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If you have sold or otherwise transferred all of your Shares in Target Healthcare REIT Limited (the “**Company**”), please forward this document (but not the accompanying personalised Forms of Proxy) immediately to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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## **TARGET HEALTHCARE REIT LIMITED**

*(a company incorporated in Jersey, Channel Islands under the Companies (Jersey) Law, 1991  
with registered number 112287)*

### **RECOMMENDED PROPOSALS TO INTRODUCE A NEW UK PARENT COMPANY TO THE GROUP BY MEANS OF A SCHEME OF ARRANGEMENT**

and

### **NOTICES OF THE JERSEY COURT MEETING AND SCHEME GENERAL MEETING**

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Notices of the Jersey Court Meeting and the Scheme General Meeting, each of which will be held on 18 July 2019 at the offices of Dickson Minto W.S., 16 Charlotte Square, Edinburgh EH2 4DF, are set out at the end of this document. The Jersey Court Meeting will start at 10.30 a.m. and the Scheme General Meeting will start at 10.45 a.m. (or as soon thereafter as the Jersey Court Meeting concludes or is adjourned).

The action to be taken in respect of the Meetings is set out in the paragraph headed “Action to be taken” in Part 1 of this document. Shareholders will find enclosed with this document a BLUE Form of Proxy for use in connection with the Jersey Court Meeting and a PINK Form of Proxy for use in connection with the Scheme General Meeting.

**Whether or not you intend to attend the Meetings in person, please complete and sign each of the enclosed BLUE Form of Proxy and PINK Form of Proxy in accordance with the instructions printed on them and return them to the Company’s registrar, Computershare Investor Services (Jersey) Limited, c/o The Pavilions, Bridgwater Road, Bristol BS99 6AH as soon as possible but in any event not later than 10.30 a.m. on 16 July 2019 in relation to the BLUE Form of Proxy and not later than 10.45 a.m. on 16 July 2019 in relation to the PINK Form of Proxy. If the BLUE Form of Proxy for the Jersey Court Meeting is not returned by the aforementioned time, it may be handed to the Chairman of the Jersey Court Meeting or the Registrar by you or on your behalf before the start of the Jersey Court Meeting. However, in the case of the Scheme General Meeting, unless the PINK Form of Proxy is returned by not later than 10.45 a.m. on 16 July 2019, it will be invalid.** The completion and return of a BLUE Form of Proxy or a PINK Form of Proxy will not prevent you from attending and voting in person at the relevant meeting or any adjournment thereof if you so wish and are so entitled to attend.

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## EXPECTED TIMETABLE

2019

Expected date of publication of the Prospectus by New Target	21 June
Latest time and date for receipt of BLUE Forms of Proxy for the Jersey Court Meeting	10.30 a.m. on 16 July <sup>(1)</sup>
Latest time and date for receipt of PINK Forms of Proxy for the Scheme General Meeting	10.45 a.m. on 16 July
<b>Voting Record Time</b>	6.00 p.m. on 16 July <sup>(2)</sup>
<b>Jersey Court Meeting</b>	10.30 a.m. on 18 July
<b>Scheme General Meeting</b>	10.45 a.m. on 18 July <sup>(3)</sup>
<i>The following dates are subject to change</i>	
Jersey Sanction Hearing to sanction the Scheme and the Scheme Reduction of Capital	10.00 a.m. on 6 August <sup>(4)</sup>
Last day of dealings in, and for registration of the transfer of, Ordinary Shares	6 August <sup>(5)</sup>
<b>Scheme Record Time</b>	6.00 p.m. on 6 August <sup>(5)</sup>
<b>Effective Date of the Scheme</b>	7 August <sup>(6)</sup>
Cancellation of listing of the Ordinary Shares on the premium segment of the Official List and trading on the Main Market	8.00 a.m. on 7 August <sup>(5)</sup>
New Target Shares issued in uncertificated form credited to CREST accounts of Shareholders under the Scheme	8.00 a.m. on 7 August <sup>(5)</sup>
Admission to listing and dealings commence in the New Target Shares issued pursuant to the Scheme	8.00 a.m. on 7 August <sup>(5)</sup>
Share certificates in respect of New Target Shares issued in certificated form pursuant to the Scheme despatched to Shareholders entitled thereto	week commencing 19 August <sup>(5)</sup>

**Unless otherwise stated, all references in this document to times are to London times. The dates given in this expected timetable are based on the Board's current expectations and may be subject to change. If the scheduled date of the Jersey Sanction Hearing to sanction the Scheme is changed, the Company will give notice of the change by issuing an announcement through a Regulatory Information Service. All Scheme Shareholders have the right to attend the Jersey Sanction Hearing in person or through a Jersey Advocate to support or oppose the sanctioning of the Scheme.**

### Notes:

- (1) BLUE Forms of Proxy for the Jersey Court Meeting not returned by this time may be handed to the Registrar or to the Chairman of the Jersey Court Meeting by you or on your behalf before the start of the Jersey Court Meeting.
- (2) If either of the Meetings is adjourned, the Voting Record Time for the adjourned meeting will be 6.00 p.m. on the date two days before the start of the adjourned meeting.
- (3) To commence at 10.45 a.m. or, if later, immediately after the conclusion or adjournment of the Jersey Court Meeting.
- (4) This date is indicative only and will depend, among other things, on the Jersey Court timetable. All Scheme Shareholders have the right to attend the Jersey Sanction Hearing in person or through a Jersey Advocate to support or oppose the sanctioning of the Scheme.
- (5) These dates are indicative only and will depend, among other things, on the Effective Date of the Scheme.
- (6) This date is indicative only and will depend, among other things, on the date upon which the Jersey Court sanctions the Scheme.

## PART 1

### LETTER FROM THE CHAIRMAN

# TARGET HEALTHCARE REIT LIMITED

*(a company incorporated in Jersey, Channel Islands under the Companies (Jersey) Law, 1991  
with registered number 112287)*

#### *Directors*

Mr Robert Malcolm Naish (*Chairman*)  
Prof. June Andrews OBE  
Mr Gordon C. Coull  
Mr Thomas J. Hutchison III  
Mrs Hilary Jones  
Mr Craig Stewart

#### *Registered Office*

Ordnance House  
31 Pier Road  
St. Helier  
Jersey  
JE4 8PW

21 June 2019

Dear Shareholder

### **Recommended proposals to introduce a new UK parent company to the Group by means of a scheme of arrangement**

#### **1. Introduction**

Following a review of the administration and regulatory arrangements of the Group, the Board has concluded that it is in the best interests of Shareholders as a whole to introduce a new parent company to the Group, which is incorporated in England and Wales (the “**Proposals**”).

Under the Proposals, Target Healthcare REIT plc, a public limited company incorporated in England and Wales (“**New Target**”), will be introduced as the new parent company of the Group. The Proposals will be effected by way of a scheme of arrangement under Article 125 of the Companies (Jersey) Law 1991 (the “**Scheme**”). New Target will be a mirror image of the Company (subject to any relevant jurisdictional differences between England and Wales and Jersey) with the same investment objective, investment policy and investment manager. Each Scheme Shareholder will receive the same number of New Target Shares as the number of Ordinary Shares they hold in the Company at the Scheme Record Time. New Target will be a REIT for the purposes of UK taxation.

The purpose of this document is to provide you with further details of the Proposals and to convene: (i) the Jersey Court Meeting to seek approval for the Scheme; and (ii) the Scheme General Meeting to seek approval for the steps necessary to implement the Proposals.

#### **2. Background to the Proposals**

The Company is currently subject to two separate regulatory regimes. As a REIT the Company is tax domiciled in the United Kingdom and as a Jersey based investment company it is subject to the regulations of the JFSC, including the requirement to have two Jersey resident Directors on its Board.

In order to comply with its regulatory requirements the Company has engaged the services of an administrator in the United Kingdom and a company secretary in Jersey. The Directors no longer believe that this structure is the most efficient way in which to operate the Group. In addition, the Investment Manager now has the resources to provide the Group with company secretarial and administration services. The Proposals aim to simplify the administration of the Group and streamline its regulatory obligations.

The Directors consider that the Proposals are in the best interests of Shareholders as a whole for the following reasons.

- Whilst the Group is already UK tax resident, it will benefit from aligning New Target’s place of incorporation with the Group’s existing place of tax residence.
- The Group’s operations are directly and indirectly involved in providing services to UK local authorities and health services. A UK incorporated parent company is important in maintaining and developing those relationships.

- The Proposals will streamline the costs and regulatory complexity on the Group of complying with two separate regulatory regimes.
- The administration of the Group will be more effective and efficient, due to the Investment Manager providing both administration and company secretarial services onshore.

Although there will be no impact on the REIT status of the Group, the Proposals may have an impact on the tax position of Shareholders and their investments in the Group, further details of which are set out in Part 5 of this document.

As with the Company, New Target will appoint Target Fund Managers Limited as its investment manager and AIFM. In addition, the Company will enter into a separate agreement with the Investment Manager in relation to the provision of both administration and company secretarial services. The Investment Manager will continue to manage the Group's portfolio on a day to day basis with a view to achieving the investment objective and will advise the Group on the acquisition, development, management and disposal of UK care homes and other healthcare assets in its portfolio. The Proposals will not involve any change to the Investment Manager's appointment as investment manager of the Group.

In addition to the Proposals, it is intended that, if the Scheme becomes effective, New Target will have the ability to issue up to 125 million New Target Shares by way of a placing programme over the next 12 months (the "**Fundraising**"). The proceeds of the Fundraising will be used to acquire further UK care homes and other healthcare assets in accordance with New Target's investment policy.

The Fundraising will enable New Target to continue the Group's growth strategy, provide scale to its investment portfolio and provide additional capital which should enable the Group to take advantage of investment opportunities in the market. Details of the Fundraising are contained in the Prospectus published by New Target on or around the date of this document.

### **3. The Scheme**

Having considered a number of different structures to effect the Proposals, the Directors believe that the Scheme is the most efficient and cost effective option.

**Pursuant to the Scheme, each Scheme Shareholder will receive one New Target Share for each Ordinary Share that they hold at the Scheme Record Time.**

In order for the Scheme to become effective the following steps will be required to be implemented:

- all Scheme Shares will be cancelled by means of a Jersey Court approved reduction of capital;
- by utilising the entirety of the reserve created on the reduction of capital the Company will issue New Ordinary Shares to New Target so that New Target will own the entire issued share capital of the Company; and
- Scheme Shareholders at the Scheme Record Time will receive one New Target Share for each Scheme Share cancelled under the Scheme.

The Scheme will be subject to various conditions, as described in more detail in paragraph 3 of Part 2 of this document, including the Scheme being approved by a majority in number, representing not less than three-fourths in voting rights, of the holders of Scheme Shares present and voting, either in person or by proxy, at the Jersey Court Meeting. If the Scheme is approved and becomes effective, it will be binding on all Shareholders irrespective of whether they attended the Jersey Court Meeting or the way in which they voted.

The New Target Shares will entitle the Scheme Shareholders to the same rights as they currently have in relation to their Ordinary Shares. Shareholders will hold shares in the parent company of the same Group, with the same investment objective and strategy and the same underlying portfolio of assets. However, those shares will be held in a company incorporated in England and Wales. The New Target Shares will be listed on the premium segment of the Official List and admitted to trading on the Main Market, as the Ordinary Shares are now. Shareholders will not suffer any dilution to their voting rights as a result of the Scheme becoming effective. Shareholders will cease to be Shareholders of the Company upon the Scheme becoming effective.

The final day of dealings in, and for registration of the transfers of, the Ordinary Shares is expected to be 6 August 2019 and the cancellation of the listing of the Ordinary Shares on the Official List and to trading on the Main Market is expected to take effect from 8.00 a.m. on 7 August 2019.

New Target will publish a prospectus on or around the date of this document in relation to the Admission of the New Target Shares and the Fundraising. An application will be made to the FCA for the New Target Shares to be admitted to the Official List and to the London Stock Exchange for the New Target Shares to be admitted to trading on the Main Market. It is expected that Admission will occur at 8.00 a.m. on 7 August 2019.

Further details of the Scheme are set out in Part 2 and the terms of the Scheme are set out in Part 3 of this document.

#### **4. Dividends and New Target Reduction of Capital**

New Target will continue the dividend policy of the Company and, in the absence of any unforeseen circumstances, make distributions in the form of quarterly dividends payable in February, May, August and November. It is intended that the Company will declare and pay the dividend in relation to the period ended 30 June 2019 earlier in the year than it has done in previous years in order for Shareholders to receive the dividend prior to the Effective Date. In addition, New Target will pay a dividend in relation to the period ending 30 September 2019, however this dividend may be declared and paid later than it has been in previous years to allow New Target to comply with the more stringent requirements applicable to UK companies in relation to the payment of dividends. Under the Companies Act, a company incorporated in the UK must ensure that it has sufficient distributable reserves before it can pay any dividends. There is a more flexible regime for Jersey incorporated companies as Jersey Companies Law does not require a company to have distributable reserves and a dividend can be paid from any cash reserve (other than nominal capital account and capital redemption reserve).

It is anticipated that the nominal value of a New Target Share immediately prior to the New Target Reduction of Capital will be £1.00. New Target will carry out a reduction of capital following the Effective Date under which the nominal value of a New Target Share will be reduced to one penny to create distributable reserves in the accounts of New Target which will be available to support the payment of a dividend in relation to the period ended 30 September 2019 and any future dividends. The New Target Reduction of Capital has been approved by the current shareholder of New Target and is conditional upon the confirmation by the English Court and registration of the associated English Court order by the UK Registrar of Companies.

#### **5. Information on New Target**

New Target is a new, closed-ended, REIT incorporated in England and Wales. New Target has been incorporated for the purpose of effecting the Proposals. If the Scheme becomes effective, New Target will be a mirror image of the Company (subject to any relevant jurisdictional differences between England and Wales and Jersey). Upon the Scheme becoming effective, the shareholders in New Target will be the same as the Shareholders in the Company and each Scheme Shareholder will be issued the same number of New Target Shares as the number of Ordinary Shares they hold at the Scheme Record Time. The New Target Shares will have equivalent voting, economic and other rights as the Scheme Shares, subject to the different statutory and regulatory regimes of the respective jurisdictions of New Target and the Company. The Board has been advised by legal counsel that such differences are not likely to be material to any determination made in respect of the Scheme by Scheme Shareholders. The New Target Shares will be listed on the premium segment of the Official List and admitted to trading on the Main Market.

It is expected that the Company will publish its annual report and accounts for the year to 30 June 2019 in October 2019. New Target will hold an annual general meeting in November 2019. The year end of New Target will also be 30 June. It is expected that New Target will publish its first annual, consolidated group reports and accounts for the period to 30 June 2020 in October 2020.

Further details of New Target are set out in Part 4 of this document.

#### **6. Costs and expenses of the Proposals**

It is expected that the total costs and expenses of and incidental to the Proposals will be approximately £530,000 if the Scheme becomes effective. All such costs shall be borne by the Company.

If the Scheme does not become effective, the abort costs to be borne by the Company will be approximately £300,000.

## **7. Jersey Court Meeting**

The notice convening the Jersey Court Meeting to be held at 10.30 a.m. on 18 July 2019 is set out on pages 34 to 35 of this document. At the Jersey Court Meeting Scheme Shareholders will be asked to approve the Scheme. The Scheme must be approved by a majority in number, representing not less than three-fourths in voting rights, of the holders of Scheme Shares present and voting, either in person or by proxy, at the Jersey Court Meeting.

## **8. Scheme General Meeting**

The notice convening the Scheme General Meeting to be held at 10.45 a.m. on 18 July 2019 is set out on pages 36 to 38 of this document. At the Scheme General Meeting Shareholders will be asked to approve, by way of a special resolution (which, in order to be passed, requires votes in favour representing at least 75 per cent. of the votes cast by Shareholders), the technical steps required to effect the Scheme, including: (i) the reduction of the share capital of the Company by cancelling the Scheme Shares; (ii) the issue of New Ordinary Shares to New Target; and (iii) the amendment of the Articles to allow for the proper implementation of the Scheme.

## **9. Action to be taken**

Shareholders will find enclosed a BLUE Form of Proxy for use in connection with the Jersey Court Meeting and a PINK Form of Proxy for use in connection with the Scheme General Meeting. Whether or not Shareholders propose to attend the Jersey Court Meeting or the Scheme General Meeting, they are requested to complete, sign and return the Forms of Proxy as soon as possible, in accordance with the instructions printed on them.

**In order that the Jersey Court can be satisfied that the votes cast fairly represent the views of Shareholders, it is important that as many votes as possible are cast at the Jersey Court Meeting. Shareholders are therefore strongly encouraged to complete and return the BLUE Form of Proxy or to attend the Jersey Court Meeting in person.**

To be valid, the enclosed BLUE Form of Proxy must be lodged with the Company's registrar, Computershare, c/o The Pavilions, Bridgwater Road, Bristol BS99 6AH as soon as possible, but in any event not later than 10.30 a.m. on 16 July 2019. To be valid, the enclosed PINK Form of Proxy must be lodged with the Company's registrar, Computershare, c/o The Pavilions, Bridgwater Road, Bristol BS99 6AH as soon as possible, but in any event not later than 10.45 a.m. on 16 July 2019. The completion and return of the Forms of Proxy will not prevent a Shareholder from attending and voting in person at the Jersey Court Meeting or the Scheme General Meeting.

**The Jersey Sanction Hearing is scheduled to be held at 10.00 a.m. on 6 August 2019 at the Royal Court of Jersey, Royal Court Building, Royal Square, St Helier, JE1 1BA, Jersey. All Scheme Shareholders have the right to attend the Jersey Sanction Hearing in person or through a Jersey Advocate to support or oppose the sanctioning of the Scheme.**

## **10. Directors' intentions and recommendation**

The Directors, who have been so advised by Dickson Minto W.S., consider the Proposals to be fair and reasonable and in the best interests of Shareholders as a whole. In providing its advice, Dickson Minto W.S. has taken into account, *inter alia*, the commercial assessments of the Directors.

Accordingly, the Board recommends unanimously that Shareholders vote in favour of the Proposals, as the Directors intend to do in respect of their own beneficial holdings which represent, in aggregate, 150,454 Ordinary Shares (representing 0.04 per cent of the total voting rights in the Company as at 19 June 2019).

Yours faithfully

**Malcolm Naish**  
*Chairman*

## PART 2

### EXPLANATORY STATEMENT

(in compliance with Article 126 of the Companies (Jersey) Law 1991)

#### 1. Introduction

On 10 May 2019, New Target was incorporated in England and Wales as a public limited company. The introduction of New Target as the parent company of the Group will be effected by way of a scheme of arrangement under Article 125 of the Companies (Jersey) Law 1991.

The Scheme will be subject to various conditions, as set out in section 3 below. If these conditions are satisfied and the Scheme becomes effective, New Target will own the entire issued share capital of the Company and each Scheme Shareholder will be issued the same number of New Target Shares as the number of Ordinary Shares they hold in the Company at the Scheme Record Time.

**Your attention is drawn to the letter from the Chairman of the Company set out in Part 1 of this document, which forms part of this explanatory statement. The letter from the Chairman contains, amongst other things, the unanimous recommendation from the Board that Shareholders vote in favour of the resolutions to approve and implement the Scheme to be proposed at the Jersey Court Meeting and the Scheme General Meeting.**

#### 2. Summary of the Scheme

Under the Scheme and in order for New Target to become the parent company of the Group, all Scheme Shares will be cancelled on the Effective Date by way of a reduction of capital. Following the cancellation of the Scheme Shares, the issued share capital of the Company will be increased to its former amount by the issue of such number of New Ordinary Shares as shall be equal to the number of Scheme Shares cancelled and the credit arising in the books of the Company as a result of the Scheme Reduction of Capital will be applied in paying up in full such number of New Ordinary Shares. The New Ordinary Shares will be issued to New Target which will, as a result, become the parent company of the Company and the Group. In consideration for the cancellation of the Scheme Shares, Scheme Shareholders will receive one New Target Share for each Scheme Share cancelled. New Target will undertake to the Jersey Court to be bound by the terms of the Scheme. If the Scheme becomes effective New Target will become the ultimate parent company of the Group.

#### 3. Conditions to implementation of the Scheme

The Scheme itself is not subject to any conditions, however implementation of the Scheme requires, *inter alia*:

- (i) the Scheme being approved by a majority in number, representing not less than three-fourths in voting rights, of the holders of Scheme Shares present and voting, either in person or by proxy, at the Jersey Court Meeting;
- (ii) the resolution to approve the steps necessary to implement the Scheme having been duly passed at the Scheme General Meeting by a majority of not less than 75 per cent. of the votes cast. In particular, this resolution will authorise:
  - (a) the Scheme Reduction of Capital;
  - (b) the application of the credit arising on the Scheme Reduction of Capital to the payment in full of the New Ordinary Shares, which will be allotted and issued to New Target;
  - (c) the Directors to allot the New Ordinary Shares subject to certain restrictions; and
  - (d) the amendment of the Company's Articles to facilitate the Scheme;
- (iii) the Scheme having been sanctioned by the Jersey Court at the Jersey Sanction Hearing;
- (iv) the Jersey Court Order having been delivered to the Jersey Registrar of Companies and registered in respect of the Scheme Reduction of Capital; and

- (v) permission having been granted by the FCA to admit the New Target Shares to be issued under the Scheme to the Official List and by the London Stock Exchange to admit such New Target Shares to trading on the Main Market with effect from Admission.

The Scheme contains a provision for New Target and the Company jointly to consent, on behalf of all persons concerned, to any modification of or addition to the Scheme, or to any condition that the Jersey Court may think fit to approve or impose. It is unlikely that the Jersey Court would approve or impose any modification of, or addition or condition to, the Scheme which might be material to the interests of Shareholders, unless Shareholders were previously informed of any such modification, addition or condition. It will be a matter for the Jersey Court to decide, in its discretion, whether or not the consent of Shareholders should be sought at a further meeting. Similarly, if a modification, addition or condition is put forward which, in the opinion of the Directors, is of such a nature or importance as to require the consent of Shareholders at a further meeting, the Directors have confirmed to New Target that they will not take the necessary steps to enable the Scheme to become effective unless and until such consent is obtained.

#### **4. Effects of the Scheme**

Under the Scheme, the Scheme Shareholders will have their Scheme Shares replaced by the same number of New Target Shares, which will be denominated in pounds sterling. Shareholders will not receive any amount in cash pursuant to the terms of the Scheme.

As a result of the Scheme, New Target will become the new parent company of the Group and its assets, liabilities and earnings on a consolidated basis will be those of the Group.

The interests of the Directors in the Scheme are set out in Part 6 of this document. Under the Scheme, like all other Scheme Shareholders, the Directors will receive one New Target Share for each Ordinary Share they hold in the Company at the Scheme Record Time.

#### **5. Listing, dealing, share certificates and settlement under the Scheme**

As from 2 August 2019, dealings will be for cash settlement only and, in the case of certificated Scheme Shares, will only be registered if documents of title are delivered immediately.

If Shareholders dispose of their Scheme Shares otherwise than through the London Stock Exchange they must make their own arrangements with the other parties concerned as regards entitlements under the Scheme.

Applications will be made for the New Target Shares to be issued under the Scheme to be listed on the premium segment of the Official List and to trading on the Main Market. If the Scheme becomes effective, it is expected that the New Target Shares will be admitted to the Official List and to trading on the Main Market and that the first day of dealings in such securities will be 7 August 2019.

New Target Shares will be issued in registered form and may be held in either certificated or uncertificated form. Those Scheme Shareholders who hold their Scheme Shares in certificated form will receive their New Target Shares in certificated form. It is expected that share certificates in respect of such New Target Shares will be despatched to the Shareholders entitled thereto in the week commencing 19 August 2019.

It is expected that Scheme Shareholders who hold their Scheme Shares in uncertificated form at the Scheme Record Time will receive their New Target Shares in uncertificated form on 7 August 2019, although New Target reserves the right to issue such securities in certificated form. In normal circumstances, this right is only likely to be exercised in the event of an interruption, failure or breakdown of CREST or of the facilities or system operated by the Registrar in connection with CREST. New Target will procure that instructions are given to credit the appropriate stock accounts in CREST with the relevant entitlements to New Target Shares in uncertificated form.

Existing certificates in respect of the Scheme Shares will cease to be of tradable value on the Effective Date. Shareholders will receive a single share certificate for their entire holding of New Target Shares.

All documents and remittances despatched to or from Shareholders or their appointed agents in connection with the Scheme will be despatched at the Shareholders' own risk.

## **6. Delisting of Ordinary Shares**

The final day of dealings in, and for registration of the transfers of, the Ordinary Shares will be the Business Day prior to the Effective Date (expected to be 6 August 2019) and the cancellation of the listing of the Ordinary Shares on the Official List and to trading on the Main Market will take effect from 8.00 a.m. on the Effective Date (expected to be 7 August 2019). On the Effective Date, share certificates in respect of the Scheme Shares in certificated form will no longer be valid and should be destroyed.

## **7. Conditions to the New Target Reduction of Capital**

In order to give the New Target board flexibility in relation to the payment of dividends and other distributions it is intended that following the Scheme becoming effective, New Target will reduce its paid up capital, as further described in Part 1 of this document.

The New Target Reduction of Capital is conditional upon:

- the Scheme becoming effective in accordance with its terms;
- the English Court confirming the New Target Reduction of Capital; and
- the UK Registrar of Companies registering the English Court order and a statement of capital in respect of New Target as approved by the English Court.

In order to obtain the confirmation of the English Court to the New Target Reduction of Capital, New Target will need to satisfy the English Court that its creditors will not be prejudiced by the New Target Reduction of Capital. New Target will put in place appropriate arrangements (if required) to satisfy the English Court's requirements in this respect.

The necessary shareholder resolution for New Target to implement the New Target Reduction of Capital has been passed by the sole shareholder of New Target, conditional upon the Scheme becoming effective. The sole shareholder of New Target has also passed a resolution that allows New Target's directors to adjust the nominal value of the New Target Shares prior to the Effective Date. An announcement regarding any such change to the nominal value would be made via a RIS and the amount of distributable reserves that would be created by the New Target Reduction of Capital would be adjusted accordingly.

The New Target Reduction of Capital is expected, subject to the approval of the English Court, to become effective as soon as possible after the Scheme becomes effective.

## **8. Overseas Shareholders**

The issue of New Target Shares to persons resident or citizens of jurisdictions outside the UK and Jersey may be affected by the laws of the relevant jurisdiction. Such Shareholders should inform themselves about and observe any legal requirements. In particular:

- 8.1. none of the New Target Shares have been or will be registered under the US Securities Act, in reliance on Section 3(a)(10) thereunder, or qualify under applicable United States' state statute and the relevant clearances have not been, and will not be, obtained from the securities commission of any province of Canada, Australia, Japan or South Africa;
- 8.2. the New Target Shares have not been and will not be registered under the US Investment Company Act and investors are not entitled to the benefits of that Act; and
- 8.3. no offer is being made, directly or indirectly, under the Scheme, in or into or by the use of mails, or by other means or instrumentality (including, without limitation, facsimile, transmission, telex or telephone) of interstate or foreign commerce, or of any facility of a national securities exchange, of the United States, Canada, Australia, Japan or South Africa.

It is the responsibility of Shareholders with registered addresses outside the UK to satisfy themselves as to the observance of the laws of the relevant jurisdiction in connection with the issue of New Target Shares, including the obtaining of any governmental or exchange control or other consents which may be required, the compliance with any other necessary formalities which need to be observed and the payment of any issue, transfer or other taxes or duties due in such jurisdiction.

## **9. The Meetings**

### **9.1. General**

Before the Jersey Court's approval can be sought to sanction the Scheme, the Scheme will require approval by the Scheme Shareholders at the Jersey Court Meeting and the passing of the special resolution by Shareholders at the Scheme General Meeting.

Notice of the Jersey Court Meeting is set out on pages 34 to 35 of this document and notice of the Scheme General Meeting is set out on pages 36 to 38 of this document. All Shareholders whose names appear on the register of members of the Company at 6.00 p.m. on 16 July 2019 or, if either the Scheme General Meeting or the Jersey Court Meeting is adjourned, on the register of members at 6.00 p.m. on the date two days before the date set for the adjourned Meeting, shall be entitled to attend and vote at the relevant Meeting in respect of the number of Ordinary Shares registered in their name at the relevant time as further described below.

### **9.2. The Jersey Court Meeting**

The Jersey Court Meeting has been convened for 10.30 a.m. on 18 July 2019, pursuant to an order of the Jersey Court at which Meeting, or at any adjournment thereof, Scheme Shareholders will consider and, if thought fit, approve the Scheme.

At the Jersey Court Meeting, voting will be by way of a poll and each Scheme Shareholder present in person or by proxy will be entitled to one vote for each Ordinary Share held. The approval required at the Jersey Court Meeting is a majority in number of Scheme Shareholders present and voting, either in person or by proxy, representing not less than three-fourths in voting rights of all Scheme Shares held by such Shareholders.

**It is important that, for the Jersey Court Meeting in particular, as many votes as possible are cast so that the Jersey Court may be satisfied that there is a fair and reasonable representation of the opinion of Shareholders.**

If the Scheme is approved and becomes effective, it will be binding on all Shareholders irrespective of whether they attended the Jersey Court Meeting or the way they voted.

**The Jersey Sanction Hearing is scheduled to be held at 10.00 a.m. on 6 August 2019 at the Royal Court of Jersey, Royal Court Building, Royal Square, St Helier, JE1 1BA, Jersey. All Scheme Shareholders have the right to attend the Jersey Sanction Hearing in person or through a Jersey Advocate to support or oppose the sanctioning of the Scheme.**

### **9.3. The Scheme General Meeting**

The Scheme General Meeting has been convened for 10.45 a.m. on 18 July 2019 (or as soon thereafter as the Jersey Court Meeting has been concluded or adjourned), to consider and, if thought fit, pass a resolution in connection with the implementation of the Scheme. The resolution set out in the notice of the Scheme General Meeting will be proposed as a special resolution (which requires votes in favour representing at least 75 per cent. of the votes cast by Shareholders) to approve the following matters:

- (a) the cancellation of the Scheme Shares by way of capital reduction;
- (b) the allotment of the New Ordinary Shares; and
- (c) amendments to the Articles to deal with, *inter alia*, transitional matters arising from the Scheme.

## **10. Prospectus**

A Prospectus relating to New Target, Admission and the Fundraising is expected to be made available in electronic form on the Group's website ([www.targethealthcarereit.co.uk](http://www.targethealthcarereit.co.uk)) on or around the date of this document.

In addition, copies of this document are available from the registered office of the Company and the offices of Stifel Nicolaus Europe Limited, 150 Cheapside, London EC2V 6ET. Copies of this document are also available for access via the National Storage Mechanism at <http://www.morningstar.co.uk/uk/NSM>.

## PART 3

### THE SCHEME OF ARRANGEMENT

No. 2019/152 of 2019

IN THE ROYAL COURT OF JERSEY  
IN THE MATTER OF TARGET HEALTHCARE REIT LIMITED  
and  
IN THE MATTER OF THE COMPANIES (JERSEY) LAW 1991  
SCHEME OF ARRANGEMENT  
(under Article 125 of the Companies (Jersey) Law 1991  
between  
TARGET HEALTHCARE REIT LIMITED  
and  
THE HOLDERS OF THE SCHEME SHARES  
(as hereinafter defined)

#### PRELIMINARY

(A) In this Scheme, unless inconsistent with the subject or the context, the following words or expressions bear the following meanings:

<b>£, pence or sterling</b>	pounds sterling, being the lawful currency of the United Kingdom
<b>business day</b>	a day (other than a Saturday, Sunday or public holiday) on which banks are generally open for business in the City of London and Jersey for the transaction of normal banking business
<b>certificated or in certificated form</b>	in relation to a share or other security, a share or other security which is not in uncertificated form
<b>Clause</b>	a clause of this Scheme
<b>Companies Act</b>	the United Kingdom Companies Act 2006, as amended
<b>the Company</b>	Target Healthcare REIT Limited, a company incorporated in Jersey with registered number 112287
<b>CREST</b>	the system for the paperless settlement of trades in securities and the holding of uncertificated securities operated by Euroclear UK & Ireland Limited in accordance with the CREST Regulations
<b>CREST Regulations</b>	(as applicable) the Uncertificated Securities Regulations 2001 (SI 2001 No. 01/378), as amended, or the Companies (Uncertificated Securities) (Jersey) Order 1999, as amended
<b>Effective Date</b>	the date on which this Scheme becomes effective in accordance with Clause 7 of this Scheme, expected to be 7 August 2019

<b>Fundraising</b>	the proposed issue of up to 125 million New Target Shares by New Target by way of a placing programme under the prospectus to be published by New Target
<b>holder</b>	a registered holder, including any person entitled by transmission
<b>Jersey Companies Law</b>	the Companies (Jersey) Law 1991, as amended
<b>Jersey Court</b>	the Royal Court of Jersey
<b>Jersey Court Meeting</b>	the meeting of Shareholders convened by order of the Jersey Court pursuant to Article 125 of the Jersey Companies Law to be held at the offices of Dickson Minto W.S., 16 Charlotte Square, Edinburgh EH2 4DF at 10.30 a.m. on 18 July 2019 to consider and, if thought fit, approve the Scheme, including any adjournment thereof
<b>Jersey Court Order</b>	the Act of Court sanctioning this Scheme under Article 125 of the Jersey Companies Law and confirming the Scheme Reduction of Capital under Article 61 of the Jersey Companies Law, together with the approved minute attached thereto
<b>Jersey Registrar of Companies</b>	the Registrar of Companies in Jersey
<b>Jersey Sanction Hearing</b>	the hearing by the Jersey Court of the Company's representation to sanction this Scheme under Article 125 of the Jersey Companies Law and to confirm the reduction of share capital of the Company pursuant to the Scheme Reduction of Capital under Article 61 of the Jersey Companies Law pursuant to Article 62 of the Jersey Companies Law
<b>Meetings</b>	the Jersey Court Meeting and the Scheme General Meeting
<b>member</b>	a member of the Company, on the register of members at any relevant date
<b>New Ordinary Shares</b>	ordinary shares of no par value in the capital of the Company created following the cancellation of the Scheme Shares
<b>New Target</b>	Target Healthcare REIT plc, a public company limited by shares and incorporated in England and Wales under the Companies Act with registered number 11990238
<b>New Target Redeemable Preference Shares</b>	the redeemable preference shares of £1.00 each in the capital of New Target
<b>New Target Shares</b>	ordinary shares of £1.00 (or such other nominal value as the New Target directors may resolve prior to the date of the Jersey Sanction Hearing) each in the capital of New Target
<b>Ordinary Shares</b>	ordinary shares of no par value in the capital of the Company
<b>Scheme or Scheme of Arrangement</b>	this scheme of arrangement proposed to be made under Article 125 of the Jersey Companies Law between the Company and the holders of the Scheme Shares with or subject to any modification, addition or condition approved

or imposed by the Jersey Court and agreed to by the Company and New Target

<b>Scheme General Meeting</b>	the extraordinary general meeting of Shareholders to be held at the offices of Dickson Minto W.S., 16 Charlotte Square, Edinburgh EH2 4DF at 10.45 a.m. on 18 July 2019 (or as soon thereafter as the Jersey Court Meeting shall have been concluded or adjourned) and any adjournment thereof
<b>Scheme Record Time</b>	6.00 p.m. on the business day immediately preceding the Effective Date
<b>Scheme Reduction of Capital</b>	the reduction of capital referred to in Clause 1(a) of this Scheme
<b>Scheme Shareholder</b>	a holder of Scheme Shares as appearing in the register of members of the Company
<b>Scheme Shares</b>	each of the following: (a) all the Ordinary Shares in issue at the date of this Scheme; (b) all (if any) additional Ordinary Shares issued after the date of this Scheme and before the Voting Record Time; and (c) all (if any) additional Ordinary Shares which may be in issue at or after the Voting Record Time and immediately before the Scheme Record Time in respect of which the original or any subsequent holders shall be bound by this Scheme or in respect of which the original or any subsequent holders shall have agreed in writing to be so bound
<b>Shareholders</b>	holders of Ordinary Shares from time to time
<b>uncertificated or in uncertificated form</b>	in relation to a share or other security, a share or other security title to which is recorded on the relevant register of the share or other security concerned as being held in uncertificated form in CREST and title to which, by virtue of the CREST Regulations, may be transferred by means of CREST
<b>Voting Record Time</b>	6.00 p.m. on 16 July 2019 or, if the Jersey Court Meeting or the Scheme General Meeting is adjourned, 6.00 p.m. on the day which is two days before the date appointed for any adjourned Jersey Court Meeting or Scheme General Meeting.
(B)	The issued share capital of the Company at the date of this Scheme comprises 385,089,448 Ordinary Shares, all of which are issued and credited as fully paid.
(C)	New Target was incorporated in England and Wales on 10 May 2019, with registered number 11990238.
(D)	The issued share capital of New Target at the date of this Scheme comprises one New Target Share and 50,000 New Target Redeemable Preference Shares. Immediately following the Scheme becoming effective, it is expected that the issued share capital of New Target will consist of 385,089,449 New Target Shares.

- (E) The initial shareholder of New Target has passed a special resolution to (subject to, amongst other things, the Scheme becoming effective) to reduce the share capital of New Target following the Scheme becoming effective.
- (F) New Target has agreed, by representation by counsel, at the Jersey Sanction Hearing to consent to the Scheme and to undertake to be bound thereby and execute and do or procure to be executed and done all such documents, acts and things as may be necessary or desirable to be executed or done by it for the purpose of giving effect to this Scheme.
- (G) If the Jersey Court Hearing approves the Scheme, its approval will constitute the basis for the issuance of New Target Shares under the Scheme without registration under the U.S. Securities Act of 1933, as amended, in reliance on the exemption from registration provided in the U.S. Securities Act of 1933 Section 3(a)(10).

## **THE SCHEME**

### **1. Cancellation of the Scheme Shares**

- (a) The issued share capital of the Company shall be reduced by cancelling and extinguishing the Scheme Shares pursuant to a reduction of capital under Articles 61 and 62 of the Jersey Companies Law.
- (b) Forthwith and contingent upon the reduction of capital referred to in Clause 1(a) taking effect:
  - (i) the issued share capital of the Company shall be increased to its former amount by the issue of such number of New Ordinary Shares as shall be equal to the aggregate number of Scheme Shares cancelled pursuant to Clause 1(a); and
  - (ii) the Company shall apply the credit arising in its books of account as a result of such reduction of capital in paying up, in full, the New Ordinary Shares issued pursuant to Clause 1(b)(i) and shall allot and issue the same, credited as fully paid up, to New Target and/or its nominee or nominees.

### **2. Consideration for the cancellation of the Scheme Shares**

In consideration for the cancellation of the Scheme Shares and the issue of the New Ordinary Shares to New Target and/or its nominee or nominees pursuant to Clause 1, New Target shall (subject to the provisions of Clauses 3, 4 and 5), allot and issue New Target Shares credited as fully paid up to the Scheme Shareholders on the basis of one New Target Share for each Scheme Share held at the Scheme Record Time.

### **3. Allotment and issue of New Target Shares**

- (a) The New Target Shares to be issued pursuant to Clause 2 shall rank in full for all dividends or distributions made, paid or declared after the Effective Date on the ordinary share capital of New Target.
- (b) The provisions of Clause 2 shall be subject to any prohibition or condition imposed by law. Without prejudice to the generality of the foregoing, if, in respect of any Scheme Shareholder who is a citizen, resident or national of any jurisdiction outside the United Kingdom or Jersey, New Target is advised that the allotment and issue of New Target Shares pursuant to Clause 2 would infringe the laws of any jurisdiction outside the United Kingdom or Jersey or would require New Target to observe any governmental or other consent or effect any registration, filing or other formality with which, in the opinion of New Target, it would be unable to comply or which it regards as unduly onerous, then New Target may in its sole discretion either:
  - (i) determine that such New Target Shares shall be sold, in which event the New Target Shares shall be issued to such Scheme Shareholder and New Target shall appoint a person to act pursuant to this Clause 3(b)(i) and such person shall be authorised on behalf of such Scheme Shareholder to procure that any shares in respect of which New Target has made such a determination shall, as soon as practicable following the Scheme Record Time, be sold at the best price which can reasonably be obtained at the time of sale and the net proceeds of such sale (after the deduction of all expenses and commissions, including any

amount in respect of value added tax payable thereon) shall be paid to such Scheme Shareholder by sending a cheque to such Scheme Shareholder in accordance with the provisions of Clause 4. To give effect to any such sale, the person so appointed shall be authorised on behalf of such Scheme Shareholder to execute and deliver a form of transfer and to give such instructions and do all such things which he may consider necessary or expedient in connection with such sale. In the absence of fraud, none of the Company, New Target or the person so appointed shall have any liability for any loss or damage arising as a result of the timing or terms of any such sale; or

- (ii) determine that no such New Target Shares shall be allotted and issued to such Scheme Shareholder under Clause 2 but instead such shares shall be allotted and issued to a nominee appointed by New Target as trustee for such Scheme Shareholder, on terms that they shall, as soon as practicable following the Scheme Record Time, be sold on behalf of such Scheme Shareholder at the best price which can reasonably be obtained at the time of sale and the net proceeds of such sale (after the deduction of all expenses and commissions, including any amount in respect of value added tax payable thereon) shall be paid to such Scheme Shareholder by sending a cheque to such Scheme Shareholder in accordance with the provisions of Clause 4. In the absence of fraud, none of the Company, New Target, such nominee or any broker or agent of any of them shall have any liability for any loss or damage arising as a result of the timing or terms of any such sale.

#### **4. Certificates and payments**

- (a) On the Effective Date, New Target shall allot and issue all New Target Shares which it is required to allot and issue to give effect to this Scheme pursuant to Clause 2.
- (b) As soon as reasonably practicable after this Scheme becomes effective, and, in any event, not later than 40 days after the Effective Date, New Target shall send by post to the allottees of the New Target Shares certificates in respect of such shares save that, where Scheme Shares are held in uncertificated form, New Target will procure that Euroclear UK & Ireland Limited is instructed to cancel the entitlement to Scheme Shares of each of the Scheme Shareholders concerned and to credit to the appropriate stock accounts in CREST of each such Scheme Shareholder the due entitlement to New Target Shares on the Effective Date.
- (c) Not later than 15 days following the sale of any relevant New Target Shares pursuant to Clause 3(b), New Target shall procure that such person appointed to act under Clause 3(b)(i) or the nominee referred to in Clause 3(b)(ii) shall account for the cash payable by despatching to the persons respectively entitled thereto cheques by post.
- (d) All certificates required to be sent by New Target pursuant to Clause 4(b) and all cheques required to be sent pursuant to Clause 4(c) shall be sent through the post in pre-paid envelopes addressed to the persons respectively entitled thereto at their respective addresses appearing in the register of members of the Company at the Scheme Record Time (or, in the case of joint holders, to the address of that one of the joint holders whose name stands first in the register in respect of the joint holding) or in accordance with any special instructions regarding communications received at the registered office of the Company before the Scheme Record Time. All documents, certificates or other communications sent by, to, from or on behalf of Scheme Shareholders, or as such persons shall direct, will be sent at their own risk and may be sent by post.
- (e) If the New Target Shares are consolidated or subdivided before the despatch of any certificates or the giving of any instructions in accordance with this Clause 4, the certificates or instructions shall relate to such New Target Shares as so consolidated or subdivided (as the case may be).
- (f) None of the Company, New Target or such person appointed to act under Clause 3(b)(i) or any nominee referred to in Clause 3(b)(ii) or any agent of any of them shall be responsible for any loss or delay in transmission of certificates or cheques sent in accordance with this Clause 4.
- (g) All cheques shall be made payable to the Scheme Shareholder or, in the case of joint holders to all such Scheme Shareholders, in respect of the Scheme Shares concerned in sterling drawn on a UK clearing bank and the encashment of any such cheque shall be a complete discharge to New Target for the monies represented thereby.
- (h) This Clause 4 shall be subject to any prohibition or condition imposed by law.

## **5. Certificates representing Scheme Shares**

With effect from and including the Effective Date, all certificates representing holdings of Scheme Shares shall cease to be valid in respect of such holdings. The Shareholders in respect of such shares shall be bound to destroy such certificates and, at the request of the Company, to confirm to the Company that such certificates have been destroyed.

## **6. Mandated payments and other instructions**

Each mandate in force at the Scheme Record Time relating to the payment of dividends on Scheme Shares and each instruction then in force as to notices and other communications from the Company shall, unless and until varied or revoked, be deemed as from the Effective Date to be a valid and effective mandate or instruction to New Target in relation to the corresponding New Target Shares to be allotted and issued pursuant to this Scheme.

## **7. Effective Date**

- (a) This Scheme shall become effective as soon as the Jersey Court Order sanctioning this Scheme under Article 125 of the Jersey Companies Law shall have been duly delivered to the Jersey Registrar of Companies and duly registered in respect of the Scheme Reduction of Capital.
- (b) Unless this Scheme shall have become effective on or before 31 December 2019 or such later date, if any, as the Company and New Target may agree and the Jersey Court may allow, it shall lapse.

## **8. Modification**

The Company and New Target may jointly consent on behalf of all persons concerned to any modification of or addition to this Scheme or to any condition which the Jersey Court may think fit to approve or impose.

## **9. Costs**

The Company is authorised and permitted to pay all the costs and expenses relating to the negotiation, preparation and implementation of this Scheme.

## **10. Governing law**

This Scheme is governed by Jersey law and is subject to the jurisdiction of the Jersey Court.

Dated: 21 June 2019

## PART 4

### NEW TARGET

The information that is set out below is extracted from the Prospectus. The Board and the Company accept no responsibility for the information set out below.

#### 1. Constitution and status

New Target is a newly incorporated, closed-ended, investment company. New Target, like the Company, will be a REIT for the purposes of UK taxation. New Target has been incorporated for the purpose of effecting the Proposals and becoming the new parent company of the Group.

#### 2. Directors

The board of the Company currently consists of six Directors. The board of New Target will consist of four directors. As New Target will not be required to have two Jersey resident directors on its Board, Hilary Jones and Craig Stewart will not be appointed to the board of New Target. The remaining Directors of the Company will be appointed to the board of New Target with Malcolm Naish being appointed as Chairman and Gordon Coull being appointed as Chairman of the Audit Committee.

#### 3. Investment objective and policy

The investment objective and investment policy of New Target replicate those of the Company as New Target will continue the investment business of the Group and will adopt the same investment strategy.

##### 3.1. Investment objective

New Target's investment objective is to provide Shareholders with an attractive level of income together with the potential for capital and income growth from investing in a diversified portfolio of freehold and long leasehold care homes, that are let to care home operators, and other healthcare assets in the UK.

##### 3.2. Investment policy

New Target will pursue its objective by investing in a portfolio of care homes, predominantly in the UK, that are let to care home operators on full repairing and insuring leases that are subject to annual uplifts based on increases in the UK retail prices index (subject to caps and collars) or fixed uplifts. New Target will also be able to generate up to 15 per cent. of its gross income, in any financial year, from non-rental revenue or profit related payments from care home operators under management contracts in addition to the rental income due under full repairing and insuring leases.

In order to spread risk and diversify its portfolio, New Target is also permitted to invest up to: (i) 15 per cent. of its gross assets, at the time of investment, in other healthcare assets, such as properties which accommodate GP practices and other healthcare related services including occupational health and physiotherapy practices, pharmacies, special care schools and hospitals; and (ii) 25 per cent. of its gross assets, at the time of investment, in indirect property investment funds (including joint ventures) with a similar investment policy to that of New Target. The directors of New Target have no current intention to acquire other healthcare assets or indirect property investment funds. New Target may also acquire or establish companies, funds or other SPVs which themselves own assets falling within New Target's investment policy.

New Target may either invest in assets that require development or that are under development, which when completed would fall within New Target's investment policy to invest in UK care homes and other healthcare assets, including by means of forward funding of developments and forward commitments to purchase completed developments, provided that New Target will not undertake speculative development and that the gross budgeted development costs to the Group of all such developments, including forward funding and forward commitments, does not exceed 25 per cent. of New Target's gross assets on the commencement of the relevant development. Any development will only be for investment purposes.

In order to manage risk in the portfolio, at the time of investment, no single asset shall exceed in value 20 per cent. of New Target's gross asset value and, in any financial year beginning after New Target is fully invested, the rent received from a single tenant or tenants within the same group (other than from

central or local government, or primary health trusts) is not expected to exceed 30 per cent. of the total income of New Target, at the time of investment.

New Target will not acquire any asset or enter into any lease or related agreement if that would result in a breach of the conditions applying to New Target's REIT status.

New Target is permitted to invest cash held for working capital purposes and awaiting investment in cash deposits, gilts and money market funds.

Gearing, calculated as borrowings as a percentage of the Group's gross assets, may not exceed 35 per cent. at the time of drawdown. The board currently intends that, over the medium term, borrowings of the Group will represent approximately 25 per cent. of the Group's gross assets at the time of drawdown. However, it is expected that Group borrowings will exceed this level from time to time as borrowings are incurred to finance the growth of the Group's property portfolio.

Any material change to the investment policy will require the prior approval of New Target's shareholders.

#### **4. Existing facilities**

The Group has a £50 million committed facility with RBS, repayable on 1 September 2021, comprising a term loan facility of £30 million and a revolving credit facility of £20 million which has been fully drawn down. In addition the Group has a five year £40 million committed term loan facility with FCB, which is repayable on 30 August 2022 of which £36 million has been drawn down.

Furthermore, the Group entered into the HSBC Facility Agreement with HSBC on 29 January 2018, which was then subsequently amended and restated on 1 March 2019. The HSBC Facility consists of a £80 million three year committed revolving credit facility of which £7 million has been drawn. The Group intends to use available cash together with undrawn debt under the HSBC Facility and FCB Facility to finance the acquisition of the assets that are progressing through the diligence process should they meet the Group's criteria and return profile.

As at 31 March 2019, the Group's loan to value ("LTV") using net debt (total gross debt less cash, as a proportion of gross property value) was 13.2 per cent. and its gross LTV (total gross debt as a proportion of gross property value) was 17.6 per cent. The Group's gearing policy will not be changed as a result of the Scheme.

THR1 and its subsidiaries have entered into an interest rate swap with RBS in relation to £30 million of the term loan facilities provided to them under the RBS Facility Agreement, which is documented in the form of market standard ISDA documentation. THR12 and its subsidiaries have entered into an interest rate swap with FCB in relation to £36 million of the term loan facilities provided to them under the FCB Facility Agreement, which is documented in the form of market standard ISDA documentation. There is no current intention to enter into any interest rate hedging in relation to amounts borrowed under the revolving credit facility provided by HSBC.

As each of the existing facilities has been entered into by one of the Company's subsidiaries, the existing facilities will not be altered following completion of the Proposals.

#### **5. Dividends**

It is the intention of the directors of New Target to continue the dividend policy of the Company.

##### **5.1. Dividend policy**

Subject to market conditions and New Target's performance, financial position and financial outlook, the directors of New Target intend to pay an attractive level of dividend income to shareholders on a quarterly basis. The Company has operated a successful dividend policy whereby the dividends paid by the Company have been fully covered for every quarter during which the Company has been fully invested. New Target intends to continue the operation of such dividend policy and the Investment Manager will seek to continue to assemble and manage a portfolio which will generate profits to fully cover dividends in periods of full investment.

New Target will also be required to distribute at least 90 per cent. of the qualifying profits, as calculated for tax purposes, arising from the Group's qualifying property rental business each year in order to continue to benefit from the full exemption from tax on rental income afforded by the UK REIT regime.

## 5.2. Payment of dividends

In September 2018 the Company increased the quarterly dividend in respect of the year ended 30 June 2019 by 2.0 per cent. to 1.64475 pence per Ordinary Share per quarter. In the absence of unforeseen circumstances, the total annual dividend in respect of the Company for the year ending 30 June 2019 is therefore expected to be 6.579 pence per Ordinary Share.

Should the Scheme become effective, New Target intends to continue to follow the Company's dividend payment schedule. As such, dividends on the New Target Shares are expected to be paid in equal instalments quarterly in respect of each financial year in November, February, May and August. All dividends will be paid as interim dividends.

The Company intends to pay the dividend in relation to the quarter ending 30 June 2019 earlier than in previous years so that it is received by Shareholders in early August prior to the Effective Date. In addition, New Target may pay the dividend in relation to the quarter ending 30 September 2019 slightly later than it has previously been paid but, in any event, it is expected to be paid no later than 31 December 2019.

## 6. Capital structure

### 6.1. Share capital

The share capital of New Target will consist solely of ordinary shares which will be listed on the Official List and admitted to trading on the Main Market. At any general meeting of New Target each shareholder will have on a show of hands one vote and on a poll one vote in respect of each New Target Share held. The share capital of New Target currently consists of one New Target Share and 50,000 redeemable preference shares.

Immediately following the Scheme becoming effective it is expected that the issued share capital of New Target will consist of 385,089,449 New Target Shares.

### 6.2. Further issues of New Target Shares

At the general meeting of New Target held on 13 June 2019 the sole shareholder approved the disapplication of pre-emption rights in relation to the allotment of up to 125 million New Target Shares in relation to the Fundraising. Details of the Fundraising are contained in the Prospectus published by New Target on or around the date of this document.

### 6.3. Return of capital

On a winding up, the surplus assets remaining after payment of all creditors, including the repayment of bank borrowings, shall be divided amongst shareholders of New Target *pro rata*, according to the rights attached to the shares, unless otherwise provided for under a scheme or reconstruction and winding up of New Target.

## 7. Management fees

New Target has entered into an investment management agreement on the same commercial terms as the current agreement between the Company and the Investment Manager. The current Investment Management Agreement between the Company and the Investment Manager will be terminated on the Effective Date. The Investment Manager has agreed to waive any rights that they have to compensation on the termination of the current Investment Management Agreement.

As provided under the Investment Management Agreement, pursuant to New Target's investment management agreement, the quarterly remuneration to be paid by New Target to the Investment Manager for its services shall be calculated as follows:

Quarterly remuneration (£) =  $\frac{1}{4} \times A$ , where:

A = (i) 1.05 per cent. of the Net Assets which are equal to or less than £500 million; plus (ii) 0.95 per cent of the Net Assets which are in excess of £500 million but less than £750 million; plus (iii) 0.85 per cent of the Net Assets in excess of £750 million but less than £1,000 million; plus (iv) 0.75 per cent of the Net

Assets which are in excess of £1,000 million but less than £1,500 million; plus (vi) 0.65 per cent. of the Net Assets which are equal to or in excess of £1,500 million.

Where applicable, VAT will be payable in addition.

The investment management agreement is terminable by either of the parties to it on 12 months written notice. The investment management agreement may be terminated immediately if the Investment Manager is in material breach of the agreement, guilty of negligence, wilful default or fraud or is the subject of insolvency proceedings or there occurs a change of key manager to which the Board has not given its prior consent.

## 8. Administration arrangements

Target Fund Managers Limited has also been appointed as New Target's administrator and company secretary pursuant to the Secretarial and Administration Agreement. Pursuant to this agreement a fee of £120,000 (plus VAT) per annum (which is variable by reference to the higher of the UK Retail Prices Index or UK Commercial Prices Index) is payable by New Target to the Company Secretary. This Administration and Secretarial Agreement can be terminated by New Target or the Company Secretary on six months' written notice.

## 9. Shareholder resolution of New Target

On 13 June 2019, it was resolved by the sole shareholder of New Target that:

- 9.1. the directors of New Target be authorised, pursuant to section 551 of the Companies Act, to allot 50,000 redeemable preference shares of £1.00 each in the share capital of New Target (the "**Redeemable Preference Shares**") each having the rights attached to the Redeemable Preference Shares as set out in the annex attached to the resolution, provided that such authority shall be limited to the allotment of Redeemable Preference Shares with an aggregate nominal value of up to £50,000, such authority to expire on 31 December 2019;
- 9.2. the directors of New Target be authorised, pursuant to section 551 of the Companies Act to exercise all the powers of New Target to allot ninety-nine (99) new ordinary shares of £0.01 each in the capital of New Target pursuant to a share subscription letter from Robert Malcolm Naish to New Target, provided that this authority shall, unless renewed, varied or revoked by New Target, expire on 31 December 2019;
- 9.3. in accordance with section 618 of the Companies Act (and conditional on the passing of the resolution described at paragraph 9.2 above), the 100 ordinary shares of £0.01 each in the issued share capital of New Target be consolidated into one ordinary share of £1.00, such share having the same rights and being subject to the same restrictions (save as to nominal value) as the existing ordinary shares of £0.01 each in the capital of New Target as set out in New Target's articles of association;
- 9.4. the directors of New Target be authorised pursuant to section 551 of the Companies Act to exercise all the powers of New Target to allot ordinary shares of £1.00 each (or of such other nominal value as the Directors may resolve) (the "**Shares**") up to an aggregate nominal amount of £385,089,448 (or up to such other aggregate nominal amount as New Target's directors may resolve) in connection with the Scheme, such authority to expire on 31 December 2019;
- 9.5. the directors of New Target be authorised pursuant to section 551 of the Companies Act to exercise all the powers of New Target to allot New Target Shares up to an aggregate nominal amount of £125,000,000 (and, following the New Target Reduction of Capital, £1,250,000) in connection with the Fundraising, such authority to expire on 30 June 2020 save that New Target 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 New Target Shares in pursuance of such an offer or agreement as if such authority had not expired;
- 9.6. the directors of New Target be authorised pursuant to section 570 of the Companies Act to allot ordinary shares of £1.00 each (or, following the proposed reduction of the capital of New Target resulting in the nominal value of the ordinary shares of New Target being reduced to £0.01 as described in paragraph 9.7 below, £0.01 each or of such other nominal value as the directors of

New Target may resolve) (the “**Shares**”) pursuant to the authority referred to in paragraph 9.5 above as if section 561 of the Companies Act did not apply to any such allotment, such power to expire on 30 June 2020 save that New Target may, at any time prior to the expiry of such authority, make an offer or enter into an agreement which would or might require Shares to be allotted after such expiry and the directors of New Target may allot Shares in pursuance of such an offer or agreement as if such power had not expired;

9.7. subject to and conditional upon:

- (i) the Scheme having become effective; and
- (ii) the ordinary shares of £1.00 each (or such other nominal value as the New Target directors shall resolve) in the capital of New Target required to be allotted and issued by New Target pursuant to the Scheme having been allotted and issued and registered in the names of the persons entitled to such shares in New Target’s register of members,

the issued share capital of New Target be reduced by cancelling and extinguishing paid up share capital to the extent necessary to reduce the nominal value of each such ordinary share to £0.01 (the “**Reduction of Capital**”) (such Reduction of Capital is expected, as at the date of the passing of these resolutions, to result in the cancellation and extinguishing of £0.99 of paid up share capital on each issued ordinary share of New Target);

9.8. the directors of New Target be authorised to adjust the nominal value of New Target’s ordinary shares to be issued pursuant to the Scheme to a lesser or greater amount than £1.00 each;

9.9. the directors of New Target be 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 of £1.00 (or of such other nominal value as the directors of New Target may resolve or as resulting from the proposed reduction of the capital as described in the above resolutions or as shall otherwise result from the reduction of the capital of the ordinary shares in New Target) each in the capital of New Target (“**Ordinary Shares**”) provided that the maximum number of Ordinary Shares authorised to be purchased is 14.99 per cent. of the Ordinary Shares in issue. The minimum price which may be paid for an Ordinary Share is the nominal value of an Ordinary Share at the time of purchase. The maximum price 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 value of the Ordinary Shares for the five business days before the purchase is made or (ii) the higher of the last independent trade and the highest current independent bid for Ordinary Shares. Such authority will expire on the conclusion of the next annual general meeting of New Target after this resolution is passed (unless such authority is renewed before that expiry) save that New Target 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;

9.10. the regulations contained in the articles be approved and adopted as the articles of association of New Target and in substitution for, and to the exclusion of, the existing articles of association of New Target; and

9.11. subject to the approval of the English Court, the amount standing to the credit of New Target’s share premium account at the date that the English Court order granting the cancellation is made, be cancelled and, subject to any undertaking required by the English Court, the credit thereby arising in New Target’s books of account from the cancellation of New Target’s share premium account be applied in any manner in which New Target’s profits available for distribution (as determined in accordance with the Companies Act) are able to be applied.

## 10. **Articles of Association**

The articles of association of New Target replicate the existing articles of association of the Company to the extent possible given the different statutory and regulatory regimes of England and Wales and Jersey. The key differences between the articles of association of New Target and the Articles of the Company are summarised below.

### **10.1. Financial assistance**

The Company's articles of association permit the Company to provide financial assistance for the acquisition of Ordinary Shares. Public companies in the UK are prohibited from giving financial assistance under section 678 of the Companies Act, unless certain exemptions apply, therefore this provision has not been included in New Target's articles of association.

### **10.2. Pre-emption rights**

The Company's articles contain pre-emption rights which are modelled on the statutory pre-emption rights contained in section 561 of the Companies Act, and which would otherwise not apply under Jersey law. As an English company, New Target is subject to those statutory pre-emption rights and therefore there is no need to include equivalent provisions in New Target's articles of association.

## PART 5

### TAXATION

The following summary is based upon current tax law of the UK and what is understood to be current tax authority practice in the UK, all of which is subject to change, possibly with retrospective effect.

The summary is intended only as a general guide to the tax treatment of certain Shareholders in respect of the Scheme and their holding of New Target Shares, and does not purport either to cover all tax issues which might be applicable to such Shareholders or to analyse the tax position of the Company, New Target or any other members of the Group. The summary is not intended to be, nor should be construed to be, legal, tax or investment advice to any particular Shareholder.

In particular, the summary may not apply to certain Shareholders, such as dealers in securities, insurance companies, collective investment schemes or Shareholders who have (or are deemed to have) acquired their Ordinary Shares or New Target Shares by virtue of an office or employment, who may be subject to special rules.

**All Shareholders, and in particular those who are in any doubt about their tax position, or who are resident or otherwise subject to taxation in a jurisdiction outside the UK, should consult their own professional advisers on the potential tax consequences of the Scheme and their holding of New Target Shares under the laws of their country and/or state of citizenship, domicile or residence.**

#### **Taxation of Shareholders in relation to the Scheme**

The Scheme, through which the Ordinary Shares are exchanged for shares in New Target, should not result in a charge to UK capital gains tax for individual investors, nor a charge to corporation tax on chargeable gains for UK resident corporate investors, on the basis that the transaction should qualify as a “scheme of reconstruction” and the conditions of section 136 TCGA 1992 should be met.

The Ordinary Shares and the New Target Shares should be treated as the same asset, with the New Target Shares inheriting the capital gains tax base cost and acquisition date of the Ordinary Shares.

Subject to personal circumstances, UK resident Shareholders may be subject to capital gains tax or, in the case of corporate Shareholders, UK corporation tax on chargeable gains, in respect of any gain arising on a future transfer or disposal of their New Target Shares. For UK resident Shareholders who are individuals, or otherwise not within the charge to UK corporation tax, UK capital gains tax may be payable on a disposal of the New Target Shares at the flat rate of 10 per cent. for basic rate taxpayers or 20 per cent. for higher or additional rate taxpayers. UK resident individual Shareholders may be entitled to an annual exemption from capital gains (for the year 2019/2020, this is £12,000).

Shareholders within the charge to UK corporation tax may be liable to UK corporation tax (currently 19 per cent. reducing to 17 per cent. from 2020) on chargeable gains on a disposal of their shares. Indexation allowance may be available to reduce the amount of any chargeable gain (but cannot be used to create or increase an allowable loss) and under current law any indexation allowance is stopped at 1 January 2018, irrespective of the date of disposal.

#### **Taxation of dividends**

The following paragraphs relate only to certain limited aspects of the UK taxation treatment of PIDs (a dividend paid by either the Company or New Target relating to profits or gains of its qualifying property rental businesses in the UK and elsewhere is referred to in this section as a Property Income Distribution (“PID”)) and Non-PID dividends (any normal dividend which is not a PID is referred to in this section as a Non-PID Dividend) paid by the Company, on the basis that New Target maintains REIT status.

##### **(A) UK taxation of Non-PID Dividends**

New Target will not be required to withhold tax at source when paying a Non-PID Dividend.

UK tax resident individuals receive an annual tax free dividend allowance of £2,000 from 6 April 2018. For the 2019/2020 year, dividends received in excess of this allowance will be treated as the

“top slice” of a taxpayer’s income and will be subject to tax at the rate of 7.5 per cent. (basic rate taxpayers), 32.5 per cent. (higher rate taxpayers) or 38.1 per cent. (additional rate taxpayers).

UK resident corporate shareholders (other than dealers and certain insurance companies) are not liable to UK corporation tax or income tax in respect of dividends provided that the dividends are exempt under Part 9A of the Corporation Tax Act 2009.

(B) *UK taxation of PIDs*

(i) UK taxation of UK tax resident individual shareholders

Subject to certain exceptions, a PID will generally be treated in the hands of shareholders who are individuals as the profit of a single UK property business. A PID, together with any PID from any other REIT company, is treated as a separate UK property business from any other UK property business (a “different UK property business”) carried on by the relevant shareholder. This means that any surplus expenses from a shareholder’s different UK property business cannot be offset against a PID as part of a single calculation of the profits of the shareholder’s UK property business. The basic rate of income tax (currently 20 per cent.) will be withheld by New Target (where required) on the PID.

Shareholders may, depending on their particular circumstances, either be liable to further UK income tax on their PID at their applicable marginal income tax rate, incur no further UK tax liability on their PID, or be entitled to claim repayment of some or all of the UK income tax withheld on their PID. The £1,000 property income allowance, that was introduced by the Finance (No. 2) Act 2017, does not apply to PIDs.

(ii) UK taxation of corporate Shareholders

Subject to certain exceptions, a PID will generally be treated in the hands of Shareholders who are within the charge to UK corporation tax as profits of a property business. If (exceptionally) income tax is withheld at source, the tax withheld can be set against the company’s liability to UK corporation tax or against any income tax which it is required to withhold in the accounting period in which the PID is received. A PID, together with any PID received from any other REIT company, is treated as a different UK property business from any other UK property business carried on by the relevant Shareholder. This means that any surplus expenses from a Shareholder’s different UK property business cannot be offset against a PID as part of a single calculation of the Shareholder’s UK property business profits. The main rate of corporation tax on such profits is currently 19 per cent. (reducing to 17 per cent. from 1 April 2020).

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

Where a shareholder who is resident for tax purposes outside the UK receives a PID, the PID will generally be subject to UK income tax at the basic rate of 20 per cent. as profit of a UK property business and this tax will generally be collected by way of a withholding by New Target.

Such shareholders may be able to claim a repayment of all or part of the tax withheld from HMRC subject to the terms of any double taxation agreement between the UK and the country in which the shareholders is resident for tax purposes.

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

The following comments are intended as a guide to the current general stamp duty and SDRT position and do not relate to persons such as market makers, brokers, dealers, intermediaries and persons connected with depository arrangements or clearance services, to which special rules apply.

The issue of New Target Shares will be outside the scope of UK stamp duty and SDRT, so no UK stamp duty or SDRT liability will arise on the Scheme.

Any subsequent conveyance or transfer on sale of New Target Shares will usually be subject to UK stamp duty on any instrument of transfer at a rate of 0.5 per cent. of the amount or value of the consideration (rounded up, if necessary, to the nearest £5), subject to certain exemptions and reliefs. A charge to SDRT at a rate of 0.5 per cent. will usually arise in relation to an unconditional agreement to transfer New Target Shares (where the SDRT charge is not cancelled by the execution of an instrument of transfer within six years of the date of the agreement and a corresponding payment of stamp duty).

A market value charge to UK stamp duty applies to transfers of listed securities by a person (or its nominee) to a connected company (or its nominee), subject to the availability of relief. A market value charge to SDRT applies to unconditional agreements to transfer listed securities in the same circumstances unless the SDRT charge is cancelled, as outlined above. The New Target Shares will be listed securities for these purposes if they are admitted to trading on the Main Market of the London Stock Exchange.

#### **UK ISAs and SIPPs**

It is expected that the New Target Shares will be eligible for inclusion in ISAs.

For the 2019/2020 tax year, ISAs will have a subscription limit of £20,000, all of which can be invested in stocks and shares.

It is expected that the New Target Shares will be eligible for inclusion in Investment-Regulated Pension Schemes including schemes formerly known as SIPPs (subject to the terms of the particular SIPP).

**Individuals wishing to invest in the New Target Shares through ISAs should contact their professional advisers regarding their eligibility.**

## PART 6

### GENERAL INFORMATION

#### 1. Share capital

As at the date of this document, the issued share capital of the Company comprises 385,089,448 Ordinary Shares. No share or loan capital of the Company is under option or has been agreed, conditionally or unconditionally, to be put under option.

#### 2. Disclosure of interests

2.1. The names and business addresses of the Directors, all of whom are non-executive, are as follows:

R. Malcolm Naish (*Chairman*)  
Prof. June Andrews OBE  
Gordon C. Coull  
Thomas J. Hutchison III  
Hilary Jones  
Craig Stewart

all of Ordnance House, 31 Pier Road, St. Helier, Jersey JE4 8PW.

2.2. The interests of the Directors in the share capital of the Company at the date of this document, all of which are beneficial, and their expected interests in the share capital of New Target are set out below beside their names:

<i>Director</i>	<i>Number of Ordinary Shares held</i>	<i>Percentage of issued share capital of the Company (%)<sup>(1)</sup></i>	<i>Number of New Target Shares to be held immediately following the Scheme becoming effective</i>	<i>Percentage of issued share capital of New Target (%)<sup>(2)</sup></i>
R. Malcolm Naish	45,000	0.01	45,001 <sup>(3)</sup>	0.01
Prof. June Andrews OBE	—	—	—	—
Gordon C. Coull	35,454	0.01	35,454	0.01
Thomas J. Hutchison III	70,000	0.02	70,000	0.02
Hilary Jones	—	—	—	—
Craig Stewart	—	—	—	—

(1) As at the date of this document the issued share capital of the Company comprises 385,089,448.

(2) The issued share capital of New Target at the date of this document comprises one New Target Share and 50,000 redeemable preference shares. Immediately following the Scheme becoming effective, it is expected that the issued share capital of New Target will consist of 385,089,449 New Target Shares.

(3) Malcolm Naish currently holds the subscriber share in New Target and is the Subscriber to the memorandum and articles of association of New Target.

2.3. There are no service agreements in existence between the Company and any of the Directors, nor are any such agreements proposed.

2.4. The total emoluments receivable by the Directors from the Company will not be varied in consequence of the Proposals.

2.5. No Director is or has been interested in any transaction which is or was unusual in its nature or conditions or is or was significant to the business of the Company and which was effected by the Company in the financial year ended 30 June 2018 or in the current financial year.

- 2.6. As at 19 June 2019 (being the latest practicable date prior to publication of this document), the Company was aware of the following persons who have a notifiable interest in the issued share capital of the Company:

<i>Registered shareholder</i>	<i>No. of Ordinary Shares held</i>	<i>Percentage of issued share capital of the Company (%)<sup>(1)</sup></i>	<i>No. of New Target Shares to be held immediately after following the Scheme becoming effective</i>	<i>Percentage of issued share capital of New Target (%)<sup>(2)</sup></i>
Premier Fund Managers Limited	26,830,207	6.97	26,830,207	6.97
Investec Wealth & Investment Limited	23,385,150	6.07	23,385,150	6.07
Bank of Montreal	22,568,305	5.86	22,568,305	5.86
Rathbone Investment Management Limited	19,328,763	5.02	19,328,763	5.02
CCLA Investment Management Limited	17,918,605	4.65	17,918,605	4.65

(1) As at the date of this document the issued share capital of the Company comprises 385,089,448.

(2) The issued share capital of New Target at the date of this document comprises one New Target Share and 50,000 redeemable preference shares. Immediately following the Scheme becoming effective, it is expected that the issued share capital of New Target will consist of 385,089,449 New Target Shares.

21 June 2019

## DEFINITIONS

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

<b>Admission</b>	admission of the New Target Shares issued under the Scheme to listing on the premium segment of the Official List of the FCA and to trading on the Main Market of the London Stock Exchange
<b>AIFM</b>	an Alternative Investment Fund Manager pursuant to the Alternative Investment Fund Managers Regulations 2013 SI 2013/1773
<b>Articles</b>	the articles of association of the Company
<b>Australia</b>	the Commonwealth of Australia, its territories and possessions and all areas under its jurisdiction and political sub-divisions thereof
<b>Board or Directors</b>	the directors of the Company from time to time
<b>Business Day</b>	a day (other than a Saturday or Sunday) on which the London Stock Exchange is open for normal business
<b>Canada</b>	Canada, its provinces and territories and all areas under its jurisdiction and political sub-divisions thereof
<b>Companies Act</b>	the Companies Act 2006 (as amended)
<b>Company</b>	Target Healthcare REIT Limited, a company incorporated in Jersey with registered number 112287
<b>CREST</b>	the system for the paperless settlement of trades in securities and the holding of uncertificated securities operated by Euroclear UK & Ireland Limited in accordance with the Uncertificated Securities Regulations 2001 (SI 2001/3755) and the Companies (Uncertificated Securities) (Jersey) Order 1999 (as amended)
<b>CTA 2010</b>	the Corporation Tax Act 2010
<b>Depository</b>	IQ EQ Depository Company (UK) Limited, a company incorporated in England and Wales with registered number 05830789
<b>EEA States</b>	the member states of the European Economic Area
<b>Effective Date</b>	the date on which the Scheme becomes effective in accordance with the terms of the Scheme, expected to be 7 August 2019
<b>English Court</b>	the High Court of Justice in England and Wales
<b>FCA</b>	the UK Financial Conduct Authority
<b>FCB</b>	First Commercial Bank, Limited, an overseas company with registered number FC011028 (acting out of its London branch)
<b>FCB Facility</b>	the £40 million loan facility provided to THR1 and others by FCB pursuant to the FCB Facility Agreement

<b>FCB Facility Agreement</b>	the facility agreement dated 30 August 2017 between FCB, THR1 and others, a summary of which is set out in paragraph 4 of Part 4 of this document
<b>Forms of Proxy</b>	the BLUE Form of Proxy and the PINK Form of Proxy for use at the Jersey Court Meeting and the Scheme General Meeting respectively
<b>FSMA</b>	the UK Financial Services and Markets Act 2000 (as amended)
<b>Fundraising</b>	the proposed issue of up to 125 million New Target Shares by New Target by way of a placing programme under the Prospectus
<b>Group</b>	before the Effective Date, the Company and its subsidiaries and, after the Effective Date, New Target and its subsidiaries from time to time or any one or more of them, as the context may require
<b>HMRC</b>	HM Revenue & Customs
<b>HSBC</b>	HSBC Bank plc, a company incorporated in England and Wales with registered number 14259
<b>HSBC Facility</b>	the £80 million loan facility provided to THR15 and others, by HSBC pursuant to the HSBC Facility Agreement
<b>HSBC Facility Agreement</b>	the facility agreement originally dated 29 January 2018 between HSBC, THR15 and others, as amended and restated on 1 March 2019, a summary of which is set out in paragraph 4 of Part 4 of this document
<b>Investment Manager or Company Secretary</b>	Target Fund Managers Limited, a private limited company incorporated in Scotland with registered number SC548164
<b>Investment Management Agreement</b>	the investment management agreement between New Target and the Investment Manager, a summary of which is set out in paragraph 7 of Part 4 of this document
<b>ISA</b>	Individual Savings Account for the purposes of section 694 of the Income Tax (Trading and Other Income) Act 2005
<b>Japan</b>	Japan, its cities, prefectures, territories and possessions
<b>Jersey Companies Law</b>	the Companies (Jersey) Law 1991 (as amended)
<b>Jersey Court</b>	The Royal Court of Jersey
<b>Jersey Court Meeting</b>	the meeting of Shareholders convened by order of the Jersey Court pursuant to Article 125 of the Jersey Companies Law to be held at the offices of Dickson Minto, 16 Charlotte Square, Edinburgh EH2 4DF at 10.30 a.m. on 18 July 2019 to consider and, if thought fit, approve the Scheme, including any adjournment thereof
<b>Jersey Court Order</b>	the act of the Jersey Court sanctioning the Scheme under Article 125 of the Jersey Companies Law and confirming the Scheme Reduction of Capital under Article 61 of the Jersey Companies Law, together with the approved minute attached thereto
<b>Jersey Registrar of Companies</b>	The Registrar of Companies in Jersey

<b>Jersey Sanction Hearing</b>	the hearing under Article 125 of the Jersey Companies Law by the Jersey Court of the Company's representation to sanction the Scheme and to confirm the Scheme Reduction of Capital under Article 61 of the Jersey Companies Law pursuant to Article 62 of the Jersey Companies Law
<b>JFSC</b>	the Jersey Financial Services Commission
<b>Listing Rules</b>	the listing rules made by the FCA under Part VI of the FSMA (as amended)
<b>London Stock Exchange</b>	London Stock Exchange plc
<b>Main Market</b>	the main market of the London Stock Exchange
<b>Meetings</b>	the Jersey Court Meeting and the Scheme General Meeting
<b>Net Assets</b>	the aggregate gross value of the assets of the Group less the total liabilities of the Group
<b>New Ordinary Shares</b>	the Ordinary Shares to be issued by the Company to New Target pursuant to the Scheme
<b>New Target</b>	Target Healthcare REIT plc, a company incorporated in England and Wales with registered number 11990238
<b>New Target Reduction of Capital</b>	the proposed reduction of capital of New Target, after the Scheme becomes effective
<b>New Target Shares</b>	the ordinary shares of £1.00 (or such other nominal value as the New Target directors shall resolve prior to the date of the Jersey Sanction Hearing) each in the capital of New Target
<b>Official List</b>	the official list of the FCA
<b>Ordinary Shareholders or Shareholders</b>	holders of Ordinary Shares
<b>Ordinary Shares or Shares</b>	ordinary shares of no par value in the capital of the Company designated as such and having the rights and being subject to the restrictions specified in the Articles
<b>Proposals</b>	the proposals to introduce a new parent company to the Group
<b>Prospectus</b>	the prospectus to be published by New Target in relation to the Proposals and the Fundraising
<b>RBS</b>	The Royal Bank of Scotland plc, a company incorporated in Scotland with registered number SC083026
<b>RBS Facility</b>	the £50 million loan facility provided to THR1 and others by RBS pursuant to the RBS Facility Agreement
<b>RBS Facility Agreement</b>	the facility agreement dated 23 June 2014, as amended by an amendment letter dated 1 April 2016, as amended and restated on 1 September 2017, between RBS, THR1 and others, a summary of which is set out in paragraph 4 of Part 4 of this document

<b>Registrar or Computershare</b>	Computershare Investor Services (Jersey) Limited, a company incorporated in Jersey with registered number 75005
<b>Regulation S</b>	Regulation S under the US Securities Act
<b>RIS or Regulatory Information Service</b>	a regulatory information service that is on the list of regulatory information services maintained by the FCA
<b>REIT</b>	a company qualifying as a real estate investment trust under Part 12 of the CTA 2010
<b>RPI</b>	the Retail Price Index (all items, excluding mortgages) as published by the UK Office for National Statistics from time to time
<b>Rule 144A</b>	Rule 144A under the US Securities Act
<b>Scheme</b>	the scheme of arrangement proposed to be made under Article 125 of the Jersey Companies Law between the Company and the holders of Scheme Shares as set out in Part 3 of this document
<b>Scheme General Meeting</b>	the extraordinary general meeting of Shareholders to be held at 10.45 a.m. on 18 July 2019 (or as soon thereafter as the Jersey Court Meeting shall be concluded or adjourned), notice of which is set out at the end of this document
<b>Scheme Record Time</b>	6.00 p.m. on the business day immediately preceding the Effective Date
<b>Scheme Reduction of Capital</b>	the reduction of capital of the Company in accordance with the terms of the Scheme as detailed in Part 3 of this document
<b>Scheme Shareholder</b>	a holder of Scheme Shares as appearing in the register of members of the Company
<b>Scheme Shares</b>	each of the following: (i) all the Ordinary Shares in issue at the date of the Scheme; (ii) all additional Ordinary Shares (if any) which may be issued after the date of the Scheme and before the Voting Record Time; and (iii) all additional Ordinary Shares (if any) which may be in issue at or after the Voting Record Time and immediately before the Scheme Record Time in respect of which the original or any subsequent holders shall be bound by the Scheme or in respect of which the original or any subsequent holders shall have agreed in writing to be so bound
<b>Secretarial and Administration Agreement</b>	the company secretarial and administration agreement between the New Target and the Company Secretary, a summary of which is set out in paragraph 8 of Part 4
<b>Shareholders</b>	the registered holders of Ordinary Shares from time to time
<b>TCGA 1992</b>	the Taxation of Chargeable Gains Act 1992
<b>THR1</b>	THR Number One plc, a company incorporated in England and Wales with registered number 08996524
<b>THR12</b>	THR Number 12 plc, a company incorporated in England and Wales with registered number 10766378

<b>THR15</b>	THR Number 15 plc, a company incorporated in England and Wales with registered number 11137916
<b>United States or US</b>	the United States of America (including the District of Columbia), its territories and possessions, any state of the United States of America and all other areas subject to its jurisdiction or any political sub-division thereof
<b>US Investment Company Act</b>	the United States Investment Company Act of 1940 (as amended)
<b>US Person</b>	US person as defined in Regulation S
<b>US Securities Act</b>	the United States Securities Act of 1933 (as amended)
<b>Voting Record Time</b>	6.00 p.m. on 16 July 2019, or if the Jersey Court Meeting or the Scheme General Meeting is adjourned, 6.00 p.m. on the day which is two days before the date appointed for any adjourned Jersey Court Meeting or Scheme General Meeting

## NOTICE OF JERSEY COURT MEETING

IN THE ROYAL COURT OF JERSEY

No. 2019/152

IN THE MATTER OF TARGET HEALTHCARE REIT LIMITED

and

IN THE MATTER OF THE COMPANIES (JERSEY) LAW 1991

NOTICE IS HEREBY GIVEN that by an Order dated 11 June 2019 made in the above matters the Court has directed a meeting to be convened of the holders of the Scheme Shares (as defined in the Scheme of Arrangement defined below) in the capital of Target Healthcare REIT Limited (the “**Company**”) for the purpose of considering and, if thought fit, approving (with or without modification) a scheme of arrangement (the “**Scheme of Arrangement**”) proposed to be made between the Company and the holders of the Scheme Shares (as defined in the Scheme of Arrangement) and that such meeting will be held at the offices of Dickson Minto W.S., 16 Charlotte Square, Edinburgh EH2 4DF, at 10.30 a.m. on 18 July 2019, at which place and time all holders of the said shares are requested to attend.

A copy of the Scheme of Arrangement and a copy of the explanatory statement required to be furnished pursuant to Article 126 of the Companies (Jersey) Law 1991 are incorporated in the document of which this notice forms part.

Shareholders may vote in person at the said meeting or they may appoint another person, whether a member of the Company or not, as their proxy to attend and vote in their stead. A BLUE Form of Proxy for use at the said meeting is enclosed with this notice. Completion of the BLUE Form of Proxy will not prevent a holder of Scheme Shares from attending and voting at the said meeting.

It is requested that the BLUE Form of Proxy (together with any power of attorney or other authority under which it is signed, or a notarially certified copy of such power or authority) be lodged with the Registrar, Computershare, c/o The Pavilions, Bridgwater Road, Bristol BS99 6AH not less than 48 hours before the time appointed for the said meeting but if forms are not so lodged they may be handed to the Chairman of the Jersey Court Meeting or the Registrar before the start of the Jersey Court Meeting by or on behalf of a holder of Scheme Shares.

In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the vote(s) of the other joint holder(s) and for this purpose, seniority will be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.

The Company, pursuant to Article 40 of the Companies (Uncertificated Securities) (Jersey) Order 1999, specifies that only those shareholders registered in the register of members of the Company as at 6.00 p.m. on 16 July 2019 or, in the event that the Jersey Court Meeting is adjourned, 6.00 p.m. on the day two days prior to the day fixed for the adjourned meeting, shall be entitled to attend or vote in respect of the number of shares registered in their name at the relevant time. Changes to entries in the relevant register of members after 6.00 p.m. on 16 July 2019 or, in the event that the Jersey Court Meeting is adjourned, 6.00 p.m. on the day which is two days before the date appointed for any adjourned meeting, shall be disregarded in determining the rights of any person to attend or vote at the Jersey Court Meeting.

By the said Order, the Court has appointed Gordon Coull or, failing him, any other director of the Company to act as Chairman of the said meeting and has directed the Chairman to report the result thereof to the Court.

The Scheme of Arrangement will be subject to the subsequent sanction of the Court.

Dated 21 June 2019

Carey Olsen Jersey LLP  
47 Esplanade  
St Helier  
Jersey JE1 0BD

Advocates and solicitors of the Company

## **NOTICE FOR CREST MEMBERS**

### **Electronic proxy appointment through CREST**

CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the Jersey Court Meeting and any adjournment(s) thereof by using the procedures described in the CREST manual. 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'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 an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the Company's registrars, Computershare (CREST Participant ID 3RA50), by 10.30 a.m. on 16 July 2019 (or 48 hours preceding the date and time for any adjourned meeting). For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the Company's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST proxy instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST manual concerning practical limitations of the CREST system and timings.

The Company will treat as invalid a CREST proxy instruction as provided in Article 34 of the Companies (Uncertificated Securities) (Jersey) Order 1999.

## NOTICE OF SCHEME GENERAL MEETING

# TARGET HEALTHCARE REIT LIMITED

*(a company incorporated in Jersey, Channel Islands under the Companies (Jersey) Law, 1991  
with registered number 112287)*

### EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of Target Healthcare REIT Limited (the “**Company**”) will be held on 18 July 2019 at 10.45 a.m. (or if later as soon as the Jersey Court Meeting convened for the same day has concluded) at the offices of Dickson Minto W.S., 16 Charlotte Square, Edinburgh EH2 4DF to consider and, if thought fit, pass the following special resolution:

### SPECIAL RESOLUTION

THAT, for the purpose of giving effect to the scheme of arrangement dated 21 June 2019 between the Company and the holders of the Scheme Shares (as such term is defined in the said scheme), a print of which has been produced to this meeting and for the purposes of identification signed by the Chairman, in its original form or subject to any modification, addition or condition approved or imposed by the Royal Court of Jersey (the “**Scheme**”):

- (a) the directors of the Company be authorised to take all such action as they may consider necessary or appropriate for carrying the Scheme into effect;
- (b) in connection with the Scheme:
  - (i) the stated capital account of the Company be reduced to zero by cancelling and extinguishing the Scheme Shares; and
  - (ii) forthwith and contingently upon such reduction of the Company’s stated capital account taking effect:
    - (A) the issued share capital of the Company be increased to its former amount by the issue of such number of ordinary shares of no par value in the capital of the Company (“**New Ordinary Shares**”) as is equal to the aggregate number of Scheme Shares cancelled pursuant to paragraph (b)(i) of this resolution;
    - (B) the Company shall apply the credit arising in its books of account on such reduction of capital in paying up, in full, the New Ordinary Shares, which shall be allotted and issued, credited as fully paid, to Target Healthcare REIT plc (“**New Target**”) and/or its nominee or nominees (as provided by the Scheme) by crediting the Company’s stated capital account with the same amount as the consequent reduction made pursuant to paragraph (b)(i) of this resolution; and
    - (C) the directors of the Company be and they are hereby generally and unconditionally authorised, for the purposes of Articles 9 and 10 of the Company’s articles of association (the “**Articles**”), to allot the New Ordinary Shares in connection with the Scheme as provided in paragraph (b)(ii)(B) above that:
      - (1) this authority shall expire on the first anniversary of this resolution; and
      - (2) this authority shall be in addition to and will override any subsisting authority conferred on the directors of the Company pursuant to Articles 9 and 10 of the Articles;
- (c) with effect from the passing of this resolution, the Articles be amended by the adoption and inclusion of the following new Article 201:

#### “201. Scheme of Arrangement

- (1) For the purpose of this Article 201, references to the Scheme are to the scheme of arrangement between the Company and the holders of the Scheme Shares dated 21 June 2019 under Article 125 of the Law in its original form or with or subject to any modification,

addition or condition approved or imposed by the Jersey Court and (save as defined in this article) expressions defined in the Scheme shall have the same meaning in this Article.

- (2) Notwithstanding any other provision of these Articles, if any ordinary shares in the capital of the Company are allotted and issued to any person (a "**New Member**") other than New Target and/or its nominee or nominees after the time at which this Article becomes effective and before 6.00 p.m. on the business day before the Effective Date (as defined in the Scheme), such ordinary shares in the share capital of the Company shall be allotted and issued subject to the terms of the Scheme and shall be Scheme Shares for the purposes thereof and the New Member, and any subsequent holder other than New Target and/or its nominee or nominees, shall be bound by the terms of the Scheme.
- (3) Subject to the Scheme becoming effective, if any ordinary shares in the share capital of the Company are allotted and issued to a New Member at or after 6.00 p.m. on the business day before the Effective Date (the "**Post-Scheme Shares**"), they will, on receipt by the Company of an election in writing from New Target, be immediately transferred to New Target and/or its nominee or nominees in consideration of and conditional upon the issue or transfer to the New Member of one New Target Share for each Post-Scheme Share, so transferred. Any New Target Shares issued pursuant to this Article 201 to the New Member will be credited as fully paid and will rank equally in all respects with all New Target Shares in issue at the time (other than as regards any dividend or other distribution payable, or return of capital made, by reference to a record time preceding the date of exchange) and will be subject to the Memorandum and Articles of Association of New Target.
- (4) The number of New Target Shares to be issued or transferred to the New Member under this Article 201 may be adjusted by the directors of the Company in such manner as the Company's auditors may determine on any reorganisation or material alteration of the share capital of either the Company or of New Target or any other return of value to holders of New Target Shares, provided always that any fractions of New Target Shares shall be disregarded and shall be aggregated and sold for the benefit of New Target.
- (5) In order to give effect to any such transfer required by this Article 201, the Company may appoint any person to execute and deliver a form of transfer on behalf of the New Member in favour of New Target and/or its nominee or nominees and to agree for and on behalf of the New Member to become a member of New Target. Pending the registration of New Target as a holder of any Post-Scheme Shares to be transferred pursuant to this Article 201, New Target shall be empowered to appoint a person nominated by the directors of the Company to act as attorney and/or agent on behalf of the holder of the Post-Scheme Shares in accordance with such directions as New Target may give in relation to any dealings with or disposal of the Post-Scheme Shares (or any interest therein), exercising any rights attached thereto or receiving any distribution or other benefit accruing or payable in respect thereof and any holder of Post-Scheme Shares shall exercise all rights attached thereto in accordance with the directions of New Target but not otherwise. The Company shall not be obliged to issue a certificate to the New Member for the Post-Scheme Shares.
- (6) If the Scheme shall not have become effective by the applicable date referred to in Clause 7(b) of the Scheme, this Article 201 shall cease to be of any effect."

*By order of the Board*  
**R&H Fund Services (Jersey) Limited**  
*Corporate Secretary*

*Registered Office*  
Ordnance House  
31 Pier Road  
St. Helier  
Jersey  
JE4 8PW

21 June 2019

**Notes:**

1. As a member you are entitled to appoint a proxy or proxies to exercise all or any of your rights to attend, speak and vote at the Scheme General Meeting. A proxy need not be a member of the Company but must attend the Scheme General Meeting to represent you. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You can only appoint a proxy using the procedure set out in these notes and the notes to the PINK Form of Proxy. You may not use any electronic address provided either in this notice or any related documents (including the circular and/or form of proxy) to communicate with the Company for any purpose other than those expressly stated.
2. To be valid any proxy form or other instrument appointing a proxy, together with any power of attorney or other authority under which it is signed or a certified copy thereof, must be received by post or (during normal business hours only) by hand at the Company's registrar, Computershare Investor Services (Jersey) Limited, c/o The Pavilions, Bridgwater Road, Bristol BS99 6AH no later than 48 hours before the time of the meeting or any adjourned meeting.
3. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the Scheme General Meeting and any adjournment(s) thereof by using the procedures described in the CREST manual. 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.
4. 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's specifications and must contain the information required for such instructions, as described in the CREST manual.
5. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to an instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the Company's registrars, Computershare (CREST Participant ID 3RA50), by 10.45 a.m. on 16 July 2019 (or 48 hours preceding the date and time for any adjourned meeting). For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the Company's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.
6. CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST proxy instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST manual concerning practical limitations of the CREST system and timings.
7. The Company may treat as invalid a CREST proxy instruction in the circumstances set out in Article 34 of the Companies (Uncertificated Securities) (Jersey) Order 1999.
8. The return of a completed form of proxy or other instrument of proxy will not prevent you attending the Scheme General Meeting and voting in person if you wish.
9. To be entitled to attend and vote at the Scheme General Meeting (and for the purpose of the determination by the Company of the votes they may cast), shareholders must be registered in the register of members of the Company no later than 6.00 p.m. on 16 July 2019 or, in the event that the meeting is adjourned, 6.00 p.m. on the day two days prior to any adjourned meeting. Changes to the register of members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting.
10. Information regarding the Scheme General Meeting is available from [www.targethealthcarereit.co.uk](http://www.targethealthcarereit.co.uk).
11. A copy of the Company's existing articles of association and the Company's proposed new amended articles will be available for inspection during normal business hours (Saturdays, Sundays and public holidays excepted) at the registered office of the Company and at the offices of Dickson Minto W.S., Broadgate Tower, 20 Primrose Street, London EC2A 2EW and 16 Charlotte Square Edinburgh EH2 4DF from the date of this notice of the Scheme General Meeting up until the close of the Scheme General Meeting.
12. As at 19 June 2019 (being the last business day prior to the publication of this notice) the Company's issued share capital consisted of 385,089,448 Ordinary Shares. On a show of hands shareholders shall have one vote. Save as otherwise provided in the Articles of Association, on a show of hands each holder of shares present in person and entitled to vote shall have one vote and upon a poll each such holder who is present in person or by proxy and entitled to vote shall have one vote in respect of every share held by him. Therefore, the total voting rights in the Company as at 19 June 2019 was 385,089,448 Ordinary Shares.
13. Any person holding five per cent. or more of the total voting rights of the Company who appoints a person other than the Chairman of the meeting as his proxy will need to ensure that both he and his proxy comply with their respective disclosure obligations under the UK Disclosure Guidance and Transparency Rules.
14. In order to be passed as a special resolution, at least 75 per cent. of the shareholders who (being entitled to do so) vote in person, or by proxy, at the Scheme General Meeting require to vote in favour of it.