

## IMPORTANT NOTICE

### NOT FOR DISTRIBUTION TO ANY U.S. PERSON OR TO ANY PERSON OR ADDRESS IN THE UNITED STATES

**IMPORTANT: You must read the following before continuing.** The following applies to the Prospectus (the "**Prospectus**") following this page, and you are therefore advised to read this carefully before reading, accessing or making any other use of the Prospectus. In accessing the Prospectus, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from us as a result of such access.

NOTHING IN THIS PROSPECTUS CONSTITUTES AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY THE SECURITIES OF THE ISSUER IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE BONDS HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), OR ANY SECURITIES LAWS OF ANY STATE OF THE UNITED STATES. THE BONDS MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS ("**U.S. PERSONS**"), AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT ("**REGULATION S**"), NOR U.S. RESIDENTS (AS DETERMINED FOR THE PURPOSES OF THE U.S. INVESTMENT COMPANY ACT OF 1940) ("**U.S. RESIDENTS**") EXCEPT PURSUANT TO AN EXEMPTION FROM SUCH REGISTRATION REQUIREMENTS.

WITHIN THE UNITED KINGDOM, THIS PROSPECTUS IS DIRECTED ONLY AT PERSONS WHO HAVE PROFESSIONAL EXPERIENCE IN MATTERS RELATING TO INVESTMENTS AND WHO QUALIFY EITHER AS INVESTMENT PROFESSIONALS IN ACCORDANCE WITH ARTICLE 19(5) OR AS HIGH NET WORTH COMPANIES, UNINCORPORATED ASSOCIATIONS, PARTNERSHIPS OR TRUSTEES IN ACCORDANCE WITH ARTICLE 49(2) OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (FINANCIAL PROMOTION) ORDER 2005 (TOGETHER, "**EXEMPT PERSONS**"). IT MAY NOT BE PASSED ON EXCEPT TO EXEMPT PERSONS OR OTHER PERSONS IN CIRCUMSTANCES IN WHICH SECTION 21(1) OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 DOES NOT APPLY (ALL SUCH PERSONS TOGETHER BEING REFERRED TO AS "**RELEVANT PERSONS**"). THE PROSPECTUS MUST NOT BE ACTED ON OR RELIED ON BY PERSONS WHO ARE NOT RELEVANT PERSONS. ANY INVESTMENT OR INVESTMENT ACTIVITY TO WHICH THE PROSPECTUS RELATES IS AVAILABLE ONLY TO RELEVANT PERSONS AND WILL BE ENGAGED IN ONLY WITH RELEVANT PERSONS. ANY PERSONS OTHER THAN RELEVANT PERSONS SHOULD NOT ACT OR RELY ON THIS DOCUMENT.

THE PROSPECTUS MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER, AND IN PARTICULAR, MAY NOT BE FORWARDED TO ANY U.S. PERSON. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

Confirmation of your Representation: The Prospectus is being sent to you at your request and by accepting the e-mail and accessing the Prospectus, you shall be deemed to have represented to us that (i) you have understood and agree to the terms set out herein; (ii) you consent to the delivery of the Prospectus by electronic transmission; (iii) if you are a person in the United Kingdom you are a Relevant Person; and (iv) you are not a U.S Person or U.S Resident.

You are reminded that the Prospectus has been delivered to you on the basis that you are a person into whose possession the Prospectus may lawfully be delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver the Prospectus to any other person.

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the managers or any affiliate of the managers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the managers or such affiliate on behalf of the Issuer in such, jurisdiction.

The Prospectus has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Issuer or Castle Fund Administrators Limited nor any director, officer, employee or agent or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Prospectus distributed to you in electronic format herewith and the hard copy version available to you on request from Castle Fund Administrators Limited.

This Prospectus has been prepared in accordance with the requirements of Commission Regulation (EC) No. 809/2004 of 29 April 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in prospectuses as well as the format, incorporation by reference and publication of such prospectuses and dissemination of advertisements (as amended by Directive 2010/73/EU of the European Parliament and of the Council and Commission delegated Regulation (EU) No. 486/2012 of 30 March 2012, Commission delegated regulation (EU) No. 862/2012 of 4 June, 2012, Commission delegated Regulation (EU) No. 759/2013 of 30 April 2013 and Commission delegated Regulation (EU) No. 382/2014 of 7 March 2014).

In respect of an **Issue of £50,000,000 FIXED INTEREST RATE 6.5 PER CENT. PER ANNUM UNSECURED BONDS MATURING 31 MARCH 2023**

and having a nominal Denomination of £100,000

**ISIN GB00BYP0Y667**

by

**EUROPEAN INVESTMENT GRADE PROPERTIES PLC**

*A PUBLIC LIMITED LIABILITY COMPANY INCORPORATED IN ENGLAND AND WALES UNDER THE COMPANIES ACT 2006 WITH REGISTERED NUMBER 9816665*

**THE ISSUER IS NOT, AND WILL NOT BE, LICENSED OR REGULATED BY THE FINANCIAL CONDUCT AUTHORITY.**

**THE SECURITIES OFFERED ARE COMPLEX FINANCIAL INSTRUMENTS AND MAY NOT BE SUITABLE FOR ALL TYPES OF INVESTORS. A POTENTIAL INVESTOR SHOULD NOT INVEST IN THE SECURITIES UNLESS:**

- I. S/HE HAS THE NECESSARY KNOWLEDGE AND EXPERIENCE TO UNDERSTAND THE RISKS RELATING TO THIS TYPE OF FINANCIAL INSTRUMENT;**
- II. THE SECURITIES MEET THE INVESTMENT OBJECTIVES OF THE POTENTIAL INVESTOR;**
- III. SUCH POTENTIAL INVESTOR IS ABLE TO BEAR THE INVESTMENT AND FINANCIAL RISKS WHICH RESULT FROM INVESTMENT IN THESE SECURITIES.**

**THIS PROSPECTUS HAS NOT BEEN, AND WILL NOT BE, REVIEWED OR APPROVED BY THE THE FCA, OR ANY OTHER REGULATORY AUTHORITY IN THE UK.**

**THE FSC ACCEPTS NO RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS, MAKES NO REPRESENTATIONS AS TO ITS ACCURACY OR COMPLETENESS AND EXPRESSLY DISCLAIMS ANY LIABILITY WHATSOEVER FOR ANY LOSS HOWEVER ARISING FROM, OR IN RELIANCE UPON, THE WHOLE OR ANY PART OF THE CONTENTS HEREOF.**

## IMPORTANT INFORMATION

This document constitutes a Prospectus within the terms of Directive 2003/71/EV of the European Parliament and of the Council to be published when securities are offered to the public or admitted to trading and amending Directive 2001/34/EC (as amended by Directive 2010/73/EU of the European Parliament and of the Council and Commission).

This prospectus dated **19<sup>th</sup> February, 2016** contains information relating to European Investment Grade Properties Plc (the "**Issuer**"), its business and the Securities being issued in terms of the Prospectus – namely, 50,000 bonds named EIGP 6.5 % 31/3/2023 and having a denomination of £100,000 each.

This prospectus has been submitted to and approved by the FSC (in its capacity as competent authority in terms and for the purposes of the Prospectus Directive). This prospectus has not been, and will not be, reviewed or approved by the FCA, or any other regulatory authority in the UK.

Application shall be made for the Securities (50,000 bonds and having a denomination of £100,000 each) to be approved for admissibility to listing and trading on the Gibraltar Stock Exchange (GSX), which is a EU regulated market.

The 6.5 per cent. unsecured Bonds due the 31<sup>st</sup> of March 2023 (the "Bonds") will be issued by European Investment Grade Properties Plc (the "**Issuer**"). Interest on the Bonds is payable quarterly in arrears, commencing on 31 March 2016. Payments in respect of the Bonds will be made without withholding or deduction for, or on account of taxes of the United Kingdom.

The Bonds mature on 31 March 2023 (the "**Maturity Date**"). The Bonds are subject to redemption in whole, but not in part, at their principal amount, together with any applicable accrued interest, at the option of the Company at any time as described in Schedule 2 Interest and Redemption. See "Appendix I - Bond Instrument".

THE BONDS HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), OR ANY STATE SECURITIES LAWS AND MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS ("**U.S. PERSONS**"), AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT ("**REGULATION S**"), NOR U.S. RESIDENTS (AS DETERMINED FOR THE PURPOSES OF THE U.S. INVESTMENT COMPANY ACT OF 1940) ("**U.S. RESIDENTS**") EXCEPT PURSUANT TO AN EXEMPTION FROM SUCH REGISTRATION REQUIREMENTS.

***For a description of certain matters that the prospective investors should consider, see "Risk Factors".***

The Issuer accepts responsibility for the information contained in this Prospectus. To the best of the knowledge and belief of the Issuer (having taken all reasonable care to ensure that such is the case), such information is in accordance with the facts and does not omit anything likely to affect the import of such information. The Issuer accepts responsibility accordingly.

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

The Bonds may not be offered or sold directly or indirectly, and neither this Prospectus nor any offering circular, prospectus, form of application, advertisement, other offering material or other information relating to the Issuer or the Bonds may be issued, distributed or published in any country or jurisdiction (including the Republic of Ireland ("**Ireland**") and the United Kingdom), except in circumstances that will result in compliance with all applicable laws, orders, rules and regulations.

The distribution of this Prospectus and the offering of the Bonds in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus comes are required by the Issuer to inform themselves about and to observe any such restrictions. [For a description of certain restrictions on offers and sales of Bonds and distribution of this Prospectus and other offering material relating to the Bonds, see "*Subscription*" below.]

Any offer of the Bonds (as contemplated by this Prospectus) to the public in any Member State of the European Economic Area (each, a "**Member State**") may be made at any time (a) to any legal entity which falls within the definition of "**qualified investor**" as defined in the Prospectus Directive; (b) to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive); or (c) in any other circumstances falling within Article 3(2) of the Prospectus Directive.

No person is authorised to give any information or to make any representation not contained in this Prospectus and any information or representation not so contained must not be relied upon as having been authorised by or on behalf of the Issuer. The delivery of this Prospectus at any time does not imply that the information contained in it is correct as at any time subsequent to its date and neither the Issuer nor Castle Fund Administrators Limited undertake to update the information contained in this document.

Neither of Castle Fund Administrators Limited and the Bond Trustee has separately verified the information contained in this Prospectus. Accordingly, no representation, warranty or undertaking, express or implied, is made (to the fullest extent permitted by law) and no responsibility or liability is accepted by Castle Fund Administrators Limited and the Bond Trustee as to the accuracy or completeness of the information contained in this Prospectus or any other information provided by the Issuer in connection with the issuance of the Bonds. Neither Castle Fund Administrators Limited and the Bond Trustee accepts any liability whether arising in tort or contract or otherwise (save as referred to above) in relation to the information contained in this Prospectus or any other information provided by the Issuer in connection with the issuance of the Bonds.

Neither this Prospectus nor any part hereof constitutes an offer of, or an invitation by, or on behalf of the Issuer to subscribe or purchase any of the Bonds and neither this Prospectus, nor any part hereof, may be used for or in conjunction with an offer to, or solicitation by, any person in any jurisdiction or in any circumstances in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation.

This Prospectus may only be communicated (i) to persons who have professional experience in matters relating to investments falling within Article 19 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2001 (the "**FPO**"); or (ii) who are persons falling within Article 49(2) of the FPO; or (iii) to whom this Prospectus may otherwise be lawfully communicated in accordance with all applicable laws (all such persons together being referred to as "**relevant persons**"). This Prospectus must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this communication relates is available only to relevant persons and will be engaged in only by relevant persons.

In this Prospectus, unless otherwise specified or the context otherwise requires, references to "£" and "**sterling**" are to the lawful currency for the time being of the United Kingdom and references to "€" and "**euro**" are to the lawful currency for the time being of the European Union.

The offering of the Bonds is being made in reliance upon an exemption from registration under the Securities Act for an offer and sale of the Bonds which does not involve a public offering. In making your purchase, you will be deemed to have made certain acknowledgments, representations and agreements.

Any investment in the Bonds does not have the status of a bank deposit and is not subject to the deposit protection scheme operated by the Financial Services Compensation Scheme.

The Bonds described in this Prospectus have not been registered with, recommended by or approved by the US Securities and Exchange Commission (the "**SEC**"), any state securities commission in the United States or any other securities commission or regulatory authority, nor has the SEC, any state securities commission in the United States or any such securities commission or authority passed upon the accuracy or adequacy of this Prospectus. Any representation to the contrary is a criminal offence.

## **FORWARD-LOOKING STATEMENTS**

This Document includes statements that are, or may be deemed to be, "forward-looking statements". These forward-looking statements can be identified by the use of forward-looking terminology, including the terms "anticipates", "believes", "estimate", "expected", "intends", "may", or "will" or, in each case, their negative or other variations or comparable terminology. These forward-looking statements relate to matters that are not historical facts. They appear in a number of places throughout this document and include statements regarding the intentions, beliefs or current expectations of the Issuer and the Directors concerning, amongst other things, the investment strategy, financing strategies and investment performance. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Forward-looking statements are not guarantees of future performance. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements. These factors include, but are not limited to, changes in general market conditions, legislative or regulatory changes, changes in taxation, the Company's ability to invest its cash and the proceeds of the Issue in suitable investments on a timely basis and the availability and cost of capital for future investments.

## **CONTENTS**

	<b>Page</b>
SUMMARY	7
EXPECTED TIMETABLE OF EVENTS	9
RISK FACTORS	10
DESCRIPTION OF THE COMPANY	14
VALUATION REPORT	24
ADDITIONAL INFORMATION	38
DEFINITIONS	44
APPENDIX I: BOND INSTRUMENT	46
APPENDIX II: ACCOUNTANT'S REPORT AND HISTORICAL FINANCIAL INFORMATION ON THE COMPANY	65

## EXECUTIVE SUMMARY

### KEY HIGHLIGHTS

The Directors are of the opinion that the funds raised in the initial placing of Bonds at Admission are sufficient for the Company to carry out its business strategy of identifying and carrying out due diligence on potential acquisitions and investment targets and to provide working capital for the Company's initial operations. The key highlights of the Group include:

- It has already signed contracts to purchase an attractive high-yield real estate portfolio of 8 properties in southern Germany further details of which are set out on page 13 of this Document ("**Contracted Portfolio**"). The Directors intend to purchase the Contracted Portfolio with the proceeds of the Bond.
- A proven management team with experience of completing German real estate transactions for over 10 years.
- The Contracted Portfolio is valued at €30.03m and yielding 7.73% per annum.
- Further target properties identified with a value of circa €94m and a yield of 7.6% per annum in prime locations with long term leases.
- Including the Contracted Portfolio more than €120 million of property assets have already been identified for purchase.

### The following is a summary of the Bond:

<b>Group Description:</b>	The Group is focused on real estate development in the South of Germany.  The Directors hope to raise up to £50,000,000 from the issue of the bond.
<b>Denomination:</b>	The nominal amount of the Bonds is £100,000.
<b>Minimum Investment:</b>	The minimum investment is £100,000.
<b>ISIN</b>	GB00BYP0Y667.
<b>Income:</b>	The Bonds will accrue interest from and including the issue date of each Bond at the fixed rate of 6.5 per cent per annum. The interest on the Bonds is payable quarterly in arrears at the end of the interest period to which the payment relates. Interest is payable in equal instalments on 31 March, 30 June, 30 September and 31 December in each year in which the Bonds are held. The final payment of interest will be made on the Redemption Date.
<b>Security:</b>	Unsecured.
<b>Raise Amount:</b>	Minimum raise of £5,000,000 gross at Admission. Maximum raise of £50,000,000.
<b>Term:</b>	Seven years after Admission.
<b>Redemption:</b>	Repayment of capital on the expiry of the term.
<b>Yield</b>	On the basis of the issue price of the Bonds of 100 per cent. of their nominal amount, the initial yield of the Bonds on the Issue Date is 6.5 per cent. on an annual basis. This initial yield is not an indication of future yield.
<b>Availability:</b>	This invitation is available for direct investment and individual savings accounts (ISA) and self invested personal pensions (SIPP) and small self administered schemes (SSAS) pension investments, provided that FCA suitability guidelines are followed.
<b>Ranking:</b>	All the Bonds shall rank pari passu, equally and rateably, without discrimination or preference alongside all unsecured creditors of the Company.



<b>Events of default:</b>	On one of four identified events listed in the Bond Instrument, the Bonds will be redeemed immediately at the principal amount.
<b>Withholding Taxes:</b>	Income is paid net of basic rate tax for UK individuals and gross for pension schemes and overseas investors.
<b>Trustee</b>	Beaufort Asset Clearing Services Limited
<b>Transferable:</b>	Ownership of the Bonds can be transferred to another party.
<b>Listed/unlisted:</b>	Applications have been made to admit the Bonds to trading on the Global Exchange Market and on the Gibraltar Stock Exchange.
<b>Meetings of Bondholders</b>	The Company may, at any time, convene a meeting of the Bondholders.
<b>Event on death:</b>	In the event of the death of a Bondholder the Bonds and accrued interest shall form part of the Bondholder's estate under the control of his or her executors or estate administrator.

**INFORMATION CONTAINED IN THIS DOCUMENT MUST BE CONSIDERED IN CONJUNCTION WITH THE BOND INSTRUMENT.**

## **EXPECTED TIMETABLE OF EVENTS**

Publication of this document **19<sup>th</sup> February, 2016**

Admission and dealings to commence in the Bonds **19<sup>th</sup> February, 2016**

## **COMPANY DETAILS ON THE GIBRALTAR STOCK EXCHANGE**

ISIN

GB00BYP0Y667

## **RISK FACTORS**

An investment in Securities involves certain risks. Prospective Investors should carefully consider, with their own independent financial and other professional advisors, the following risk factors and other investment considerations as well as all the other information contained in the Prospectus before deciding to acquire Securities. Prospective Investors should ensure that they fully understand the nature of the Securities as well as the extent of their exposure to risks associated with an investment in the Securities – including a risk of loss of part or all their investment.

The risk factors set out below are a summary of the principal risks associated with an investment in Securities:

### **Risks relating to the Group Investment**

#### **Exchange rate euro v sterling**

The company intends, to the extent it is economically desirable, to hedge the euro/sterling exchange rate risk which is caused by revenue being in Euros and bond payment obligations being in Sterling.

#### **Investment range and performance**

The Group will be dependent upon the Directors successful implementation of the Group's investment strategy, and ultimately on its ability to create a property portfolio capable of generating attractive returns. This implementation in turn will be subject to a number of factors, including market conditions and the timing of investments relative to market conditions which are inherent in the property development industry, many of which are beyond the control of the Group and difficult to predict. A key factor influencing the Group's investment returns will be the performance of the German property market, and in particular the property market in the South Germany, where the Group anticipates a high proportion of its investments taking place. Adverse conditions in the property market in the South of Germany may affect the profitability of the Group.

#### **Dependence on availability of capital**

Whilst it is not anticipated that the Group will borrow to make finance acquisition and development costs, the Group may do so. Should the Group require further additional funds, these may not be available when needed, or may not be forthcoming on terms that are advantageous to the Group or Bondholders.

Borrowing exposes the Group to movements in loan interest rates and the possibility that if the values of properties fall, the Group's capital repayment commitments may exceed the capital value of the Group's assets.

#### **Risks related to the Group's investments in residential property market**

The Group is exposed to general development risks. The risks of development or refurbishment include, but are not limited to, delays in timely completion of the project; cost overruns; poor quality workmanship and/or design; insolvency of building contractors and professional teams and inability to rent or inability to rent at a level sufficient to generate profits, any of which could have a material adverse effect on the financial condition and results of operations of the Group.

#### **Property market may experience a possible downturn**

Properties, including those in which the Group may invest in the future, can be relatively illiquid investments and are typically more difficult, and/or take longer, to realise than certain other investments such as equities, gilts or bonds. This lack of liquidity may affect the ability of the Group to realise valuation gains and to dispose of or acquire properties in a timely fashion and at satisfactory prices in response to changes in economic, real estate market or other conditions. While the Group monitors and updates its strategy to reflect market conditions, the current economic conditions could materially and adversely affect the ability of the Group to dispose of properties. A decline in the value of the Group's investment property assets may limit or reduce the level of return on the Group's investment in the property, which in turn could have an adverse effect on the Group's business, results of operations, financial condition and/or prospects.

## **The Group may not identify all risks and liabilities in respect of an investment**

The Group has no prior operating history and none of Group's investments have been acquired. Whilst the Directors have a large amount of experience in the property acquisition and development industry there can be no guarantee that the Directors possess all of the skills necessary in order to carry out the investment strategies of the Group. The activity of identifying, completing and realising on attractive real estate related investments involves a high degree of uncertainty, this may impact on the profitability of the investment.

## **Competition**

Competition may exist that has not been mentioned in this Document or that the Group may not be aware of and which may adversely affect the Group's business. The property development industry is a competitive industry and there may be developments that the Group is not aware of that may compete with the Group's offerings and products.

## **Risk to changes in regulation**

The Group will be under a duty to comply with any new rules, regulations and laws applicable to ownership of real estate property, including changes to planning laws and environmental factors. Approvals, licences and permits are, as a practical matter, subject to the discretion of the applicable governments or governmental offices. The Group must comply with existing standards, laws and regulations that may entail greater or lesser costs and delays, depending on the nature of the activity to be permitted and the permitting authority. New laws and regulations could have a material adverse impact on the Group's results of operations and financial condition. The Group's intended activities will be dependent upon the grant and maintenance of appropriate licences, leases, permits and regulatory consents which could subsequently be withdrawn or made subject to limitations. There can be no assurance that they will be granted, renewed or, if so, on what terms.

## **Operational Risk**

Operational risk and losses can result from external and internal failures or inadequacies, failure to comply with regulatory requirements and conduct of business rules, natural disasters or the failure of external systems, for example, those of the Group's contractual counterparties.

Terrorist acts, other acts of war or hostility and geopolitical, pandemic or other such events may result in economic and political uncertainties which could have a material adverse effect on the United Kingdom and international economic conditions and more specifically on the Group's results of operations, financial condition or prospects. Notwithstanding anything in this risk factor, this risk factor should not be taken as implying that the Group will be unable to comply with its obligations as a Company with securities admitted to the Global Exchange Market or to the Gibraltar Stock Exchange.

## **Dependence on key personnel**

The Group's future performance and success is substantially dependent on the continued services and continuing contributions of its Directors and senior management. Although the Group has agreed contractual arrangements to secure the services of the Directors, the retention of these services cannot be guaranteed. The loss of the services of any of the Group's executive officers or senior management could have a material adverse effect on the Group's business.

The Group's future success will also depend on its ability to attract and retain additional suitably qualified and experienced employees. There can be no guarantee that the Group will be able to attract and retain such employees, and failure to do so could have a material adverse effect on the financial condition, results or operations of the Group.

## **Overseas taxation**

The Group may be subject to tax under the tax rules of the jurisdictions in which it invests. Although the Group will endeavour to minimise any such taxes this may affect the performance of the business which may affect the Group's ability to provide returns to Bondholders.

## **Changes in tax legislation or practice**

Statements in this document concerning the taxation of Bondholders or the Group are based on UK tax

law and practice as at the date of this document. Any changes to the tax status of the Group or any of its underlying investments, or to tax legislation or practice (whether in the UK or in jurisdictions in which the Group invests), could affect the value of investments held by the Group, affect the Group's ability to provide returns to Bondholders and affect the tax treatment for Bondholders of their investments in the Group (including the applicable rates of tax and availability of reliefs).

### **Changes in interest rates**

Changes in interest rates could adversely affect the results of the Group's operations by increasing finance costs. Any increase in interest rates would increase debt service costs and would adversely affect the Group's cash flow. Changes in interest rates could therefore have an adverse effect on the Group's business, results of operations, financial condition and/or prospects. In addition, if interest rates on any future borrowing entered into are higher than the rates applicable to existing debt, then the Group's profitability may be affected.

### **Risk of damage to reputation and negative publicity**

The Group's ability to retain existing management contracts and client relationships and to attract new business is dependent on the maintenance of its reputation. The Group is vulnerable to adverse market perception as it operates in an industry where a high level of integrity and client trust is paramount. Any perceived, actual or alleged mismanagement, fraud or failure to satisfy the Group's responsibilities, or the negative publicity resulting from such activities or the allegation by a third party of such activities (whether well founded or not) associated with the Group, could have a material adverse effect on the financial condition, results or operations of the Group.

### **Litigation**

Legal proceedings may arise from time to time in the course of the Group's businesses. The Directors cannot preclude that litigation may be brought against the Group and that such litigation could have a material adverse effect on the financial condition, results or operations of the Group.

### **Risks related to the Bonds generally**

The Conditions of the Bonds contain provisions for calling meetings of the Bondholders to consider matters affecting their interests generally and to obtain written resolutions on matters relating to the Bonds from Bondholders without calling a meeting. These provisions permit defined majorities to bind all Bondholders including Bondholders who did not attend and vote at the relevant meeting and Bondholders who voted in a manner contrary to the majority.

### **Modification, waivers and substitution**

The Group may without the consent of Bondholders agree to any modification of the Bond Instrument which is (in the opinion of the Company) of a formal, minor or technical nature or which is made to correct a manifest error.

### **The EU Directive on the taxation of savings income may result in the imposition of withholding taxes in certain jurisdictions**

Under Council Directive 2003/48/EC on the taxation of savings income (the Savings Directive), Member States are required to provide to the tax authorities of other Member States details of certain payments of interest or similar income paid or secured by a person established in a Member State to or for the benefit of an individual resident in another Member State or certain limited types of entities established in another Member State. For a transitional period, Austria is required (unless during that period it elects otherwise) to operate a withholding system in relation to such payments. The end of the transitional period is dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries. A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland). If a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, the Issuer nor any other person would be obliged to pay additional amounts with respect to any Bond as a result of the imposition of such withholding tax.

### **Risk of early repayment**

In the event that a change in law relating to taxation results in the Group becoming obliged to increase the

amounts payable under the Bonds, the Group may repay outstanding amounts under the Bonds early. Upon

repayment of the Bonds you may not be able to reinvest the repayment proceeds at an effective interest rate as high as the interest rate on the Bonds being repaid and may only be able to do so at a significantly higher rate. You should consider investment risk in light of other investments available at the time.

### **Change in English Law**

The structure of the issue of the Bonds is based on English law, regulatory and administrative practice in effect as at the date of this document, and has due regard to the expected tax treatment of all relevant entities under UK tax law and the published practice of HM Revenue & Customs in force or applied in the UK as at the date of this document. No assurance can be given as to the impact of any possible change to English law, regulatory or administrative practice in the UK, or to UK tax law, or the interpretation or administration thereof, or to the published practice of HM Revenue & Customs as applied in the UK after the date of this document.

### **The secondary market generally**

The Bonds may have no established trading market when issued, and one may never develop. If a market does develop, it may not be very liquid. Therefore, investors may not be able to sell their Bonds easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. The Bonds are designed for specific investment objectives or strategies. As such, the Bonds generally will have a more limited secondary market and more price volatility than conventional debt securities. Illiquidity may have a severely adverse effect on the market value of the Bonds.

### **Realisation from sale of the Bonds may be less than original investments**

A Bondholder who chooses to sell his Bonds at any time prior to their maturity, may receive a price from such sale which is less than the original investment made. Factors that will influence the price may include, but are not limited to, market appetite, inflation, the time of redemption, interest rates and the current financial position and an assessment of the future prospects of the Group.

### **Exchange rate risks and exchange controls**

The Group will pay principal and interest on the Bonds in Sterling. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit other than Sterling. These include the risk that exchange rates may significantly change (including changes due to devaluation of Sterling or revaluation of the investor's currency) and the risk that authorities with jurisdiction over the investor's currency may impose or modify exchange controls. An appreciation in the value of the investor's currency relative to Sterling would decrease (i) the investor's currency-equivalent yield on the Bonds, (ii) the investor's currency-equivalent value of the principal payable on the Bonds and (iii) the investor's currency-equivalent market value of the Bonds. Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

### **Interest rate risks**

The Bonds bear interest at a fixed rate rather than by reference to an underlying index. Accordingly, if interest rates rise, then the income payable on the Bonds might become less attractive and the price that may be realised on a sale of the Bonds may fall. However, the market price of the Bonds from time to time has no effect on the total income you receive on maturity of the Bonds if you hold the Bonds until maturity. Further, inflation will reduce the real value of the Bonds over time, which may affect what you could buy with your investment in the future and may make the fixed rate payable on the Bonds less attractive in the future, again affecting the price that you could realise on a sale of the Bonds.

### **Unsecured**

Investors should note that the Bonds are an unsecured debt of the Group and will rank equally with any other unsecured debts of the Group. There is no certain or guarantee that the Group will be able to pay them. If the Group were to become insolvent, there is a risk that (a) some or all of the nominal value of the Bonds will not be redeemed, and (b) some or all of the interest return due on the Bonds will not be paid.

## DESCRIPTION OF THE ISSUER

### 1. Introduction

The Company was incorporated on 8 October 2015 in England and Wales as a public limited company with registered number 9816665 with the name European Investment Grade Properties Plc ("EIGP"). The Company was founded by its shareholders Peter Weimer, (Chief Executive), and Bodo Laux (Chairman).

### 2. Principal activities

#### The business

The Company's co-founder and Chief Executive, Peter Weimer, has an established real estate business with a successful track record of more than ten years in the south of Germany. The Company's co-founder and Chairman, Bodo Laux is a managing partner in an investment company located in UAE. Together Peter and Bodo set up EIGP, with a view to allowing investors access to high yielding German property investments.

The Group's primary focus is to buy in an efficient, rapid and confidential manner undervalued commercial, residential and mixed-use real estates in the south of Germany. The purchase price of target properties will typically be in the €3m to €15m range. The sellers will typically be banks, family offices, and private individuals or closed ended funds. The Group's management team has over ten years' experience and expertise in successfully sourcing, financing, letting and managing real estate property portfolios with attractive cash flows. The management team is trusted and well known to banks, family offices and other southern German property specialists.

The Director's believe that the Bonds should provide a lower risk investment, while providing dependable high yield income.

#### Contracted Portfolio

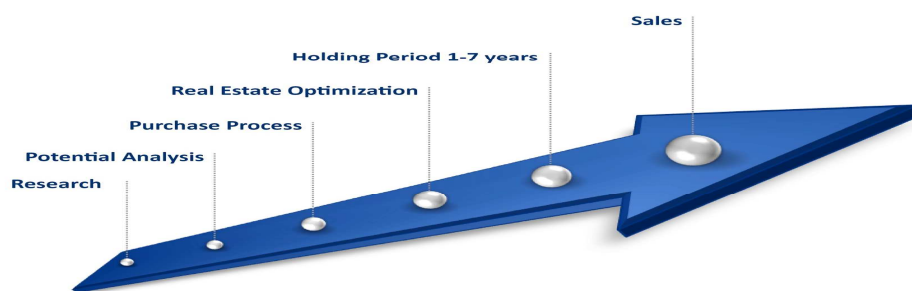
The Group has entered into eight acquisition agreements to purchase the Contracted Portfolio which consists OF a real estate portfolio of 8 properties with an open market value of €30.03m and a rental income of €2.3m per annum based on a valuation by Jones Lang LaSalle, Germany. The Group has entered into a legal arrangement with the sellers of the Contracted Portfolio such that the sellers expressly agree to the dissolution of each individual acquisition agreement if the respective purchase price for a property is not paid by May 15 2016. The Group has identified 8 other properties for potential acquisition in its target market with a value of approximately €94m with a prospective rental income of circa €7.2m per annum. In total, the Company has more than €120m of target assets identified for acquisition.

The Group intends to increase the value of its portfolio by extending leases, optimising properties and making attractively priced off-market acquisitions primilary in southern Germany region. There are also opportunities for long term growth in other selected areas including, Hamburg, Cologne, Duesseldorf, Bonn and Frankfurt. The Group employs 15 full-time industry professional specialists and 20 part-time employees in Stuttgart to manage all the assets of the Group.

#### Business model

Peter Weimer has a well established business model with a successful track record in German real estate of over ten years which the Group intends to replicate. The Directors believe the Bonds offer an attractive opportunity for investors to gain high yield returns backed by stable growth in the German property market.

## Integrated real estate portfolio value chain



The Directors believe real estate acquisitions can be completed at prices which are lower than the open market values for various reasons, these include:

- i. imperfect lease situations, incomplete administrative data, negligent management, sub-optimal appearance of the real estate, problematic tenants; and
- ii. ability to execute quick off-market acquisitions, sometimes driven by problems with and pressure from the lender, including direct sales from the lender in the form of distressed sales.

Key criteria for acquisitions are quality, location and prospective growth, with a clear exit strategy.

The Company will seek to buy below open market value and will avoid purchasing properties with structural defects. It will actively manage and optimize its property but will avoid properties requiring costly building works.

Examples of management and optimization of property includes:

- improving tenant profiles;
- renegotiating leases;
- substantially enhancing value by obtaining planning permissions;
- establishing effective building and estate management systems;
- implementing refurbishment programmes; and
- fostering better relations with tenants to promote their loyalty to the landlord.

As a result of property optimisation, rental revenues will increase, inefficiencies are minimised and the value of the real estate substantially increases.

The Group intends to hold the purchased real estate for usually one to seven years allowing it to maximise the property's value and then sell it at the highest optimum price to institutional investors, family offices, pension funds or wealthy private investors.

This business model has been proven by Peter Weimer for over ten years and has resulted in the management team benefitting from a large and diverse network of close relationships in the German real estate industry.

## DETAILS OF THE CONTRACTED PORTFOLIO

The Contracted Portfolio consists of eight commercial, residential and mixed-use real estates valued at €30.03m by Jones Lang LaSalle in Germany.

The Contracted Portfolio generates a stable rental income of nearly €2.2m annually. The Directors believe that the acquisition of the Target Portfolio to be financed by using Bond proceeds and bank debt will boost the Group's aggregate rental income to circa €9m. The Group intends to sell the Contracted Portfolio within 24 months of Admission and the Target Portfolio within 60 months of acquisition.

The Group intends, after acquisition of the Contracted Portfolio with the proceeds of the Bond, to refinance the Contracted Portfolio with bank debt.

## Contracted Portfolio

If the Company raises less than €30.03m (net) from issuing the Bonds by 15th May 2016 it intends to use monies Bond raised at such date to acquire properties in the Contracted Portfolio in the following order:

After acquiring the Contracted Portfolio using Bond proceeds, the Directors intend to refinance the Contracted Portfolio using mortgages on the portfolio at a Loan to Value (LTV) rate of up to 60%.

No.	Object:	location:	regional country	purchase price	present annual rental income EURO	prospective annual rental income EURO
1	Office park	Stuttgart - Leinfelden Echterdingen	Baden-Württemberg	11.900.000,00 €	915.872,95 €	1.000.000,00 €
2	retail park	Böblingen - Holzgerlingen	Baden-Württemberg	2.720.000,00 €	211.209,60 €	211.209,60 €
3	logistic	Stuttgart - Deizisau	Baden-Württemberg	3.720.000,00 €	318.478,38 €	318.478,38 €
4	residential/shopping mall	Heilbronn	Baden-Württemberg	5.000.000,00 €	268.905,12 €	321.525,13 €
5	mixed used	Friedrichshafen	Baden-Württemberg	2.990.000,00 €	194.923,20 €	194.923,20 €
6	residential	Liebenau	Niedersachsen	1.490.000,00 €	120.834,36 €	120.834,36 €
7	residential	Oppenheim	Nordrhein-Westfalen	840.000,00 €	56.070,00 €	66.870,00 €
8	residential	Rodenbach	Baden-Württemberg	1.370.000,00 €	88.285,56 €	88.285,56 €
<b>total</b>				<b>30.030.000,00 €</b>	<b>2.174.579,17 €</b>	<b>2.322.126,23 €</b>

## Target Portfolio

The Group intends to acquire properties such as those set out in the Target Portfolio below using a combination of (i) recycling capital by the refinancing of the Contracted Portfolio, (ii) the proceeds of the Bond issue and (iii) potentially raising equity funds by listing the Company's shares on a recognised investment exchange during 2016.

No.	Object:	location:	regional country	purchase price	present annual rental income EURO	prospective annual rental income EURO
1	Office	Frankfurt	Hessen	8.200.000,00 €	580.000,00 €	580.000,00 €
2	commercial	Böblingen-Schönaich	Baden-Württemberg	3.600.000,00 €	315.000,00 €	315.000,00 €
3	commercial	Reutlingen-Mössingen	Baden-Württemberg	3.600.000,00 €	322.572,00 €	322.572,00 €
4	shopping mall	Radolfzell/Bodensee	Baden-Württemberg	10.600.000,00 €	877.698,00 €	981.122,00 €
5	commercial	Heilbronn	Baden-Württemberg	7.900.000,00 €	600.000,00 €	747.000,00 €
6	logistic	Oldenburg	Niedersachsen	5.600.000,00 €	433.704,00 €	433.704,00 €
7	Office	Frankfurt	Hessen	25.000.000,00 €	1.923.077,00 €	1.923.077,00 €
8	Office	Stuttgart	Baden-Württemberg	29.500.000,00 €	1.903.226,00 €	1.903.226,00 €
<b>total</b>				<b>94.000.000,00 €</b>	<b>6.955.277,00 €</b>	<b>7.205.701,00 €</b>

The Group has not signed any contracts to purchase any of the properties set out in the Target Portfolio and it may not be able to enter into any purchase contracts to sign such properties in the future.

## BANKING RELATIONSHIPS OF THE COMPANY

The Company has received from Deutsche Pfandbriefbank (pbb) a non-binding term sheet to refinance after acquisition the Contracted Portfolio at up to 60 per cent Loan To Value (LTV). The proposed mortgage term is 5 years, annual interest is 1.85 per cent and 2 per cent repayment fee on the repayment of the mortgage.

Peter Weimer has business relationships with and access to several other German mortgage banks that are willing to provide mortgages to fund the acquisition of real estate portfolios with senior loan's in the 70 per cent to 85 per cent LTV range including German commercial banks as well as other international lenders.

## 3. Company and history

### Group structure

The Company's major shareholders are Mr Peter Weimer with 47% and Bodo Laux with 23.8%.



### Historical development activities

Year	Historic Activity	Details
2002	Establishment of Peter Weimer's real estate trading group.	Peter Weimer established his real estate group in the south of Germany.
2002-2006	Establishment of closed-end funds with the business purpose of purchasing residential real estate and dividing them and then selling individually.	Peter Weimer established and managed successfully several closed-end funds with an aggregate value of approximately €100m investment capital.
2006-2012	Management of existing funds.  Issuance of closed-end funds with the business purpose to purchase commercial real estate.	Peter Weimer established and managed several new closed-end funds with a value of more than €100m of investment capital.
2012-2015	Management of existing funds.  Issuance of closed-end private placements with the purpose of purchasing commercial real estate.	Peter Weimer continued to manage the existing funds.  He established new, special funds with the purpose of the purchase and sale of commercial real estate in the office and commercial area space.
October 2015	European Investment Grade Properties Group established.	Due to stronger BAFIN regulations in regards to closed-end funds in Germany, Peter Weimer winds down his privately-owned business.  Peter Weimer sets up the Group to acquire real estate in the Southern Germany.
2002-2015	Summary of Peter Weimer's property career.	<ul style="list-style-type: none"> <li>• Peter Weimer and Bodo Laux has a well established and proven business model with a successful track record for more than 10 years;</li> <li>• managed by 15 full-time experienced employees and 20 part-time staff;</li> <li>• managed quality assets focused on good locations in Germany; and</li> <li>• a clear proven exit strategy.</li> </ul>

### Business strategy

The Group's business strategy for growth includes: (i) the selection, acquisition, holding and selling of commercial and residential, income generating property in the south of Germany and, (ii) further selection, acquisition, holding and selling of commercial and residential mixed use rented, income generating real estate in other affluent parts of Germany where there is forecast strong growth in property values.

## **Acquisition strategy**

The Directors believe, that in the €2m to €50m segment of the current German real estate market, they can acquire high quality assets at below market value, which will help drive the potential for capital growth and profits on disposal. The Directors also believe this market opportunity will continue for the foreseeable future.

The market in which the Group will operate is separated into three distinctive segments:

- i. smaller sized real estate below €2m which tends to be owned by individuals or small private funds;
- ii. mid-size real estate in the €2m to €50m valuation range which tends to be owned by individuals and small to large private funds as well as larger pension funds; and
- iii. large individual real estate assets or real estate portfolios typically between €50m and €200m plus, which tend to be acquired from large international investors like pension funds, insurance companies, hedge funds and other institutions.

The Directors will focus on acquisitions of mid-size real estate valued between €2m to €50m which they do not believe to be of interest to other industry participants as they are too small for the “big players” and are too expensive for the small, private buyers. The Director’s recognise the undervalued nature of this market segment, and can use their local relationships and networks to make acquisitions at a good price.

The ‘boom’ in the German real estate market and the change in mortgage conditions from lending banks has led the Director’s to see attractive investment opportunities with significantly better economics than in previous years.

In the past German Pfandbrief mortgage banks were lending 60 per cent to 65 per cent Loan to Value ( “LTV”), according to both local and international valuation companies on conditions typically for 5 year fixed terms at 5 per cent to 6 per cent interest rates with 2 per cent amortization. Currently, typical conditions from leading German mortgage banks on a 5 year term are, 75 per cent LTV with 1.5 per cent interest and 2 per cent amortization.

Due to current low interest rates, slightly higher LTV levels and lower equity requirements, the Directors believe that there will be significant growth in asset values in the selected southern German areas. The Director’s will be concentrating on their long established local network in wealthy southern Germany; within Bavaria and Baden-Wuerttemberg and in towns including but not limited to Munich, Stuttgart and Frankfurt. According to the Postbank 2025 study, all of these areas are forecast to have major growth in asset values as well as stable rental incomes.

The Group intends to extend its business in the next years to other wealthy and growing parts of Germany to cities like Hamburg, Cologne, Bonn, Duesseldorf and university cities like Munster and Freiburg.

## **Acquisition Network**

Based on Peter Weimer’s successful track-record and business networks, the Group believes it will have a steady flow of opportunities in its target real estate markets.

These networks consists of:

- i. several German banks that sell financially distressed assets from German customers who can no longer afford to make interest payments on their loans;
- ii. real estate brokers that offer assets which matches the Company’s purchase criteria in exchange for a finder’s fee; and
- iii. accountants and lawyers who have clients that face commercial problems and wish to sell assets quickly, privately and discreetly without public notice.

## **Acquisition criteria**

The Group will target acquisitions at prices significantly below the open market.

Acquisitions can be made at relatively low prices for a variety of reasons, for example:

- i. imperfect lease situations;
- ii. incomplete administrative data;

- iii. negligent management;
- iv. sub-optimal appearance of the real estate; and
- v. need to execute quick off-market acquisitions, sometimes driven by problems with the and pressure from the lender, including direct sales from the lender in the form of distressed sales;

In addition, the Group has the following aims:

- i. to maintain key investment criteria of high quality property, prime location, strong growth prospects and a clear exit strategy;
- ii. to buy below open market value;
- iii. to never acquire a property with structural defects;
- iv. to only acquire assets that the Group can actively manage; and
- v. to never acquire property requiring building work.

Some examples of strategies used by the Company to increase property value are:

- i. improving tenant profiles;
- ii. renegotiating leases;
- iii. substantially enhancing value by obtaining planning permissions;
- iv. establishing effective building and estate management systems;
- v. implementing refurbishment programmes; and
- vi. fostering better relations with tenants to promote their loyalty to the landlord.

As a result of using these strategies and actively managing properties, the Company expects to benefit from:

- i. an enhanced real estate asset;
- ii. increased yield and revenues;
- iii. efficiency gains, including reduced operating and capital costs; and
- iv. substantial increases in the value of its real estate .

### **Exit strategy**

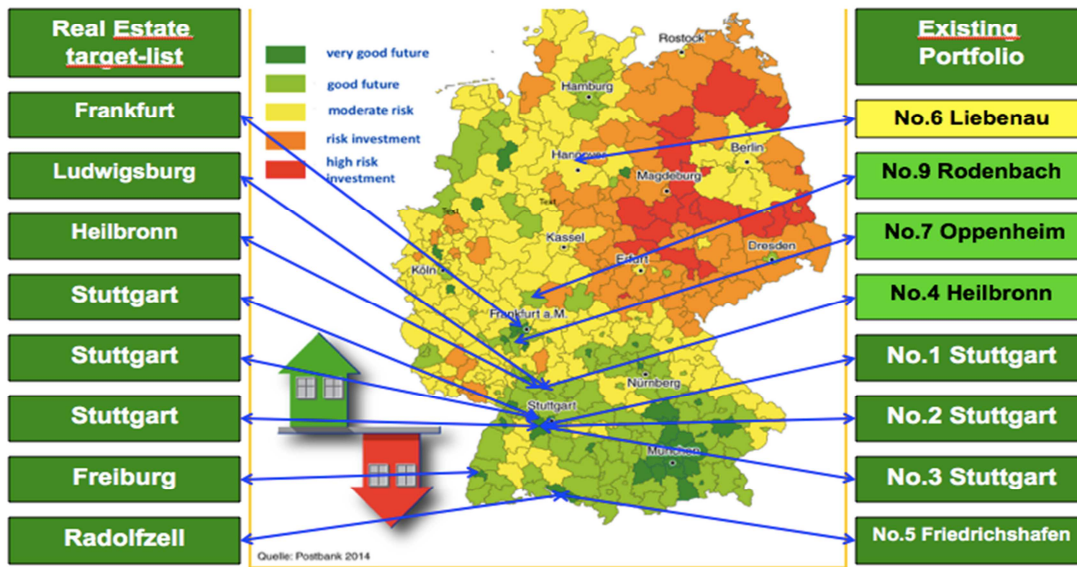
In summary, the exit strategy is as follows:

- i. the Group buys the real estate at a discount to the open market value;
- ii. manages the asset actively and optimizes the asset, contracts, rentals etc;
- iii. keeps it for some years allowing the Group to maximise its value;
- iv. bundles the individually acquired assets into real estate packages of €50m to €100m value;
- v. sells at the highest price with perfect documentation;
- vi. sale to institutional investors, family offices, pension funds or wealthy private investors; and
- vii. usually this cycle takes 3 to 5 years.

### **The housing market**

According to the Deutsche Postbank survey 2025 the Group is operating in the locations with the best prospect for real estate value growth in Germany. These regions are shown as the green investments regions in the chart below. Deutsche Postbank states 'that the South of Germany has a good to very good prospect for growth in real estate values until 2025. Regions such as Stuttgart, Munich and Frankfurt have a good to very good future, with lowest risk and high prospective growth.'

## The Portfolio Locations in Germany with link to Postbank real estate study 2025



### 4. Market opportunities

#### The German Real Estate Market

German DG HYP, a specialised real estate lending bank, reported on German real estate market in 2014. The report covers prime investment locations such as Hamburg, Berlin, Cologne, Dusseldorf, Frankfurt, Stuttgart and Munich which are known for high-quality retail and commercial floor space.

According to German DG HYP "there is strong demand for retail and commercial, residential and real estate properties resulting from strong consumer sentiment and rising sales. The uptrend in top rents for good retail locations in the German metropolitan areas continues unabated, supported by ongoing demand for high-quality retail floor space. In addition, the low interest rate environment makes buying an attractive alternative".

The retail sales which had been dormant for some time are growing as noted in the table below. Sound economic conditions and indicators are also attracting international chains of stores to Germany, mainly to prime locations.

#### FORECAST FOR RETAIL PROPERTIES

	Change in rents in % y-o-y			Rents prime locations in EUR pro m <sup>2</sup>		
	2013	2014e	2015e	2013	2014e	2015e
Berlin	12.5	0.0	1.9	270	270	275
Cologne	2.1	1.3	1.2	240	243	246
Dusseldorf	9.1	1.3	1.6	240	243	247
Frankfurt	5.7	1.1	1.8	280	283	288
Hamburg	6.1	1.9	1.9	260	265	270
Munich	3.3	1.6	1.6	315	320	325
Stuttgart	4.4	0.0	0.0	235	235	235
<b>Average for top locations</b>	<b>7.8</b>	<b>0.9</b>	<b>1.6</b>	<b>268</b>	<b>270</b>	<b>274</b>

Source: BulwienGesa. Feri. DZ BANK Research forecast

#### Commercial Property Market

The commercial property markets in the top seven German locations - Berlin, Dusseldorf, Frankfurt, Hamburg, Cologne, Munich and Stuttgart have performed very well in the last two years. Rents in the market segments such as office, retail and residential have increased. The investment market in Germany is in a good condition and with little or no changes to general good economic property conditions we see

more buyer groups becoming active in the market. In 2014 the commercial investment market recorded a transaction volume of approximately €24.2 billion, a year-on-year an increase of around 40%. Current vacancy rates range from 3.8% in Stuttgart to 11.8% in Frankfurt. Yield compression continues in all locations due to high demand for commercial and real estate properties. The urbanisation trend is said to be a major contributing factor as more people are attracted to the cities. The robust labour market, rising wages, positive consumer climate and the prospect of Germany gaining strong momentum, as the engine of economic growth in Europe, have stimulated property demand.

## Residential Property Opportunities

The positive trend in German employment figures supports the high demand for first class office space in the major cities. The volume of available space is in increasingly short supply. Prime rents have increased visibly, while vacancy rates have fallen sharply.

### FORECAST FOR RESIDENTIAL PROPERTIES

	Average first occupancy rents in % y-o-y			Average first occupancy rents in EUR pro m <sup>2</sup>		
	2013	2014e	2015e	2013	2014e	2015e
Berlin	8.0	3.7	1.8	10.8	11.2	11.4
Cologne	1.8	1.8	1.8	11.2	11.4	11.6
Dusseldorf	2.6	2.5	1.6	12.0	12.3	12.5
Frankfurt	5.4	2.0	2.3	12.8	13.0	13.3
Hamburg	0.8	2.3	1.5	13.0	13.3	13.5
Munich	3.7	5.0	2.0	14.0	14.7	15.0
Stuttgart	2.9	1.9	1.8	10.8	11.0	11.2
<b>Average for top locations</b>	<b>4.3</b>	<b>3.1</b>	<b>1.8</b>	<b>11.9</b>	<b>12.3</b>	<b>12.5</b>

Source: BulwienGesa, Feri, DZ BANK Research forecast

Housing markets in prime locations remain under pressure due to lack of supply and strict planning criteria. Although more construction is taking place, it will not be sufficient to meet the demands of strong population growth in major cities. A substantial supply shortfall has also accumulated in recent years. The Directors believe that tenants are carrying the additional burden of a visible increase in additional housing costs. Budget restrictions on households are likely to force people to relocate to cheaper districts of cities or to the surrounding area. The Directors believe that buying a home is often still an attractive alternative to renting due to low interest rates.

## 5. Competition

The property market in Germany is highly competitive. However the Group business model of buy, hold and sell in its chosen market segment is quite unique in the German market. The Group is not aware of any comparable companies that follow a similar real estate trading business model in this market segment in Southern Germany, typical other investors keep the real estates for long periods.

The competition in the mid-size market segment is low. The Directors are not aware of a similar competing business in this market segment with comparable business model. As such, the Board believes that future acquisitions can be achieved at relatively low prices; any increase over and above current levels will be essentially cost neutral to the Group and hence represent a good opportunity to make substantial profits. Having made numerous acquisitions, the Board believes that Peter Weimer's proven acquisition track record will be attractive to local asset owners looking to sell.

## 6. Financial information

There has been no significant change in the financial condition or operating results of the Company since incorporation. No financial statements have been made as at the date of this Prospectus.

Monthly rental income streams are stable but the Groups overall revenue increases periodically when a property sale is made. The Directors believe the Group's cash flow will be more than sufficient to cover the current and future outstanding mortgage credit facilities and the Group's obligations under the Bond.

## 7. Current trading and prospects

The Directors believe that the current real estate demand in Germany will continue to provide opportunities for the Group. The Directors regularly review assets available for acquisition on attractive

valuations and yields. The Directors will use the proceeds raised by the Bonds to expand the Group's portfolio by purchasing additional complementary quality income producing assets.

## **8. Directors and Senior Management**

The current composition of the Board and Senior Management is as follows:

### **Board**

#### **Bodo Laux** *(Age 58, Chairman)*

Bodo established EIGP PLC with Peter and is a 23.8% owner. Bodo is a managing Partner in a Dubai based investment management company and has managed several mutual shari'ah and non shari'ah compliant funds and in the business for more than 30 years. Bodo has a Diploma degree in Management from the University in Kempten, Germany.

#### **Peter Weimer** *(Age 45, Chief Executive Officer)*

Peter has over ten years' experience in the German real estate business. He holds a Masters Degree in banking from the German University in Stuttgart and has ran a very German real estate successful business in the South of Germany where EIGP Plc will operate. Along with his extensive experience and knowledge in the business, Peter is a 47 per cent. owner of the Company.

#### **Chris Worcester** *(Age 53, Non-Executive Director)*

Chris began his career in 1993 at Barclays de Zoete Wedd working on the lending team. In 2000 Chris joined the Royal Bank of Scotland as Director and Head of Financial Modelling and Analysis. In 2002, Chris joined WestLB Capital Markets, which was the international investment banking division of WestLB (at the time, Germany's 4<sup>th</sup> largest bank by assets), where he was responsible for building and managing a team which had offices in Sydney, Sao Paulo, London, New York and Toronto. Chris built the team from scratch between 2002 and 2005, and in 2006 WestLB was rated the number 2 mining bank globally by Project Finance International, which is the publication that rates banks active in the sector. For more than a decade, Chris has regularly lectured on corporate valuation at the MSc in a Finance programme at Imperial College, London.

#### **Guy Saxton** *(Age 50, Independent Non-Executive Director)*

Guy has held a senior post at Axa, was a Director of Fidelity and the former CEO of Angel Bourse. Guy has been a Director of numerous listed companies in New York, London and elsewhere, and is a member of the Guild of International Bankers and a Freeman of the City of London by redemption. Guy has been financier to and shareholder in businesses located in the Americas, Europe, Asia and Australia including a property funds and partial property fund acquisitions within discretionary fund portfolios.

### **Senior Management**

#### **Michael Brand**, *(Chief Investment Advisor)*

Michael is a visiting professor at Hiedelberg University in Real Estate. He is a fully qualified valuer and has over 20 years expertise in the German property market. Michael has worked with Peter Weimer successfully for over 10 years.

#### **Stefan Schwarzenbacher**, *(The German Financial Controller)*

Stefan is responsible for financial control in Realkontor/ProCBS Group since 2011 and is a qualified accountant.

#### **Gabriele Guenter** *(Head of Accounting)*

Gabriele is head of accounting for the Realkontor/ProCBS Group since 2011 and is a qualified accountant.

## **9. Conflicts of interest**

The Directors will act in the best interests of the Company and its shareholders. The Directors will act with honesty and integrity and will seek to promote the success of the Company when selecting investments and making business decisions.

Each of the Directors has a statutory duty (i) under section 175 of the Companies Act 2006 to avoid a situation in which he has, or can have, a conflict of interest or a possible conflict of interest with the Company's interests; (ii) under section 177 to declare an interest in a proposed transaction or arrangement with the Company and (iii) under section 182 to declare an interest in an existing transaction or arrangement with the Company and the Directors shall adhere to these statutory requirements.

#### **10. Corporate governance**

The Directors recognise the importance of sound corporate governance and intend, in so far as is practicable given the Company's size and the constitution of the Board, to comply with the main provisions of the QCA Corporate Governance Code for small and mid-sized quoted Companies 2013.

#### **13. Working capital**

The Board is of the opinion that, having made due and careful consideration, the working capital available to the Company and the Group will be sufficient for its requirements that is for at least the next 12 months from the date of Admission.

#### **14. Details of the Bonds**

The Bond Instrument is attached in Appendix I of this document. The principal terms of the Bonds are as follows:

- i. the Bonds are denominated in amounts of £100,000;
- ii. the Bonds have a minimum raise of £5,000,000 (gross) and a maximum raise will be £50,000,000 gross;
- iii. the Bonds will be redeemed by the Company on the seventh anniversary of Admission;
- iv. in the event that an event of default (as defined in the Bond Instrument) occurs, the Bondholders may require the Company to redeem the Bonds at par;
- v. with effect from their respective dates of issue, the Bonds carry a fixed coupon of 6.5 per cent. per annum payable quarterly in arrears to Bondholders on the register, in equal instalments on 31 March, 30 June, 30 September and 31 December each year until the expiry of the bond term;
- vi. the Bonds are freely transferable;
- vii. the Bonds are unsecured; and
- viii. the Bonds shall rank *pari passu* with all unsecured creditors of the Company.

## VALUTION REPORT

# IPO Valuation Letter

This Valuation letter (the 'IPO Valuation Letter' or the 'Valuation Letter') has been prepared by Jones Lang LaSalle GmbH ('JLL' or the 'Valuer') in accordance with the International Standards for the Valuation of Real Estate for Investment Purposes (the 'International Valuation Standards'), the Valuation Standards of the Royal Institution of Chartered Surveyors (the 'Red Book') following the completion of our assessment of the market value, as at 01 October 2015, of one portfolio of the properties of European Investment Grade Properties Plc. ('EIGP' or the 'Company').

The subject portfolio comprises 8 residential and commercial properties situated throughout Germany. The total lettable area of the subject portfolio amounts to 26,562 m<sup>2</sup>.

### Client

European Investment Grade Properties Plc.  
55 Baker Street  
London W1U 7EU  
United Kingdom

### Valuer

Jones Lang LaSalle GmbH  
Wilhelm-Leuschner-Straße 78  
60329 Frankfurt/Main  
Germany

### Date of Valuation

01 October 2015

### Date of IPO Valuation Letter

05 November 2015

Jones Lang LaSalle GmbH  
Sitz: Frankfurt am Main  
Amtsgericht Frankfurt am Main, HRB NR. 13139  
Zertifiziert nach ISO 9001  
EO Germany: Dr. Frank Pörschke

***Please note that Jones Lang LaSalle assumes no liability towards third parties for the results and the content of the Valuation Letter, prepared 9 December 2015. Furthermore, third parties may make no claims whatsoever against Jones Lang LaSalle on the basis of the results and the content of the Valuation Letter.***





## Table of Contents

<b>1</b>	<b>Brief and Scope of Instruction.....</b>	<b>3</b>
1.1	Instruction & Purpose of the Valuation Letter .....	3
1.2	Addressees .....	3
1.3	Disclosure .....	3
1.4	Assignment of Rights to Third Parties.....	3
1.5	Status of Valuer and Conflicts of Interest.....	3
1.6	Scope of Work .....	4
1.7	Subject of Valuation .....	4
1.8	Valuation Definitions .....	4
1.9	Assumptions and Sources of Information .....	5
1.10	Valuation Timeline .....	6
1.11	Date of Valuation .....	6
1.12	Taxation and Costs .....	6
1.13	Value Added Tax .....	6
1.14	Currency .....	6
1.15	Rounding .....	6
<b>2</b>	<b>Project 'EIGP Real Estate' - Overview.....</b>	<b>7</b>
2.1	Project description .....	7
2.2	Building Conditions .....	7
2.3	Schedule of Accommodation .....	8
2.4	Tenancy .....	9
2.5	Rental Income.....	9
<b>3</b>	<b>Valuation Approach .....</b>	<b>10</b>
<b>4</b>	<b>Assumptions .....</b>	<b>11</b>
4.1	Title / Legal Restrictions / Building and Other Encumbrances .....	11
4.2	Contamination and Soil Conditions .....	11
4.3	Condition and Structural Inspections .....	11
4.4	Public Services .....	12
4.5	Town Planning and Statutory Requirements .....	12
4.6	Technical Equipment, Plant & Machinery .....	12
4.7	Leases and Tenancy Information.....	13
4.8	Taxes, Fees and Charges.....	13
<b>5</b>	<b>Valuation Results.....</b>	<b>14</b>
5.1	Market Value.....	14

# 1 Brief and Scope of Instruction

## 1.1 Instruction & Purpose of the Valuation Letter

In accordance with the letter of engagement additional the addendum to the letter of engagement (the 'Engagement') issued by EIGP, JLL has examined one portfolio of the Company and has carried out a Valuation (the 'Valuation') to determine the market value of the properties as at 01 October 2015.

JLL is aware of the fact that EIGP and its shareholders are considering the preparation of an initial public offering (IPO) within the next twelve months. We are further aware that the Company requires a professional valuation of the Project as part of this IPO process. The Valuation must be performed in accordance with the International Valuation Standards (IVSC/RICS), which support the use of the discounted cash flow method (DCF).

The Valuation Letter will be used by EIGP for disclosure in a prospectus and for preparation and audit of financial statements. The prospectus relates, inter-alia, to the planned IPO in London.

## 1.2 Addressees

The Valuation Letter is addressed to and may be relied upon by EIGP and its respective affiliates (together the 'Addressees'). The IPO Valuation Letter is intended solely for the Addressees and may be used only for the purposes specified herein.

## 1.3 Disclosure

The Addressees have the right to disclose the Valuation Letter to their auditors and their respective subsidiaries, financial, legal and other advisors with an exclusion of liability. The Addressees also have the right to disclose the Valuation Letter, provided that it is legally required or necessary as proof for the completion of a due diligence survey.

JLL authorises, with an exclusion of liability, the disclosure of a copy of the IPO Valuation Letter for information purposes to (i) potential investors and their advisors who are considering the purchase of EIGP stocks or if applicable, shares of EIGP and any of its possible successors and/or shares in a subsidiary or holdings of EIGP (provided that the investor is not an Addressee), (ii) analysts preparing the research reports and (iii) rating agencies.

## 1.4 Assignment of Rights to Third Parties

The Addressees of the IPO Valuation Letter are not entitled to assign their rights - in whole or in part - to third parties.

## 1.5 Status of Valuer and Conflicts of Interest

We confirm that JLL has carried out the Valuation acting as an external Valuer as defined by the RICS Red Book and qualified for the purpose of the Valuation.

Finally, we confirm that JLL is not aware of any actual or potential conflict of interest that may have influenced its status as external and/or independent Valuer.



## 1.6 Scope of Work

The scope of work carried out for purposes of preparing the Valuation includes the following:

- Valuation of the properties according to International Valuation Standards/ RICS
- Internal and external inspection of the Property
- Preparation of an IPO Valuation Letter for the prospectus, which will be used for the IPO

## 1.7 Subject of Valuation

As defined in the Engagement, the subject of the Valuation is the Project 'EIGP Real Estate Portfolio'.

The subject portfolio comprises 8 residential and commercial properties situated throughout Germany. The total lettable area of the subject portfolio amounts to 26,562 m<sup>2</sup>. The properties are located throughout Germany in smaller and mid-sized cities, in four federal states. The majority of properties is located in Baden-Wurttemberg (83% of total lettable area; five properties), followed by Lower Saxony (9% of total lettable area; one property), Hesse (5% of total lettable area; one property) and Rhineland-Palatinate (3% of total lettable area; one property).

## 1.8 Valuation Definitions

### Market Value

Our Valuation will be prepared in accordance with the RICS Valuation - Professional Standards (9th Edition) published by the Royal Institution of Chartered Surveyors as well as the standards contained within the European Valuation Standards (EVS, 2012) and in accordance with IVSC International Valuation Standard 1 (IVS 1, 2011) on the basis of market value. This is incorporated into the JLL 'General Principles & Standard Terms of Business', which is attached as Appendix. The market value is an appraisal of the price for which a property transaction would take place on the appointed Valuation date and may be defined as:

*'The estimated amount for which an asset or liability should exchange on the Valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.'*

The above definition concurs with the concept of "fair value" as defined by the current valid International Financial Reporting Standards and the appropriate International Accounting Standard (IAS 40).

In assessing the market value of the Property, we will consider the individual characteristics of the asset. In the case of standing investment, we will assess the value of the Property using the discounted cash flow method (DCF). All future cash flows, i.e., the rental income with allowances for void periods, letting fees and operating and refurbishment costs are estimated and discounted to determine their present values.

### Market Rent

The market rent is assessed in accordance with VS 3.3, which has been approved by the International Valuation Standards Committee. Under these provisions, the market rent can be defined as:

*'The estimated amount for which a property, or space within a property, should be leased on the Valuation date*

*between a willing lessor and a willing lessee on appropriate lease terms in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.*



In accordance with the above, where the properties are vacant on the date of valuation, the rental value reflects the market rent that we consider obtainable in an open market letting of the vacant areas as on the date of valuation.

## 1.9 Assumptions and Sources of Information

An assumption is defined in the glossary of the Red Book as “a supposition taken to be true”. Assumptions are:

*‘Facts, conditions or situations affecting the subject of, or approach to, a valuation that, by agreement, needs not be verified by a Valuer as part of the Valuation process.’*

In preparing the Valuation, we have made a number of assumptions and have relied on certain sources of information. Where appropriate, we have obtained confirmation from the Company that our assumptions are correct to the best of their knowledge. In the event that any of these assumptions prove to be incorrect, the Valuation would need to be reviewed.

### Database Project ‘EIGP Real Estate Portfolio’

In preparing this valuation report, we have relied predominantly upon information provided by the Company and its representatives:

- MS Excel rent rolls, dated October 2015
- Fact sheets for every property
- Land register excerpts
- Lease agreements and amendments for most of the tenants
- Floor plans
- Area measurements (mainly not up-to-date)
- Information about building encumbrances and contamination
- Leasehold agreement for the property in Heilbronn

It needs to be pointed out that we were not able to verify the rent roll for the Leinfelden-Echterdingen property with the provided lease contracts. After having a Q&A Session with the asset manager, we have made some adjustments of the rent roll to the best of our knowledge and relied on this rent roll for our valuation. Please find below some of the major adjustments to the provided rent roll:

According to the provided information and the inspection of the subject property, approx. 23% of the total rental space has been converted into conferencing space. Therefore we have assumed that some of the vacant space as well as some of the currently let space in the provided rent roll was re-developed into conferencing space. Additionally, we have been provided with the information, that approx. 8.9% of the total rental space is currently vacant and approx. 20 underground parking spaces are reserved for occupiers of the conferencing area. For that reason we have undertaken some alterations of the provided rent roll after consultation with the asset manager.

We do not accept any liability for either the accuracy or the completeness of this information. We are neither obliged to confirm the completeness and correctness of the information provided nor to examine any original documentation for the same purpose. In the event that this information proves to be incorrect or additional information (especially where cadastral plans and land register excerpts where not provided) is made available to us, the accuracy of the valuation could be affected. In such case, we reserve the right to amend our opinion of value accordingly.

### **1.10 Valuation Timeline**

Site inspection: between 14 October 2015 and 20 October 2015  
Delivery of IPO Valuation Letter: 05 November 2015

### **1.11 Date of Valuation**

The date of valuation is 01 October 2015.

### **1.12 Taxation and Costs**

We have not made any adjustments to reflect any tax liability that may arise in the case of a disposal (e.g. valuation gains) nor for any costs associated with disposals incurred by the owner. No allowance has been made to reflect any liability to repay any government or other grants, or any tax allowance that may arise upon a disposal.

### **1.13 Value Added Tax**

The market values and market rents listed in this Valuation Letter do not include value added tax.

### **1.14 Currency**

The currency referred to in the IPO Valuation Letter is Euros (€).

### **1.15 Rounding**

Due to the calculation basis, marginal variations can occur in number rounding including euros, percentages, etc..

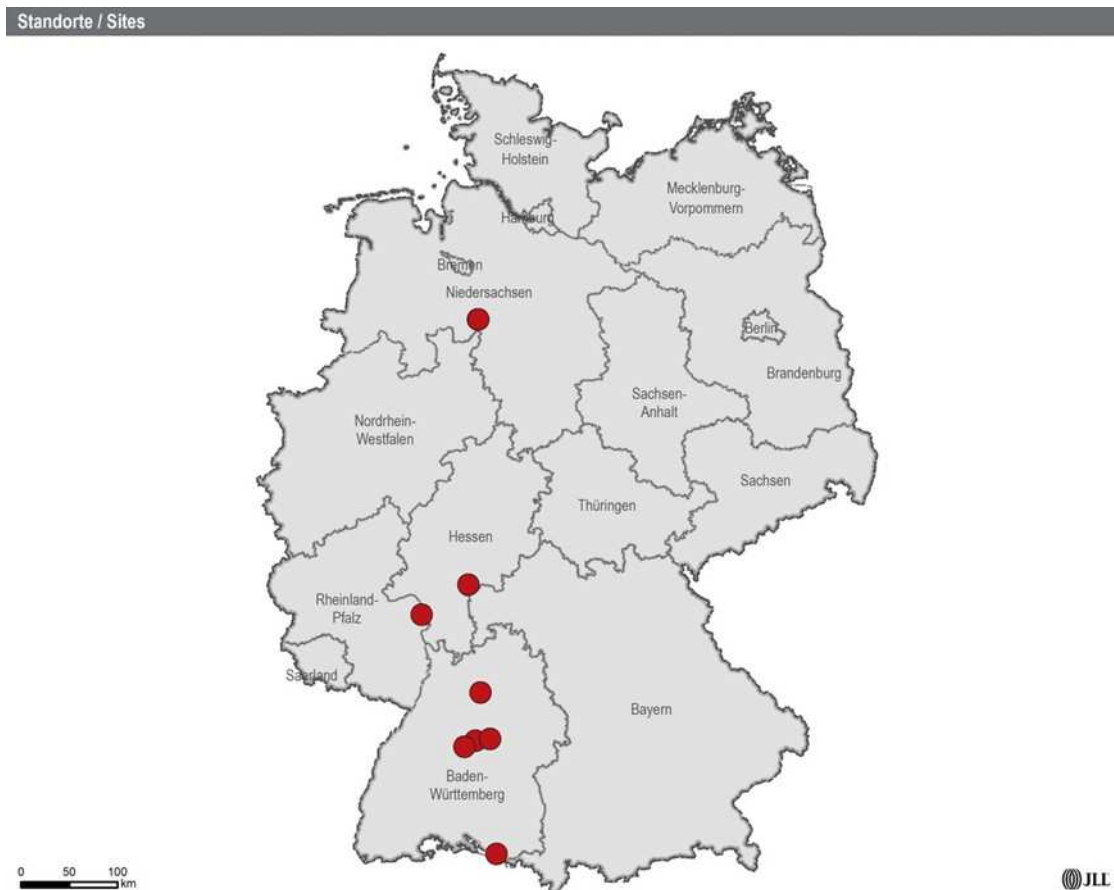
The stated market values are rounded as follows:

Values < € 1,000,000 are rounded off to three pre-decimal positions. Values < € 10,000,000 are rounded off to four pre-decimal positions. Values > € 10,000,000 are rounded off to five pre-decimal positions.

## 2 Project 'EIGP Real Estate' - Overview

### 2.1 Project description

The valued EIGP Portfolio consists of 8 properties with a total lettable area of 26,562 m<sup>2</sup>. The portfolio assets are distributed as follows:



The following overview shows the subject properties with their respective addresses and lettable areas:

No	Location	Address	Federal State	Property Type	Lettable Area
1	Leinfelden-Echterdingen	Humboldtstraße 30	Baden-Württemberg	Office	10,239 sqm
2	Horzenlingen	Altendorfer Straße 26	Baden-Württemberg	Retail Park	2,072 sqm
3	Deizisau	Schlesshausweg 3	Baden-Württemberg	Logistics	5,282 sqm
4	Heilbronn	Gustav-Binder-Straße 1	Baden-Württemberg	Commercial & Residential	2,841 sqm
5	Friedrichshafen	Karlstraße 13	Baden-Württemberg	Commercial & Residential	1,599 sqm
6	Liebenau	Brahmstraße 1/ Mozartstraße 4/ Beethovenstraße 6	Lower Saxony	Residential	2,373 sqm
7	Oppenheim	Pfauengasse 32 + 32a	Rhineland-Palatinate	Residential	618 sqm
8	Rodenbach	Limesstraße 6	Hesse	Commercial & Residential	1,338 sqm
					26,562 sqm

### 2.2 Building Conditions

Unless we have received information to the contrary, we generally assume that the building and its technical facilities are free of damages and other defects and that the building was constructed or altered without using

deleterious materials or techniques (including e.g., high alumina cement concrete, wood wool as permanent shuttering, calcium chloride or asbestos). Furthermore, we assume that the ground conditions are suitable and that where development is contemplated, no extraordinary expenses or delays will be incurred during the construction period due to ground issues, or to archaeological or ecological matters.

In the case of buildings where works are underway or have recently been completed, we do not normally make allowance for any liability already incurred but not yet discharged in respect of completed works, or obligations in favour of contractors, sub-contractors or any members of the professional or design team.

Unless expressly instructed, we do not carry out technical surveys to ascertain whether such defects and damage exist or have occurred in the past. We are therefore not able to give any assurance that any property is free from damage or other defects. Any readily apparent defects or items of disrepair that we note during the course of our inspection will be reflected in our valuation.

Provided that we are informed by the client or any other party involved about other defects and damage to the building and its technical facilities, the application of any such materials as listed above, unsuitable ground conditions as set out above, any contamination of land as listed above; such information will be reflected in our valuation only if we are provided with reliable estimates of costs for their replacement or compensation.

We have not been instructed to carry out a technical survey of the buildings. Hence, we are not able to comment on the technical or structural condition of the properties. We would recommend carrying out a technical building survey of the properties.

We have not been provided with technical due diligence reports for the properties or a capital expenditures budget. However, we were informed by the client that active measures will be carried out at the expense of the current owner/seller.

### **2.3 Schedule of Accommodation**

We have relied on the area figures provided in the rent roll. We assume no liability for the correctness of the lettable area figures. The correctness of the valuation could be affected should those measurements prove false in the future, we reserve the right to amend our valuation.

It needs to be pointed out that we were not able to verify the rent roll for the Leinfelden-Echterdingen property with the provided lease contracts. After having a Q&A Session with Realkontor Innovative Fondskonzepte GmbH, we have made some adjustments of the rent roll to the best of our knowledge and relied on this rent roll for our valuation. Please find below some of the major adjustments to the provided rent roll:

According to the provided information and the inspection of the subject property, approx. 23% of the total rental space has been converted into conferencing space. Therefore we have assumed that some of the vacant space as well as some of the currently let space in the provided rent roll was re-developed into conferencing space. Additionally, we have been provided with the information, that approx. 8.9% of the total rental space is currently vacant and approx. 20 underground parking spaces are reserved for occupiers of the conferencing area. For that reason we have undertaken some alterations of the provided rent roll after consultation with Realkontor Innovative Fondskonzepte GmbH.



## 2.4 Tenancy

The vacancy rate of the portfolio is approx. 6.68%. The main part of the portfolio is let to local, regional and national tenants as well as residential tenants. The average remaining lease contract length of the portfolio is 1.83 years (weighted by income; excluding residential).

## 2.5 Rental Income

The initial contractual income (rental income month 1 x 12 – based on occupied areas) amounts to € 2,151,660 per annum. The net operating income (month 1 x 12 incl. miscellaneous revenues) amounts to € 1,848,427 per annum.

We assess the average portfolio market rent to be € 7.25/m<sup>2</sup>/month (based on total area and including parking spaces), resulting in a potential market rent of € 2,310,644 per annum. With our understanding of the market, we appraise the portfolio rent to be almost rack-rented (based on occupied areas).



### 3 Valuation Approach

The calculation of “Market Value” is based on a Discounted Cash Flow (DCF) model. We have calculated the DCF for a 10-year period and assumed a capitalised value based on a stabilised rental income of the property after this period, the Terminal Value. Cash flows for the relevant year are calculated as follows: the Rental Income at full occupancy (Base Rental Revenue) is reduced by the loss of rent due to rent-free periods (Base Rent Abatements) and vacancy (Absorption and Turnover Vacancy). Income from indexation clauses (CPI and Other Adjustment Revenues) and step rents (Base Rental Step Revenue) have been added to obtain the Total Potential Gross Revenue. After deduction of the non-recoverable costs (i.e. Management Costs, Maintenance Costs, Insurance Costs, and Ground Tax) and reimbursable expenses (Vacancy Costs), the Net Operating Income (NOI) is determined. In case of vacancy, the reimbursable costs the landlord receives are lower than the amount he/she has to pay; thus, only in this event do Vacancy Costs have an influence on the NOI. Subtracting the non-operating costs (such as Leasing Commissions, Tenant Improvements and Capital Expenditure) from the NOI results in the Cash Flow before Tax and Debt Service.

After the DCF-period of 10 years, we have considered a stabilised rental income in year 10 or 11. The capitalised value after year 10 takes this stabilised rental income and subtracts the stabilised expenses, resulting in the Stabilised Net Operating Income. This result is capitalised into perpetuity applying an equivalent (growth implicit) yield and produces the Terminal Value Indication. The resulting value is then discounted to the valuation date using the discount rate from term years 1-10. Discounting the remaining Cash Flows for years 1 to 10 and the Terminal Value to the valuation date with the discount rate will produce the Gross Capital Value and, after deductions for purchaser’s costs, the Net Capital Value.

## Assumptions

### 3.1 Title / Legal Restrictions / Building and Other Encumbrances

We have assumed that all relevant information related to the properties, which have been made available, are complete, correct and up to date and that all such documents have been verified by the Company.

Where documents of title have been provided to us, these have been analysed with a focus on the clauses that are relevant for the valuation; however, we recommend that reliance should not be placed on our interpretation thereof without verification by lawyers.

Where encumbrances exist, we have assumed that they do not have an adverse effect on the value of the properties and, therefore, they were not taken into account for the purposes of this valuation.

We have not been provided with copies of the building permits. For the purpose of the valuation we assumed that the properties comply with the relevant planning regulations and are in line with the locally determined and required specifications concerning e.g. fire protection measures and certificates.

Generally, unless informed otherwise, we have assumed that each property has a good and marketable title, that all documentation is satisfactorily drawn and that there are no encumbrances, restrictions, easements or other outgoings of an onerous nature that would have a negative effect on the value of the interest under consideration, nor material litigation pending. In case further documents will be provided, we reserve the right to amend the valuation accordingly.

### 3.2 Contamination and Soil Conditions

We have been provided with information regard to suspected soil contamination or other forms of contamination on the properties. JLL has not undertaken, nor have JLL been instructed to conduct a formal environmental assessment and has not carried out any investigation into the past uses of the properties or any adjacent land in order to establish whether potential soil or any other form of contamination exists.

We have assumed that no abnormal ground conditions or contamination, which could affect the value of the properties or adversely affect the present or future occupation or development of the properties, exist. Should suspicion regarding contamination arise in the future, environmental assessment reports need to be acquired and in case contamination is detected, the Valuation would have to be appropriately adjusted.

In addition, we have assumed that no archaeological remains present, which might adversely affect the present or future occupation, development or value of the properties, exist.

### 3.3 Condition and Structural Inspections

We have not undertaken, nor has JLL been instructed to conduct a formal condition or structural survey.

The results of the inspections are based on visual examinations only, with no guarantee as to the completeness of the information presented. Unless otherwise informed by the Company, we have assumed that the properties are free from any structural and design defects.



We have not conducted an investigation to determine whether high alumina cement, calcium chloride additive or any other deleterious materials have been used in the construction or any alterations of the properties. For the purposes of this Valuation, unless otherwise informed by the Company, we have assumed that any such investigation would not reveal the presence of such materials in any adverse condition.

No mining, geological or other investigations have been undertaken to certify that the foundations of the properties are free from any defect. Unless otherwise informed by the Company, we have assumed that the load bearing qualities of the properties sufficient to support the buildings constructed thereon.

### **3.4 Public Services**

All public services (water, sewerage, gas, power, infrastructure, etc.) are assumed to be available for the portfolio properties. We also presume that the accounts for these services are balanced. We do not have information to the contrary.

### **3.5 Town Planning and Statutory Requirements**

Information on town planning is often obtained verbally from the local planning authority and, if reassurance is required, we recommend that a legally binding written confirmation of the same is obtained.

Unless informed to the contrary, our valuations are prepared on the basis that the premises (and any works thereto) comply with all relevant statutory regulations, including enactments relating to fire, health and safety regulations.

We have had access to verbally provided town planning information from the respective local planning authority and administration. We have assumed that, to the best of our knowledge and belief, all relevant planning consents exist for the properties and their respective present or proposed uses.

We have assumed that, to the best of our knowledge and belief, all buildings currently comply with all statutory and local authority requirements including building, fire and health and safety regulations.

We have further assumed that, to the best of our knowledge and belief, where original planning consents have been granted, which are subject to planning agreements that these have been complied with and any payments due under these agreements have been made. We have read the report of the lawyers and, where necessary, undertook further research concerning permitted uses, planning consents and building restrictions. We did not identify any discrepancies to the town planning and statutory regulations. For further details, please refer to the individual property reports.

### **3.6 Technical Equipment, Plant & Machinery**

During our inspections, no tests pertaining to the electrical, electronic, heating, plant and machinery equipment, any other services or the drains have been carried out. Unless otherwise informed by the Company, we have assumed that all services to the Property will be in good, functioning condition.

For purposes of this Valuation, no allowance has been made for any items of plant or machinery that do not form part of the service installations of the Property.

The technical equipment in the Property such as passenger and goods lifts and other means of transportation, heating systems and additional technical installations have been considered as integral components of the

Property. We also have been considered furniture and furnishings, fixtures and fittings and equipment installed in connection with occupants' businesses as a part of the building.

### **Leases and Tenancy Information**

We have been provided with information regarding rental units, contractual rents, lease terms and rental terms by the Company. The information has been verified based on documents provided by the Company.

We have assumed that copies of all relevant documents for the Property have been made available to us and that they are complete, correct and up to date and that such documents have been verified by the Company.

We assume no liability for the correctness of the lettable area figures. The correctness of the valuation could be affected should those measurements prove false in the future, we reserve the right to amend our valuation.

It needs to be pointed out that we were not able to verify the rent roll for the Leinfelden-Echterdingen property with the provided lease contracts. After having a Q&A Session with Realkontor Innovative Fondskonzepte GmbH, we have made some adjustments of the rent roll to the best of our knowledge and relied on this rent roll for our valuation. Please find below some of the major adjustments to the provided rent roll:

According to the provided information and the inspection of the subject property, approx. 23% of the total rental space has been converted into conferencing space. Therefore we have assumed that some of the vacant space as well as some of the currently let space in the provided rent roll was re-developed into conferencing space. Additionally, we have been provided with the information, that approx. 8.9% of the total rental space is currently vacant and approx. 20 underground parking spaces are reserved for occupiers of the conferencing area. For that reason we have undertaken some alterations of the provided rent roll after consultation with Realkontor Innovative Fondskonzepte GmbH.

For the purpose of the Valuation, we have not undertaken investigations with regard to the financial strength of the tenants. Unless we have become aware by general knowledge or have been specifically advised to the contrary, we have assumed that the tenants are financially in the position to meet their current obligations. In addition, unless otherwise advised, we have assumed that there are no material defaults of the payment of rent or service charges, breaches of covenants or current or anticipated tenant disputes.

### **3.7 Taxes, Fees and Charges**

We have not been provided with information pertaining to public taxes, fees, charges, etc. We have assumed that all public taxes, fees, charges, etc., which could have an influence on the value of the Property, have been levied and if applicable, have been paid at the time of this Valuation.

## Valuation Results

### 3.8 Market Value

Based on the information provided by the Company and subject to the assumptions and comments detailed in section 4, JLL is of the opinion that the market value of the Project 'EIGP Real Estate' at the effective date of valuation, 01 November 2015, is as follows:

**€ 30,030,000**

**(IN WORDS: THIRTY MILLION, THIRTY THOUSAND EUROS EUROS)**

The above valuation figure represents a net figure, i.e. a deduction has been made for land transfer tax, legal costs and agent's fees normally incurred by the purchaser. No allowance has been made for any expenses of realisation or for taxation, which might arise in the event of a disposal. All properties are considered as if free and clear of all mortgages or other charges, which may be secured thereon.

In preparing this valuation report, we have relied upon information provided to us relating to tenure, tenancies, building and site areas and building description. In the event of this information proving to be incorrect or additional information being made available to us, the accuracy of the valuation could be affected. In such a case, we reserve the right to amend our opinion of value accordingly.

This Valuation Letter was prepared by JLL, Frankfurt/Main, dated 05 November 2015 and has been authorised for use by EIGP as well as the Addressees listed under section 1.2 of this Letter.

ppa. Ralf Kemper MRICS  
National Director  
Head of Valuation & Transaction Advisory

ppa. Georg Charlier MRICS  
Associate Director  
Valuation & Transaction Advisory

## ADDITIONAL INFORMATION

### 1. INCORPORATION OF THE COMPANY

- 1.1 The Company was incorporated in England and Wales on 8 October 2015 with registered number 9816665 as a public limited company.
- 1.2 The Company's registered office is at 55 Baker Street, London W1U 7EU. The Company's trading address is Max-Planck-Strasse 6-8, 71116 Gaertringen, Germany, and contact telephone number is +44 203 695 5616.
- 1.3 The Company's website address is <http://eigp-plc.com/>.

### 2 SHARE CAPITAL OF THE COMPANY

- 2.1 The following table shows the issued share and loan capital of the Company as at the date of Admission and following the issue of the Bond:

	At Admission	
	Issued (€)	Number
Ordinary Shares	100,000	10,000,000
Bonds	Minimum £5,000,000 gross	

- 2.3 On Admission the Company will be capitalised at €100,000. None of the Ordinary Shares is listed or traded on any recognised investment exchange.
- 2.5 The Ordinary Shares rank pari passu in all respects and will rank in full for all dividends and other distributions thereafter declared, made or paid on the ordinary share capital of the Company.
- 2.6 The principal terms of the Bonds are as follows:
- the Bonds are denominated in amounts of £100,000;
  - the Bonds have a minimum raise of £5,000,000 (gross) and the maximum raise will be £50,000,000
  - the Bonds will be redeemed by the Company on the seventh anniversary of Admission;
  - in the event that an event of default (as defined in the Bond Instrument) occurs, the Bondholders may require the Company to redeem the Bonds at par;
  - with effect from their respective dates of issue, the Bonds carry a fixed coupon of 6.5 per cent. per annum payable quarterly in arrears to Bondholders on the register, in equal instalments on 31 March, 30 June, 30 September and 31 December, until the expiry of the bond term.
  - the Bonds are freely transferable;
  - the Bonds are unsecured; and
  - the Bonds shall rank pari passu with all unsecured creditors of the Company.

### 3. SUBSIDIARIES

- 3.1 Rock Real Estate GmbH was incorporated on 14 October 2015 in Gaertringen, Germany as a Corporation. Its company FEIN is 46-5279721. It's registered and business address is Max-Planck-Strasse 6-8, 71116 Gaertringen, Germany. Rock Real Estate GmbH is wholly owned by the Company.

### 4. MEMORANDUM AND ARTICLES OF ASSOCIATION

- 4.1 The Company has authority to issue and allot the Bonds pursuant to its articles of association and the Bonds are duly constituted pursuant to the Bond Instrument.

### 5. DIRECTORS' SHAREHOLDINGS & INTEREST

The interests of the Directors, their immediate families, civil partners (as defined in the Civil Partnership Act 2004) and persons connected with them (within the meaning of sections 252 to 254 of the Act), all of which are beneficial as at the date of this document and as expected to be immediately following Admission are as follows:

Name	Number of issued Ordinary Shares of €0.01	% of issued Ordinary Shares
Peter Weimer,	4,701,000	47.01%
Bodo Laux	2,380,000	23.80%
Christopher Worcester	201,000	2.01%
Heike Laux	600,000	6.00%
Christopher Laux	290,000	2.90%
Johanna Rebecca Laux	290,000	2.90%
Geraldine Laux	290,000	2.90%
Michael Brand	299,000	2.99%
Jochen Hertzke	150,000	1.50%

### 6. ADDITIONAL INFORMATION ON THE BOARD

- 6.1 In addition to directorships of the Company, the Directors hold or have held the following directorships or have been partners in the following partnerships within the five years prior to the date of this Document:

Director	Current Directorships/ Partnerships	Past Directorships/ Partnerships
Peter Weimer	Realkontor/ProCBS Group	None
Bodo Laux	Ryss & Lynx LLC	None
Guy Saxton	F1Rocks Limited, Brazil Iron Limited Brazil Iron Services Limited Oakmont Trading Limited	Amazon Protection Limited Stonehenge Capital Partners Kormet Limited Inspirit Energy Holdings Plc GMP Nominees Limited Eco-City Vehicles Plc European Waste to Energy Plc Aubras Limited
Christopher Worcester	Green Road Capital Limited 50 Mornington Terrace	None



6.2 None of the Directors has:

- (a) any unspent convictions in relation to indictable offences;
- (b) had any bankruptcy order made against him or entered into any voluntary arrangements;
- (c) been a director of a company which has been placed in receivership, insolvent liquidation or administration or been subject to a voluntary arrangement whilst he was a director of that company or within the 12 months after he ceased to be a director of that company, with the exception of Guy Saxton, who was a director of First London Plc, First London Securities Limited and FL Ventures Limited when they were placed into administration in 2010. First London Plc, First London Securities Limited and FL Ventures Limited were subsequently wound-up pursuant to creditor voluntary liquidations.
- (d) been a partner in any partnership which has been placed in receivership insolvent liquidation, administration or been the subject of a partnership voluntary arrangement whilst he was a partner in that partnership or within the 12 months after he ceased to be a partner in that partnership;
- (e) been publicly criticised by any statutory or regulatory authority (including designated professional bodies); or
- (f) been disqualified by a court from acting in the management or conduct of the affairs of a company.

6.3 Since incorporation of the Company there has been no remuneration paid (including any contingent or deferred compensation) nor any benefits in kind granted to the Directors by the Company.

Each Director's appointment will commence on Admission for an initial fixed term of twelve months and will continue thereafter unless and until terminated by either party on 6 months' notice in writing. Peter Weimer will receive an annual salary of £160,000 as CEO; Bodo Laux will receive an annual fee of £35,000 as Chairman and each of the non-executive Directors (Guy Saxton and Chris Worcester) will receive an annual fee of £30,000.

## 7. MAJOR SHAREHOLDERS

As set out in paragraph 5 of this Part IV, Peter Weimer owns forty seven per cent. (47%) and Bodo Laux owns twenty three point eight (23.8%) of all of the Ordinary Shares in issue.

## 8. MATERIAL CONTRACTS

The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by the Company within the period from incorporation to the date immediately preceding the date of this Document and are, or may be, material:

- 8.1 On 28 October 2014, European Investment Grade Properties Plc entered into an engagement letter with Westhouse Securities pursuant to which the Company appointed Westhouse Securities as its lead financial adviser on an exclusive basis for 2 years in connection with a proposed admission to AIM of the Company ("**Admission**") and a related share placing to raise up to €40m. Under the terms of this engagement letter, the Company agreed to pay Westhouse Securities a Corporate Advisory Fee of €250,000 and conditional on Admission, commission of 3.5% on the proceeds of the placing and the issue of warrants totalling one percent (1%) of the issued share capital of the Company at Admission, exercisable at the placing price for a period of five years from Admission.
- 8.2 On 21 October 2015, the Company entered into a Corporate Adviser agreement with Alexander David under which the Company appointed Alexander David as its corporate adviser in connection with Admission and the issue of the Bonds. Under the terms of this letter of

engagement the Company agreed to pay Alexander David an engagement fee of £30,000, a success fee of £50,000 payable upon the admission to Global Exchange Market, selling commission fee of five per cent. of gross proceeds received by the Company from investors introduced by Alexander David Securities, one half of one per cent. selling commission of gross proceeds received by the Company from third party investors. An annual retainer fee of £12,000 per annum, payable quarterly in advance upon admission to Global Exchange Market.

## **9. LITIGATION & ARBITRATION**

The Company is not involved in any legal governmental or arbitration proceedings which may have or have had since incorporation a significant effect on the Company's financial position and, so far as the Directors are aware, there are no such proceedings pending or threatened against the Company.

## **10. TAXATION**

### **United Kingdom taxation**

The following summary is intended only as a general guide and outlines certain aspects of UK taxation which apply to persons who are the beneficial owners of Bonds. It is based on a summary of the Company's understanding of current law and practice in the United Kingdom and is not a complete or exhaustive analysis. Some aspects do not apply to certain classes of person (such as dealers, certain professional investors and persons connected with the Company) to whom special rules may apply. The United Kingdom tax treatment of prospective registered Bondholders depends on their individual circumstances and may therefore differ to that set out below or may be subject to change in the future. Prospective registered Bondholders who are in any doubt over their tax position or may be subject to tax in a jurisdiction other than the United Kingdom should seek their own professional advice. This summary only deals with the matters expressly set out below.

### **Withholding tax on the Bonds**

Other than in the circumstances below, an amount must generally be withheld from payments of interest on the Bonds on account of United Kingdom income tax at the basic rate (currently 20 per cent.). If interest is paid under deduction of United Kingdom income tax, taxpayers not chargeable to UK income tax on interest income may reclaim the tax withheld. Registered Bondholders who are not resident in the United Kingdom may be able to recover all or part of the tax deducted if there is an appropriate provision in a relevant tax treaty.

Interest on the Bonds may usually be paid without withholding or deduction on account of United Kingdom tax to UK companies believed to be chargeable to UK corporation tax on the interest or non-resident companies believed to be similarly chargeable carrying on a UK trade through a permanent establishment. HM Revenue and Customs ("HMRC") can however require tax to be withheld in limited circumstances. Interest may also be paid without withholding tax where the Company has received a direction from HMRC in respect of such relief as may be available under the provisions of any relevant double taxation treaty.

### **United Kingdom Income Tax**

Interest on the Bonds constitutes United Kingdom source income for tax purposes and, as such, may be subject to income tax even where paid without withholding. However, interest with a United Kingdom source properly received without deduction or withholding on account of United Kingdom tax will not be chargeable to United Kingdom tax in the hands of a registered Bondholder (other than certain trustees) who is not resident for tax purposes in the United Kingdom other than in certain circumstances where the registered Bondholder carries on a trade in the UK.

### **United Kingdom Corporation Tax Payers**

Companies which are within the charge to United Kingdom corporation tax (including non-resident companies whose Bonds are used, held or acquired for the purposes of trade carried on in the United Kingdom through a permanent establishment) will be charged to corporation tax on the interest.

### **Provision of information and EU Savings Directive**

HMRC has power to obtain information (including the name and address of the registered

Bondholder) from any person in the United Kingdom who either pays interest to or receives interest for the benefit of a registered Bondholder who is an individual. Such information can be exchanged by HMRC with the tax authorities of the jurisdiction in which the registered Bondholder is tax resident.

Under the Savings Directive, Member States are generally required to provide to the tax authorities of another Member State details of payments of interest paid by a person within its jurisdiction to (or for the benefit of) an individual or certain other entities resident or established in that other Member State.

## **11. SIGNIFICANT CHANGE**

Other than as disclosed in this Document, there has been no significant change in the financial or trading position of the Company from 8 October 2015, being the date of the unaudited balance sheet set out in Part III, to the date of this Document.

## **12. RELATED PARTY TRANSACTIONS**

Details of the significant transactions between the Group and other related parties during the period of twelve months preceding the date of this Document are set out below:

1. Conditional purchase agreement for the property at Leinfelden Echterdingen between Rock Real Estate and Realkontor 19 GmbH & Co. KG, Gartringen dated 27 November 2015;
2. Conditional purchase agreement for the property at Holzgerlingen between Rock Real Estate and SFS Real Estate III GmbH & Co. KG, Gartringen dated 27 November 2015;
3. Conditional purchase agreement for the property at Deizisau between Rock Real Estate and Realkontor 16 GmbH & Co. KG, Gartringen dated 27 November 2015;
4. Conditional purchase agreement for the property at Heilbronn between Rock Real Estate and RK 1. Grundbesitz GmbH & Co. KG, Gartringen dated 27 November 2015;
5. Conditional purchase agreement for the property at Friedrichshafen between Rock Real Estate and Realkontor 11 Sachwertfonds GmbH & Co. KG, Gartringen dated 27 November 2015;
6. Conditional purchase agreement for the property at Liebenau between Rock Real Estate and RK 2. Grundbesitz GmbH & Co. KG, Gartringen dated 27 November 2015;
7. Conditional purchase agreement for the property at Oppenheim between Rock Real Estate and RK 2. Grundbesitz GmbH & Co. KG, Gartringen dated 27 November 2015; and
8. Conditional purchase agreement for the property at Rodenbach between Rock Real Estate and Realkontor Funfte GmbH & Co. KG, Gartringen dated 27 November 2015.

The parties are related by virtue of Peter Weimer having a shareholding in the respective seller companies listed above. Peter Weimer's interest in each of the seller companies is as follows:

- (a) 94% of Realkontor 19 GmbH & Co. KG, Gartringen;
- (b) 100% of SFS Real Estate III GmbH & Co. KG, Gartringen;
- (c) 3.9% of Realkontor 16 GmbH & Co. KG, Gartringen;
- (d) 3.9% of RK 1. Grundbesitz GmbH & Co. KG, Gartringen;
- (e) 3.9% of Realkontor 11 Sachwertfonds GmbH & Co. KG, Gartringen;
- (f) 0% of RK 2. Grundbesitz GmbH & Co. KG, Gartringen; and
- (g) 0% of Realkontor Funfte GmbH & Co. KG, Gartringen.

## **13. GENERAL**

### **Reason for the offer**

The offer of the Bonds is being made to enable the Company to fund investments in accordance with the Company's investment strategy.

The Company's accounting reference date is 31 October.

There is no other information of which the Company or the Directors are aware that they consider (acting reasonably) would be reasonably required in order to make an informed assessment of the Company, its financial position and business activities.

### **Expense of the Admission to Trading**

The costs and expenses (including irrevocable VAT) of, and incidental to the [issue] payable by the Company are expected to be £425,000.

### **Credit Rating**

At the date of this Prospectus, the Issuer has not been assigned a credit rating by any independent credit rating agency and, accordingly, the Bonds have not been assigned a credit rating by any independent credit rating agency.

## **14. USE OF PROCEEDS**

The Directors intend to use the net proceeds of the Bonds, to fund investments in accordance with the Company's investment policy, as well as to fund the Company's operational expenses. Such expenses include (i) acquisition costs and expenses (such as due diligence costs, legal fees, accountants fees); (ii) tax advises and taxes; (iv) other operational costs and expenses.

## **15. WORKING CAPITAL**

The Board is of the opinion that, having made due and careful consideration, the working capital available to the Company and the Group will be sufficient for its requirements that is for at least the next 12 months from the date of Admission.

## **16. CREST**

Trades are cleared through CREST, which is a computerised share transfer and settlement system enabling securities to be held in electronic uncertificated form and transferred otherwise than by written instrument. The Articles permit the Company to issue bonds in uncertificated form in accordance with the CREST Regulations.

The Company has applied to Euroclear for the Bonds to be admitted to and enabled through CREST with effect from Admission. Accordingly, settlement of transactions in Bonds following Admission may take place within CREST if the relevant Bondholders so wish. However, if a Bondholder wishes to receive and retain physical bond certificates, he will be able to do so.

The ISIN for the Bonds is GB00BYP0Y667.

The address of CREST is Euroclear UK & Ireland, 33 Cannon Street, London EC4M 5SB.

## **17. DOCUMENTS AVAIBLE FOR INSPECTION**

For the period of 12 months following the date of this Prospectus, copies of the following documents will, when published, be available for inspection from the registered office of the Company:

- (i) The certificate of incorporation and the memorandum and articles of association of the Company;
- (ii) a copy of this Prospectus; and
- (iii) any future offering circulars and supplements to this Prospectus, any other documents incorporated therein by reference.

This document is available for review on the Company's website at <http://eigp-plc.com/>. In addition, hard copies of this document may be collected from the Company's registered office and the offices of Alexander David Securities Ltd

**19<sup>th</sup> February, 2016**

## **DEFINITIONS**

The following terms apply in this Document unless the context requires otherwise:

“Admission”	admission of the Bonds to trading on the Global Exchange Market and GSX limited and such admission becoming effective in accordance with the Global Exchange Market Rules and the GSX Listing Code for Debt Securities.
“Articles”	the articles of association of the Company
“Board”	the board of directors of the company
“Bond” or “Bonds”	the Sterling denominated unsecured 6.5% bonds issued by the Company pursuant to the Bond Instrument
“Bondholder” or “Bondholders”	the holders of the Bonds
“Bond Instrument”	the bond instrument, a copy of which is set out in Appendix I to this document
“Company” or “EIGP”	European Investment Grade Properties Plc (UK registered number 9816665)
“Conditions”	the conditions pertaining to the Bond
“Contracted Portfolio”	a real estate portfolio of 8 properties in southern Germany with an open market value of €30.03m and a rental income of €2.3m per annum based on a valuation by Jones Lang La Sella which the Group has contracted to acquire
“CREST”	the computerised settlement system used to facilitate the transfer of title to shares in uncertificated form, operated by Euroclear UK & Ireland Limited.
“EIGP Group or Group”	the Company and its wholly owned German subsidiary, Rock Real Estate GmbH
“Euroclear”	Euroclear UK & Ireland Limited, the operator of CREST
“FCA”	the Financial Conduct Authority
“FSMA”	the Financial Services and Markets Act 2000 (as amended)
Global Exchange Market (“GEM”)	a market of the ISE for listed securities aimed at professional investors. The GEM is a multilateral trading facility as defined in Article 4(1) point of Directive 2004/39/EC
Gibraltar Stock Exchange (“GSX”)	GSX Limited ('GSX'), trading as The Gibraltar Stock Exchange, is a Gibraltar-based private limited Company that, since 2014, has a Stock Exchange license from the Gibraltar Financial Services Commission.
“Interest Date”	31 March, 30 June, 30 September or 31 December in each year
“ISE”	Irish Stock Exchange
“Prospectus”	this document
“Ordinary Shares”	ordinary shares of the Company of €0.01 nominal value
“Qualified Investor”	as such term is defined in the Financial Conduct Authority Handbook.

“Redemption Date”	in relation to a Bond issue under the Bond Instrument, the date falling seven years after the Admission of the Bond
“Securities Act”	the US Securities Act 1933, as amended
“Target Portfolio”	the target portfolio properties set out on page 13 of this Document
“€”	EURO

**APPENDIX I**  
**BOND INSTRUMENT**

**DATED 25 JANUARY 2016**

**EUROPEAN INVESTMENT GRADE PROPERTIES PLC**

**STERLING DENOMINATED UNSECURED 6.5% BOND INSTRUMENT**

**THE BOND WITH ISIN GB00BYPOY667 WITH THE DESCRIPTION 6.5% UNSECURED BONDS OF GBP100,000 MAY BE HELD AND TRANSFERRED ELECTRONICALLY IN THE CREST SETTLEMENT SYSTEM AND ALL CONDITIONS RELATING TO THE ENTRY INTO THE CREST SYSTEM ARE NOW FULLY SATISFIED**

**REGISTERED OFFICE:**

55 Baker Street  
London  
W1U 7EU  
United Kingdom

# Contents

1	INTERPRETATION	49
2	NOMINAL AMOUNT	50
3	RANKING	50
4	USE OF PROCEEDS	50
5	BOND CERTIFICATES	50
6	CONDITIONS OF ISSUE	50
7	BONDS REGISTER	51
8	BONDS QUOTED	51
9	ENFORCEMENT	51
10	SET-OFF	51
11	THIRD PARTY RIGHTS	51
12	EFFECTIVE DATE	51
13	GOVERNING LAW AND JURISDICTION	51

## RISK FACTORS

### SCHEDULE

SCHEDULE 1	BOND CERTIFICATE
SCHEDULE 2	INTEREST AND REDEMPTION
SCHEDULE 3	TRANSFER PROVISIONS AND OTHER MATTERS
SCHEDULE 4	MEETINGS OF THE BONDHOLDERS



**THIS DEED** is made on 14 December 2016

## **PARTIES**

- (1) European Investment Grade Properties Plc incorporated and registered in England and Wales with company number 9816665 whose registered office is at 55 Baker Street, London W1U 7EU, United Kingdom (the "Company").

## **1 INTERPRETATION**

- 1.1 The definitions and rules of interpretation in this clause 1 apply in this instrument.

**2006 Act:** the Companies Act 2006

**Articles:** the articles of association of the Company, as amended or superseded.

**Bonds:** units of £100,000 unsecured bonds constituted by this Bond Instrument.

**Bondholders:** the persons for the time being entered in the register as holders or joint holders of the Bonds.

**Bond Instrument:** this deed.

**Business Day:** a day (other than a Saturday, Sunday or public holiday) on which banks in the City of London are open for normal banking business.

**Certificate:** a certificate for Bonds in the form set out in Schedule 1.

**Conditions:** the conditions attaching to the Bonds, as set out in Schedule 2 to Schedule 4.

**Control:** shall be as defined in section 1124 of the Corporation Tax Act 2010.

**Directors:** the board of Directors for the time being of the Company.

**Effective Date:** 31 March 2016.

**Event of Default:** any of the events set out in paragraph 9 of Schedule 2.

**Final Redemption Date:** the Bonds will be issued for a period up to 31 March 2023.

**Global Exchange Market ("GEM"):** a market of the ISE for listed securities aimed at professional investors. The GEM is a multilateral trading facility as defined in Article 4(1) point of Directive 2004/39/EC.

**Gibraltar Stock Exchange ("GSX"):** GSX Limited, trading as The Gibraltar Stock Exchange, is a Gibraltar-based private limited Company that, since 2014, has a Stock Exchange license from the Gibraltar Financial Services Commission.

**Group:** the Company and its subsidiaries.

**HMRC:** HM Revenue & Customs

**Ordinary Shares:** the ordinary shares of €0.01 each in the capital of the Company, which have the rights set out in the Articles.

**Principal:** the amount outstanding under the Bonds.

**Regulations:** the Uncertificated Securities Regulations 2001 (as amended).

**Term:** the seventh anniversary of the Effective Date.

- 1.2 Any phrase introduced by the terms **including**, **include** or any similar expression shall be construed as illustrative and shall not limit the sense of the words preceding those terms.
- 1.3 The Schedules to this instrument form part of (and are incorporated into) this instrument.
- 1.4 A **person** includes a corporate or unincorporated body.
- 1.5 Words in the singular include the plural and vice versa.
- 1.6 A reference to a clause or a Schedule is (unless expressly stated otherwise) a reference to a clause of, or schedule to, this instrument.
- 1.7 Clause and schedule headings do not affect the interpretation of this instrument.
- 1.8 A reference to one gender includes a reference to the other gender.
- 1.9 A reference to a **holding company** or a **subsidiary** means a holding company or a subsidiary (as the case may be) as defined in section 1159 of the 2006 Act.
- 1.10 This document provides for the Bonds to be held in and transferable through the CREST system.
- 1.11 A reference to any legislation includes that legislation as amended from time to time.

## **2 NOMINAL AMOUNT**

The nominal amount of each Bond is £100,000 and the aggregate principal amount of the Bonds is up to £50,000,000.

## **3 RANKING**

All the Bonds shall rank *pari passu*, equally and rateably, without discrimination or preference and as unsecured obligations of the Company under this instrument.

## **4 USE OF PROCEEDS**

The proceeds of all subscriptions for the Bonds shall be used for investment purposes and, should the Directors so determine, working capital.

## **5 BOND CERTIFICATES**

- 5.1 Each Bondholder, or the joint holders of Bonds, shall be entitled to receive without charge a Certificate executed by the Company for the amount of Bonds held by him (or them) provided that joint holders of Bonds will only be entitled to receive one Certificate in respect of their joint holding and delivery of a Certificate to the first-named joint holder set out in the register shall be sufficient delivery to all.
- 5.2 Every Certificate shall have a copy of the Conditions endorsed on or attached to it.
- 5.3 Where a Bondholder transfers only part of the Bonds comprised in a Certificate, the old Certificate shall be cancelled and a new Certificate for the balance of such Bonds shall be issued without charge.

## **6 CONDITIONS OF ISSUE**

The Bonds shall be issued subject to, and with the benefit of, the Conditions. The Conditions shall be binding on the Company, the Bondholders and all persons claiming through or under them.

## **7 BONDS REGISTER**

7.1 The Company shall keep, or cause to be kept, a register of the Bonds at its registered office or at such other place as the Company shall from time to time designate showing:

- (a) the names and addresses of the Bondholders for the time being of the Bonds;
- (b) the amount of the Bonds held by every Bondholder and the principal monies paid up on them;
- (c) the date on which the name of that Bondholder is entered in respect of the Bonds standing in his name;
- (d) the serial number of each Certificate issued and the date of its issue; and
- (e) the date on which a person ceased to hold the Bonds.

7.2 Any change of name or address of any Bondholder shall immediately be notified to the Company and, on receipt, the register shall be altered accordingly. The Bondholders (or any of them) and any person authorised in writing by any of them may, at all reasonable times during office hours, inspect the register and to take copies of it or extracts from it. The Company may, however, close the register for such periods and at such times as the Company thinks fit, provided that the register is not closed for more than 30 Business Days in any one year.

## **8 BONDS QUOTED**

Applications have been made to admit the Bonds for trading on the Global Exchange Market which is an HMRC recognised growth stock exchange and on the Gibraltar Stock Exchange, an EU regulated market.

## **9 ENFORCEMENT**

The Company covenants with each of the Bondholders to perform and observe the obligations in this instrument to the intent that this instrument shall inure for the benefit of all persons for the time being registered as holders of any Bonds, each of whom may sue for the performance and observance of the provisions of this instrument so far as his holding is concerned.

## **10 SET-OFF**

Each Bondholder shall be recognised by the Company as entitled to the Bonds registered in his name free from any equity, defence, set-off or cross-claim on the part of the Company against the Bondholder.

## **11 THIRD PARTY RIGHTS**

This instrument is enforceable under the Contracts (Rights of Third Parties) Act 1999 by the Company and any Bondholder, but not by any other person.

## **12 EFFECTIVE DATE**

This Bond Instrument takes effect from the Effective Date.

## **13 GOVERNING LAW AND JURISDICTION**

13.1 This instrument and any dispute or claim arising out of or in connection with it or its subject matter or formation (including non-contractual disputes or claims) shall be governed by and construed in accordance with the law of England and Wales.

13.2 The courts of England and Wales shall have exclusive jurisdiction to settle any dispute or claim arising out of or in connection with this instrument or its subject matter or formation (including non-contractual disputes or claims).

This document has been executed as a deed and is delivered and takes effect on the date stated at the beginning of it.

Executed as a deed by

**EUROPEAN INVESTMENT GRADE  
PROPERTIES PLC**

.....

Director

acting by .....,  
a director, in the presence of:

Witness Signature .....

Witness Name: .....

Witness Address: .....

.....

.....

Witness Occupation: .....

## **RISK FACTORS**

IN ADDITION TO THE OTHER RELEVANT INFORMATION SET OUT IN THIS PROSPECTUS, THE FOLLOWING SPECIFIC FACTORS SHOULD BE CONSIDERED CAREFULLY IN EVALUATING WHETHER TO MAKE AN INVESTMENT IN THIS BOND. IF YOU ARE IN ANY DOUBT ABOUT THE ACTION YOU SHOULD TAKE OR THE CONTENTS OF THIS PROSPECTUS, YOU SHOULD SEEK YOUR OWN FINANCIAL ADVICE, INCLUDING AS TO ANY TAX CONSEQUENCES FROM YOUR STOCKBROKER, SOLICITOR, ACCOUNTANT, BANK MANAGER OR OTHER INDEPENDENT FINANCIAL ADVISER AUTHORISED BY THE FCA TO CONDUCT INVESTMENT BUSINESS.

THE BOND IS UNSECURED. THIS MEANS THAT NEITHER THE INTEREST PAYABLE NOR THE INVESTMENT AMOUNT IS GUARANTEED. IF THE COMPANY WERE TO BECOME INSOLVENT THERE IS THE RISK THAT (A) SOME OR ALL OF THE NOMINAL VALUE OF THE BONDS WILL NOT BE REDEEMED; AND (B) SOME OR ALL OF THE INTEREST RETURN DUE ON THE BONDS WILL NOT BE PAID.

BONDHOLDERS MAY RECEIVE LESS THAN THE ORIGINAL AMOUNT INVESTED.

THE BOND IS HELD IN THE NAME OF THE COMPANY, THE COMPANY IS DEPENDENT UPON ITS SUBSIDIARY COMPANIES PERFORMING IN ORDER FOR IT TO BE ABLE TO FUND THE INTEREST REPAYMENTS DURING THE BOND'S FIXED TERM AND REPAY THE CAPITAL AMOUNT ON REDEMPTION.

THE BOND CANNOT BE SOLD OR REDEEMED EXCEPT UNDER THE CONDITIONS SET OUT IN THE BOND INSTRUMENT. AN APPLICATION HAS BEEN MADE FOR THE BOND TO BE ADMITTED TO GLOBAL EXCHANGE MARKET, AN HMRC RECOGNISED STOCK EXCHANGE. AN APPLICATION HAS ALSO BEEN MADE FOR THE BOND TO BE ADMITTED TO THE GIBRALTAR STOCK EXCHANGE.

INVESTMENT IN A SECURITY OF THIS NATURE, BEING AN ILLIQUID INVESTMENT, IS SPECULATIVE, INVOLVING A DEGREE OF RISK. IT MAY NOT BE POSSIBLE TO REDEEM THE BOND PRIOR TO THE FINAL REDEMPTION DATE. THERE MAY NOT BE BUYERS WILLING TO PURCHASE THE BOND IN THE MARKET.

THE BONDS ARE AN UNSECURED DEBT OF THE COMPANY AND THERE IS NO CERTAINTY OR GUARANTEE THAT THE COMPANY WILL BE ABLE TO REPAY THEM.

THE BOND MAY NOT BE A SUITABLE INVESTMENT FOR ALL POTENTIAL BONDHOLDERS.

FACTORS THAT MAY AFFECT THE COMPANY'S ABILITY TO FULFIL ITS OBLIGATIONS UNDER THE BOND

### **BUSINESS STRATEGY**

The Company has a small key management team which allows it to act quickly and effectively. However, there is a risk that the loss of a member of the team due to, for example, accident or illness could adversely affect the operation of the Company.

### **ECONOMIC AND POLITICAL CONDITIONS**

The Company does not have control over political, legal or regulatory changes within the business environment in which it operates. Any of these three factors could occur in the territory in which the Company, its subsidiaries or associated companies operates.

In particular, any downturn in the German economy or economies where the Company or its subsidiaries operate, could have significant adverse impact on the Company's results or those of its subsidiaries.

## **OPERATIONAL THREATS**

The Group is affected by legislative changes from the UK and Germany. These changes are outside of the control of the Company and can considerably impact and alter the Company's financial performance.

## **LEGAL AND COMPLIANCE**

The Group has significant legal and compliance obligations. The Company is not currently aware of any material failure to adhere to applicable health and safety or environmental laws, litigation or breach of competition laws, or failure to comply with corporate, employee or taxation laws. If any of this were to occur in the future, this could have an adverse impact on the Company's results.

## **EMPLOYEES**

The Company's success depends in part on the continued service of its key management and technical personnel and on its ability to continue to attract, motivate and retain suitably qualified employees. If employees are not adequately skilled or effectively managed this could affect the Company's operations in a number of ways and could have an adverse impact on the Company's results.

## **FINANCIAL RISKS AND LIQUIDITY**

The Company's results and financial condition are entirely dependent on the trading performance of the Group and companies in which the Group holds interests. The Company's ability to pay the interest and repay the Principal amount on redemption will depend upon the level of distributions, if any, received from the Company's operating subsidiaries.

## **FACTORS WHICH ARE MATERIAL FOR THE PURPOSE OF ASSESSING THE INVESTMENT RISKS ASSOCIATED WITH THE BOND**

The Bond may not be a suitable investment for all potential applicants. Each potential applicant in the Bond must determine the suitability of that investment in light of his own circumstances.

In particular each potential applicant should:

- with the help of an authorised independent financial adviser have sufficient knowledge and experience to make a meaningful evaluation of the Bond, the merits and risks of investing in the Bond and the information contained or incorporated by reference in this invitation or any applicable supplement;
- with the help of an authorised independent financial adviser have access to, and knowledge of appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Bond and the impact such investment will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Bond;
- with the help of an authorised independent financial adviser understand thoroughly the terms of the Bond; and
- be able to evaluate, with the help of an authorised independent financial adviser, possible scenarios for economic, interest rates and other factors that may affect its investment and its ability to bear the applicable risks.

## **RISKS RELATED TO THE STRUCTURE OF THE BOND**

### **MODIFICATION, DETERMINATION, WAIVERS AND SUBSTITUTION**

The Conditions provide that the Company may without the consent of Bondholders and subject to the provisions of the Bond Instrument, agree to any modification of the Bond Instrument which is (in the opinion of the Company) of a formal, minor or technical nature or which is made to correct a manifest error.

### **CHANGE OF LAW**

The Conditions are based on English law in effect as at the Effective Date. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the Effective Date.

### **FINANCIAL SERVICES COMPENSATION SCHEME (FSCS)**

The Bond is not protected from loss by the Financial Services Compensation Scheme.

### **TAX**

Bondholders should seek their own tax advice as to the consequences of owning the Bond as well as receiving returns from them. No representation or warranty express or implied, is given to Bondholders as to the tax consequences of their acquiring, owing or disposing of the Bond and neither the Company or its employee/directors will be responsible for any tax consequences for any such applicants. Any commentary is general in nature and is intended as a guide only to the United Kingdom taxation consequences of the acquisition, ownership or redemption of the Bond by a Bondholder resident in the United Kingdom.

### **INTEREST RATE RISKS**

The Bond is a fixed rate obligation and involves the risk that bond holders will not benefit from any subsequent increases in market interest rates.

### **TRANSFERENCE OR EARLY REDEMPTION**

The Bond is transferable.

There are no provisions for early redemption, with the Principal amount plus interest for the seventh and final year being paid on the Final Redemption Date into the account nominated by the Bondholder at issue.

**THE FOREGOING FACTORS ARE NOT EXHAUSTIVE AND DO NOT PURPORT TO BE A COMPLETE EXPLANATION OF ALL THE RISKS AND SIGNIFICANT CONSIDERATIONS INVOLVED IN INVESTING IN THE BOND. ACCORDINGLY AND AS NOTED ABOVE ADDITIONAL RISKS AND UNCERTAINTIES NOT PRESENTLY KNOWN TO THE COMPANY MAY ALSO HAVE AN ADVERSE EFFECT ON THE COMPANY'S BUSINESS AND PROSPECTS.**

## Schedule 1

### Bond Certificate

#### EUROPEAN INVESTMENT GRADE PROPERTIES PLC (the "Company")

DESPATCH NAME  
DESPATCHADDRESS1  
DESPATCHADDRESS2  
DESPATCHADDRESS3  
DESPATCHADDRESS4  
DESPATCHADDRESS5  
DESPATCHPOSTCODE

Certificate No.	Transfer No.	Holder No.	Reference	Date of Issue	Number of Bonds
CERT NO	TFR NO	INVESTORID	REF	DATE	NUMBER

#### BOND CERTIFICATE

#### EUROPEAN INVESTMENT GRADE PROPERTIES PLC

Incorporated and registered in England and Wales under the Companies Act 2006  
with registered number 9816665.

European Investment Grade Properties Plc Bonds in units of £100,000 each issued pursuant to the Company's Memorandum and Articles and created pursuant to a resolution of the Directors.

This is to certify that:

BONDHOLDER:

ADDRESSLINE:

JOINTNAME1  
JOINTNAME2  
JOINTNAME3

is the registered holder of the within mentioned Bonds constituted by an instrument entered into by the Company on 14 December 2015 ("**Bond Instrument**") and issued with the benefit of and subject to the provisions and conditions contained in it and the conditions on this certificate ("**Conditions**"). Interest is payable on these Bonds at 6.5% per annum for the Term in accordance with Schedule 2. These Bonds are transferable in accordance with Schedule 3. The Conditions contain provisions on registration and other matters of an administrative nature relating to the Bonds. Schedule 4 to the Bond Instrument contains the provisions relating to meetings of Bondholders. A copy of the Bond Instrument is provided with this certificate.

Transfer Office: Share Registrars Limited, Suite E, First Floor, 9 Lion and Lamb Yard, Farnham, Surrey, GU9 7LL United Kingdom, Telephone: 01252 821390, Website: <http://www.shareregistrars.uk.com>



## Schedule 2

### Interest and Redemption

1. Interest shall be payable on any Principal amount outstanding under the Bonds at a rate of 6.5% per annum (the **Interest Rate**) payable quarterly in arrears for the Term, subject to paragraph 8 of this Schedule 2. The interest due will be calculated on a daily basis and accrued up to the date of redemption in accordance with paragraph 8 of this Schedule 2.
2. Any interest due under paragraph 1 of this Schedule 2 shall be payable the respective quarterly yearly dates being on 31 March, 30 June, 30 September and 31 December in each year in which in the Bonds are held.
3. If any date for payment in respect of any Bond is not a business day, the holder shall not be entitled to payment until the next following business day nor to any interest or other sum in respect of such postponed payment. In this paragraph, "business day" means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in London, England.
4. Interest, if payable, shall accrue daily at the Interest Rate and shall be calculated on the basis of a 365-day year and the actual number of days elapsed from the date of issue of the Bonds to the Final Redemption Date.
5. Interest, if payable shall be paid to those Bondholders on the register ten Business Days prior to the payment date.
6. If the Company fails to pay redemption monies when due, interest shall continue to accrue on the unpaid amount at the Interest Rate.
7. As and when the Bonds (or any part of them) are to be redeemed in accordance with paragraph 8 of this Schedule 2, the Company shall pay the Bondholders the Principal amount of the Bonds, which are to be redeemed.
8. The Bonds shall be redeemed following the Final Redemption Date at the Principal amount together with accrued interest on the Bonds then outstanding at the Interest Rate.
9. The Bonds then in issue shall be immediately redeemed at the Principal amount, together with interest on the Bonds outstanding at the Interest Rate, if:
  - (a) an administration order is made in relation to the Company; or
  - (b) an order is made, or an effective resolution is passed, for the winding-up, liquidation, administration or dissolution of the Company (except for the purpose of reorganisation or amalgamation of the Company or any of its subsidiaries); or
  - (c) an encumbrancer takes possession or a receiver is appointed of the whole or the major part of the assets or undertaking of the Company or if distress, execution or other legal process is levied or enforced or sued out on or against the whole or the major part of the assets of the Company and is not discharged, paid out, withdrawn or removed within 21 Business Days; or
  - (d) the Company is deemed for the purposes of section 123 of the Insolvency Act 1986 to be unable to pay its debts or compounds or proposes or enters into any reorganisation or special arrangement with its creditors generally. (each of 9 (a) to (d) are an **Event of Default**).
10. The Company shall give written notice to the Bondholders immediately on the Company becoming aware of the occurrence of an Event of Default, giving reasonable details of such Event of Default.

11. If, on redemption of a Bond, a Bondholder fails to deliver the Certificate for it or an indemnity in accordance with these Conditions or to accept payment of monies due to him, the Company shall pay the monies due to him into a separate company bank account which payment shall discharge the Company from all further obligations in respect of the Bond.
12. The Company shall cancel any Bonds repaid, redeemed or transferred and shall not reissue them.

### **Schedule 3**

#### **Transfer provisions and other matters**

##### **Part 1**

1. The Company shall recognise the registered holder of any Bonds as the absolute owner of them and shall not (except as provided by statute or as ordered by a court of competent jurisdiction) be bound to take notice of any trust (whether express, implied or constructive) to which any Bond may be subject. The Company shall not (except as provided by statute or as ordered by a court of competent jurisdiction) be bound to enter any notice of any trust (whether express, implied or constructive) on the register in respect of any of the Bonds.
2. The Bonds are transferable in accordance with this Schedule 3 in integral multiples of £100,000 by instrument in writing in such form as the Directors may approve and such instrument need not be under seal.
3. Each instrument of transfer shall be signed by the transferor, and the transferor shall be deemed to remain the owner of the Bonds to be transferred until the name of the transferee is entered in the register in respect of such Bonds.
4. Each instrument of transfer shall be sent to, or left for registration at, the registered office of the Company for the time being, and shall be accompanied by the Certificate(s) for the Bonds to be transferred and any other evidence that the Company may require to prove the title of the transferor or his right to transfer the Bonds (and, if such instrument is executed by some other person on his behalf, the authority of that person to do so). All instruments of transfer that are registered may be retained by the Company.
5. Payment of the Principal amount and all accrued interest on the Bonds may be made by cheques made payable to the registered holder or, in the case of joint registered holders, to the one who is first-named on the register, or to such person or persons as the registered holder or all the joint registered holders may in writing direct and sent to the registered holder or in the case of joint registered holders to that one of the joint registered holders who is first-named on the register or to such address as the registered holder or joint registered holders may in writing direct. Cheques may be sent through the post at the risk of the registered holder or jointly registered holders and payment of any such cheques by the bankers on whom it is drawn shall be good discharge to the Company.
6. If more than one person is entered in the register as joint holders of any Bonds then, without prejudice to paragraph 5 of this Schedule 4, the receipt of any one of such holders for any monies payable on or in respect of the Bonds shall be as effective a discharge to the Company or other person making the payment as if the person signing such receipt were the sole registered holder of such Bonds.
7. Claims against the Company for payment in respect of the Bonds shall be prescribed and become void unless made within 10 years (in the case of principal) or five years (in the case of interest) from the appropriate relevant date in respect of such payment.
8. If any Certificate is worn out or defaced then, on production of it to the Directors, they may cancel it and may issue a fresh Certificate in lieu. If any Certificate is lost or destroyed it may be replaced on such terms (if any) as to evidence and indemnity as the Company may reasonably require. An entry recording the issue of the new Certificate and indemnity (if any) shall be made in the register. No fee shall be charged for the registration of any transfer or for the registration of any probate, letters of administration, certificate of marriage or death, power of attorney or other documents relating to or effecting title to any Bonds.
9. Any notice or other document required to be given under this instrument shall be in writing and may be given to or served on any Bondholder by sending it by first-class post in a prepaid envelope addressed to such Bondholder at his registered address. In the case of joint Bondholders, a notice given to, or document served on, the Bondholder whose name stands first in the register in respect of such Bonds shall be sufficient notice to, or service on, all the joint holders. Any such notice sent or document served by first-class post shall be deemed to have been given or served 48 hours, or 96 hours in the case of a

notice or document sent to an address for a Bondholder not in the United Kingdom, after the time when it is posted and in proving such notice or service, it shall be sufficient to prove that the envelope containing the notice or document was properly addressed, stamped and posted.

10. Any notice or other document delivered or sent by post to, or left at, the registered address of any Bondholder in pursuance of these provisions shall, notwithstanding that such Bondholder is then dead or bankrupt or in liquidation, and whether or not the Company has notice of his death or bankruptcy or liquidation, be deemed to have been duly served or delivered in respect of any Bonds registered in the name of such Bondholder as sole or first-named joint holder unless his name shall at the time of the service of the notice or document have been removed from the register as the holder of the Bonds, and such service shall for all purposes be deemed sufficient service of such notice or document on all persons interested (whether jointly with or as claiming through or under him) in the Bonds.
11. Any notice or other document required to be given under this instrument shall be in writing and may be given to or served on the Company by sending it by first-class post, recorded delivery or special delivery in a prepaid envelope to the Company's registered address, marked for the attention of the company secretary. Any such notice sent or document served by first-class post, recorded delivery or special delivery shall be deemed to have been given or served 48 hours (excluding non-Business Days) after the time when it was posted and in proving such notice or service, it shall be sufficient to prove that the envelope containing the notice or the document was properly addressed, stamped and posted.
12. A copy of this instrument shall be kept at the Company's registered office. A Bondholder (and any person authorised by a Bondholder) may inspect that copy of the instrument at all reasonable times during office hours.
13. The Company may without the consent of Bondholders agree to any modification of the Bond Instrument which is (in the opinion of the Company) of a formal, minor or technical nature or which is made to correct a manifest error.

## **Part 2**

### **Bonds in Uncertificated Form**

1. Pursuant and subject to the Regulations, the Company may permit title to the Bonds to be evidenced otherwise than by a Certificate and to be transferred by means of a relevant system. Title to the Bonds may only be evidenced otherwise than by a Certificate where the Bonds are for the time being a participating security. The Company may also, subject to compliance with the Regulations and the rules of the relevant system concerned, determine that title to the Bonds may, from any date specified by the Company no longer be evidenced otherwise than by a Certificate and/or that title to the Bonds shall cease to be transferred by means of any particular relevant system.
2. For so long as the Bonds are a participating security, no provision of these terms and conditions or the Articles (where applicable) shall apply or have effect in relation to Bonds in uncertificated form to the extent that it is inconsistent with:
  - (a) the holding of title to Bonds in uncertificated form;
  - (b) the transfer of title to Bonds by means of a relevant system; or
  - (c) the Regulations.
3. Without prejudice to the generality of paragraph 2 and notwithstanding anything contained in these terms and conditions or the Articles (as applicable to the Bonds), where the Bonds are a participating security:
  - (a) Bonds may be changed from uncertificated form to certificated form, and from certificated form to uncertificated form, in accordance with and subject to the Regulations and the facilities and requirements of the relevant system concerned, and the Company shall enter on the register of Bondholders how many Bonds each Bondholder holds in uncertificated form and certificated form respectively;

- (b) the register of Bondholders shall be maintained at all times in the United Kingdom;
- (c) Bonds may be issued in uncertificated form in accordance with and subject to the Regulations and the facilities and requirement of the relevant system concerned;
- (d) the Company shall comply with the provisions of regulations 21 and 22 of the Regulations in relation to the Bonds held in uncertificated form;
- (e) for the avoidance of doubt, these terms and conditions (as amended from time to time) are applicable to the Bonds held in uncertificated form and shall remain so applicable (and accordingly the Company shall continue to comply with these terms and conditions notwithstanding that they are not endorsed on any Certificate for such Bonds);
- (f) the Company shall provide to any holder of Bonds in uncertificated form a copy of these terms and conditions (as amended from time to time) on his written request (but so that joint holders of such Bonds shall be entitled to receive one copy only of these terms and conditions in respect of the Bonds held jointly by them, which copy shall be delivered to that one of the joint holders whose name stands first in the register of Bondholders in respect of that holding); and
- (g) for the avoidance of doubt, any Bond may be held in uncertificated form by no more than four joint holders.

## **Schedule 4**

### **Meetings of the Bondholders**

1. For the purposes of Schedule 4 only, the definition of Bondholders will constitute the combined nominal holders for all Bonds.
2. The Company may at any time convene a meeting of Bondholders. In addition, the Company shall at the written request of the holders of not less than one-tenth in nominal amount of the outstanding Bonds convene a meeting of the Bondholders. Any meeting shall be held at such place as the Company may designate.
3. At least 14 days' notice (exclusive of the day on which the notice is served or deemed to be served and of the day for which notice is given) of every meeting shall be given to the Bondholders. The notice shall specify the place, day and time of the meeting and the general nature of the business to be transacted, but it shall not be necessary (except in the case of an Extraordinary Resolution as defined in paragraph 22 below) to specify in the notice the terms of any resolution to be proposed. The accidental omission to give notice to or the non-receipt of notice by, any of the Bondholders shall not invalidate the proceedings at any meeting. A meeting of the Bondholders shall, despite being called at shorter notice than specified above, be deemed to have been duly called if it is agreed in writing by all of the Bondholders.
4. At any meeting the quorum shall be 2 Bondholders holding, or representing by proxy, at least 25% in nominal amount of the outstanding Bonds. No business (other than choosing a Chairman) shall be transacted at any meeting unless the requisite quorum is present.
5. If a quorum is not present, within half an hour from the time appointed for the meeting, the meeting shall be dissolved if it was convened on the requisition of Bondholders. In any other case, it shall stand adjourned to such day and time (at least 14 days later, but not more than 28 days later) and to such place as may be appointed by the Chairman. At such adjourned meeting, 2 Bondholders present in person (or by proxy) and entitled to vote shall constitute a quorum (whatever the nominal amount of the Bonds held by them). At least 14 days' notice of any adjourned meeting of Bondholders shall be given (in the same manner *mutatis mutandis* as for an original meeting). That notice shall state that 2 Bondholders present in person (or by proxy) at the adjourned meeting (whatever the nominal amount of Bonds held by them) shall form a quorum.
6. A person (who may but need not be a Bondholder) nominated by the Company shall be entitled to take the chair at every such meeting but, if no such person is nominated or if the person nominated is not be present at the meeting within five minutes after the time appointed for holding the meeting, the Bondholders present shall choose one of their number to be Chairman. Any Director or officer of, and the Secretary and solicitors of, the Company and any other person authorised in that behalf by the Company may attend at any such meeting.
7. Each question submitted to a meeting of Bondholders shall, unless a poll is demanded, be decided by a show of hands.
8. At any meeting of Bondholders unless a poll is demanded by the Chairman or by one or more Bondholders present in person or by proxy and holding or representing in the aggregate not less than one-twentieth in nominal amount of the outstanding Bonds (before or on the declaration of the result of the show of hands), a declaration by the Chairman that a resolution has been carried by the requisite majority, lost or not carried by the requisite majority shall be conclusive evidence of the fact, without proof of the number or proportion of the votes recorded in favour of or against such resolution.
9. If a poll is duly demanded, it shall be taken in such manner and (subject as set out below) either at once or after an adjournment as the Chairman directs. The result of the poll shall be deemed to be the resolution of the meeting at which the poll was demanded. The demand for a poll shall not prevent the meeting from continuing for the transaction of any business other than the question on which the poll has been demanded. The demand for a poll may be withdrawn.

10. If there is an equality of votes, whether on a show of hands or on a poll, the Chairman of the meeting shall be entitled to a casting vote in addition to the vote(s) (if any) to which he may be entitled as a Bondholder or as a proxy.
11. The Chairman may, with the consent of (and shall if so directed by) any meeting at which a quorum is present, adjourn the meeting from time to time and from place to place, but no business shall be transacted at any adjourned meeting except business that might lawfully have been transacted at the meeting from which the adjournment took place.
12. Any poll demanded at any meeting on the election of a Chairman, or on any question of adjournment, shall be taken at the meeting without adjournment.
13. On a show of hands, each Bondholder who is an individual and is present in person or, being a corporation, is present by its duly authorised representative or by one of its officers as its proxy, shall have one vote. On a poll, each Bondholder present in person or by proxy, shall have one vote for every £100,000 nominal of Bonds held by him and a person entitled to more than one vote need not (if he votes) use all his votes or cast all the votes he uses in the same way.
14. In the case of joint registered Bondholders any one of them shall be entitled to vote in respect of such Bonds either in person or by proxy and, in the latter case, as if the joint holder were solely entitled to such Bonds. If more than one joint holder is present at any meeting either personally or by proxy that one joint holder so present whose name as between himself and the other or others present stands first in the register as one of the joint holders shall alone be entitled to vote in person or by proxy.
15. Each instrument appointing a proxy must be in writing and duly executed by the appointee or his duly authorised attorney or, in the case of a corporation under its common seal or duly executed by a duly authorised attorney or officer. The Chairman may (but shall not be bound to) require evidence of the authority of any attorney or officer. A proxy need not be a Bondholder.
16. An instrument of proxy shall be in the usual or common form or in any other form that the Directors may accept. The proxy shall be deemed to include the right to demand or join in demanding a poll. A proxy shall, unless stated otherwise, be valid as well for any adjournment of the meeting as for the meeting to which it relates and need not be witnessed.
17. The instrument appointing a proxy, and the power of attorney or other authority (if any) under which it is signed or a notary certified copy of such power of attorney or authority, shall be deposited at the place specified in (or in any document accompanying) the notice convening the meeting. If no such place is specified, the proxy shall be deposited at the registered office of the Company not less than 48 hours (excluding non-Business Days) before the time appointed for holding the meeting or adjourned meeting or for taking of the poll at which the person named in that instrument proposes to vote. In default, the instrument of proxy shall not be treated as valid. A vote given in accordance with the terms of an instrument of proxy shall be valid notwithstanding the revocation of the proxy or of the authority under which the proxy is given, unless notification in writing of the revocation has been received at the registered office of the Company or at such other place (if any) specified for the deposit of instruments of proxy in the notice convening the meeting (or any document accompanying it) 48 hours (excluding non-Business Days) before the commencement of the meeting or adjourned meeting or the taking of the poll at which the vote is given.
18. Without prejudice to any of the powers conferred on the Company under any of the provisions of the instrument, a meeting of the Bondholders shall, in addition to any other powers, have the following powers exercisable by Extraordinary Resolution:
  - (a) power to sanction any abrogation, modification or compromise of, or any arrangement in respect of, the Bondholders' rights against the Company, provided the same has been previously approved in writing by the Company, whether those rights shall arise under the instrument, the Bonds or otherwise;
  - (b) power to assent to any modification of the provisions contained in the instrument and the Conditions. Any such modification shall be proposed by the Company and to authorise the Company to execute any supplemental instrument embodying any such modification; and

(c) power to:

- (i) having been previously approved by the Company modify the Final Redemption Date;
- (ii) reduce or cancel the principal amount payable on the Bonds;
- (iii) reduce the amount payable or modify the method of calculating the amount payable on the Bonds; or
- (iv) modify the dates for payment in respect of any interest, on the Bonds.

19. An Extraordinary Resolution passed at a meeting of the Bondholders shall be binding on all the Bondholders whether or not they are present at the meeting. Each of the Bondholders shall be bound to give effect to it accordingly. The passing of any such resolution shall be conclusive evidence that the circumstances justify passing it (so that the meeting may determine without appeal whether or not the circumstances justify passing it).
20. A resolution in writing signed by or on behalf of all the Bondholders shall, for all purposes, be as valid and effectual as an Extraordinary Resolution passed at a meeting duly convened and held in accordance with the Conditions. Such resolution in writing may be contained in one document or in several documents in similar form, each signed by one or more Bondholders.
21. Minutes of all resolutions and proceedings at every meeting shall be made and duly entered in books to be from time to time provided for that purpose by the Company. Any minutes, if purporting to be signed by the Chairman of the meeting or by the Chairman of the next succeeding meeting of the Bondholders, shall be conclusive evidence of the matters stated in them. Until the contrary is proved, every meeting for which minutes have been made and signed shall be deemed to have been duly held and convened, and all resolutions passed at the meeting to have been duly passed.
22. "Extraordinary Resolution", when used in the Conditions, means a resolution which must be passed at a meeting of the Bondholders duly convened and held in accordance with the Conditions by a majority of at least 75% of those Bondholders who attend the meeting and are entitled to vote in person or by proxy.



**REGISTERED OFFICE OF THE ISSUER**

55 Baker Street  
London  
W1U 7EU  
United Kingdom

**LISTING AGENT**

Castle Fund Administrators Limited  
932 Europort  
Gibraltar

**LEGAL ADVISERS TO THE COMPANY**

Watson Farley & Williams LLP  
15 Appold Street  
London  
EC2A 2HB  
United Kingdom

**ACCOUNTANTS TO THE COMPANY (UK)**

BDO LLP  
55 Baker Street  
London  
W1U 7EU  
United Kingdom

**ACCOUNTANTS TO THE COMPANY (Gibraltar)**

Knights Chartered Accountants  
932 Europort  
Gibraltar

**AUDITORS TO THE COMPANY**

BDO LLP  
55 Baker Street  
London  
W1U 7EU  
United Kingdom

**REGISTRARS FOR THE BONDHOLDERS**

Avenir Registrars Ltd  
Suite A, 6 Honduras Street  
London  
EC1Y 0TH  
United Kingdom

**TRUSTEE**

Beaufort Asset Clearing Services  
131 Finsbury Pavement  
London  
EC2A 1NT  
United Kingdom

## ACCOUNTANT'S REPORT AND HISTORICAL FINANCIAL INFORMATION ON THE COMPANY

### SECTION A – ACCOUNTANT'S REPORT ON THE COMPANY

The Directors  
European Investment Grade Properties Plc  
55 Baker Street  
London  
W1U 7EU



4<sup>th</sup> of February 2016

Dear Sirs,

**Re: European Investment Grade Properties plc (the “Company”)**

#### **Introduction**

We report on the financial information set out below. This financial information has been prepared for inclusion in the Prospectus / admission document of the Company (the “Admission Document”) on the basis of the accounting policies set out in note 1 to the financial information.

#### **Responsibilities**

The directors of the Company are responsible for preparing the financial information in accordance with International Financial Reporting Standards as adopted by the European Union. It is our responsibility to form an opinion on the financial information and to report our opinion to you. To the fullest extent permitted by the law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report.

#### **Basis of opinion**

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

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

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

#### **Opinion**

In our opinion, the financial information gives, for the purposes of the Admission Document, a true and fair view of the state of affairs of the Company as at 8 October 2015 in accordance with International Financial Reporting Standards as adopted by the European Union.

Yours faithfully,

**Knights Chartered Accountants**  
932 Europort  
Gibraltar

## SECTION B – HISTORICAL FINANCIAL INFORMATION ON THE COMPANY

### STATEMENT OF FINANCIAL POSITION

As at 8 October 2015

	Note	As at 8 October 2015 €
<b>Assets</b>		
<b>Current assets</b>		
Trade and other receivables	2	150,000
<b>Total current assets</b>		150,000
<b>Total assets</b>		<b>150,000</b>
Called up share capital	3	100,000
Share Premium Reserve		50,000
<b>Equity shareholders' funds</b>		<b>150,000</b>

**STATEMENT OF CHANGES IN EQUITY**  
**For the period ended 8 October 2015**

	<b>Called up Share capital €</b>	<b>Share premium account €</b>	<b>Total equity €</b>
<b>Changes in equity</b>			
Result for the period	-	-	-
<b>Total comprehensive income for the period</b>	-	-	-
Issue of share capital	100,000	50,000	150,000
<b>Total contributions and distributions recognised directly in equity</b>	<b>100,000</b>	<b>50,000</b>	<b>150,000</b>
 <b>Balance at 8 October 2015</b>	 <b>100,000</b>	 <b>50,000</b>	 <b>150,000</b>

**NOTES TO THE FINANCIAL INFORMATION**  
**For the period ended 8 October 2015**

**1. Accounting policies**

**1.1 Reporting entity**

European Investment Grade Properties plc is a company incorporated and domiciled in the United Kingdom. The Company's registered office is 55 Baker Street, London, W1U 7EU.

The Company was incorporated on 8 October 2015.

**1.2 Basis of preparation**

This financial information has been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) as adopted by the European Union.

The financial information is presented in Euros, which is also the Company's functional currency.

As at 8 October 2015, The Company has not entered into any transactions since incorporation and therefore no Income Statement is presented.

**1.4 Financial assets**

The Company classifies its financial assets into one of the categories discussed below, depending on the purpose for which the asset was acquired. The Company has not classified any of its financial assets as held to maturity.

The Company's accounting policy for each category is as follows:

*Loans and receivables*

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

They arise principally through the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently impaired if there is doubt over recovery.

The Company's loans and receivables comprise trade and other receivables and cash and cash equivalents in the Statement of Financial Position.

**1.5 Share capital**

Ordinary shares are classified as equity. External costs directly attributable to the issuance of shares are recognised as a deduction from equity.

**1.6 Standards issued but not yet effective**

The following are new standards, interpretations and amendments, which are not yet effective and have not been early adopted in this financial information, that will or may have an effect on the Company's future financial information:

- Annual Improvements to IFRSs (2012-2014 Cycle) (effective 1 January 2018 subject to EU endorsement);
- Disclosure initiatives Amendments to IAS 1 (effective 1 January 2018 subject to EU endorsement);
- IFRS 9: Financial Instruments (effective 1 January 2018 subject to EU endorsement);
- IFRS 15: Revenue from Contracts with Customers (effective 1 January 2018 subject to EU endorsement).

The Directors do not anticipate that the adoption of these standards and interpretations will have a material impact on the Company's financial statements in the period of initial application, other than on presentation and disclosure.

## 2. Trade and other receivables

	8 October 2015
	€
Other receivables	150,000
	<u>150,000</u>

There were no receivables past due or impaired at the period end. The carrying value of trade and other receivables approximates to fair value.

## 3. Share capital

	8 October 2015	
Ordinary shares of €0.01 each	Number	€
Authorised and issued	10,000,000	100,000
		<u>100,000</u>

10,000,000 shares were issued on incorporation for a subscription price of €0.015 per share. These proceeds were received in cash on 12 October 2015.

## 4. Related party disclosures

### *Key management personnel*

Key management personnel are considered to comprise the board of directors. None of the Directors received any remuneration in the period.

Directors subscribed for the following shares in the period:

Bodo Laux, including family	4,000,000
Christopher Worcester	201,000

## 5. Subsequent events

Since 8 October 2015, the Company has entered into contractual arrangements with a number of professional advisers for services relating to the proposed ISDX and AIM listings. Costs incurred in respect of these arrangements to date amount to €0.3m.

Since 8 October 2015 the Company has incurred costs of €25,000 relating to the establishment of Rock Real Estate GmbH, a subsidiary company in Germany.

Since 8 October 2015, the Company has received a shareholder loan commitment of €75,000.

## 6. Financial risk management

The Company is exposed to market risk (including interest rate risk and foreign exchange rate risk) credit risk and liquidity risk.

### Credit risk

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the

Company. The Company's exposure to credit risk at 8 October 2015 is EUR 150,000. This debtor has now been received.

#### Interest rate risk

The Company is not currently exposed to significant cash flow interest rate risk on borrowings and cash balances held at variable rates, resulting in variable interest cash flows. The Company is therefore relatively insensitive to changes in interest rates. The Directors regularly review its position with regard to interest rates in order to minimise the Company's risk.

#### Foreign exchange rate risk

The Company is exposed to significant cash flow exchange rate risk on borrowings and cash balances denominated in British pounds. The Directors regularly review the Company's position with regard to the sterling euro exchange rate in order to minimise the Company's risk.

#### Liquidity risk

The Directors consider that the key financial risk is liquidity risk. This is the risk of the Company not being able to continue to operate as a going concern.

### **7. Capital management**

The Company considers its capital to comprise its share capital and share premium. The Company's capital management objectives are to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and to provide an adequate return to shareholders by pricing its services commensurately with the level of risk. The Company manages its capital structure, and makes adjustments to it, in the light of changes in economic conditions. To maintain or adjust the capital structure, the Company may take on shareholder loans and seller loans, and may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.