THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to the action you should take, you are recommended immediately to seek your own professional financial advice from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser duly authorised under the Financial Services and Markets Act 2000.

If you have sold or otherwise transferred all or some of your ordinary shares of 12.5 pence each (''**Ordinary Shares**'') in the capital of Primary Health Properties PLC (the ''**Company**''), you should send this circular, together with the accompanying Scrip Mandate Form (if applicable), at once to the purchaser or transferee or the bank, stockbroker or other agent through whom the sale or transfer was effected for delivery to the purchaser or transferee. However, except as set out in this circular, those documents should not be forwarded or transmitted in or into any jurisdiction in which such an act would constitute a violation of the relevant laws of such jurisdiction. If you have sold or otherwise transferred only part of your holding of Ordinary Shares, you should retain these documents and consult the bank, stockbroker or other agent through whom the sale or transfer was effected. The attention of Shareholders not resident in the United Kingdom is drawn to paragraph 10 of Appendix 2 to this circular.

Primary Health Properties PLC

(Incorporated and registered in England and Wales with Registered Number 03033634)

SCRIP DIVIDEND SCHEME

This circular contains the terms and conditions of the Primary Health Properties PLC Scrip Dividend Scheme (the ''**Scrip Dividend Scheme**'' or ''**Scheme**''). It will apply to the Second Quarterly Dividend payable on 27 May 2016 and any subsequent interim or final dividend in respect of which a scrip dividend alternative is offered. An expected timetable in relation to the application of the Scrip Dividend Scheme to a particular dividend will be made available on the Company's website at the same time that dividend is announced.

This Scrip Dividend Scheme is the successor to the Company's previous scrip dividend schemes. All elections currently in force, save for those in CREST, will remain in force for the purposes of the Scrip Dividend Scheme and will apply for all future dividends to which the Scrip Dividend Scheme applies until cancelled by you in writing.

PRIMARY HEALTH PROPERTIES PLC
Incorporated and registered in England and Wales with Registered Number 03033634
Registered Office: 5th Floor, Greener House, 66-68 Haymarket, London SW1Y 4RF

Directors
Alun Jones (Non-executive Chairman)
Steven Owen (Non-executive Director, Senior Independent Director)
Harry Hyman (Managing Director)
Mark Creedy (Non-executive Director)
Phil Holland (Finance Director)
Dr Ian Rutter (Non-executive Director)
Geraldine Kennell (Non-executive Director)
Nick Wiles (Non-executive Director)

15 April 2016

To Shareholders

On 31 March 2016 the Company announced the payment of a second quarterly interim dividend of 1.28125 pence per Ordinary Share (''**Second Quarterly Dividend**''). The Scrip Dividend Scheme offers Shareholders the opportunity to take up New Shares instead of cash in respect of the Second Quarterly Dividend and will also apply to any subsequent interim or final dividend of the Company in respect of which a scrip dividend alternative is offered. The Scheme will be available for a period of three years from 5 April 2016 (the date the resolution granting authority for the Directors to offer a scrip dividend alternative was approved at the 2016 AGM).

Accordingly, the Board is now pleased to offer Shareholders the opportunity to receive the Second Quarterly Dividend and all subsequent interim or final dividends of the Company in respect of which a scrip dividend alternative is offered in New Shares instead of cash.

Scrip dividends are attractive to many Shareholders because they enable Shareholders to increase their holding in the Company in a simple manner without incurring any dealing costs or stamp duty. At the same time, the Company will retain more cash in its business, which would otherwise be paid as a dividend.

The purpose of this circular is to provide Shareholders with details of (a) the Scrip Dividend Scheme and (b) the scrip dividend alternative in relation to the Second Quarterly Dividend, and to explain how Shareholders may elect now, and in the future, to receive New Shares rather than cash dividends.

SCRIP DIVIDEND SCHEME

Going forward, the Company does not intend to send out a circular and Scrip Mandate Form in relation to every dividend announced to which a scrip dividend alternative applies. When future dividends are announced the Company will advise if the Scrip Dividend Scheme applies, together with the relevant details for that dividend.

The details (including the timetable, price and confirmation of whether PID or Non-PID treatment will apply) for each relevant dividend including any to which the Scrip Dividend Scheme applies will be available on the Company's website at www.phpgroup.co.uk, from the documentation provided to Shareholders by the Company in respect of that dividend via a Regulatory Information Service, or by contacting Equiniti on their helpline as indicated in Appendix 2.

Further details of the Scrip Dividend Scheme are set out in Appendix 2. All elections currently in force, save for those in CREST, will remain in force for the purposes of the Scrip Dividend Scheme and will apply for all future dividends to which the Scrip Dividend Scheme applies until cancelled by you in accordance with the terms and conditions of the Scrip Dividend Scheme.

Whether or not you should elect to receive New Shares instead of cash dividends may depend on your own personal tax circumstances. For a UK resident individual Shareholder, receipt of New Shares will currently be treated as income for UK tax purposes. The tax treatment may change during the period for which the Scrip Dividend Scheme is available. The tax treatment for other categories of Shareholders may differ. Further information is set out at Appendix 3 of this circular.

If you are in any doubt about what course of action to take in relation to the Scrip Dividend Scheme, or if you are resident or otherwise subject to taxation in a jurisdiction outside the United

Kingdom, you should consult immediately your stockbroker, bank manager, solicitor, accountant or other independent financial adviser.

The attention of Shareholders not resident in the United Kingdom is drawn to paragraph 10 of the Scrip Dividend Scheme terms and conditions as detailed at Appendix 2 of this circular.

If you complete a Scrip Mandate Form or you have previously completed a Scrip Mandate Form, your election will remain in force (subject to paragraph 13 of the Scrip Dividend Scheme terms and conditions detailed in Appendix 2 of this circular) in respect of your entire holding of Ordinary Shares for all future dividends in respect of which a scrip dividend alternative is offered and the Scrip Dividend Scheme applies until cancelled by you in writing.

Shareholders who have not previously completed a Scrip Mandate Form and who wish to take up the scrip dividend alternative for the Second Quarterly Dividend, and to receive New Shares in connection with all future dividends declared that are subject to the Scrip Dividend Scheme, should sign and return the enclosed Scrip Mandate Form to Equiniti at Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA, if they hold their Ordinary Shares in certificated form, or by submitting a CREST Dividend Election Input Message if they hold their Ordinary Shares in uncertificated form via CREST. A reply-paid envelope is enclosed for your use. Scrip Mandate Forms must be received by Equiniti no later than the date advised by the Company to be eligible for that particular dividend (which is 13 May 2016 in respect of the Second Quarterly Dividend). Scrip Mandate Forms and CREST Dividend Election Input Messages received by Equiniti after that date will be applied in respect of the next dividend declared by the Company whilst the Scheme (or any successor scrip dividend scheme if relevant) is in force.

Shareholders holding Ordinary Shares in certificated form may cancel the Scrip Mandate at any time by writing to Equiniti at the above address. For a cancellation to be effective for a particular dividend, it must be received by no later than the date advised by the Company for receipt of Scrip Mandate Forms when that dividend is announced. If it is received after that date, it will not apply to that dividend but it will apply to all subsequent dividends.

If you wish to receive dividends in cash in the usual way you need take no action and should disregard this circular.

Completion of allotments under the Scrip Dividend Scheme is subject to several conditions, namely the price of an Ordinary Share not falling below a certain level, admission of the New Shares to the Official List of the UKLA and to trading on the London Stock Exchange and the Directors having sufficient authority from Shareholders to offer scrip dividend alternatives. If any of these conditions are not met, the Scrip Dividend Scheme will not apply and dividends will be paid in cash to all Shareholders.

In respect of future allotments under the Scrip Dividend Scheme, applications will be made by the Company for the New Shares to be admitted to the Official List of the UKLA and to trading on the London Stock Exchange's Main Market for Listed Securities. On issue, the New Shares, which may be held in uncertificated form, will rank pari passu with the then existing issued Ordinary Shares in respect of all rights arising on or after the date of issue.

SECOND QUARTERLY DIVIDEND

The Second Quarterly Dividend is payable on 27 May 2016 to Shareholders on the register of members at the close of business on 8 April 2016. No PID is included in the Second Quarterly Dividend.

Shareholders' scrip dividend entitlements in respect of the Second Quarterly Dividend will be determined on the basis of the Second Quarterly Dividend and the price of 101.35 pence per Ordinary Share which is the average of the closing middle market quotations, derived from the Daily Official List of the UKLA for an Ordinary Share on the day on which the Ordinary Shares were first quoted as ex-dividend and the four subsequent dealing days (being 7 to 13 April 2016 inclusive (''**Second Quarterly Dividend Scrip Share Price**'')).

No fraction of a New Share will be allotted and calculations of entitlements to New Shares will be rounded down to the nearest whole New Share. Any residual cash balance will be carried forward to be included in the calculation for the next dividend and no interest will be paid on any residual cash balances.

To protect Shareholders against a fall in the price of an Ordinary Share between the date of this circular and 13 May 2016, being the final date for receipt of validly completed Scrip Mandate Forms and CREST

Dividend Election Input Messages in respect of the Second Quarterly Dividend (''**Final Receipt Date**''), the scrip dividend alternative will be withdrawn if the middle market quotation of an Ordinary Share, derived from the Daily Official List of the UKLA for the Final Receipt Date, has fallen relative to the Second Quarterly Dividend Scrip Share Price by 10 per cent. or more. In such circumstances, any Scrip Dividend Mandate will be deemed to be void, in respect of the Second Quarterly Dividend only, and a cash dividend will be paid in the usual way. Validly completed and returned Scrip Mandate Forms will continue to be valid in respect of future cash dividends in respect of which the Directors decide to offer a scrip dividend alternative under the Scrip Dividend Scheme. If the price falls after the Final Receipt Date, any Scrip Dividend Mandate will remain in force in respect of the Second Quarterly Dividend.

Allotment of New Shares under the scrip dividend alternative for the Second Quarterly Dividend is subject to the following conditions:

- the price of Ordinary Shares not falling by 10 per cent. or more from the Second Quarterly Dividend Scrip Share Price by the Final Receipt Date;
- admission of the New Shares to the Official List of the UKLA and to trading on the London Stock Exchange's Main Market for Listed Securities; and
- the Directors having the authority to offer scrip dividend alternatives.

If any of these conditions are not met, the scrip dividend alternative for the Second Quarterly Dividend will be cancelled and dividends will be paid in cash to all Shareholders.

If all eligible Shareholders were to decide to receive the Second Quarterly Dividend in cash the total cash dividend payable by the Company would be £5,722,409. If all eligible Shareholders were to elect to receive New Shares instead of cash in respect of their entire holdings, approximately 5,646,185 New Shares would be issued based on the Second Quarterly Dividend Scrip Share Price (ignoring any reduction in respect of fractions), representing approximately 0.95 per cent. of the issued ordinary share capital of the Company as at the date of this circular. As at the date of this circular the Company has 596,627,017 Ordinary Shares of 12.5 pence each in issue.

If you are in any doubt about what course of action to take or your personal tax position, you should consult an independent financial adviser. You should bear in mind that the price of the Company's shares can go down as well as up.

Appendix 1 contains the timetable for the scrip dividend alternative in respect of the Second Quarterly Dividend and a glossary for the capitalised terms used in this circular. Further details of the terms and conditions of the Scrip Dividend Scheme can be found in Appendix 2. Appendix 3 contains information relating to taxation.

Yours faithfully,

Alun Jones
Chairman

GLOSSARY

"**2016 AGM**"	the annual general meeting of the Company held on 5 April 2016
"**Cash Equivalent**"	the amount of the cash dividend forgone by a Shareholder electing to receive New Shares so that, if the difference between the cash dividend forgone and the market value of the New Shares on the first day of dealing on the London Stock Exchange equals or exceeds 15 per cent. of that market value, that market value will be the Cash Equivalent
"**Company**"	Primary Health Properties PLC
"**CREST**"	the relevant system (as defined in the Uncertificated Securities Regulations 2001 (SI/3755)) in respect of which Euroclear UK & Ireland Limited is the operator
"**Directors**" or the "**Board**"	the directors of the Company
"**Equiniti**"	the Company's registrars, Equiniti Financial Services Limited and Equiniti Limited (together or separately, as the case may be)
"**Group**"	the Company and its subsidiaries from time to time
"**London Stock Exchange**"	London Stock Exchange plc
"**New Shares**"	the new Ordinary Shares issued under the Scheme
"**Non-PID**"	any dividend paid by the Company or a scrip dividend alternative which is not a PID
"**Ordinary Shares**"	ordinary shares of 12.5 pence each in the capital of the Company
"**PID**"	a distribution of the tax-exempt profits or gains from the Group's UK property business (which will in principle be subject to withholding tax)
"**Scrip Dividend Scheme**" or "**Scheme**"	the Company's Scrip Dividend Scheme as comprised under and subject to the terms and conditions contained in this circular as amended from time to time
"**Scrip Mandate**"	the instructions of a Shareholder as set out in a valid Scrip Mandate Form
"**Scrip Mandate Form**"	an instruction in a form provided by the Company from a Shareholder to the Directors to allot New Shares under the terms of the Scheme in lieu of a cash dividend to which they may become entitled from time to time
"**Scrip Share Price**"	the average of the closing middle market quotation derived from the Daily Official List of the UKLA for an Ordinary Share on the day on which the Ordinary Shares are first quoted as ex-dividend, and the four subsequent dealing days
"**Shareholder**"	a holder of Ordinary Shares
"**UK**" or "**United Kingdom**"	means the United Kingdom of Great Britain and Northern Ireland and its dependent territories
"**UKLA**"	the United Kingdom Listing Authority

APPENDIX 1

Timetable for the Second Quarterly Dividend	2016
Ordinary Shares quoted ex-dividend	7 April
Calculation period for Second Quarterly Dividend Scrip Share Price	7-13 April (inclusive)
Record date for the Second Quarterly Dividend	8 April
Second Quarterly Dividend Scrip Share Price announcement date	14 April
Posting of Scrip Mandate Form	15 April
Latest date for receipt by Equiniti of Scrip Mandate Form and CREST Dividend Election Input Messages	13 May
Definitive share certificates and scrip dividend statements posted	26 May
Payment of Second Quarterly Dividend, CREST accounts credited, first day of dealings in New Shares	27 May

APPENDIX 2

Scrip Dividend Scheme Terms and Conditions

1. The Scrip Dividend Scheme

The optional Scrip Dividend Scheme enables you to receive New Shares in Primary Health Properties PLC in respect of any interim or final dividend where a scrip dividend alternative is offered instead of the cash dividend you would otherwise receive. This makes it possible for you to build your shareholding in the Company without going to the market to buy New Shares. You will not incur any dealing costs, stamp duty or stamp duty reserve tax in electing to take a scrip dividend instead of a cash dividend. Please refer to the taxation information in Appendix 3 below.

For your protection, the Directors may (and absent mitigating circumstances intend to) declare your Scrip Mandate void and pay a cash dividend instead, in respect of the relevant dividend only, if the middle market quotation for the Company's Ordinary Shares by the final date for receipt of Scrip Mandate Forms and CREST Dividend Election Input Messages in respect of that relevant dividend falls by 10 per cent. or more from the Scrip Share Price.

At the 2016 AGM the Shareholders authorised the Directors to offer a scrip dividend alternative instead of all or part of any dividend declared or paid in the period up to 5 April 2019.

The continued operation of the Scheme is subject both to renewal of that authority at the appropriate time and to the Directors' subsequent decision to make that scrip dividend alternative offer in respect of dividends declared or paid. If the authority is not renewed at the appropriate time or the Directors decide not to offer a scrip dividend alternative in respect of a particular dividend, the full cash dividend will be paid in the normal way together with any cash balance carried forward. The Scheme may be modified or terminated at any time by the Company without notice to participants individually, although advice of any such action will normally be sent to all Shareholders. In the case of any modification, existing Scrip Mandates will remain valid under the modified scheme unless and until the Company receives a valid revocation of the Scrip Mandate. Should the Scheme be terminated, all Scrip Mandates then in force will be deemed to have been revoked as at the date of such termination and any cash balances carried forward will be paid to Shareholders or carried forward until the next dividend.

2. Joining the Scheme

All Shareholders resident in the UK who have no current election in force can join the Scheme by completing the enclosed Scrip Mandate Form (which may be amended from time to time) in accordance with the instructions thereon and sending it (in the envelope provided) to Equiniti at Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA if they hold their Ordinary Shares in certificated form or by submitting a CREST Dividend Election Input Message if they hold their Ordinary Shares in uncertificated form via CREST. No acknowledgement of receipt of Scrip Mandate Forms will be given. **Shareholders who hold their Ordinary Shares in CREST can only elect to receive dividends in the form of New Shares by submitting an election by CREST input message.** Scrip Mandate Forms and CREST Dividend Election Input Messages must be received by Equiniti by 5.00 p.m. on the date advised by the Company to be eligible for that dividend. Details of the expected timetable in relation to the application of the Scrip Dividend Scheme to a particular dividend (including the dividend payment date, the ex-dividend date and the record date for any dividend) will be available on the Company's website at www.phpgroup.co.uk, from the documentation provided to Shareholders by the Company in respect of that dividend via a Regulatory Information Service, or by contacting Equiniti on their helpline as indicated below.

If you hold your Ordinary Shares in certificated form, your Scrip Dividend Mandate will remain in force in respect of your entire holding of Ordinary Shares for all future dividends in respect of which a scrip dividend alternative is offered and the Scrip Dividend Scheme applies until cancelled by you in writing. Shareholders holding their Ordinary Shares in CREST must elect for each dividend.

Upon execution of a Scrip Mandate Form, either personally or on behalf of the relevant Shareholder, that Shareholder is deemed (in respect of himself, his heirs, successors and assigns) (a) to agree to participate in the Scheme pursuant to these terms and conditions and (b) to authorise the Company or its agent to send to the Shareholder, at the Shareholder's registered address, any definitive share certificate in respect of New Shares allotted.

Any Scrip Mandate Form sent to an address other than that stated above will not be accepted or considered valid. For details regarding overseas Shareholders please see paragraph 10 below.

3. Number of New Shares

The number of New Shares that Shareholders will receive for each dividend will depend on the amount of the cash dividend, any residual cash balance brought forward from the last scrip dividend, the number of Ordinary Shares held, the Scrip Share Price to be used in calculating Shareholders' entitlements and, for PIDs only, whether withholding tax applies. The Scrip Share Price will be the average of the middle market quotations for the Ordinary Shares on the London Stock Exchange for the five dealing days commencing on the ex-dividend date. The Scrip Share Price will be posted on the Company's website www.phpgroup.co.uk. Absent any requirement to withhold tax, the formula used for calculating the maximum number of New Shares to be received for each dividend is set out below:

$$\frac{(\text{Number of Ordinary Shares held at the dividend record date} \times \text{cash dividend rate}) + \text{Any fractional cash entitlement carried forward from last dividend}^{*}}{\text{Scrip Share Price}}$$

* No fractional entitlements will be available for inclusion in respect of the first dividend for which you participate in the Scheme.

Where a dividend is a PID however, the number of New Shares received will be reduced if withholding tax applies. An example of this is shown in paragraph (B) below.

Once the New Shares have been issued, a statement, along with a new share certificate, showing the number of New Shares allotted, the Scrip Share Price and the Cash Equivalent of the New Shares and any applicable withholding tax for tax purposes, will be sent to Shareholders.

(A) Worked example of a scrip dividend alternative for a Non-PID

Assuming a relevant dividend with a cash value of 5.1 pence per Ordinary Share, a shareholding of 1,000 Ordinary Shares and a Scrip Share Price of £1.00

- aggregate value of cash dividend: 1,000 × 5.1 pence = £51.00

This amount of £51.00 is the maximum amount available.

- **number of New Shares under the scrip dividend alternative: £51.00 ÷ £1.00 = 51 New Shares**
- value of New Shares at the Scrip Share Price: 51 × £1.00 = £51.00

Deducting this from the amount of the cash dividend (£51.00) leaves no cash balance to be carried forward to the next relevant dividend.

(B) Worked example of a scrip dividend alternative for a PID

Subject to certain exceptions, the Company is required to withhold tax at source (at 20 per cent.) from its PIDs, whether paid in cash or in the form of New Shares pursuant to a scrip dividend alternative (see Appendix 3 of this circular for further details about the withholding tax). The Company will satisfy its obligation to withhold tax at source from a PID that is paid in the form of New Shares by not issuing the full number of New Shares to which a Shareholder would otherwise be entitled in respect of that PID and accounting to HM Revenue & Customs for withholding tax on the Cash Equivalent of the PID.

Where withholding tax applies, the formula used to calculate a Shareholder's entitlement to New Shares is therefore modified so that the number of New Shares issued is calculated by reference to 80 per cent. of the aggregate value of cash dividend forgone instead of the whole amount, together with any cash balance arising from a previous PID. If the withholding tax rate changes from 20 per cent., the 80 per cent. figure will be adjusted accordingly.

Assuming a relevant dividend with a cash value of 5.1 pence per Ordinary Share, a withholding tax of 20 per cent, a shareholding of 1,000 Ordinary Shares and a Scrip Share Price of £1.00

- aggregate value of cash dividend: 1,000 × 5.1 pence = £51.00
- **number of New Shares under the scrip dividend alternative: £51.00 × 80 per cent. (£40.80) ÷ £1.00 = 40.8, rounded down to 40 New Shares**

- value of New Shares at the Scrip Share Price: 40 $\times$ £1.00 = £40.00

Deducting this from £40.80 (being £51.00 less withholding tax at 20 per cent.) leaves a cash balance of 80 pence which would be carried forward to the next relevant dividend.

Fluctuation in market value of Ordinary Shares and amount of withholding tax

The market value of the New Shares at the time of issue may differ from the Scrip Share Price, and accordingly the market value of those additional New Shares that would have been issued to the Shareholder absent any withholding tax requirement may not equate to the actual amount of withholding tax that the Company is required to account for to HM Revenue & Customs and in respect of which the Shareholder may be entitled to credit. No additional payment will be made to, or sought from, a Shareholder in respect of any such difference.

Note: The examples above assume no cash balance has been brought forward in respect of a previous relevant dividend.

4. Fractions and cash balances

No fraction of a New Share will be allotted and calculations of entitlements to New Shares will always be rounded down to the nearest whole New Share. Any residual cash balance will be carried forward to be included in the calculation for the next dividend. No interest will be paid on any residual cash balances.

5. Future dividends

Once a Shareholder has returned a valid Scrip Mandate Form this will apply for all successive dividends unless and until it is cancelled in writing by the Shareholder. Shareholders holding their Ordinary Shares in CREST must elect for each dividend using a CREST Dividend Election Input Message. The Scheme is always subject to the Directors' decision to offer a scrip dividend alternative. The Directors may decide not to offer a scrip dividend alternative in respect of any future dividend.

All New Shares issued under the Scheme will automatically increase a Shareholder's shareholding on which the next entitlement to a scrip dividend will be calculated. Where the cash dividend is insufficient to acquire New Shares, funds representing Shareholders' fractional cash entitlement will be accumulated for their benefit. These funds will be added to the cash amount of any subsequent relevant dividends (in respect of which a scrip dividend alternative is offered) and applied in calculating Shareholders' entitlements under those dividends.

If you withdraw from the Scheme or sell or transfer your entire holding of Ordinary Shares or if the Company terminates the Scheme any cash balance of less than £5 will be paid to a charity of the Company's choice.

6. Listing and ranking of the New Shares

Application will be made to the London Stock Exchange and the UKLA for admission of the New Shares to trading and to the Official List of the UKLA. The New Shares will be credited as fully paid and will rank equally in all respects with the existing Ordinary Shares (including the same voting rights). If for any reason the New Shares are not admitted to listing or trading the Company will pay the relevant dividend in cash in the usual way as soon as practicable.

7. Share certificates and dealings in the New Shares

Subject to the New Shares being admitted to the Official List of the UKLA and to trading on the London Stock Exchange, your new share certificate will be posted to you, at your own risk, on or about the same date as dividend warrants are posted to Shareholders who are taking the dividends in cash (see the Company's website www.phpgroup.co.uk for the expected dates in respect of each relevant dividend). CREST holders will have their member accounts credited directly with the New Shares on the dividend payment date or as soon as practicable thereafter. Shareholders electing for a scrip dividend will, in addition, receive a statement showing the number of New Shares allotted, the Scrip Share Price and the Cash Equivalent of the New Shares and any applicable withholding tax for tax purposes. Dealings in the New Shares are expected to begin on the relevant dividend payment date.

8. Multiple and joint shareholdings

If a Shareholder's Ordinary Shares are registered in more than one holding, then unless such multiple shareholdings are consolidated before the date for final receipt of the Scrip Mandate Forms they will be treated as separate. As a result, separate Scrip Mandate Forms will need to be completed for each holding if Shareholders wish to receive New Shares under the Scheme in respect of each holding.

In respect of shareholdings held in joint names all joint Shareholders must sign the Scrip Mandate Form.

9. Partial elections

Scrip Mandate Forms will only be accepted in relation to the whole shareholding. The Directors may, at their discretion, allow a Shareholder to take up a lesser number of New Shares where they are acting on behalf of more than one beneficial holder that is, through a nominee shareholding held in CREST. The CREST Dividend Election Input Message submitted to CREST must contain the number of Ordinary Shares for which the election is being made. Such Scrip Mandate must be renewed for each dividend. A cash dividend will be paid on any remaining Ordinary Shares not included in the CREST Dividend Election Input Message.

10. Overseas Shareholders

Shareholders who are resident outside the UK may treat this circular as an invitation to receive New Shares unless such an invitation could not lawfully be made to such Shareholders without compliance with any registration or other legal or regulatory requirements. It is the responsibility of any person resident outside the UK wishing to elect to receive New Shares under the Scheme to be satisfied that such a decision can validly be made without any further obligation on the part of the Company, and to be satisfied as to full observance of the laws of the relevant territory, including obtaining any governmental, regulatory or other consents which may be required and observing any other formalities in such territories and any resale restrictions which may apply to the New Shares. Unless this condition is satisfied, such Shareholders may not participate in the Scheme or sign a Scrip Mandate Form (or where applicable make an election through CREST).

By completing and returning a Scrip Mandate Form or making an election through CREST, each Shareholder will confirm that they are not resident in any jurisdiction that would require the Company to comply with any registration or other legal or regulatory requirements arising out of this election or holding any Ordinary Shares as nominee(s) or transferee(s) for any beneficial holder who is so resident.

11. Recent sale or purchase of Ordinary Shares

If Shareholders have sold some of their Ordinary Shares before a dividend record date, the Scrip Dividend Scheme will apply in respect of the remainder of such Shareholders' Ordinary Shares. If Shareholders have bought any additional Ordinary Shares after a dividend record date, the additional Ordinary Shares will not be eligible for the next dividend, but will be eligible for future dividends, without the need to complete a further Scrip Mandate Form in respect of the additional Ordinary Shares.

12. Cancellation of Scrip Mandate

Shareholders may cancel their Scrip Mandate at any time. Notice of cancellation must be given in writing to Equiniti and received by Equiniti by no later than the date advised by the Company for receipt of Scrip Mandate Forms when a dividend is announced. CREST Shareholders can only cancel their Scrip Mandates through the CREST system. A notice of cancellation will take effect on its receipt and processed by Equiniti in respect of all dividends payable after the date of receipt of such notice. If a notice of cancellation is received after the date advised by the Company, the Shareholder will receive New Shares under the Scheme for that dividend and the cancellation will take effect for subsequent dividends. A Shareholder's Scrip Mandate will be deemed to be cancelled if such Shareholder sells or otherwise transfers their Ordinary Shares to another person but only with effect from the registration of the relevant transfer. If you hold your Ordinary Shares in certificated form and you sell or transfer your entire shareholding before the last date for the lodging of the Scrip Mandate Form for a particular dividend, you will be withdrawn from the Scrip Dividend Scheme for that and any subsequent dividend.

A Shareholder's Scrip Mandate will also terminate immediately on receipt of notice of such Shareholder's death. However, if a joint Shareholder dies, the Scrip Mandate will continue in favour of the surviving joint Shareholder(s) (unless and until cancelled by the surviving joint Shareholder(s)). Any residual amounts over £5 standing to the credit of a Shareholder will be paid to such Shareholder in cash (by cheque) on or as soon as practicable after the cancellation. Where such residual amount is under £5, such sums will be paid to a charity of the Company's choice.

Any notice sent to an address other than that stated in paragraph 2 above will not be accepted or considered valid.

13. Changes to or cancellation of the Scheme

The Directors may at any time, at their discretion and without notice to Shareholders, modify, suspend, terminate or cancel the Scheme. In the case of any modification, existing Scrip Mandates (unless otherwise specified by the Directors) will be deemed to remain valid under the modified arrangements unless and until Equiniti receives a cancellation in writing from such Shareholders pursuant to paragraph 12 above. If the Scheme is terminated or cancelled by the Directors, all Scrip Mandates then in force will be deemed to have been cancelled as at the date of such termination or cancellation.

The operation of the Scrip Dividend Scheme is always subject to the Directors' decision to make an offer of New Shares in respect of any particular dividend. The Directors may also determine whether any scrip dividend alternative will be in PID or Non-PID form including whether it should be treated as a Non-PID in circumstances where the cash dividend is a PID, and vice versa. The Directors also have the power, after such an offer is made, to revoke the offer generally at any time prior to the allotment of New Shares under the Scheme. If the Directors revoke an offer (or otherwise suspend, terminate or cancel the Scheme), Shareholders will receive their dividend in cash on or as soon as reasonably practicable after the dividend payment date.

14. Taxation

The tax consequences of electing to receive New Shares in place of a cash dividend will depend on your individual circumstances. If you are not sure how you will be affected from a tax perspective, you should consult your solicitor, accountant or other professional adviser before taking any action. UK resident trustees, corporates, pension funds and other Shareholders, including overseas Shareholders, are advised to contact their professional advisers regarding their own tax circumstances before taking any action in relation to the Scheme.

15. Governing law

The Scheme is subject to the Company's articles of association and these terms and conditions, as amended from time to time, and is governed by, and its terms and conditions are to be construed in accordance with, English law. By electing to receive New Shares the relevant Shareholder agrees to submit to the exclusive jurisdiction of the English courts in relation to the Scheme.

Contacts

For general enquiries about the Scheme please contact Equiniti on 0371 384 2268. Lines are open 9.00 a.m. to 5.00 p.m. Monday to Friday (except UK public holidays). Calls to the helpline from outside the UK will be charged at applicable international rates. Calls may be recorded and randomly monitored for security and training purposes. The helpline cannot provide advice on the merits of the Scrip Dividend Scheme nor give any personal financial, legal or tax advice.

APPENDIX 3

Taxation

The precise tax consequences for a Shareholder receiving New Shares in lieu of a cash dividend will depend on the Shareholder's individual personal circumstances. The Directors have been advised that, under UK legislation, the tax consequences for UK tax resident Shareholders electing to receive New Shares are as summarised below.

This summary is based on current law as at 6 April 2016, is not exhaustive and does not deal with the position of any Shareholder not resident in the United Kingdom for tax purposes. Unless expressly stated, it does not anticipate the effect (if any) of any changes in taxation which may be introduced after the date of this circular.

If you are in any doubt as to your position, you are strongly advised to consult your tax adviser before taking any action.

Dividends paid by REITs—PID/Non-PID

The Company is a Real Estate Investment Trust (''**REIT**''). As a result it does not pay UK direct taxes on income profits and capital gains from its property rental business (''**Tax Exempt Business**''), provided certain conditions are satisfied. Instead, the Company is required to distribute to Shareholders at least 90 per cent. of the income profits of the Tax-Exempt Business (as determined by the legislation) arising each accounting period. This obligation is fulfilled by way of a PID, which can be distributed in cash or as New Shares and (with some exceptions) will in either case be subject to withholding tax.

Corporation tax is payable in the normal way in respect of profit and gains from other parts of the Company's business (the ''**Residual Business**'') and a dividend relating to the Residual Business (as determined by the legislation), or Non-PID, is treated for UK tax purposes as a normal dividend (whether in cash or as New Shares).

The following paragraphs outline the main aspects of the tax treatment of PIDs and Non-PIDs in the hands of a UK tax resident Shareholder.

1. Taxation of PIDs

For the purposes of this section, the value attributed to PIDs is (i) in the case of a PID in the form of New Shares, the Cash Equivalent of the New Shares and (ii) in the case of a PID in the form of cash, the amount of that cash PID, in both cases before any applicable obligation to make a withholding on account of tax.

(A) UK resident individuals

Income tax

PIDs received by individuals will generally be treated as the profit of a single UK property business, irrespective of whether the PID is paid in cash or as New Shares. The PID is, together with any other PIDs from any other UK REITs, treated as a separate UK property business from any other UK property business carried on by the relevant Shareholder. This means that surplus expenses from a Shareholder's different UK property business cannot be off-set against a PID as part of a single calculation of the profits of the Shareholder's UK property business.

The PID will be subject to income tax at the Shareholder's marginal rate (basic rate 20 per cent.; higher rate 40 per cent.; additional rate 45 per cent.) less any personal allowance.

As part of the 2016 Budget, the government announced that the Finance Bill 2017 will contain legislation providing that, from April 2017, UK resident individuals will be entitled to a £1,000 property income allowance (in addition to the usual personal allowance). Where an individual's property income falls below the threshold there will be no requirement to declare the income for tax purposes.

Capital gains tax

The receipt of New Shares will not give rise to an immediate charge to capital gains tax (''**CGT**''). Individual Shareholders who receive a PID in the form of New Shares will be treated as having acquired those New Shares for their Cash Equivalent—that will be their base cost.

Higher and additional rate taxpayers are currently subject to CGT at the rate of 20 per cent. and basic rate taxpayers at the rate of 10 per cent. on gains realised. In both cases this is subject to the annual exempt amount (currently £11,100) and any available exemptions, reliefs or losses, including entrepreneurs' relief and investors' relief.

(B) **UK resident trustees**

Income tax

PIDs received by UK resident trustee Shareholders will generally be treated in the same way as they are treated for UK resident individuals save that the income tax rate for trustees is a flat rate of 45 per cent. for trust income above £1,000. PID income falling within the initial £1,000 band will be taxed at no more than the basic rate (currently 20 per cent.).

Capital gains tax

PIDs received by UK resident trustee Shareholders will generally be subject to the same CGT regime as UK resident individuals save that the CGT rate for trustees is a flat rate of 20 per cent. and the annual exempt amount is £5,550.

(C) **UK resident companies**

Corporation tax (profits)

PIDs received by Shareholders that are within the charge to corporation tax will generally be treated as the profit of a UK property business, irrespective of whether the PID is paid in cash or as New Shares. The PID is, together with any other PIDs from any other UK REITs, treated as a separate UK property business from any other UK property business carried on by the Shareholder. This means that surplus expenses from a Shareholder's different UK property business cannot be off-set against a PID as part of a single calculation of the profits of the Shareholder's UK property business.

Corporation tax (chargeable gains)

Shareholders that are within the charge to corporation tax receiving a PID in the form of New Shares will be treated as having acquired those New Shares for their Cash Equivalent. The corporation tax regime will apply in the normal way to subsequent disposals.

(D) **Charities, individual savings accounts, pensions and other UK resident gross funds**

PIDs paid in respect of Ordinary Shares held in an exempt fund (such as pension funds and charities) or individual savings accounts are not subject to tax. If any tax is withheld at source it may be reclaimed from HM Revenue & Customs.

(E) **Withholding tax**

General

Subject to certain exceptions outlined below, the Company is required to withhold tax at source from PIDs at the basic rate of income tax (currently 20 per cent.), irrespective of whether the PID is paid in cash or as New Shares. In the case of a PID paid in cash, the Company will provide Shareholders with a certificate setting out the gross amount of the PID, the amount of tax withheld, and the net amount of the PID. In the case of a PID paid as New Shares, the Company will provide Shareholders with a scrip statement showing details of the New Shares issued.

For a worked example of the operation of the withholding tax in the case of a PID paid as New Shares, please see paragraph 3(B) in Appendix 2.

UK individual and trustee shareholders

When tax has been withheld at source, individual and trustee Shareholders may, depending upon their particular circumstances, be liable to further tax at their applicable marginal rate, or may be entitled to claim repayment of some or all of the tax withheld.

UK company shareholders

In the exceptional event that tax is withheld at source on a PID paid to a Shareholder within the charge to corporation tax, the tax withheld can be offset against such Shareholder's liability to corporation tax in the accounting period in which the PID is received.

Charities, individual savings accounts, pensions and other UK resident gross funds

In the exceptional event that tax is withheld at source on a PID paid to a Shareholder whose Ordinary Shares are held in an exempt fund (such as pension funds and charities) or individual savings accounts, the tax withheld may be reclaimed from HM Revenue & Customs.

Exceptions

The Company is not required to withhold income tax at source from a PID if it reasonably believes that (i) the person beneficially entitled to the PID is a company (other than an authorised investment fund which is a ''tax elected fund'') resident for tax purposes in the UK (or resident outside the UK but required to bring the PID into account in computing the taxable profits of a permanent establishment in the UK) or is a charity, local authority or specified government body; (ii) the PID is paid to the scheme administrator of a registered pension scheme, the sub-scheme administrator of certain pension sub-schemes, or the account manager of an Individual Savings Account (ISA), and will be applied for the purposes of the relevant scheme, sub-scheme or account; or (iii) the body beneficially entitled to the PID is a partnership, each member of which falls within one of the foregoing exceptions.

In order to receive PIDs free of withholding tax, Shareholders that fall within one of the exceptions above should submit a valid ''Declaration of Eligibility'' (copies of which are available on request from Equiniti). The relevant form must be lodged with Equiniti no later than the record date for the relevant dividend. Shareholders should note that the Company may seek recovery from Shareholders if the statements made in their claim form are incorrect and the Company suffers tax as a result.

2. Taxation of non-PIDs

(A) **UK resident individuals**

Income tax

Individuals who elect to receive a Non-PID in the form of New Shares will be treated as having received the Cash Equivalent.

The Finance Bill 2016 provides (and the subsequent Finance Act 2016 is expected to provide) that from 6 April 2016 the first £5,000 of a taxpayer's dividend income will be exempt from income tax, but will not reduce total taxable income. As a result, dividends within the allowance will count as taxable income when determining how much of the basic rate band or higher rate band has been used.

The amount an individual is treated as having received that is in excess of the tax-free allowance will be taxed at 7.5 per cent. where it falls within an individual's basic rate band, 32.5 per cent. where it falls within an individual's higher rate band and 38.1 per cent. where it is taxed as additional rate income.

Capital gains tax

The receipt of New Shares will not give rise to an immediate charge to CGT. For the purpose of computing an individual's CGT liability upon a future sale of the New Shares, the Cash Equivalent will be treated by HM Revenue & Customs as the base cost in the New Shares.

Higher and additional rate taxpayers are subject to CGT at the rate of 20 per cent. and basic rate payers at the rate of 10 per cent. on gains realised. In both cases this is subject to any available exemptions, reliefs or losses, including entrepreneurs' relief and investors' relief.

(B) **UK resident trustees**

Trustees of a trust who elect to receive a Non-PID in the form of New Shares will be treated as having received the Cash Equivalent.

The amount the trustee is treated as having received will be liable to income tax at the current dividend trust rate of 38.1 per cent.

The above rate of 38.1 per cent. applies to trust income above £1,000. Income falling within the initial £1,000 band will be taxed at no more than the dividend ordinary rate for trusts (currently 7.5 per cent.).

Where New Shares are received instead of a cash dividend, the Cash Equivalent will be treated as the consideration given for the New Shares for CGT purposes.

(C) **UK resident companies**

Corporation tax (profits)

For a UK resident corporate Shareholder, corporation tax will not be chargeable on the receipt of a Non-PID irrespective of whether it is paid as New Shares or a cash dividend.

Corporation tax (chargeable gains)

Non-PID New Shares received by Shareholders within the charge to corporation tax are treated as acquired when the existing Ordinary Shares were acquired. The calculation of any chargeable gains on a disposal of a UK resident company's shareholding will, therefore, be made by reference to the base cost of the original shareholding only.

(D) **Charities, individual savings accounts, pensions and other UK resident gross funds**

Non-PIDs paid on shares held in exempt funds (such as pension funds and charities) or individual savings accounts are not subject to UK tax on dividends. This is the same whether New Shares or a cash dividend is taken.

3. Stamp duty and stamp duty reserve tax

No stamp duty or stamp duty reserve tax will be payable on the issue of the New Shares.

4. Cash Equivalent

If the Cash Equivalent of the New Shares is determined in accordance with the London Stock Exchange market value (see the definition of Cash Equivalent in the Glossary), Shareholders will be sent a notice of the revised valuation which they should keep with their share certificate(s). This revised value is used for both income tax and CGT purposes.

Merrill Corporation Ltd, London
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