 £'000</b>
Effect on loss for the current period	<hr/> 31

Trade and other receivables and payables are interest free as long as they are paid in accordance with their terms, and have payment terms of less than one year, so it is assumed that there is no material interest rate risk associated with these financial instruments.

The Group prepares its financial information in Sterling and all of its current operations are Sterling denominated. It therefore has no exposure to foreign currency and does not have any direct sensitivity to changes in foreign currency exchange rates.

### ***Credit risk***

Credit risk is the risk of financial loss to the Group if a counterparty fails to meet its contractual obligations. The principal counterparties are the Group's tenants (in respect of trade receivables arising under operating leases) and banks (as holders of the Group's cash deposits).

The credit risk of trade receivables is considered low because the counterparties to the operating leases are considered by the Board to be high quality tenants and any lease guarantors are of appropriate financial strength. Rent collection dates and statistics are monitored to identify any problems at any early stage, and if necessary rigorous credit control procedures will be applied to facilitate the recovery of trade receivables. The Group does not hold any financial assets which are either past due or impaired. The credit risk on cash deposits is limited because the counterparties are banks with credit ratings which are acceptable to the Board and are kept under review each quarter.

### ***Liquidity risk***

Liquidity risk arises from the Group's management of working capital and the finance costs and principal repayments on its secured debt. It is the risk that the Group will not be able to meet its financial obligations as they fall due.

The Group seeks to manage its liquidity risk by ensuring that sufficient cash is available to meet its foreseeable needs. These liquidity needs are relatively modest and are capable of being satisfied by the surplus available after rental receipts have been applied in payment of interest as required by the credit agreement relating to the Group's secured debt.

Before entering into any financing arrangements, the Board assesses the resources that are expected to be available to the Group to meet its liabilities when they fall due. These assessments are made on the basis of both base case and downside scenarios. The Group prepares detailed management accounts which are reviewed by the Board at least quarterly to assess ongoing liquidity requirements and compliance with loan covenants. The Board also keeps under review the maturity profile of the Group's cash deposits in order to have reasonable assurance that cash will be available for the settlement of liabilities when they fall due.

Inflation risk arises from the impact of inflation on the Group's income and expenditure. All of the Group's passing rent at 31 December 2017 is subject to inflation linked annual rent reviews. Consequently, the Group is exposed to movements in the Retail Prices Index ("RPI"), which is the relevant inflation benchmark. However, all RPI-linked rent review provisions provide that rents will only be subject to upwards review and never downwards. As a result, the Group is not exposed to a fall in rent in deflationary conditions.

The following table shows the maturity analysis for financial assets and liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities, including future interest payments, based on the earliest date on which the Group can be required to pay and assuming that three-month LIBOR remains at the 31 December 2017 rate.

<b>31 December 2017</b>	<b>Less than one year £'000</b>	<b>One to two years £'000</b>	<b>Two to five years £'000</b>	<b>More than five years £'000</b>	<b>Total £'000</b>
<b>Financial assets:</b>					
Cash and cash equivalents	1,251	—	—	—	1,251
Trade and other receivables	74	—	—	—	74
	<u>1,325</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,325</u>
<b>Financial liabilities:</b>					
Bank borrowings	1,556	1,925	96,394	—	99,875
Trade payables and accrued expenses	1,190	—	—	—	1,190
	<u>2,746</u>	<u>1,925</u>	<u>96,394</u>	<u>—</u>	<u>101,065</u>

### ***Capital risk management***

The Board's primary objective when monitoring capital is to preserve the Group's ability to continue as a going concern, while ensuring it remains within its debt covenants so as to safeguard secured assets and avoid financial penalties. Bank borrowings are secured on the Group's property portfolio by way of fixed charges over property assets and over the shares in the property-owning subsidiaries and any intermediary holding companies of those subsidiaries. The Group does not provide any cross-group guarantees nor does the Company act as a guarantor to the lending bank.

At 31 December 2017, the capital structure of the Group consisted of bank borrowings (note 14), cash and cash equivalents, and equity attributable to the shareholders of the Company (comprising share capital, retained earnings and the other reserves referred to in notes 17 and 18).

In managing the Group's capital structure, the Board considers the Group's cost of capital. In order to maintain or adjust the capital structure, the Group keeps under review the amount of any dividends or other returns to shareholders and monitors the extent to which the issue of new shares or the realisation of assets may be required.

## 17. Share capital

	Ordinary shares of 1 pence Number	Share capital £'000	Share premium reserve £'000	Capital reduction reserve £'000	Total £'000
<b>As at 1 June 2017</b>	—	—	—	—	—
Issue of 1 ordinary share	1	—	—	—	—
Issue of 50,000 redeemable preference shares – one quarter paid up	—	12	—	—	12
Cancellation of 50,000 redeemable preference shares	—	(12)	—	—	(12)
Ordinary shares issued and fully paid – 18 July 2017	100,000,000	1,000	99,000	—	100,000
Ordinary shares issued and fully paid – 15 November 2017	19,999,999	200	19,800	—	20,000
Cancellation of 1 ordinary share	(1)	—	—	—	—
Share issue costs	—	—	(2,438)	—	(2,438)
	<u>119,999,999</u>	<u>1,200</u>	<u>116,362</u>	<u>—</u>	<u>117,562</u>
Transfer to capital reduction reserve	—	—	(30,000)	30,000	—
Dividend paid in the period (note 10)	—	—	—	(1,375)	(1,375)
	<u>—</u>	<u>—</u>	<u>—</u>	<u>(1,375)</u>	<u>(1,375)</u>
<b>As at 31 December 2017</b>	<u>119,999,999</u>	<u>1,200</u>	<u>86,362</u>	<u>28,625</u>	<u>116,187</u>

### *Share allotments and other movements in relation to the capital of the Company in the period:*

On incorporation the Company issued 1 ordinary share of one pence which was fully paid up and 50,000 redeemable preference shares of £1 each which were paid up to one quarter of their nominal value. Both of these share classes were issued to Atrato Capital Limited (see note 21). On 18 July 2017 the Directors resolved to redeem the 50,000 redeemable preference shares.

On 16 June 2017, the Board approved a proposed placing and offer for subscription (together the 'Placing'). It was intended that the ordinary shares of the Company to be issued as a result of the Placing would be admitted to trading on the Specialist Fund Segment of the Main Market of the London Stock Exchange ('Admission').

On 18 July 2017, the Company issued 100 million ordinary shares of one pence each at a price of £1 per share, raising gross proceeds from the Placing of £100 million. Admission subsequently took place on 21 July 2017. The consideration received in excess of the par value of the ordinary shares issued, net of total capitalised issue costs, of £96.9 million was credited to the share premium reserve.

Following a successful application to the High Court and lodgement of the Company's statement of capital with the Registrar of Companies, the Company was permitted to reduce the capital of the Company by an amount of £30 million. This was effected on 7 September 2017 by a transfer of that amount from the share premium reserve to the capital reduction reserve. The capital reduction reserve is classed as a distributable reserve and dividends paid by the Company are currently being offset against this reserve.

On 15 November 2017 the Company completed a further equity fundraising and issued an additional 19,999,999 ordinary shares of one pence each at a price of £1 per share. The

consideration received in excess of the par value of the ordinary shares issued, net of total capitalised issue costs, of £19.5 million was credited to the share premium reserve.

Ordinary shareholders are entitled to all dividends declared by the Company and to all of the Company's assets after repayment of its borrowings and ordinary creditors. Ordinary shareholders have the right to vote at meetings of the Company. All ordinary shares carry equal voting rights.

## 18. Reserves

The movement on reserves in the period is set out in the consolidated statement of changes in equity. The nature and purpose of each of the reserves included within equity at 31 December 2017 is as follows:

Share premium reserve	Represents the excess of the value of shares issued over their nominal amount, net of the direct costs of equity issues.
Cash flow hedge reserve	Represents cumulative gains or losses, net of tax, on effective cash flow hedging instruments.
Capital reduction reserve	Represents a distributable reserve created following a Court approved reduction in capital less dividends paid.
Accumulated loss	Represents cumulative net gains and losses recognised in the consolidated statement of comprehensive income

## 19. Capital commitments

The Group had no capital commitments outstanding as at 31 December 2017.

## 20. Operating leases

The Group's principal assets are investment properties which are leased to third parties under non-cancellable operating leases. The weighted average remaining lease term at 31 December 2017 is 18 years and there are no break options.

The future minimum lease payments receivable under the Group's leases, are as follows:

	<b>31 December 2017 £'000</b>
Within one year	10,858
Between one year and five years	43,821
More than 5 years	148,607
	<u>203,286</u>

## 21. Reconciliation of changes in financial instruments arising from financing activities

<b>31 December 2017</b>	<b>Bank borrowings £'000</b>	<b>Interest rate derivatives £'000</b>	<b>Interest payable £'000</b>	<b>Total £'000</b>
As at 1 June 2017	—	—	—	—
Cash flows				
Bank borrowings drawn	94,743	—	—	94,743
Loan arrangement fees paid	(1,032)	—	—	(1,032)
Bank interest paid	—	—	(166)	(166)
Interest rate cap premium paid	—	(158)	—	(158)
Non-cash flows				
Finance costs in income statement	111	13	525	649
Changes in fair value	—	90	—	90
As at 31 December 2017	<u>93,822</u>	<u>(55)</u>	<u>359</u>	<u>94,126</u>

## 22. Transaction with related parties

Details of the related parties to the Group in the period and the transactions with these related parties were as follows:

### a. Directors

#### *Directors' fees*

Andrew Nicholas Hewson, Chairman of the Board of Directors of the Company, is paid fees of £55,000 per annum, with the other two Directors each being paid fees of £35,000 per annum. Jonathan Austen is paid an additional £5,000 per annum for his role as chair of the Company's Audit Committee.

The total remuneration payable to the Directors in respect of the period to 31 December 2017 was £73,000. There were no amounts outstanding at the end of the period.

#### *Directors' interests*

Details of the direct and indirect interests of the Directors and their close families in the ordinary shares of one pence each in the Company at 31 December 2017 were as follows:

- Andrew Nicholas Hewson: 280,000 shares
- Jonathan Austen: 35,000 shares
- Vincent John Prior: 35,431 shares

### b. Investment Adviser

#### *Advisory fees*

The investment adviser to the Group, Atrato Capital Limited (the 'Investment Adviser'), is deemed to be a provider of key management personnel services. The Investment Adviser is entitled to certain advisory fees under the terms of the Investment Advisory Agreement (the 'Agreement') dated 20 June 2017.

The entitlement of the Investment Adviser to advisory fees is by way of what are termed 'Monthly Management Fees' and 'Semi-Annual Management Fees' both of which are calculated by reference to the net asset value of the Group at particular dates, as adjusted for the financial impact of certain investment events and after deducting any un-invested proceeds from share issues up to the date of the calculation of the relevant fee (these adjusted amounts are referred to as 'Adjusted Net Asset Value' for the purpose of calculation of the fees in accordance with the Agreement).

Until the Adjusted Net Value of the Group exceeds £500 million, which it has not as at 31 December 2017, the entitlements to advisory fees can be summarized as follows:

- Monthly Management Fee payable monthly in arrears:  $1/12^{\text{th}}$  of 0.7125% per calendar month of Adjusted Net Asset Value up to or equal to £500 million;
- Semi-Annual Management Fee payable semi-annually in arrears: 0.11875% of Adjusted Net Asset Value up to or equal to £500 million.

For the period to 31 December 2017 the total advisory fees payable to the Investment Adviser were £440,000, of which £265,000 is included in trade and other payables in the consolidated statement of financial position.

#### *Interest in shares of the Company*

Details of the direct and indirect interests of the Directors of the Investment Adviser and their close families in the ordinary shares of one pence each in the Company at 31 December 2017 were as follows:

- Benedict Luke Green: 900,000 shares
- Steve Peter Windsor: 1,030,000 shares

### c. Transactions with other related parties

Morgan Williams act as the Senior Adviser to the Company, with their appointment being to provide their supermarket expertise to assist in sourcing suitable assets for investment. They are deemed to be a provider of key management personnel services to the Group. Any fees payable to the Senior Adviser form part of the acquisition costs in relation to the acquisition of the relevant property.

Mark Morgan is a partner in Morgan Williams and sits on the Investment Committee of the Investment Adviser.

In the period to 31 December 2017 the amount payable to Morgan Williams for these services was £1,008,000 all of which has been capitalised as additions to investment properties. £250,000 of the amounts payable were outstanding at the end of the period and included in trade and other payables in the consolidated statement of financial position.

#### *Other transactions:*

Other than those related party transactions disclosed in this or other notes to the financial statements the Directors are not aware of any transactions with related parties requiring disclosure. The Company does not have an ultimate controlling party.

### 23. Net asset value (NAV) per share

Basic NAV per share is calculated by dividing the Group's net assets as shown in the consolidated statement of financial position that are attributable to the ordinary equity holders of the Company by the number of ordinary shares outstanding at the end of the period. As there are no dilutive instruments outstanding, basic and diluted NAV per share are identical.

NAV and EPRA NAV per share calculation are as follows:

	<b>As at 31 December 2017 £'000</b>
Net assets per the consolidated statement of financial position	112,544
Fair value of interest rate derivatives	(55)
EPRA NAV	<u>112,489</u>
	<b>Number</b>
Ordinary shares in issue at 31 December 2017	119,999,999
NAV per share – Basic and diluted (pence)	94p
EPRA NAV per share (pence)	94p

EPRA has issued guidelines aimed at enabling entities to provide a comparable measure of NAV on the basis of long term fair values. The EPRA measure excludes items that are considered to have no impact in the long term. For the current period EPRA NAV is calculated as net assets per the consolidated statement of financial position excluding the fair value of interest rate derivatives.

### 24. Subsequent events

On 5 February 2018 the Board declared a second interim dividend covering the period from 29 September to 31 December 2017. The dividend of 1.375 pence per ordinary share was paid on 2 March 2018.

On 16 April 2018 the Board declared a further dividend in respect of the period 1 January 2018 to 31 March 2018 of 1.375 pence per Ordinary Share, which is payable on or around 21 May 2018.

## PART 14

### ADDITIONAL INFORMATION

#### 1 Responsibility

The Directors, whose names are set out in Part 3 (“**Directors, Registered Office, Secretary and Advisers**”) of this Registration Document, and the Company accept responsibility for the information contained in this Registration Document. To the best of the knowledge of the Directors and the Company (each of whom has taken all reasonable care to ensure that such is the case), the information contained in this Registration Document is in accordance with the facts and does not omit anything likely to affect the import of such information, or which would make any statement contained herein misleading.

#### 2 Incorporation, general and the Investment Adviser

The Company is a public company limited by shares and was incorporated in England and Wales on 1 June 2017 with the name Project Murri plc and registration number 10799126. The Company’s name was changed to Supermarket Income REIT plc on 2 June 2017. The Company has an indefinite life.

- 2.1 The principal legislation under which the Company operates is the Companies Act and the regulations made thereunder. The Ordinary Shares have been duly authorised according to the requirements of the Company’s constitution and have all necessary statutory and other consents. The liability of the members is limited. The Company will not be regulated as a collective investment scheme by the FCA. With effect from the IPO, the Ordinary Shares were admitted to trading on the SFS. The Company is subject to the Prospectus Rules, the Disclosure Guidance and Transparency Rules, the Market Abuse Regulation and the Rules of the London Stock Exchange.
- 2.2 The Company’s registered office and principal place of business is at 7th Floor, 9 Berkeley Street, London W1J 8DW (telephone number: +44 (0) 20 7409 0181).
- 2.3 The auditors of the Company, from the date of its incorporation to the date of this Registration Document, have been BDO LLP. BDO LLP is a member firm of the Institute of Chartered Accountants in England and Wales.
- 2.4 As at 24 April 2018 (being the latest practicable date prior to publication of this Registration Document), the Company had no employees. Details of the Company’s interests in real property are contained in Part 6 (the “**Portfolio**”) of this Registration Document.
- 2.5 The Company has incorporated the following, wholly-owned subsidiaries, which, together with the Company, comprise the REIT Group:
  - 2.5.1 Supermarket Income Investment UK Limited on 18 July 2017;
  - 2.5.2 Supermarket Income Investment UK (No1) Limited on 14 July 2017;
  - 2.5.3 Supermarket Income Investment UK (No2) Limited on 14 July 2017
  - 2.5.4 Supermarket Income Investment UK (No3) Limited on 14 July 2017; and
  - 2.5.5 Supermarket Income Investment UK (No4) Limited on 25 October 2017.

#### 3 Share capital

- 3.1 On incorporation, one Ordinary Share was issued (fully paid) for the purposes of incorporation to the subscriber to the Company’s memorandum of association, and 50,000 Redeemable Preference Shares were issued to the Investment Adviser and were paid up as to one quarter of their nominal value. As part of the IPO, the Redeemable Preference Shares issued to Atrato Capital Limited were redeemed.
- 3.2 Since the date of incorporation of the Company, the following changes have occurred to the Company’s share capital:
  - 3.2.1 on 21 July 2017 the Company issued 100,000,000 Ordinary Shares pursuant to the IPO in accordance with the resolutions noted in paragraph 3.5.1 below;
  - 3.2.2 on 15 November 2017 the Company issued a further 19,999,999 Ordinary Shares in accordance with the resolutions noted in paragraph 3.5.3 below; and

3.2.3 on 1 December 2017, when it was discovered that the single Ordinary Share issued to the Investment Adviser on the Company's incorporation was still in issue, the Company bought back and cancelled that single Ordinary Share.

3.3 The Company's issued and fully paid share capital as at 24 April 2018 (being the last practical day prior to publication of this Registration Document) was as follows:

Class	Nominal value	Issued and fully paid	
		Number	Amount (£)
Ordinary Shares	£0.01 each	119,999,999	1,199,999.99

3.4 The Company's issued and fully paid share capital immediately following Admission, and assuming 64,356,435 New Ordinary Shares are issued under the Initial Issue, is expected to be as follows

Class	Nominal value	Issued and fully paid	
		Number	Amount (£)
Ordinary Shares	£0.01 each	184,356,434	1,843,564.34

### 3.5 **Resolutions passed at the IPO**

On 9 June 2017, resolutions of the Company were passed such that:

3.5.1 the Directors were generally and unconditionally authorised in accordance with Section 551 of the Companies Act, in substitution for all prior authorities conferred upon the Directors in respect of the allotment of shares, to exercise all the powers of the Company to allot Ordinary Shares up to an aggregate nominal amount of £3,500,000 in connection with the IPO, such authority to expire immediately following the IPO, save that the Company may, at any time prior to the expiry of such authority, make an offer or enter into an agreement which would or might require the allotment of Ordinary Shares in pursuance of such an offer or agreement as if such authority had not expired;

3.5.2 the Directors were generally empowered (pursuant to Section 570 of the Companies Act) to allot Ordinary Shares for cash pursuant to the authority referred to in paragraph 3.5.1 above as if Section 561 of the Companies Act did not apply to any such allotment, such power to expire immediately following the IPO, save that the Company may, at any time prior to the expiry of such authority, make an offer or enter into an agreement which would or might require the Ordinary Shares to be allotted after such expiry and the Directors may allot equity securities in pursuance of such an offer or agreement as if such power had not expired;

3.5.3 immediately following the expiry of the authority provided by the resolution referred to in paragraph 3.5.2 above, the Directors were generally and unconditionally authorised in accordance with Section 551 of the Companies Act to exercise all the powers of the Company:

3.5.3.1 to allot Ordinary Shares comprising equity securities (within the meaning of section 560 of the Companies Act) up to a maximum aggregate nominal amount of the lower of: (i) £1,666,666; and (ii) one third of the entire issued share capital of the Company immediately following the IPO; and further

3.5.3.2 to allot Ordinary Shares comprising equity securities (within the meaning of section 560 of the Companies Act) up to an aggregate nominal amount of the lower of: (i) £1,666,666; and (ii) one third of the entire issued share capital of the Company immediately following the IPO in connection with an offer by way of a rights issue in favour of holders of Ordinary Shares in the capital of the Company in proportion (as nearly as may be practicable) to their existing holdings of Ordinary Shares, but subject to such exclusions, limits, restrictions or other arrangements as the Directors deem necessary or expedient in

relation to fractional entitlements, treasury shares, record dates or any legal, regulatory or practical problems in or under the laws of any territory, or the requirements of any regulatory body or stock exchange,

for a period expiring (unless previously revoked, varied or renewed) at the earlier of 8 September 2018 and the end of the next annual general meeting of the Company, provided that the Company may, at any time prior to the expiry of such authority, make an offer or enter into an agreement which would or might require the Ordinary Shares to be allotted after such expiry and the Directors may allot equity securities in pursuance of such an offer or agreement as if such power had not expired;

3.5.4 to take effect immediately following expiry of the authority given in the resolution referred to in paragraph 3.5.2 above, the Directors were generally empowered pursuant to section 570 and section 573 of the Companies Act to allot equity securities (within the meaning of section 560 of the Companies Act) and to sell Ordinary Shares from treasury for cash, pursuant to the authority referred to in paragraph 3.5.3 above as if section 561(1) of the Companies Act did not apply to such allotment, provided that this power shall expire (unless previously revoked, varied or renewed) at the end of the first annual general meeting of the Company, provided that this power shall be limited to the allotment of equity securities:

3.5.4.1 in connection with an offer of equity securities (including, without limitation, under a rights issue, open offer or similar arrangement) in favour of holders of Ordinary Shares in proportion (as nearly as may be practicable) to their existing holdings of Ordinary Shares but subject to such exclusions, limits, restrictions or other arrangements as the Directors deem necessary or expedient in relation to fractional entitlements, treasury shares, record dates or any legal, regulatory or practical problems in or under the laws of any territory, or the requirements of any regulatory body or stock exchange; and

3.5.4.2 otherwise than pursuant to paragraph 3.5.4.1 above, up to 20 per cent. of the entire issued share capital of the Company,

provided that the Company may, at any time prior to the expiry of such authority, make an offer or enter into an agreement which would or might require the Ordinary Shares to be allotted after such expiry and the Directors may allot equity securities in pursuance of such an offer or agreement as if such power had not expired;

3.5.5 conditionally upon the IPO, the Company was authorised in accordance with Section 701 of the Companies Act to make market purchases (within the meaning of Section 693(4) of the Companies Act) of Ordinary Shares provided that:

3.5.5.1 the maximum number of Ordinary Shares hereby authorised to be purchased is 14.99 per cent. of the Ordinary Shares in issue immediately following completion of the IPO;

3.5.5.2 the minimum price which may be paid for an Ordinary Share is £0.01;

3.5.5.3 the maximum price which may be paid for an Ordinary Share must not be more than the higher of (i) five per cent. above the average of the mid-market value of the Ordinary Shares for the five Business Days before the purchase is made or (ii) that stipulated by the regulatory technical standards adopted by the EU pursuant to the Market Abuse Regulation from time to time; and

3.5.5.4 such authority will expire on the earlier of the conclusion of the first annual general meeting of the Company and 8 September 2018, save that the Company may contract to purchase Ordinary Shares under the authority thereby conferred prior to the expiry of such authority, which contract will or may be executed wholly or partly after the expiry of such authority and may purchase Ordinary Shares in pursuance of such contract.

### 3.6 **Resolutions to be proposed at the General Meeting**

3.6.1 The Company currently does not have sufficient authority to allot the New Ordinary Shares under the Companies Act to effect the Issue, or to allot further Ordinary Shares pursuant to the Share Issuance Programme. Accordingly, the Resolutions, as set out in the Notice of General Meeting, are being proposed at the General Meeting,

in substitution for the resolutions passed in connection with the IPO, to grant the Directors authority to allot and issue Ordinary Shares up to a maximum aggregate nominal amount of £1,500,000 on a non-pre-emptive basis.

3.6.2 In accordance with the authority referred to in paragraph 3.6.1 above, it is expected that the New Ordinary Shares to be issued pursuant to the Initial Issue will be allotted (conditionally upon Admission) pursuant to a resolution of the Board to be passed shortly before Admission in accordance with the Companies Act.

3.7 The provisions of section 561(1) of the Companies Act (which confer on shareholders rights of pre-emption in respect of the allotment of equity securities which are, or are to be, paid up in cash other than by way of allotment to employees under an employees' share scheme as defined in section 1166 of the Companies Act) apply to issues by the Company of equity securities (in respect of which the Directors have authority to make allotments pursuant to section 551 of the Companies Act), except to the extent such provisions have been disapplied.

3.8 The Companies Act abolished the requirement for companies incorporated in England and Wales to have an authorised share capital. Furthermore, the Articles of Association do not contain a provision expressly limiting the number of Ordinary Shares that can be issued by the Company.

#### 4 Interests of Substantial Shareholders

Please see paragraph 9.3 of this Part 14.

#### 5 Subsidiary undertakings

The Company is the holding company of the REIT Group. The following table contains a list of the subsidiary undertakings of the Company that are significant in terms of the Company's assets and liabilities, financial position or profits and losses.

<u>Name</u>	<u>Business Activity</u>	<u>Ownership interest Percentage of share capital and voting rights held (%)</u>	<u>Country of Incorporation</u>	<u>Registered office</u>
SUPERMARKET INCOME INVESTMENTS UK (NO1) LTD	Buying and selling investment properties	100	UK	9 Berkeley Street, London, England, W1J 8DW
SUPERMARKET INCOME INVESTMENTS UK (NO2) LTD	Buying and selling investment properties	100	UK	9 Berkeley Street, London, England, W1J 8DW
SUPERMARKET INCOME INVESTMENTS UK (NO3) LTD	Buying and selling investment properties	100	UK	9 Berkeley Street, London, England, W1J 8DW
SUPERMARKET INCOME INVESTMENTS UK (NO4) LTD	Buying and selling investment properties	100	UK	9 Berkeley Street, London, England, W1J 8DW
SUPERMARKET INCOME INVESTMENTS UK LIMITED	Holding company	100	UK	9 Berkeley Street, London, England, W1J 8DW

## **6 Mandatory bids**

The City Code on Takeovers and Mergers (the “**Takeover Code**”) applies to the Company. The Takeover Code is issued and administered by the Panel on Takeovers and Mergers.

Under Rule 9 of the Takeover Code, (i) where a person acquires an interest in shares which (taken together with the shares in which he and persons acting in concert with him are interested) carry 30 per cent. or more of the voting rights of the Company or (ii) where a person, together with persons acting in concert with him, is interested in shares which in aggregate carry not less than 30 per cent. of the voting rights of the Company, but does not hold shares carrying more than 50 per cent. of the voting rights of the Company, and such person, or any persons acting in concert with him, acquires an interest in any other shares which increases the percentage of the shares carrying voting rights in the Company in which he is interested, then in either case that person, together with the persons acting in concert with him, is normally required (except with the consent of the Takeover Panel) to extend offers in cash, at the highest price paid by him (or any persons acting in concert with him) for shares in the Company within the preceding 12 months, to the holders of any class of equity share capital of the Company, whether voting or not, and also to the holders of any other transferable securities carrying voting rights.

## **7 Squeeze-out and sell-out rules**

Under the Companies Act 2006, an offeror in respect of a takeover offer for the Company has the right to buy out minority shareholders where he has acquired (or unconditionally contracted to acquire) 90 per cent. in value of the shares to which the offer relates and not less than 90 per cent. of the voting rights carried by those shares. The notice to acquire shares from minority shareholders must be sent within three months of the last day on which the offer can be accepted. The squeeze out of minority shareholders can be completed at the end of six weeks from the date the notice has been given.

In addition, where there has been a takeover offer for the Company, minority shareholders can require the offeror to purchase the remaining shares provided that any time before the end of the period within which the offer can be accepted, the offeror can be accepted, the offeror has acquired (or contracted to acquire) at least 90 per cent in value of all voting shares in the Company, which carry not less than 90 per cent of the voting rights. A minority shareholder can exercise this right at any time until three months after the period within which the offer can be accepted. An offeror shall give the remaining shareholders notice of their rights within one month from the end of the period in which the offer can be accepted.

## **8 Summary of the Articles of Association**

The Company’s objects and purposes are unrestricted pursuant to s.31(1) of the Companies Act.

A summary of certain provisions of the Articles of Association is set out below and a copy is available for inspection at the address specified in paragraph 2.2 of this Part 14.

### **8.1 Change of name**

The Company may change its name by a resolution of the Directors.

### **8.2 Voting rights attaching to Ordinary Shares**

Shareholders will be entitled to vote at a general meeting or class meeting whether on a show of hands or a poll, as provided in the Companies Act. The Companies Act provides that:

- 8.1.1 on a show of hands every member present in person has one vote and every proxy present who has been duly appointed by one or more members will have one vote, except that a proxy has one vote for and one vote against if the proxy has been duly appointed by more than one member and the proxy has been instructed by one or more members to vote for and by one or more other members to vote against. For this purpose the Articles of Association provide that, where a proxy is given discretion as to how to vote on a show of hands, this will be treated as an instruction by the relevant Shareholder to vote in the way that the proxy decides to exercise that discretion; and

8.1.2 on a poll every member has one vote per share held by him and he may vote in person or by one or more proxies. Where he appoints more than one proxy, the proxies appointed by him taken together shall not have more extensive voting rights than he could exercise in person.

This is subject to any rights or restrictions which are given to any shares or on which shares are held.

If more than one joint Shareholder votes (including voting by proxy), the only vote which will count is the vote of the person whose name is listed before the other voters on the register for the share.

### 8.3 Restrictions

Without prejudice to any special rights conferred on the holders of any existing shares or of any class of shares, any shares in the Company may be issued with or have attached to them such restrictions as the Company may from time to time determine by ordinary resolution or, if no such resolution has been passed or so far as the resolution does not make specific provision, as the Directors may determine. Such restrictions shall apply to the relevant shares as if the same were set out in the Articles of Association.

### 8.4 Voting restrictions

No member shall be entitled to vote at any general meeting or class meeting in respect of any share held by him if any call or other sum then payable by him in respect of that share remains unpaid and he has been served with a forfeiture notice (as defined in the Articles of Association) or if he has been served with a s. 793 notice (as defined in the Articles of Association) after failure to provide the Company with information concerning interests in those shares required to be provided under the Companies Act.

### 8.5 Dividends and distributions

The Company may by ordinary resolution from time to time declare dividends not exceeding the amount recommended by the Directors. Subject to the Companies Act, the Directors may pay interim dividends, and also any fixed rate dividend, whenever the profits of the Company, in the opinion of the Directors, justifies its payment.

The Directors may withhold payment of all or any part of any dividends or other monies payable in respect of the Company's shares from a person with an interest in 0.25 per cent. of the issued shares of the relevant class if such a person has been served with a s. 793 notice (as defined in the Articles of Association) after failure to provide the Company with information concerning interests in those shares required to be provided under the Companies Act.

Except insofar as the rights attaching to, or the terms of issue of, any share otherwise provide, all dividends shall be apportioned and paid *pro rata* according to the amounts paid up on the share during any portion of the period in respect of which the dividend is paid.

The Directors may, if authorised by an ordinary resolution of the Company, offer Shareholders (excluding any member holding shares as treasury shares) in respect of any dividend the right to elect to receive Ordinary Shares by way of scrip dividend instead of cash.

### 8.6 Variation of Share Rights

Subject to the Companies Act, rights attached to any class of shares may be varied with the written consent of the holders of not less than three-fourths of the issued shares of that class, or with the sanction of a special resolution passed at a separate general meeting of the holders of those shares. At every such separate general meeting (except an adjourned meeting) the quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of the class (calculated excluding any shares held as treasury shares).

The rights conferred upon the holders of any shares shall not, unless otherwise expressly provided in the rights attaching to those shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* with them.

## 8.7 Transfer of shares

The shares are in registered form. Any shares in the Company may be held in uncertificated form and, subject to the Articles of Association, title to uncertificated shares may be transferred by means of a relevant system. Provisions of the Articles of Association do not apply to any uncertificated shares to the extent that such provisions are inconsistent with the holding of shares in uncertificated form or with the transfer of shares by means of a relevant system.

Any member may transfer all or any of his certificated shares by an instrument of transfer in any usual form or in any other form which the Directors may approve. The instrument of transfer must be signed by or on behalf of the transferor and (in the case of a partly paid share) the transferee.

The transferor of a share is deemed to remain the holder until the transferee's name is entered in the register.

The Directors can decline to register any transfer of any share which is not a fully paid share. The Directors may also decline to register a transfer of a certificated share unless the instrument of transfer:

8.1.3 is duly stamped or certified or otherwise shown to the satisfaction of the Directors to be exempt from stamp duty and is accompanied by the relevant share certificate and such other evidence of the right to transfer as the Directors may reasonably require;

8.1.4 is in respect of only one class of share; and

8.1.5 if to joint transferees, is in favour of not more than four such transferees.

Registration of a transfer of an uncertificated share may be refused in the circumstances set out in the CREST Rules or where, in the case of a transfer to joint holders, the number of joint holders to whom the uncertificated share is to be transferred exceeds four.

The Directors may decline to register a transfer of any of the Company's certificated shares by a person if such a person has been served with a s. 793 notice (as defined in the Articles of Association) after failure to provide the Company with information concerning interests in those shares required to be provided under the Companies Act.

If it comes to the notice of the Directors that any shares are owned directly, indirectly, or beneficially by a Non-Qualified Holder, the Directors may give notice to such person requiring him either to:

8.1.6 provide the Directors within 30 days of receipt of such notice with sufficient satisfactory documentary evidence to satisfy the Directors that such person is not a Non-Qualified Holder; or

8.1.7 sell or transfer his shares to a person who is not a Non-Qualified Holder within 30 days and within such 30 days to provide the Directors with satisfactory evidence of such sale or transfer.

If any person upon whom such a notice is served pursuant to the Articles of Association does not within 30 days after such notice either:

8.1.8 sell or transfer his shares to a person who is not a Non-Qualified Holder and establish to the satisfaction of the Directors (whose judgment shall be final and binding) that such a sale or transfer has occurred; or

8.1.9 establish to the satisfaction of the Directors (whose judgment shall be final and binding) that he is not a Non-Qualified Holder;

then:

8.1.10 such person shall be deemed upon the expiration of such 30 days to have forfeited his shares and the Directors shall be empowered at their discretion to follow the forfeiture procedure as laid down in the Articles of Association; or

8.1.11 if the Directors in their absolute discretion so determine, to the extent permitted under the Rules, the Directors may arrange for the Company to sell the shares at the best price reasonably obtainable to any other person so that the shares will cease to be held by a Non-Qualified Holder, in which event the Company may, to the extent permitted under the Rules, take any action that the Directors consider necessary in

order to effect the transfer of such shares by the holder of such share and the Company shall pay the net proceeds of sale to the former holder upon its receipt of the sale proceeds and the surrender by him of the relevant share certificate.

## **8.8 Forfeiture of Shares and Liens**

### *Forfeiture of Shares*

If any member fails to pay in full any call or instalment of a call on the day appointed for payment, the Directors may, after that day, while any part of the call or instalment remains unpaid, give notice to him requiring him to pay so much of the call or instalment as is unpaid, together with interest accrued and any expenses incurred by reason thereof.

The notice shall specify a further day (not being earlier than 14 clear days from the date of the notice) on or before which such unpaid call or instalment and all interest accrued and expenses incurred by reason of non-payment are to be paid, and the place where payment is to be made. The notice shall state that, in the event of non-payment at or before such time at the place specified, the shares in respect of which such call or instalment is payable will be liable to forfeiture.

If the requirements of any such notice are not complied with, any shares in respect of which such notice has been given may be forfeited by a resolution of the Directors.

The Directors may accept surrender of any share liable to be forfeited.

If the Directors have served a notice upon a Non-Qualified Holder pursuant to the Articles of Association and such holder has not sold or transferred his shares to a person qualified to own the same within the required period, such shares shall be deemed forfeited.

When any share has been forfeited, notice of the forfeiture shall be given to the person who was before forfeiture the holder of the share. No forfeiture shall be invalidated by any omission or neglect to give such notice.

Subject to statute, any share forfeited or surrendered shall be deemed to be the property of the Company, no voting rights shall be exercised in respect of it and the Directors may cancel the same or, within three years of such forfeiture or surrender, sell, re-allot or otherwise dispose of the same in such manner as they think fit.

The Directors may annul the forfeiture of a share at any time before the forfeited share has been cancelled or sold, re-allotted or otherwise disposed of, on the terms that payment shall be made of all calls and interest due on it and all expenses incurred in respect of the share and on such further terms (if any) as the Directors see fit.

Any share not disposed of in accordance with the Articles of Association within a period of three years from the date of its forfeiture or surrender shall be automatically cancelled.

Any person whose shares have been forfeited or surrendered shall cease to be a Member in respect of those shares and shall surrender to the Company for cancellation the certificate for the forfeited shares, but shall remain liable to pay to the Company all moneys which at the date of the forfeiture or surrender were presently payable by him to the Company in respect of the shares, together with interest on such moneys.

### *Liens*

The Company shall have a lien upon all the shares, other than fully paid shares, registered in the name of each member for any amount payable in respect of such shares, whether presently payable or not, and such lien shall apply to all dividends from time to time declared or other moneys payable in respect of such shares.

Unless otherwise agreed, the registration of a transfer of a share shall operate as a waiver of the Company's lien, if any, on such share.

For the purpose of enforcing such lien, the Directors may, subject (in the case of uncertificated shares) to the provisions of the uncertificated securities rules, sell the shares subject to such lien, in such manner as they think fit, but no such sale shall be made until all or any part of the sum outstanding on the shares shall have become payable and until notice in writing stating, and demanding payment of, the sum payable and giving notice of the intention to sell in default of such payment shall have been given to such member and default shall have been made by him in the payment of the sum payable for 14 clear days after such notice.

## **8.9 Changes in share capital**

Subject to statute and to any rights conferred on the holders of any existing shares or of any class of shares, any shares may be issued on terms that they are to be redeemed, or may be redeemed at the option of the Company or the shareholder, on such terms and conditions and in such manner as the Directors may determine.

Notwithstanding anything contained in the Articles of Association, but subject to any rights specifically conferred on the holders of any class of shares, the rights attached to any class of shares shall be deemed not to be varied or abrogated by anything done by the Company pursuant to the Articles of Association.

The Company has the power to offer, allot, issue, grant options over or otherwise deal with shares in the capital of the Company and to grant rights to subscribe for, or to convert any security into, shares in the capital of the Company to such persons, at such times and upon such terms as the Directors may decide.

If on any consolidation (or any consolidation and sub-division, or sub-division) of shares any Shareholders would become entitled to any fractions of a share, the Directors may deal with the fractions in any manner they think fit.

## **8.10 Unclaimed dividends**

In the event that a holder does not specify an address, or does not specify an account of a type prescribed by the Directors, or other details necessary in order to make a payment of a dividend or other distribution by the means by which the Directors have decided that a payment is to be made, or by which the holder has validly elected to receive payment, and such address or details are necessary in order for the Company to make the relevant payment in accordance with such decision, or if payment cannot be made by the Company using the details provided by the holder, then the dividend or other distribution shall be treated as unclaimed.

The Company may cease to send any cheque or similar financial instrument (or to use any other method of payment including payment by means of a relevant system) for any dividend payable in respect of a share if, in respect of at least two consecutive dividends payable on that share, the cheque or similar financial instrument has been returned undelivered or remains uncashed (or that other method of payment has failed), or after only one occasion if reasonable enquiries by the Company have failed to establish any new address of the registered holder, but, subject to the provisions of these Articles of Association, shall recommence sending cheques or similar financial instruments (or using another method of payment) for dividends payable on that share if the person entitled so requests.

All dividends or other moneys payable on or in respect of a share which remain unclaimed may be invested or otherwise made use of by the Directors for the benefit of the Company until claimed. Payment by the Directors of any unclaimed dividend or other moneys payable on or in respect of a share into a separate account shall not constitute the Company a trustee in respect of it and the Company will not be liable to pay interest on it. Any dividend unclaimed after a period of 12 years from the date of declaration of such dividend, or from the date such dividend becomes due for payment, shall be forfeited and shall revert to the Company unless the Directors decide otherwise.

## **8.11 Untraced Shareholders**

Subject to statute, the Company may sell at the best price reasonably obtainable at the time of sale any share of a Shareholder or any share to which a person is entitled by transmission if:

8.1.12 during a period of 12 years prior to the publication by the Company of newspaper advertisements (as referred to in the third bullet, below), at least three cash dividends have become payable in respect of the share to be sold and have been sent by the Company;

8.1.13 during that period of 12 years no cash dividend payable in respect of the share has been claimed, or other payment for a dividend has been cashed, no dividend sent by means of a funds transfer system has been paid and, as far as any director of the Company at the end of that period of 12 years is aware, no communication has been received by the Company from the Shareholder entitled by transmission to the share;

8.1.14 the Company has given notice of its intention to sell such share by advertisement in one national daily newspaper and in one local newspaper circulating in the area in which the last known address of the Shareholder or by transmission at the last service address of the Shareholder; and

8.1.15 the Company has not, during the period of three months after the date of the advertisements (or, if published on different dates, the later of them) and prior to the exercise of the power of sale, received any communication from the Shareholder.

The Company's power of sale shall extend to any further share which, on or before the date of publication of the first of any advertisements, is issued in respect of a share if the conditions set out in the bullet points above are satisfied in relation to the further share.

In order to give effect to any such sale, the Directors may, subject (in the case of uncertificated shares) to the provisions of the uncertificated securities rules and the facilities and requirements of CREST, authorise some person to transfer any such shares to the purchaser of them and may enter the name of the transferee in respect of the transferred shares in the Company's register even if no share certificate has been lodged for such shares and may issue a new certificate to the transferee.

The net proceeds of such sale shall be a permanent debt of the Company and the Company shall be deemed to be a debtor and not a trustee in respect of them for such Shareholder or other person. If no valid claim has been received by the Company during a period of six years from the date on which the relevant shares were sold by the Company under this article, the money shall be forfeited and shall belong to the Company.

## 8.12 General meetings

The Articles of Association rely on the Companies Act provisions dealing with the calling of general meetings. The Companies Act provides that a general meeting (other than an adjourned meeting) must be called by notice of at least 21 days in the case of an annual general meeting and at least 14 days in any other case. Notice of a general meeting must be given in hard copy form, in electronic form or by means of a website and must be sent to every member and every Director. It must state the time, date and place of the meeting and the general nature of the business to be dealt with at the meeting. A notice calling an annual general meeting must state that the meeting is an annual general meeting.

Each Director shall be entitled to attend and speak at any general meeting. The chairman of the meeting may invite any person to attend and speak at any general meeting where he considers that this will assist in the deliberations of the meeting.

## 8.13 Directors

### 8.13.1 Number

The number of directors shall be not less than two nor more than 15. The Company may by ordinary resolution vary the minimum and/or maximum number of directors.

### 8.13.2 Directors' shareholding qualification

A director need not be a shareholder. A director who is not a shareholder shall nevertheless be entitled to attend and speak at general meetings.

### 8.13.3 Restrictions on voting

A director shall not vote on, nor be counted in the quorum in relation to, any resolution of the directors relating to any transaction or arrangement with the Company, or which has been entered into by the Company, in respect of which he is required to make a declaration of interest, or such other issue in which he has an interest.

This prohibition shall not apply to any resolution relating to any transaction, arrangement or matter in respect of which the interest of the director in question arises only from:

- his interest in shares or debentures or other securities in the Company;
- his interest in any other company attributable to his interest in shares or debentures or other securities in the Company;
- any proposal to give him any security, guarantee or indemnity in respect of money lent or obligations incurred by him for the benefit of the Company or any subsidiary;

- any proposal to give a third party any security, guarantee or indemnity in respect of a debt or obligation of the Company or any subsidiary for which he has assumed responsibility under a guarantee or indemnity or by the giving of security;
- his entitlement as a holder of shares or other securities to participate in an offer for subscription or purchase of shares or other securities in the Company or in any subsidiary;

his interest in any capacity in any arrangement which the Company has in place, or proposes to put in place, for the benefit of its employees or persons that provide services to it or any subsidiary provided that the arrangement does not award him any benefit not generally awarded to the persons to whom such arrangement relates;

any proposal for the Company to give him an indemnity (other than as described above) where all other directors are also being offered indemnities on substantially the same terms;

his interest as an insured under any insurance policy which the Company proposes to purchase for the benefit of any or all directors;

any proposal for the Company to fund expenditure incurred by him in as referred to in s.205 of the Companies Act 2006; and/or

his interest, direct or indirect and whether as an officer, employee, shareholder, creditor or otherwise, in any other company with which the Company proposes to enter into any transaction or arrangement (save that any such company shall not include any company in which he, so far as he is aware, holds an interest in shares representing one per cent. or more of the issued equity share capital of such company (or of any other company through which such interest is derived) or of the voting rights available to members of the relevant company) and, in relation to an alternate director, an interest of his appointor shall be treated as an interest of the alternate director without prejudice to any interest which the alternate director has otherwise.

For the purposes any interest of a person connected with the director shall be treated as his interests (other than the Company itself).

A director cannot vote or be counted in the quorum on a resolution relating to his own appointment or the settlement or variation of the terms of his appointment to an office or place of profit with the Company or any other company in which the Company has an interest.

If any question shall arise at any meeting as to whether a director is required to declare an interest or is entitled or prohibited to vote, and such question is not resolved by his voluntarily agreeing to abstain from voting, such question shall be referred to the Chairman of the meeting.

#### **8.13.4 Remuneration**

The remuneration of the directors for their services in the office of director shall in the aggregate not exceed £500,000 per annum or such higher figure as the Company may determine by ordinary resolution.

The directors may also be paid by way of additional remuneration such further sums as the Company in general meeting may from time to time determine.

The Company may repay to any director all such reasonable expenses as he may incur in or about the business of the Company or in the discharge of his duties as a director.

#### **8.13.5 Rotation and appointment of Directors**

Company, either to fill a vacancy or as an addition to the board of directors, provided the total number of directors does not exceed 15. Any director so appointed shall hold office only until the next following annual general meeting, when he shall retire but shall be eligible for re-election.

At every annual general meeting, any director who has been appointed by the board since the last annual general meeting occurring after the date of adoption of the Articles of Association or who held office at the time of the two preceding annual

general meetings each occurring after the date of adoption of the Articles of Association and who did not retire at either of them who at the date of the meeting has held office with the Company, other than employment or executive office, for a continuous period of nine years or more from the date of adoption of the Articles of Association, shall retire and may seek re-election.

At each of the first two annual general meetings occurring after the date of adoption of the Articles of Association one third of the directors holding office shall retire.

#### **8.13.6 Alternate Directors**

Any director (other than an alternate director) may appoint another director, or any other person approved by the directors and willing to act, to be an alternate director of the Company and may at any time remove any alternate director appointed by him from office.

An alternate director may be repaid by the Company such expenses as might properly have been repaid to him if he had been a director but shall not be entitled to receive any remuneration in respect of his services as an alternate director except such part (if any) of the remuneration otherwise payable to his appointor as such appointor may direct by notice in writing.

An alternate director shall not be counted in reckoning the maximum and minimum number of directors allowed or required by the Articles of Association.

An alternate director shall be entitled to receive notices of all meetings of the directors or committees of the directors of which his appointor is a member and to attend and vote as a director at any such meetings at which the director appointing him is not personally present, and generally to exercise and discharge all the functions, powers, rights and duties of his appointor as a director at such meeting.

A director acting as an alternate for one or more other directors shall be counted only once for the purpose of determining the presence of a quorum and shall have, in addition to his own vote, one vote for each director for whom he acts as alternate.

An alternate director shall cease to be an alternate director if his appointor ceases for any reason to be a director (except for that director's retirement and subsequent re-election during a single meeting).

#### **8.13.7 Proceedings of the Board**

The Board may meet for the despatch of business, adjourn and otherwise regulate their meetings as they think fit. The quorum necessary for the transaction of the business of the directors may be fixed by the directors and unless so fixed shall be two. A meeting of the Board at which a quorum is present shall be competent to exercise all powers and discretions exercisable by the directors.

Any director may participate in a meeting of the Board or of a committee of the directors by means of conference telephone or any form of communications equipment or by electronic means, provided that all the directors participating in the meeting can communicate simultaneously and in an interactive manner with each other. The directors participating in this manner shall be deemed to be present in person at such meeting and shall accordingly be counted in the quorum and entitled to vote. Subject to statute, all business transacted in such manner by the Board or a committee of the Board shall, for the purpose of the Articles of Association, be deemed to be validly and effectively transacted at a meeting of the Board or a committee of the Board notwithstanding that fewer than two directors or alternate directors are physically present at the same place. Such a meeting shall be deemed to take place at such place as the directors shall at such meeting resolve or, in the absence of any such resolution, where the largest group of those participating is assembled or, if there is no such group, where the chairman of the meeting then is.

The Board may appoint a director to be the chairman or a deputy chairman and may at any time remove him from that office. Questions arising at any meeting of the Board shall be determined by a majority of votes. In the case of an equality of votes the chairman of the meeting shall have a second or casting vote.

The Board may delegate any of its powers, authorities and discretions (with power to subdelegate) to any committee, consisting of such person or persons as it thinks fit, provided that the majority of persons on any committee or sub-committee must be directors. The meetings and proceedings of any committee consisting of two or more members shall be governed by the provisions contained in the Articles of Association for regulating the meetings and proceedings of the Board so far as the same are applicable and are not superseded by any regulations imposed by the Board.

#### **8.13.8 Borrowing powers**

Under the Articles of Association, the directors may exercise all the powers of the Company to borrow money or raise money, to guarantee, to indemnify and to mortgage or charge all or any part of its undertaking, property and assets (present and future) and uncalled capital and to issue debentures and other securities whether outright or as security (principal or collateral) for any debt, liability or obligation of the Company or any third party.

#### **8.13.9 Indemnities**

To the extent permitted by statute, the Company may indemnify any director or former director or other officer of the Company or associated company, or the trustee of any pension fund or employee benefits trust for the benefit of any employee of the Company against any liability.

The Company may purchase and maintain insurance against any liability for any director or former director or other officer of the Company or an associated company or trustee of any pension fund or employee benefits trust for the benefit of any employee of the Company.

No director or former director or other officer of the Company or an associated company shall be accountable to the Company or the members for any benefit provided pursuant to this part of the Articles of Association and the receipt of any such benefit shall not disqualify any person from being or becoming a director. This is without prejudice to any indemnity to which any person may otherwise be entitled.

#### **8.13.10 Directors' interests**

A director who is in any way, whether directly or indirectly, interested in any proposed transaction or arrangement with the Company, or which has been entered into by the Company, shall declare the nature and extent of his interest to the other directors.

A director shall be deemed interested in any transaction or arrangement in which any person connected with him is interested, whether directly or indirectly.

A director need not declare an interest:

- if he is not aware of it or if he is not aware of the transaction or arrangement in question (for these purposes a director is treated as being aware of matters of which he ought reasonably to be aware);
- if it cannot reasonably be regarded as likely to give rise to a conflict of interest;
- if, or to the extent that, the other directors are already aware of it (for this purpose the other directors are treated as aware of anything of which they ought reasonably to be aware); or
- if, or to the extent that, it concerns terms of his service contract that have been or are to be considered:
  - by a meeting of the directors; or
  - by a committee of the directors appointed for the purpose under the Articles of Association.

#### **8.14 Communication of documents and information**

Any notice, document (including a share certificate) or other information may be served on or sent or supplied to any Shareholder by the Company personally, by post, by means of a relevant system, by sending or supplying it in electronic form to an address notified by the Shareholder to the Company for that purpose, where appropriate, by making it available on the Company's website and notifying the Shareholder of its availability, or by any other means authorised in writing by the Shareholder.

### 8.15 Restrictions on transfers

Any instruments of transfer which are registered shall be retained by the Company for six years following registration, but any instrument of transfer which the directors refuse to register shall (except in any case of fraud) be returned to the persons depositing the same.

The directors may refuse to register any transfer of certificated shares which are not fully paid provided that, where any such shares are admitted to trading on any recognised investment exchange, such discretion may not be exercised in such a way as to prevent dealings in the shares of that class from taking place on an open and proper basis.

The directors may also refuse to register any transfer of a certificated share unless the duly-stamped instrument of transfer is deposited at the office or such other place as the directors may appoint, accompanied by the relevant share certificate (if issued), and such other evidence of the transferor's ownership as the directors may reasonably require.

The directors may refuse to register any transfer of an uncertificated share where permitted or required by law.

The directors may refuse to register any transfer of shares unless it is in respect of only one class of shares.

If the directors refuse to register a transfer they shall send to the transferee notice of the refusal as soon as practicable and in any event within two months.

The directors may, in their absolute discretion and without giving a reason, decline to transfer or register any transfer of any certified share or (to the extent permitted by the Rules) uncertificated share which is not fully paid or on which the Company has a lien provided, or if, the transfer is in favour of any Non-Qualified Holder or it would cause the Company to fail Condition D (not a close company) in section 528 of the Corporation Tax Act 2010, provided in the case of a listed share such refusal to register a transfer would not prevent dealings in the share from taking place on an open and proper basis on the relevant stock exchange. In the event that any holder becomes, or holds shares on behalf of, a Non-Qualified Holder, such holder shall be required to notify the Administrator immediately.

### 8.16 Substantial Shareholders

The Articles of Association contain provisions relating to substantial shareholders. As a REIT, under Part 12 CTA 2010 a tax charge may be levied on the Company if it makes a distribution to a company beneficially entitled (directly or indirectly) to 10 per cent. or more of the ordinary shares or dividends of the Company or which controls (directly or indirectly) 10 per cent. or more of the voting rights of the Company. If, however, the Company has taken "reasonable steps" to prevent the possibility of such a distribution being made, then this tax charge may not arise. The Articles of Association:

8.1.16 provide the directors with powers to identify substantial shareholders (including giving notice to a shareholder requiring him to provide such information as the Directors may require to establish whether or not he is a Substantial Shareholder);

8.1.17 provide the directors with powers to prohibit the payment of dividends on ordinary shares that form part of a substantial shareholding, if certain conditions are met;

8.1.18 allow dividends to be paid on ordinary shares that form part of a substantial shareholding where the shareholder has disposed of its rights to dividends on its ordinary shares;

8.1.19 seek to ensure that if a dividend is paid on ordinary shares that form part of a substantial shareholding and arrangements of the kind referred to above are not met, the substantial shareholder concerned does not become beneficially entitled to that dividend; and

8.1.20 provide the directors with powers if certain conditions are met, to require (1) a substantial shareholder; or (2) a shareholder who has not complied with a notice served in accordance with the power referred to in the first bullet point above; or (3) a shareholder who has provided materially inaccurate or misleading information in relation to the substantial shareholder provisions of the Articles of Association, to dispose of such number of their shares as the directors may specify, or to take such other steps as will cause the directors to believe the shareholder is no longer a substantial shareholder.

## 8.17 Continuation vote

Under the Articles of Association, the Company is required to offer a continuation vote to Shareholders at the annual general meeting of the Company following the fifth anniversary of the IPO. If there is no continuation vote passed at such annual general meeting, the directors will cause a general meeting of the Company to be convened for a date not later than 120 days after the date of the annual general meeting at which such resolution was not passed. At a general meeting of the Company so convened by the directors, the directors will cause a special resolution to be proposed instructing the directors to implement proposals for the voluntary liquidation or other reconstruction or reorganisation of the Company.

## 9 Directors and others' interests

9.1 The table below sets out the voting rights (within the meaning of the Disclosure Guidance and Transparency Rules) held, directly or indirectly, by any of the Directors in respect of the share capital of the Company as at 24 April 2018 (being the last practicable date prior to publication of this Registration Document) and immediately following Admission, assuming 64,356,435 New Ordinary Shares are issued:

Director	As at 24 April 2018		Immediately following Admission	
	Number of Ordinary Shares	% of voting share capital	Number of Ordinary Shares)	% of voting share capital*
Nick Hewson	280,000	0.2	349,306	0.20
Vincent Prior	35,431	0.1	35,431	0.01
Jon Austen	70,000	0.1	99,702	0.05

9.2 Save as set out in paragraph 9.1 of this Part 14, no Director holds, or will hold immediately following Admission, directly or indirectly, any voting rights in respect of the Company or any of its subsidiaries.

9.3 So far as the Company is aware, as at 24 April 2018 (being the last practicable date prior to publication of this Registration Document) the following persons (other than Directors) hold, directly or indirectly, voting rights in respect of three per cent or more of the Company's issued share capital:

Shareholder	As at 29 March 2018	
	Number of Ordinary Shares	% of voting share capital
Quilter Cheviot Investment Management	20,281,382	16.9
TR Property Investment Trust	16,900,000	14.08
Smith & Williamson Investment Management	11,103,605	9.25
Milton Asset Management	9,800,000	8.17
West Yorkshire Pension Fund	8,500,000	7.08
Hargreave Hale	8,209,942	6.84
Charles Stanley	4,538,872	3.78
Premier Fund Management	4,237,500	3.53

9.4 Save as set out in paragraph 9.3 of this Part 14, the Company is not aware of any person who, as at 24 April 2018 (being the last practicable day prior to publication of this Registration Document) or immediately following Admission, holds or will hold voting rights, directly or indirectly, in respect of 3 per cent or more of the issued share capital of the Company.

9.5 The Company is not aware of any person who immediately following Admission, directly or indirectly, jointly or severally, exercises or could exercise control over the Company.

- 9.6 The Investment Adviser intends to subscribe for New Ordinary Shares of a total amount equal to £35,000.
- 9.7 None of the Shareholders referred to in paragraphs 9.1 and 9.3 of this Part 14 has different voting rights from any other holder of Ordinary Shares.
- 9.8 Save as set out in paragraph 9.9 below, no Director has or has had any interest in any transactions which are or were unusual in their nature or conditions, or significant to the business of the REIT Group, and which:
- 9.8.1 were effected by the Company during the current or immediately preceding financial year; or
- 9.8.2 were effected by the Company during an earlier financial year and remain in any respect outstanding or unperformed.
- 9.9 The business address of each of the Directors is set out in Part 9 of this Registration Document. The Directors are or have been directors or partners at any time in the five years immediately preceding the date of this Registration Document of the following companies and partnerships:

<b>Name</b>	<b>Current</b>	<b>Past</b>
Nick Hewson	Carlin Ventures Limited One Ladbroke Square Investments LLP Redrow plc Westminster Gardens Holdings Limited Croma Security Solutions Group plc Grosvenor Equity Managers Limited Philex Limited	City Centre Partners LP Heligon Limited Pradera Group Limited Re-Struct Property Solutions LLP Going Green Limited AGN Investments Limited Icelus Developments Limited Morpheus Developments (Cresswell) Limited
Vincent Prior	VP Real Estate Advisory Limited	BLSSP (PHC 1 2012) Limited BLSSP (PHC) Limited BLSSP (Cash Management) Limited BLSSP (PHC 1) Limited BLSSP (Lending) Limited BLSSP (PHC 20) Limited BLSSP (PHC 34) Limited BLSSP (PHC 14) Limited BLSSP (PHC 32) Limited BLSSP (PHC) 28 Limited BLSSP (PHC 16) Limited BLSSP (PHC 2) Limited BLSSP (PHC 9) Limited BLSSP (PHC 2 2010) Limited BLSSP (PHC 17) Limited BLSSP (PHC 6) Limited BLSSP (PHC 5) Limited BLSSP (PHC 27) Limited BLSSP (PHC 33) Limited BLSSP Property Holdings Limited BLSSP (PHC 22) Limited BLSSP (PHC 23) Limited BLSSP (PHC 25) Limited BLSSP (PHC 26) Limited BLSSP (PHC 10) Limited BLSSP (PHC 24) Limited BLSSP (PHC 11) Limited BLSSP (PHC 21) Limited BLSSP (PHC 30) Limited BLSSP (PHC 18) Limited

Name	Current	Past
Jon Austen	Audley Group Limited Audley Sunningdale Part Limited Audley Sunningdale Park Management Limited McKay Securities plc Audley Willicombe Management Limited Audley Ellerslie Management Limited Audley Stanbridge Earls Management Limited Audley Court Management Limited Audley Court Limited Audley Clevedon Management Limited Audley Clevedon Limited Audley St George's Management Limited Audley Care Limited Audley St George's Limited Audley Stanbridge Earls Limited Audley Inglewood Management Limited Audley Care Holdings Limited Audley Flete Management Limited Audley Flete Limited Audley Binswood Management Limited Audley Mote Limited Audley Ellerslie Limited Audley Redwood Management Limited Audley Care Coventry Limited Audley Inglewood Limited Audley Mote Management Limited	BLSSP (PHC 12) Limited BLSSP (PHC 3) Limited BLSSP (PHC 1 2010) Limited BLSSP (PHC 35) Limited BLSSP (PHC 19) Limited Vyson BL Sainsbury Superstores Limited British Land Superstores (Non-Securitized) Pencilscreen Limited Ten Fleet Place BL Superstores Finance plc Clarendon Property Company Sainsbury Property Investments Limited BLS Non Securitised 2012 2 Limited BLS Non Securitised 2012 1 Limited Sainsbury's Basingstoke Limited Selected Land and Property Company BL Superstores (Funding) Limited BL Crawley AW Management Company (KP1R) Limited Decimus Park Management Limited Audley Financial Services Limited Urban&Civic Whiston Investments Limited Urban&Civic Broomiewlaw Limited Urban&Civic Penzance Limited Altira Park Management Company Limited Baltic Business Quarter Management Limited Brabazon Park Management Company Limited Christchurch Business Park Management Limited Cirrus (Aeropark) Management Limited III Acre Site Management Company Limited Manhattan Gate Management Company Limited Urban&Civic Middlehaven Properties 2 Limited Nimbus (Aeropark) Management Limited Urban&Civic Investments Limited Urban&Civic Residential Lettings No.3 Limited Urban&Civic Central Funding Limited T.H (Development Partnership) Limited Urban&Civic Bishop Auckland Limited

Name	Current	Past
	Audley St Elphins Limited Audley Willicombe Limited Audley Binswood Limited Audley Care White Horse Limited Mayfield Villages Limited Audley Redwood Limited Audley Chalfont Limited Audley St Elphins Management Limited Audley Runnymede Limited Audley Chalfont Management Limited Audley Runnymede Management Limited Sandy Way Property Owners Company Limited	Terrace Hill (Bracknell) Limited Urban&Civic Christchurch Limited Urban&Civic Howick Place Investments Limited Urban&Civic Hyde Limited Urban&Civic Maidenhead Limited Urban&Civic Middlehaven Limited Urban&Civic Middlesbrough Limited Urban&Civic Miscellaneous Properties Limited Urban&Civic Prestwich Limited Urban&Civic Princess Street Limited Urban&Civic Property Developments No 2 Limited Urban&Civic Property Developments No 1 Limited Urban&Civic Redcliff Street Limited Urban&Civic Sunderland Limited Urban&Civic Tunbridge Wells Limited Urban&Civic Victoria Street Limited Urban&Civic Property Investments No 4 Limited Urban&Civic Property Investments No 4 Limited Urban&Civic Baltic No 2 Limited Urban&Civic Baltic No 4 Limited Terrace Hill Brigit Limited Urban&Civic Deansgate Limited Terrace Hill Castlegate House Limited Terrace Hill Development Partnership Nominee Limited Terrace Hill Development Partnership General Partner Limited Urban&Civic Developments Limited Terrace Hill Foodstore Developments Limited Terrace Hill Mayflower Plaza Limited Urban&Civic Resolution Limited Urban&Civic Property Developments Limited Terrace Hill Southampton Limited Urban&Civic (Bradford) Limited Urban&Civic Waterbeach Limited Urban&Civic Projects Limited Urban&Civic Middlehaven Properties Limited Urban&Civic UK Limited Bridge Quay Management Company Limited Terrace Hill Foodstore Development Company Parent Limited Urban&Civic Stokesley Limited Urban&Civic Feethams Limited Urban&Civic Honiton Limited

Name	Current	Past
		Urban&Civic Skelton Limited
		Urban&Civic Burnley Limited
		Urban&Civic St Austell Limited
		Terrace Hill Deansgate Operations Company Limited
		Urban&Civic Holmfirth Limited
		Urban&Civic Northam Limited
		Catesby Estates (Developments) Limited
		Urban&Civic Armadale No 1 Limited
		Catesby Estates Promotions Limited
		Brightstamp Limited
		Dialfolder Limited
		Urban&Civic Britannic Global Income Trust Limited
		Urban&Civic (Property Investment No 3) Limited
		Second Park Circus Investing
		Urban&Civic Central Scotland Limited
		Catesby Development Land Limited
		Catesby Land and Planning Limited
		Catesby Promotions Limited
		Urban&Civic Homes Limited
		Urban&Civic North East Limited
		AW Management Company (KP1C) Limited
		Alconbury Weald Estate Management Company Limited
		Catesby Land Promotions Limited
		Raleigh Close Management Company Limited
		Spath Holme Management Limited
		Park Circus Registrars Limited
		Devcap Partnership 2 Nominee Limited
		Hollylux Limited
		PCG Residential Lettings (no.7) Limited
		Platts Eyot Limited
		Port Hampton Limited
		Spath Holme Limited
		Terrace Hill (Berkeley Limited)
		Terrace Hill (Berkeley No 1) Limited
		Terrace Hill Estates Limited
		Thanet Reach Estates Limited
		Devcap Partnership 2 General Partner Limited
		Tannochside Estates Limited
		Terrace Hill (Heaton Park) Management Limited
		Two Orchards Holdings Limited
		Terrace Hill Retail Partnership Limited
		Terrace Hill Blyth Limited
		Terrace Hill (Swansea) Limited
		Terrace Hill Redditch Development

Name	Current	Past
		Partnership General Partner Limited Terrace Hill (Pinewood) Limited Terrace Hill Retail Partnership General Partner Limited Terrace Hill Redditch Limited Terrace Hill (Galashiels) No.1 Limited Belgrave Residential Assets Limited Belgrave Residential Investments Limited PCG Residential Limited Paisley Pattern Homes Limited South Easter Recovery II Limited Second South Easter Recovery Investing Limited Terrace Hill (Residential Developments) Limited Terrace Hill Residential plc

The above table does not include any member of the REIT Group.

9.10 At the date of this Registration Document none of the Directors has:

9.10.1 any convictions in relation to fraudulent offences for the previous five years;

9.10.2 been declared bankrupt or been subject to any individual voluntary arrangement or been associated with any bankruptcy, receivership or liquidation in his capacity as a director or senior manager for the previous five years;

9.10.3 save as set out in paragraph 9.11, been a director or senior manager, within the previous five years, of any company which has been subject to a receivership or liquidation;

9.10.4 save as set out in paragraph 9.11, been a partner or senior manager, within the previous five years, in any partnership which has been subject to a liquidation; and/or

9.10.5 been subject to any official public incrimination and/or sanctions by any statutory or regulatory authority (including any designated professional bodies) or been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of a company or from acting in the management or conduct of the affairs of any company for the previous five years.

9.11 Grosvenor Equity Managers Limited, of which Nick Hewson has been a director in the past five years, and Terrace Hill Residential plc, of which Jon Austen has been a director in the past five years, are currently in liquidation.

9.12 None of the Directors has any potential conflicts of interest between their duties to the Company and their private interests and/or their duties to third parties.

## 10 Directors' service agreements

10.1 Each Director has entered into a letter of appointment with the Company. The Directors' appointments can be terminated in accordance with the Articles of Association and without compensation. All Directors are subject to retirement by rotation in accordance with the Articles. There is no notice period specified in the letters of appointment or Articles of Association for the removal of Directors. The Articles provide that the office of Director shall be terminated by, amongst other things: (i) written resignation; (ii) unauthorised absences from board meetings for six consecutive months or more; or (iii) written request of a majority of the other Directors.

10.2 Each of the Directors is entitled to receive a fee from the Company at such rate as may be determined in accordance with the Articles of Association. Save for the Chairman, the fees are £35,000 for each Director per annum. The Chairman's fee is £55,000 per annum. In addition, the Chair of the Audit Committee receives a fee of £5,000 per annum.

- 10.3 The Directors are also entitled to out-of-pocket expenses incurred in the proper performance of their duties. The aggregate remuneration and benefits in kind of the Directors in respect of the Company's accounting period ending 30 June 2018 which will be payable out of the assets of the Company are not expected to exceed £115,000.
- 10.4 No Director has a service agreement with the Company, nor are any such contracts proposed.

## 11 Pensions

At the date of this Registration Document, the Company does not have, nor has it operated, any pension scheme(s).

## 12 Material contracts

Below is a summary of (i) each material contract (other than a contract entered into in the ordinary course of business) to which the Company or any member of the REIT Group is a party which has been entered into within the two years immediately preceding the date of this Registration Document; and (ii) any other contract (other than a contract entered into in the ordinary course of business) entered into by any member of the REIT Group which contains obligations or entitlements which are or may be material to the REIT Group as at the date of this Registration Document.

### 12.1 Placing Agreement

Pursuant to the Placing Agreement dated 25 April 2018 between the Company, the Investment Adviser and Stifel, subject to certain conditions, Stifel has agreed to use its reasonable endeavours to procure subscribers for (i) the New Ordinary Shares pursuant to the Placing, and (ii) Ordinary Shares to be issued pursuant to placings under the Share Issuance Programme.

The obligation of the Company to issue New Ordinary Shares pursuant to the Initial Issue and Ordinary Shares pursuant to the Share Issuance Programme, and the obligation of Stifel to use reasonable endeavours to procure subscribers for New Ordinary Shares pursuant to the Initial Issue and Ordinary Shares pursuant to the Share Issuance Programme, is conditional upon certain conditions that are customary for an agreement of this nature.

The conditions to the Placing include, among others: (i) the fulfilment in all material respects by the Company of its obligations under the Placing Agreement; (ii) the Minimum Proceeds having been raised; and (iii) Admission having taken place by no later than 8.00 a.m. on 15 June 2018.

The conditions to any placing undertaken in connection with the Share Issuance Programme include, among others: (i) agreement between the Company and Stifel as to the issue price of Ordinary Shares to be issued under the relevant Tranche; (ii) the fulfilment in all material respects by the Company of its obligations under the Placing Agreement; and (iii) the obligations of Stifel not having been terminated before the admission of the relevant Tranche of Ordinary Shares pursuant to the Share Issuance Programme.

The Placing Agreement may be terminated by Stifel prior to Admission, or the admission of a Tranche of Ordinary Shares under the Share Issuance Programme, in certain customary circumstances set out in the Placing Agreement. If these termination rights are exercised, the Initial Issue, or the relevant issue of a Tranche of Ordinary Shares under the Share Issuance Programme, as applicable, will lapse and any monies received in respect of the Initial Issue or the issue of the relevant Tranche will be returned to applicants without interest.

The Placing Agreement provides for Stifel to be paid (i) a corporate finance; and (ii) a broking commission equal to 1.5 per cent. of the aggregate value of the New Ordinary Shares issued pursuant to the Initial Issue and the Ordinary Shares issued pursuant to the Share Issuance Programme.

All New Ordinary Shares issued pursuant to the Initial Issue will be issued, payable in full, at the Issue Price in accordance with the terms of the Initial Issue. All Ordinary Shares issued pursuant to the Share Issuance Programme will be issued at an issue price to be determined by the Board in consultation with Stifel, as described in paragraph 2.2 of Part 4 ("**Letter from the Chairman**") of this Registration Document.

The Company has agreed to pay or cause to be paid (together with any applicable VAT) certain costs, charges, fees and expenses of, or arising in connection with or incidental to, the Initial Issue and each issue of a Tranche of Ordinary Shares under the Share Issuance Programme.

The Company and the Investment Adviser have each given warranties and undertakings to Stifel, including concerning the accuracy of the information contained in the Prospectus. The Company has given certain indemnities to Stifel, including for liabilities under applicable securities laws. The warranties and indemnities given by the Company are standard for an agreement of this nature.

The Placing Agreement is governed by the laws of England and Wales.

## 12.2 Investment Advisory Agreement

Under the terms of the Investment Advisory Agreement, the Company and the AIFM appointed the Investment Adviser to provide certain investment advisory services on an exclusive basis to the Company, including sourcing potential opportunities in which the Company may invest, as well as on-going monitoring of the Portfolio.

In addition, the Investment Advisory Agreement imposes certain restrictions on the Investment Adviser so that all opportunities available to the Investment Adviser to acquire property assets which in the good faith judgment of the Investment Adviser fall within the Investment Policy shall first be offered to the Company. The Investment Adviser has agreed that neither it nor any of its affiliates will act as manager or adviser to any other collective investment scheme whose primary investment objective is to invest in supermarket real estate in the UK.

The Investment Advisory Agreement shall continue in force for an initial period of five years from the date of the IPO (the “**Initial Term**”). The Investment Advisory Agreement may be terminated following the Initial Term provided that notice is served by the Company or the Investment Adviser prior to the end of the Initial Term. In such circumstances the Investment Advisory Agreement will terminate six months following the Initial Term. In the event that notice to terminate is not served prior to the end of the Initial Term, the Investment Advisory Agreement shall continue in force for recurring one year periods (each being a “**Subsequent Period Date**”) provided that the Company or the Investment Adviser may terminate the Investment Advisory Agreement by serving notice to terminate six months prior to the end of the relevant Subsequent Period Date. The Investment Advisory Agreement may be immediately terminated by either party in certain circumstances such as a material breach which is not remedied.

The Investment Advisory Agreement shall terminate six months after the Company and the Investment Adviser agree that individuals providing the relevant services under the Investment Advisory Agreement are to become an internal resource of the Company (an “**Internalisation**”). On an Internalisation, the Investment Adviser will not be entitled to any additional termination fee.

The Company has also agreed to indemnify the Investment Adviser for losses that the Investment Adviser may incur in the performance of its duties pursuant to the Investment Advisory Agreement or otherwise in connection with the Company’s activities that are not attributable to, among other things, a material breach of the Investment Advisory Agreement by, or the negligence, fraud, or wilful misconduct of, the Investment Adviser (in each case as finally determined in a decision on the merits in any action, suit or proceeding, or on a formal admission).

The Investment Adviser’s maximum liability under the Investment Advisory Agreement is limited to £5 million.

The Investment Adviser’s fee comprises a monthly fee and a semi-annual fee. The monthly fee is payable monthly in arrears and is at the rate of: (i) one-twelfth of 0.7125 per cent. per calendar month of Adjusted NAV up to or equal to £500 million; (ii) one twelfth of 0.5625 per cent. per calendar month of Adjusted NAV above £500 million and up to or equal to £1 billion; (iii) one twelfth of 0.4875 per cent. per calendar month of Adjusted Market NAV above £1 billion up to or equal to £1.5 billion; and (iv) one twelfth of 0.23375 per cent. per calendar month. The semi-annual fee is paid semi-annually in arrears and is equal to (i) 0.11875 per cent. of Adjusted NAV up to or equal to £500 million; (ii) 0.09375 per cent. of Adjusted NAV

above £500 million and up to or equal to £1 billion; (iii) 0.08125 per cent. of Adjusted NAV above £1 billion and up to or equal to £1.5 billion; and (iv) 0.05625 per cent. of Adjusted NAV above £1.5 billion.

No performance fee will be payable to the Investment Adviser. Under the terms of the Investment Advisory Agreement, the Company may satisfy some or all (after making an allowance for tax payable by the Investment Adviser) of its obligation to pay the semi-annual fee to the Investment Adviser by the allotment and/or sale of Ordinary Shares. Where such fees are satisfied in Ordinary Shares, the Investment Adviser has agreed, subject to certain exceptions, not to dispose of such Ordinary Shares for a period of 12 months from the date of their allotment/sale to the Investment Adviser. In considering whether to satisfy the semi-annual fees under the Investment Advisory Agreement in Ordinary Shares, the Company will have regard to whether doing so would be accretive to Shareholders.

Under the Investment Advisory Agreement, the Investment Adviser has agreed with the Company to certain lock-up provisions, such that it will not dispose of, directly or indirectly the legal or beneficial or any other interest in any Ordinary Shares allotted or sold to it pursuant to the Investment Advisory Agreement until the date falling 12 months after the date of such allotment or sale.

The Investment Advisory Agreement is governed by the laws of England.

### 12.3 AIFM Agreement

The Company and the AIFM entered into the AIFM Agreement on 15 June 2017, pursuant to which JTC Global AIFM Solutions Limited was appointed as the alternative investment fund manager to the Company, as defined in the AIFM Directive and the AIFM Regulations.

Pursuant to the AIFM Agreement, the AIFM is entitled to receive a fee which shall be calculated on such basis and in such amount as agreed in writing from time to time between the AIFM and the Company.

The AIFM Agreement shall continue in force for an initial term of two years from the date of the IPO and, thereafter, shall be terminable by either the AIFM or the Company giving to the other not less than six months' written notice. The AIFM Agreement may be terminated earlier by either party with immediate effect in certain circumstances, including, if the other party shall go into liquidation or an order shall be made or a resolution shall be passed to put the other party into liquidation or the other party has committed a material breach of any obligation under the AIFM Agreement, and in the case of a breach which is capable of remedy fails to remedy it within 30 days.

The Company has given certain market standard indemnities in favour of the AIFM in respect of the AIFM's potential losses in carrying on its responsibilities under the AIFM Agreement. The maximum aggregate liability of the AIFM under the AIFM Agreement is the lesser of £5 million or an amount equal to ten times the annual fee payable to the AIFM.

The AIFM Agreement is governed by the laws of Guernsey.

### 12.4 Senior Advisory Agreement

The Company and the Investment Adviser entered into the Senior Advisory Agreement with the Senior Adviser on 14 June 2017. The Senior Advisory Agreement shall continue in force for an initial period of 18 calendar months from the date of the IPO. The Company may terminate the agreement in certain customary circumstances, including in the event that the Senior Adviser does not, for a period of three consecutive months, identify or source at least one potential investment opportunity for the Company.

Pursuant to the Senior Advisory Agreement, the Senior Adviser:

- acts as buy-side agent to the Company, identifying and sourcing certain investment opportunities and making introductions;
- provides advice and on-going updates in relation to the UK supermarket sale and leaseback market; and
- provides on-going input and advice into the performance of the UK Property Portfolio.

In certain circumstances, the Company may instruct an alternative buy-side agent to source investment opportunities.

The Senior Adviser's fees will form part of the acquisition costs in relation to the acquisition of any property which the Senior Adviser has sourced and shall be an amount in cash equal to one half of one per cent. (0.5%) of the total amount paid or payable by the Company (or another member of the REIT Group) in respect of the relevant acquisition or investment. The Company has the option to satisfy up to 50 per cent. of the fees payable to the Senior Adviser by the transfer and/or allotment and issue of Ordinary Shares.

Under the Senior Advisory Agreement, the Senior Adviser has agreed with the Company to certain lock-up provisions in relation to any Ordinary Shares it is allotted and/or sold in satisfaction of its fees, such that: (i) it may only dispose of up to 50 per cent. of the Ordinary Shares it receives between the date falling one year and the date falling two years from the date of such allotment and/or sale; and (ii) it may dispose of any of the Ordinary Shares it receives after the date falling two years from the date of such allotment and/or sale.

Pursuant to the Senior Advisory Agreement, the Senior Adviser will also agree to provide to the Investment Adviser the services of Mark Morgan to sit on the Investment Committee.

## **12.5 IPO Placing Agreement**

Pursuant to the IPO Placing Agreement dated 20 June 2017 between the Company, the Investment Adviser and Stifel, subject to certain conditions, Stifel agreed to use its reasonable endeavours to procure subscribers for the Ordinary Shares pursuant to the Placing.

The IPO Placing Agreement provided for Stifel to be paid a corporate finance fee of £200,000, and a commission in respect of Ordinary Shares actually issued pursuant to the IPO, being an amount equal to 1.5 per cent. multiplied by the number of Ordinary Shares issued pursuant to the IPO.

The Company and the Investment Adviser each gave warranties and undertakings to Stifel, including concerning the accuracy of the information contained in the IPO Placing Agreement. The Company gave certain indemnities to Stifel, including for liabilities under applicable securities laws. The warranties and indemnities given by the Company were standard for an agreement of this nature.

The IPO Placing Agreement is governed by the laws of England and Wales.

## **12.6 Administration and Company Secretarial Agreement**

The Company and JTC (UK) Limited entered into the Administration and Company Secretarial Agreement, pursuant to which JTC (UK) Limited was appointed to perform certain accounting, administration, company secretarial and related services.

JTC (UK) Limited is permitted under the Administration and Company Secretarial Agreement to delegate any of its duties to: (i) an associate of JTC (UK) Limited; or (ii) subject to the prior written consent of the Company (such consent not to be unreasonably withheld) any other person, provided that JTC (UK) Limited remains liable for the acts and/or omissions of such person as if they were its own acts and/or omissions.

Pursuant to the Administration and Company Secretarial Agreement, JTC (UK) Limited is responsible for providing secretarial functions to the REIT Group, such as board and committee support, providing corporate governance advice, providing regulatory and compliance advice and overseeing the production of accounts.

The Administration and Company Secretarial Agreement shall continue in force until determined by either the Company or JTC (UK) Limited giving to the other not less than six months' notice in writing expiring on or at any time after the second anniversary of the IPO, and may be terminated immediately by either party in certain situations, including in the event of insolvency of the other party.

The fee payable to JTC (UK) Limited under the Administration and Company Secretarial Agreement for its administrative services is £50,000 per annum. The fee payable to JTC (UK) Limited under the Administration and Company Secretarial Agreement for its company secretarial services is £60,000 per annum, with an additional secretarial fee of £8,000 per annum per SPV incorporated outside England and Wales. JTC (UK) Limited also receives annual value fees calculated with reference to the Company's NAV over certain thresholds. These fees are payable to JTC (UK) Limited quarterly in arrears.

The Administration and Company Secretarial Agreement contains certain customary covenants, undertakings and indemnities by the Company in favour of JTC (UK) Limited.

The Administration and Company Secretarial Agreement is governed by the laws of England and Wales.

There is no direct contractual relationship between the Shareholders and JTC (UK) Limited. Shareholders therefore have no direct contractual rights against JTC (UK) Limited and there are only limited circumstances in which a Shareholder may potentially bring a claim against JTC (UK) Limited.

#### **12.7 Registrar Agreement**

Pursuant to the Registrar Agreement, Link Asset Services was appointed as registrar to the Company. Under the terms of the Registrar Agreement, the Registrar is responsible for functions such as maintaining and updating the register of members of the Company on a daily basis, daily reconciliation of CREST account movements with Euroclear, and preparing, sealing and issuing new share certificates of the Company in accordance with the Articles.

Under the Registrar Agreement, the Registrar receives fees in such amount as agreed in writing from time to time between the Registrar and the Company.

The Registrar Agreement shall be for an initial term of three years from the IPO (the “**Initial Period**”), following which it will automatically renew for 12 month periods unless terminated by either party: (i) at the end of the Initial Period, provided written notice is given to the other party at least three months prior to the end of the Initial Period; or (ii) at the end of any successive 12 month period, provided written notice is given to the other party at least three months prior to the end of such successive 12 month period.

The Registrar Agreement limits the Registrar’s liability thereunder to the lesser of £500,000 or an amount equal to five times the fee payable to the Registrar pursuant to the Registrar Agreement.

There is no direct contractual relationship between the Shareholders and the Registrar. Shareholders therefore have no direct contractual rights against the Registrar and there are only limited circumstances in which a Shareholder may potentially bring a claim against the Registrar.

The Registrar Agreement is governed by the laws of England.

#### **12.8 Receiving Agent Agreement**

Pursuant to the Receiving Agent Agreement, Link Asset Services has been appointed as receiving agent for the Company. The Receiving Agent will provide receiving agent duties and services to the Company in respect of the Initial Issue.

Under the Receiving Agent Agreement, the Receiving Agent will receive a fixed fee in respect of services connected to the Offer for Subscription.

The Receiving Agent Agreement limits the Receiving Agent’s liability thereunder to the lesser of £250,000 or an amount equal to five times the fee payable to the Receiving Agent pursuant to the Receiving Agent Agreement.

The Receiving Agent Agreement is governed by the laws of England.

#### **12.9 Revolving Credit Facility**

Each of Supermarket Income Investments UK (No 1) Ltd, Supermarket Income Investments UK (No 2) Ltd, Supermarket Income Investments UK (No 3) Ltd and Supermarket Income Investments UK (No 4) Ltd entered into a revolving credit facility agreement in 2017 to borrow an amount of up to £100,000,000 from HSBC Bank PLC. The purpose of the facility was (among others) to finance or refinance the acquisition costs of certain properties, the payment of fees and other expenses incurred in connection with the acquisitions and the general corporate purposes of the borrowers (as permitted in the facility agreement).

Each of the borrowers, together with the Company, has provided guarantees and each of the borrowers has provided security over their assets including the properties acquired by them.

The applicable rate of interest is LIBOR plus a margin of 1.75 per cent. per annum. Provided that no default has occurred, the margin can vary depending on the LTV: 1.75 per cent per annum (LTV equal to or greater than 55%); 1.65 per cent per annum (LTV less than 55% but greater than 45%), and 1.60 per cent per annum (LTV equal to or less than 45%).

The facility agreement contains customary undertakings and events of default.

The facility agreement contains certain financial covenants. Historic interest cover must not be less than 200 per cent at all times. Projected interest cover must not be less than 200 per cent at all times. LTV must not be more than (i) 60 per cent at any time up to the date falling one year prior to the termination date and (ii) 50 per cent at any time from the date falling one year before the termination date and ending on the termination date. The termination date is 30 August 2020 but it can be extended by up to a further two years in accordance with the terms of the facility agreement.

#### 12.10 **Goodbody Engagement Letter**

The Company has appointed Goodbody Stockbrokers UC ("**Goodbody**") to act as a placing agent in connection with the Placing on the terms and subject to the conditions of an engagement letter dated 25 April 2018 (the "**Goodbody Engagement Letter**"). Pursuant to the Goodbody Engagement Letter, Goodbody will, *inter alia*, use reasonable endeavours to procure Placees for Placing Shares at the Issue Price, such Placees to be: (i) only Placees situated in the Republic of Ireland (the "**Goodbody Irish Placees**"); and (ii) only those Placees located in the UK that are set out in the Goodbody Engagement Letter (the "**Goodbody UK Placees**" and, together with the Goodbody Irish Placees, the "**Goodbody Placees**").

The obligations of Goodbody are conditional upon the Placing Agreement becoming unconditional in all respects and not being terminated prior to Admission. The Company will procure that New Ordinary Shares allotted to Goodbody Placees will be allotted and issued to those Goodbody Placees on the same basis and timing as Placees procured by Stifel.

The Goodbody Engagement Letter provides for Goodbody to paid, conditional upon Admission: (i) a broking commission equal to 1.5 per cent. of the aggregate value of the New Ordinary Shares subscribed for by Goodbody Irish Placees; and (ii) a broking commission equal to such proportion of 1.5 per cent. of the aggregate value of the New Ordinary Shares subscribed for by certain other Placees set out in the Goodbody Engagement Letter.

Pursuant to the Goodbody Engagement Letter, the Company has agreed to indemnify Goodbody and its affiliates from and against, *inter alia*, any and all losses, costs, claims, actions and expenses ("**Claims**") arising directly or indirectly out of or in connection with Goodbody's services under the Goodbody Engagement Letter. The Company has agreed to reimburse Goodbody for all reasonable costs and expenses properly incurred in investigating and defending any Claim.

The Goodbody Engagement Letter is governed by the laws of England and Wales.

#### 13 **Details of investments and acquisitions**

Other than the investments of the Company in the subsidiary undertakings referred to in paragraph 5 of this Part 14, there has been no material acquisition nor other principal investment made by the Company in the three years immediately preceding the date of this Registration Document. At the date of this Registration Document, the Company has made no firm commitments to make any new principal investments.

#### 14 **Working capital**

The Company is of the opinion that the working capital available to the REIT Group is sufficient for its present requirements, that is for at least the next 12 months from the date of this Registration Document.

#### 15 **Litigation**

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) which may have, or have had in the recent past, a significant effect on the Company's or the REIT Group's financial position or profitability.

#### 16 **Significant change**

There has been no significant change in the financial or trading position of the REIT Group since 31 December 2017, the date to which the historical financial information in Part 13 is drawn up.

## **17 Consents**

- 17.1 BDO LLP has given and has not withdrawn its written consent to the inclusion of its report on the historical financial information of the REIT Group produced in Part 13 (“**Historical Financial Information**”) of this Registration Document in the form and context in which it appears, and has authorised the contents of that part of this Registration Document which comprises its report for the purposes of paragraph 5.5.3R(2)(f) of the Prospectus Rules.
- 17.2 A written consent under the Prospectus Rules is different from a consent filed with the United States Securities and Exchange Commission under section 7 of the Securities Act, which is applicable only to transactions involving securities registered under the Securities Act. As the Ordinary Shares have not been and will not be registered under the Securities Act, BDO has not filed and will not be required to file consent under section 7 of the Securities Act.
- 17.3 The Valuer has given and not withdrawn its written consent to the inclusion of its valuation report in this Registration Document in the form and context in which it appears, and has authorised the contents of those parts of this Registration Document which comprise its valuation report and the said reference for the purposes of paragraph 5.5.3R(2)(f) of the Prospectus Rules.
- 17.4 Stifel has given and not withdrawn its written consent to the inclusion in this Registration Document of references to its name in the form and context in which they appear.
- 17.5 The AIFM has given and not withdrawn its written consent to the Initial issue of this Registration Document with references to its name in the form and context in which such references appear.
- 17.6 The Investment Adviser accepts responsibility for and has authorised the inclusion (in the form and context in which it is included) of the information contained in Part 7 of this Registration Document, and declares that, having taken all reasonable care to ensure that such is the case, the information contained in Part 7 of this document is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

## **18 Documents available for inspection**

- 18.1 Copies of the following documents will be available for inspection at the offices of Macfarlanes LLP during usual business hours on any weekday (Saturdays and public holidays excepted) for a period of 14 days from the date of this Registration Document:
- 18.2 the Articles of Association;
- 18.3 the written consents referred to in paragraph 17 of this Part 14; and
- 18.4 this Registration Document, the Summary and the Securities Note.

Dated: 25 April 2018

## PART 15

### GLOSSARY OF TERMS AND DEFINITIONS

The following terms apply throughout this Registration Document unless the context otherwise requires

“90 Per Cent Distribution Condition”	the condition described at paragraph 3.6 of Part 10 (“ <b>REIT Status and Taxation</b> ”);
“Adjusted NAV”	(i) in relation to the monthly fee payable to the Investment Adviser, the last published NAV (subject to adjustment for material changes) less uninvested proceeds from equity issues on the last date of the calendar month to which the monthly fee relates; and (ii) in relation to the semi-annual fee payable to the Investment Adviser, the published NAV relating to the last day of the six month period to which the semi-annual fee relates, less uninvested proceeds from equity issues on such date;
“Administration and Company Secretarial Agreement”	the administration agreement between the Company and the Administrator, a summary of which is set out at paragraph 12.6 of Part 14 of this Registration Document;
“Administrator”	JTC (UK) Limited;
“Admission”	the admission of the Ordinary Shares to be issued in connection with the Initial Issue to trading on the SFS becoming effective in accordance with the Admission and Disclosure Standards;
“Admission and Disclosure Standards”	the requirements contained in the publication “Admission and Disclosure Standards” issued by the London Stock Exchange (as amended from time to time) containing, <i>inter alia</i> , the admission requirements to be observed by companies seeking admission to trading on the London Stock Exchange’s market for listed securities
“AIC”	the Association of Investment Companies;
“AIC Code”	The AIC Code of Corporate Governance;
“AIF”	an alternative investment fund within the meaning of the AIFM Directive;
“AIFM”	when used in a general context, an alternative investment fund manager within the meaning of the AIFM Directive; or when used in respect of the Company, its alternative investment fund manager, JTC Global AIFM Solutions Limited;
“AIFM Agreement”	the AIFM agreement between the Company and the AIFM, a summary of which is set out at paragraph 12.3 of Part 14 of this Registration Document;
“AIFM Directive”	the Alternative Investment Fund Managers Directive, 2011/61/EU, as amended;
“AIFM Regulations”	the Alternative Investment Fund Managers Regulations 2013, as amended from time to time;
“Articles of Association” or “Articles”	the articles of association of the Company adopted with effect from 21 July 2017;
“Board”	the board of directors of the Company from time to time, the names of the directors at the time of this Registration Document being set out in Part 3 of this Registration Document;
“certificated” or “in certificated form”	not in uncertificated form;
“Chairman”	the chairman of the Company;

“Closing Offer Price”	the closing middle market quotation of an Existing Ordinary Share on the Business Day prior to the date of announcement of the Initial Issue;
“Code”	US Internal Revenue Code of 1986, as amended;
“Company”	Supermarket Income REIT plc (with registered number 10799126) whose registered office is at 7 <sup>th</sup> Floor, 9 Berkeley Street, London W1J 8DW or any wholly-owned (direct or indirect) subsidiary of Supermarket Income REIT plc;
“Companies Act”	the Companies Act 2006, as amended from time to time;
“Company Secretary”	JTC (UK) Limited;
“CPI”	the UK consumer prices index as calculated and published by the Office for National Statistics on a monthly basis that measures the change in the cost of goods and services bought by UK households;
“CREST”	the relevant system (as defined in the Regulations) in respect of which Euroclear is the Operator (also as defined in the CREST Regulations)
“CREST Regulations”	the Uncertificated Securities Regulations 2001 (SI 2001/3755);
“CTA 2010”	Corporation Tax Act 2010 and any statutory modification or re-enactment thereof for the time being in force;
“Directors”	the directors of the Company whose names are set out in Part 3 of this Registration Document (each a “Director”)
“Disclosure Guidance and Transparency Rules”	the disclosure guidance and transparency rules made by the FCA pursuant to Part VI of FSMA, as amended from time to time
“EEA”	the European Economic Area
“Enlarged Share Capital”	the Existing Ordinary Shares together with the New Ordinary Shares to be issued pursuant to the Initial Issue;
“EPRA”	the European Public Real Estate Association;
“ESMA”	European Securities and Market Authority;
“EU” or “European Union”	each of the member states of the European Union which are a party to (i) the Treaty on the European Union and the Treaty on the Functioning of the European Union 2012/C 236/01; and (ii) the Treaty Establishing the European Atlantic Energy Community 2012/C 327/01;
“Euroclear”	Euroclear UK & Ireland Limited, a company registered in England and Wales under registered number 02878738;
“Exchange Act”	the US Securities Exchange Act of 1934, as amended;
“Existing Ordinary Shares”	the existing Ordinary Shares in issue at the Record Time;
“FATCA”	sections 1471 to 1474 of the Code, any current or future regulations or official interpretations thereof, any agreement entered into pursuant to Section 1471(b) of the Code, or any US or non-US fiscal or regulatory legislation rules, guidance notes or practices adopted pursuant to any intergovernmental agreement entered into in connection with the implementation of such Sections of the Code or analogous provisions of non-US law;
“FCA”	the UK Financial Conduct Authority (or any successor regulatory organisation);
“Financial Statements”	the audited consolidated financial statements of the REIT Group prepared in accordance with IFRS for the period from 1 June 2017 to 31 December 2017;
“FRC”	UK Financial Reporting Council;

“FSMA”	the Financial Services and Markets Act 2000, as amended;
“Future Securities Note”	a securities note to be issued in the future by the Company in respect of each issue, if any, of Ordinary Shares (other than the issue made upon Admission) made pursuant to this Registration Document and subject to separate approval by the FCA;
“Future Summary”	a summary to be issued in the future by the Company in respect of each issue, if any, of Ordinary Shares (other than the issue made upon Admission) made pursuant to this Registration Document and subject to separate approval by the FCA;
“General Meeting”	the general meeting of the Company proposed to be held at 12.00 p.m. on 21 May 2018 to consider the Resolutions, the notice of which (being the Notice of General Meeting) is set out in the Appendix to this Registration Document;
“Gross Asset Value” or “GAV”	the aggregate value of the total assets of the Company as determined with the accounting principles adopted by the Company from time to time;
“Gross Initial Issue Proceeds”	the gross proceeds of the Initial Issue;
“Gross Share Issuance Proceeds”	the gross proceeds of the Share Issuance Programme;
“HMRC”	Her Majesty’s Revenue and Customs;
“IAS”	an international accounting standard established by the International Accounting Standards Board;
“IFRS”	International Financial Reporting Standards as adopted by the European Commission for use in the European Union
“Initial Issue”	the Placing and Offer for Subscription;
“Interim Financial Statements”	the condensed of interim financial statements prepared by the Company and published on 5 February 2018;
“Investment Adviser”	Atrato Capital Limited;
“Investment Advisory Agreement”	the investment advisory agreement between the Company and the Investment Adviser, a summary of which is set out at paragraph 12.2 of Part 14 of this Registration Document;
“Investment Committee”	the investment committee of the Investment Adviser comprising, at the date of this Registration Document, Ben Green, Steve Windsor and Steven Noble;
“Investment Policy”	the investment policy of the Company as detailed in paragraph 5 of Part 5 (“ <b>Information about the Company</b> ”) of this Registration Document;
“IPO”	the admission of the then entire issued share capital of the Company to trading on the Specialist Fund Segment on 21 July 2017;
“IPO Issue Price”	100 pence per Ordinary Share issued at the IPO;
“IPO Placing Agreement”	the placing agreement entered into at the time of IPO between the Company, the Directors and Stifel, a summary of which is set out at paragraph 12.5 of Part 14 of this Registration Document;
“IRS”	US Internal Revenue Service;
“ISIN”	International Securities Identification Number;
“Issue Price”	101 pence per New Ordinary Share;
“Listing Rules”	the rules and regulations made by the FCA pursuant to Part VI FSMA, as amended from time to time;
“London Stock Exchange”	London Stock Exchange plc;

“Market Abuse Regulation” or “MAR”	Regulation (EU) No. 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse;
“Member State”	a member state of the European Union;
“MiFID”	Markets in Financial Instruments Directive;
“Minimum Proceeds”	the minimum proceeds of the Initial Issue, being £20 million (or such lesser amount as the Company and Stifel may determine and notify to investors via a RIS announcement and a supplementary prospectus);
“Net Asset Value” or “NAV”	the aggregate value of the assets of the Company after deduction of all liabilities, determined in accordance with the accounting policies of the Company from time to time;
“Net Asset Value per Share” or “NAV per Share”	at any time, the Net Asset Value attributable to the Ordinary Shares divided by the number of Ordinary Shares in issue (other than Ordinary Shares held in treasury) at the date of calculation;
“Net Issue Proceeds”	the Gross Initial Issue Proceeds and the Gross Share Issuance Proceeds less applicable fees and expenses of the Initial Issue and the Share Issuance Programme;
“New Ordinary Shares”	the Ordinary Shares to be issued pursuant to the Initial Issue;
“Non-Qualified Holder”	any person whose ownership of shares may: <ul style="list-style-type: none"> <li>(a) cause the Company’s assets to be deemed “plan assets” for the purposes of the Plan Asset Regulations or the Code;</li> <li>(b) cause the Company to be required to register as an “investment company” under the Investment Company Act;</li> <li>(c) cause the Company or any of its securities to be required to register under the Exchange Act, the Securities Act or any similar legislation;</li> <li>(d) cause the Company not to be considered a “foreign private issuer” as such term is defined in rule 3b-4(c) under the Exchange Act;</li> <li>(e) cause Atrato Capital LLP to be required to register as a municipal Adviser under the Exchange Act;</li> <li>(f) result in the Company being disqualified from issuing securities pursuant to Rule 506 of Regulation D under the Securities Act;</li> <li>(g) result in a person holding ordinary shares (for the purposes of this definition of Non-Qualified Holder, an ordinary share being defined as an ordinary share of no par value in the capital of the Company issued and designated as an ordinary share of such class as may be determined by the Directors at the time of issue) in violation of the transfer restrictions put forth in any prospectus published by the Company, from time to time; or</li> <li>(h) cause the Company to: <ul style="list-style-type: none"> <li>be a “controlled foreign corporation” for the purposes of Section 957 of the Code; or</li> <li>suffer any pecuniary or tax disadvantage,</li> <li>and (for the avoidance of doubt) includes or any person who is deemed to be a Non-Qualified Holder pursuant to Article 15.12 of the Articles of Association;</li> </ul> </li> </ul>
“Notice of General Meeting”	the Notice of General Meeting set out in the Appendix to this Registration Document;
“Offer for Subscription”	the offer for subscription of Ordinary Shares at the Issue Price on the terms set out in the Summary and the Securities Note;
“Official List”	the Official List of the FCA;

“Ordinary Shares”	ordinary shares of £0.01 each in the capital of the Company;
“Overseas Shareholders”	Shareholders who are resident in, ordinarily resident in, located in or citizens of, jurisdictions outside the United Kingdom;
“Panel on Takeovers and Mergers”	the UK Panel on Takeovers and Mergers;
“Placee”	a placee under the Placing;
“Placing”	the conditional placing of Ordinary Shares by Stifel at the Issue Price pursuant to the Placing Agreement as described in, and on the terms set out in, the Summary and the Securities Note;
“Placing Agreement”	the Placing Agreement between the Company, the Directors and Stifel, a summary of which is set out at paragraph 12.1 of Part 14 (“ <b>Additional Information</b> ”) of this Registration Document;
“Placing Shares”	New Ordinary Shares to be issued pursuant to the Placing;
“Portfolio”	the investment portfolio of the Company, details of which are set out in Part 6 (the “ <b>Portfolio</b> ”) of this Registration Document;
“Property Rental Business”	the qualifying property rental business in the UK and elsewhere of the REIT Group;
“Prospectus”	this Registration Document, the Securities Note and Summary and any Future Securities Note and Future Summary;
“Prospectus Directive”	EU Prospectus Directive (2003/71/EU), and amendments thereto, including the 2010 PD Directive to the extent implemented in the Relevant Member State) and includes any relevant implementing measure;
“Prospectus Directive Regulation”	Commission Regulation (EC) No 809/2004;
“Prospectus Rules”	the prospectus rules made by the FCA pursuant to Part VI FSMA, as amended from time to time;
“Receiving Agent”	Link Asset Services;
“Record Time”	6.00 p.m. on 17 May 2018;
“Redeemable Preference Shares”	the redeemable preference shares of £1.00 each in the capital of the Company which were issued to the Investment Adviser on incorporation of the Company, and which were redeemed as part of the IPO;
“Registrar”	Link Asset Services;
“Registrar Agreement”	the registrar agreement between the Company and the Registrar, a summary of which is set out at paragraph 12.7 of Part 14 of this Registration Document;
“Registration Document”	this registration document;
“Regulations”	the Uncertificated Securities Regulations 2001 (SI 2001/3755);
“Regulation S”	Regulation S under the Securities Act;
“REIT”	a company or group to which Part 12 CTA 2010 applies;
“REIT Group”	the Company and its subsidiaries and any other company which is eligible to be treated as a member of the same group (for the purposes of Part 12 of the CTA 2010) as the Company;
“Relevant Member State”	each member state of the EEA which has implemented the Prospectus Directive;
“Resolutions”	the resolutions to be proposed at the General Meeting (and set out in the Notice of General Meeting) to approve the allotment of (i) New Ordinary Shares pursuant to the Initial Issue and (ii) Ordinary Shares pursuant to the Share Issuance Programme;

“Restricted Jurisdiction”	any jurisdiction, including but not limited to Australia, Canada, the Republic of South Africa, Japan and the United States, where the extension or availability of the Initial Issue (and any other transaction contemplated thereby) would (i) result in a requirement to comply with any governmental or other consent or any registration filing or other formality which the Company regards as unduly onerous; or (ii) otherwise breach any applicable law or regulation;
“Restricted Shareholders”	subject to certain exceptions, Shareholders who have registered addresses in, or who are incorporated in, registered in or otherwise resident or located in, the United States or any other Restricted Jurisdiction;
“RIS” or “Regulatory Information Service”	any channel recognised as a channel for the dissemination of regulatory information by listed companies as defined in the Listing Rules;
“RPI”	the UK retail prices index as calculated and published by the Office for National Statistics on a monthly basis that measures the change in the cost of a fixed basket of retail goods;
“Rule 144A”	Rule 144A under the Securities Act;
“SDLT”	UK stamp duty land tax;
“SDRT”	UK stamp duty reserve tax;
“Securities Act”	the US Securities Act of 1933, as amended;
“Securities and Exchange Commission” or “SEC”	the US Securities and Exchange Commission;
“Securities Note”	the securities note dated 25 April 2018 issued by the Company in respect of the New Ordinary Shares made available pursuant to the Initial Issue and approved by the FCA;
“SEDOL”	Stock Exchange Daily Official List;
“SFS” or “Specialist Fund Segment”	the Specialist Fund Segment of the Main Market of London Stock Exchange;
“Shareholder”	a holder of an Ordinary Share (together “Shareholders”);
“Share Issuance Programme”	the programme under which the Company intends to issue Ordinary Shares in Tranches on the terms set out in the Summary and the Securities Note (and any Future Summary and Future Securities Note);
“Stifel”	Stifel Nicolaus Europe Limited, the Company’s financial adviser, broker and placing agent;
“Subscription Form”	the application form at Part 14 of the Securities Note for use in connection with the Offer for Subscription;
“Substantial Shareholder”	any person whose interest in the Company, whether legal or beneficial, direct or indirect, may cause any member of the REIT Group to be liable to pay tax under section 551 of the CTA 2010 (as such section may be modified, supplemented or replaced from time to time) on or in connection with the making of a dividend or other distribution on or in respect of Ordinary Shares to or in respect of such person including, at the date of adoption of the Articles, any holder of excessive rights as defined in section 553 CTA 2010;
“Summary”	the summary dated 25 April 2018 issued by the Company pursuant to this Registration Document and the Securities Note and approved by the FCA;
“Takeover Code”	the City Code on Takeovers and Mergers;
“Takeover Panel”	the Panel on Takeovers and Mergers;

“Tranche”	a tranche of Ordinary Shares issued under the Share Issuance Programme (together “Tranches”);
“UK Corporate Governance Code”	the corporate governance code dated September 2014 and issued by the Financial Reporting Council;
“UK Property Rental Business”	the qualifying property rental business in the UK and elsewhere of UK resident companies within the REIT Group and the qualifying property rental business in the UK of non-UK resident companies within the REIT Group (to the extent that any such non-UK resident companies are incorporated);
“uncertificated” or “in uncertificated form”	recorded on the relevant register of the share or security concerned as being held in uncertificated form in CREST and title to which, by virtue of the Regulations, may be transferred by means of CREST;
“United Kingdom” or “UK”	the United Kingdom of Great Britain and Northern Ireland;
“United States” or “US”	the United States of America, its territories and possessions, any state of the United States and the District of Columbia;
“US holder”	a beneficial owner of Ordinary Shares that is for US federal income tax purposes: (i) a citizen or resident alien of the United States; (ii) a corporation or other entity treated as a corporation of US federal income tax purposes created or organised in or under the laws of the United States or any state thereof (including the District of Columbia); (iii) an estate, the income of which is subject to US federal income tax regardless of its source; (iv) a trust if (a) a court within the United States is able to exercise primary supervision over its administration and (b) one or more of the United States persons (as defined in the Code) have the authority to control all of the substantial decisions of such trust;
“Valuer”	Cushman & Wakefield Debenham Tie Leung Limited; and
“VAT”	UK value added tax.

## APPENDIX

### SUPERMARKET INCOME REIT PLC NOTICE OF GENERAL MEETING

**Notice is hereby given** that a general meeting of Supermarket Income REIT plc (the “**Company**”) will be held at Macfarlanes LLP, 20 Cursitor Street, London EC4A 1LT at 12.00 p.m. on 21 May 2018 for the purpose of considering and, if thought fit, passing the following resolutions, of which Resolution 1 will be proposed as an ordinary resolution and Resolution 2 will be proposed as a special resolution.

#### Resolutions

- 1 THAT the Directors of the Company be and are generally and unconditionally authorised in accordance with Section 551 of the Companies Act, in substitution for all prior authorities conferred upon the Directors in respect of the allotment of shares, to exercise all the powers of the Company to allot Ordinary Shares up to an aggregate nominal amount of £1,500,000 in connection with the Initial Issue and the Share Issuance Programme, such authority to expire (unless previously revoked, varied or renewed) on 24 April 2019, save that the Company may, at any time prior to the expiry of such authority, make an offer or enter into an agreement which would or might require the allotment of Ordinary Shares in pursuance of such an offer or agreement as if such authority had not expired and the Directors may allot equity securities in pursuance of such an offer or agreement as if such power had not expired.
- 2 THAT the Directors of the Company be generally empowered (pursuant to Section 570 of the Companies Act) to allot Ordinary Shares for cash pursuant to the authority provided by resolution 1 above as if Section 561 of the Companies Act did not apply to any such allotment, such power to expire (unless previously revoked, varied or renewed) on 24 April 2019, save that the Company may, at any time prior to the expiry of such authority, make an offer or enter into an agreement which would or might require the Ordinary Shares to be allotted after such expiry and the Directors may allot equity securities in pursuance of such an offer or agreement as if such power had not expired and the Directors may allot equity securities in pursuance of such an offer or agreement as if such power had not expired.

## NOTES TO THE NOTICE OF GENERAL MEETING

### *Rights to appoint a proxy*

- 1 Members of the Company entitled to attend and vote are entitled to appoint a proxy to exercise all or any of their rights to attend and to speak and vote at a meeting of the Company. A proxy does not need to be a member of the Company but must attend the meeting to represent you. A member may appoint more than one proxy in relation to a meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member. If a member wishes a proxy to speak on its behalf at the meeting he or she should appoint their own choice of proxy (not the chairman) and give their instructions directly to them.

### *Procedure for appointing a proxy*

- 2 A proxy form which may be used to make such appointment and give proxy directions accompanies this notice. Details of how to appoint a proxy are set out in the notes to the proxy form. If you do not receive a proxy form and believe that you should have one, or if you require additional proxy forms in order to appoint more than one proxy, please contact Link Asset Services on (0) 371 664 0300 if calling from overseas. Calls cost 12p per minute plus your phone company's access charge. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 09:00 – 17:30, Monday to Friday excluding public holidays in England and Wales.
- 3 To be valid, the proxy form must be returned (together with any the power of attorney or other authority (if any) under which it is signed or a certified copy of such power or authority) by one of the following methods:
  - in hard copy form by post or (during normal business hours only) by hand at Link Asset Services, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU; or
  - in the case of CREST members, by utilising the CREST electronic proxy appointment service in accordance with the procedures set out below,and in each case so as to be received by no later than 12.00 pm on 17 May 2018. You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form.
- 4 The return of a completed proxy form or any CREST Proxy Instruction (as described in note 15 below) will not preclude a member from attending the general meeting and voting in person if he or she wishes to do so. If a member has appointed a proxy and attends the annual general meeting in person, the proxy appointment will automatically be terminated.

### *Changing or revoking proxy instructions*

- 5 To change your proxy instructions simply submit a new proxy appointment using the methods set out in note 3 above. Any amended proxy appointment must be received no later than the time referred to in note 3 above and any amended proxy appointment received after the relevant cut-off time will be disregarded.
- 6 If you have appointed a proxy using the hard-copy proxy form and would like to change the instructions using another hard-copy proxy form, please contact Link Asset Services on 03716640300 and ask for another proxy form.
- 7 If you submit more than one valid proxy appointment in respect of the same share for the purposes of the same meeting, the appointment last delivered or received shall prevail in conferring authority on the person named in it to attend the meeting and speak and vote.
- 8 In order to revoke a proxy instruction you will need to inform the Company by sending notice in writing clearly stating your intention to revoke your proxy appointment by one of the methods referred to in note 3 above (accompanied by the power of attorney or other authority (if any) under which the revocation notice is signed or a certified copy of such power or authority). The revocation notice must be received no later than 12.00 pm on 17 May 2018.

In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company.
- 9 If you attempt to revoke your proxy appointment but the revocation is received after the time specified above then your proxy appointment will remain valid.

#### *Nominated persons*

- 10 Any person to whom this notice is sent who is a person nominated under s.146 Companies Act 2006 to enjoy information rights (a “**Nominated Person**”) may, under an agreement between him or her and the member by whom he or she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the annual general meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he or she may, under any such agreement, have a right to give instructions to the member as to the exercise of voting rights.
- 11 The statement of the rights of members in relation to the appointment of proxies in notes 1, 2 and 3 above does not apply to Nominated Persons. The rights described in those notes can only be exercised by members of the Company.

#### *Record date*

- 12 To be entitled to attend and vote at the annual general meeting (and for the purpose of the determination by the Company of the votes they may cast), members must be registered in the register of members of the Company at 6.00 p.m. on 17 May 2018 (or, in the event of any adjournment, 48 hours before the time of the adjourned meeting). Changes to the register of members after the relevant deadline will be disregarded in determining the right of any person to attend and vote at the meeting.

#### *Attending in person*

- 13 If you wish to attend the general meeting in person, you should arrive at least 15-30 minutes before the scheduled start time to ensure that you are able to clear any security arrangements.

#### *CREST proxy appointments*

- 14 CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual (available via [www.euroclear.com/CREST](http://www.euroclear.com/CREST)). CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a “**CREST Proxy Instruction**”) must be properly authenticated in accordance with Euroclear UK & Ireland Limited’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, in order to be valid, be transmitted so as to be received by Link Asset Services Limited RA10 by no later than 6.00 p.m. on 17 May 2018 or, in the event of an adjournment, 48 hours before the adjourned time. 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 Link Asset Services is able to retrieve the message by enquiry to CREST in the manner required by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & Ireland Limited 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 providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) Uncertificated Securities Regulations 2001.

#### *Corporate representatives*

- 15 Any corporation which is a member 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 do so in relation to the same shares.

#### *Total voting rights*

- 16 As at 24 April 2018 (being the last business day prior to the publication of this notice) the Company's issued share capital comprised 119,999,999 Ordinary Shares of £0.01 each. Each Ordinary Share carries the right to one vote on a poll at a general meeting of the Company and, therefore, the total voting rights in the Company as at that date are 120,000,000. As at 24 April 2018, the Company held no Ordinary Shares as treasury shares.

#### *Publication on website*

- 17 A copy of this notice, and other information required by s.311A Companies Act 2006, can be found on the website at [www.supermarketincomereit.com](http://www.supermarketincomereit.com).

#### *Other rights of members*

- 18 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.

#### *Documents available for inspection*

- 19 Members who have general enquiries about the meeting should use the following means of communication. No other means of communication will be accepted. You may:
- call our members' helpline on 020 3790 8050; or
  - contact the Company Secretary on 020 7409 0181.
- 20 You may not use any electronic address provided in this notice of annual general meeting or any related documents (including the proxy form) for communicating with the Company for any purposes other than those expressly stated.
- 21 Please note that the Company takes all reasonable precautions to ensure no viruses are present in any electronic communication it sends out but the Company cannot accept responsibility for loss or damage arising from the opening or use of any email or attachments from the Company and recommends that members subject all messages to virus checking procedures prior to use. Please note that any electronic communication received by the Company that is found to contain any virus will not be accepted.

#### *Results*

- 22 Voting on all resolutions will be conducted by way of poll rather than on a show of hands. As soon as practicable following the General Meeting, the results of the voting will be announced via a RIS and also placed on the Company's website.

#### *Explanation of the resolutions*

- 23 The resolutions being put to members of the General Meeting are being proposed in order to grant the Directors the authority to allot Ordinary Shares up to a maximum nominal value of £1.5 million pursuant to the Initial Issue and the Share Issuance Programme.