

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document, you should consult a person authorised under the Financial Services and Markets Act 2000 who specialises in advising on the acquisition of shares and other securities.

This document comprises an admission document which has been drawn up in accordance with the AIM Rules. The Shares must not and will not be offered to the public in the United Kingdom (within the meaning of section 102B of the Financial Services and Markets Act 2000, as amended ("FSMA")) save in circumstances where it is lawful to do so without an approved prospectus (within the meaning of section 85 FSMA) being made available to the public before the offer is made. Accordingly this document does not constitute a prospectus as defined in the AIM Rules. Copies of this document will be available free of charge to the public during normal business hours on any day (Saturdays, Sundays and public holidays excepted) at the offices of Matrix Corporate Capital Limited, One Jermyn Street, London SW1Y 4UH from the date of this document until one month from the date of Admission in accordance with Rule 3 of the AIM Rules. This document is issued in connection with a "private placement" within the meaning of the Isle of Man Companies (Private Placements) (Prospectus Exemptions) Regulations 2000 and, accordingly, is exempt from the provisions of Isle of Man Law relating to the content of prospectuses and other technical rules relating to prospectuses.

Application has been made for all of the Shares to be issued pursuant to the Placing and as otherwise described in this document to be admitted to trading on AIM. The Shares are not dealt in on any recognised investment exchange and no application is being or has been made for the Shares to be admitted to any such exchange. AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the official list of the United Kingdom Listing Authority. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. London Stock Exchange plc has not itself examined or approved the contents of this document. It is expected that Admission will become effective and unconditional dealings in Ordinary Shares will commence on AIM on 20 April 2006.

Prospective investors' attention is drawn in particular to the section entitled "Risk Factors" in Part VI of this document.

DEUTSCHE LAND PLC

(Incorporated and registered in the Isle of Man under the Isle of Man Companies Acts 1931 to 2004 with registered number 115673C)

Placing of up to 105 million Shares at 70p per Share or €1.00 per Share Admission to trading on AIM

Financial Adviser & Broker
SP Angel

Nominated Adviser
Matrix Corporate Capital Limited

The Company, whose registered office appears on page 7, and the Directors, whose names are set out on page 7, accept responsibility for the contents of this document. To the best of the knowledge and belief of the Directors (each of whom has taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and there is no information the omission of which is likely to affect the import of such information.

Matrix Corporate Capital Limited ("Matrix") is the nominated adviser to the Company for the purposes of the AIM Rules and SP Angel Corporate Finance LLP ("SP Angel") is the broker to the Company for the purposes of the AIM Rules. Matrix, which is authorised and regulated by the Financial Services Authority, and SP Angel, an appointed representative of SP Angel & Co. Limited which is authorised and regulated by the Financial Services Authority, are acting exclusively for the Company and no one else in connection with the matters set out in this document. Neither Matrix nor SP Angel will regard any other person as its customer or be responsible to anyone other than the Company for providing the protections afforded to their customers nor for advising any other person on the arrangements described in this document. The responsibilities of Matrix as the Company's nominated adviser for the purposes of the AIM Rules are owed solely to London Stock Exchange plc and are not owed to the Company or any Director or to any other person in respect of their decision to acquire Shares in reliance on any part of this document. No representation or warranty, express or implied, is made by Matrix or SP Angel as to the contents of this document (without limiting the statutory rights of any person to whom this document is issued).

No public offering of the Shares in any jurisdiction is being made. No action has been taken or will be taken in any jurisdiction that would permit a public offer of the Shares in any such jurisdiction where action for that purpose is required, nor has any such action been taken with respect to the possession or distribution of this document. Persons into whose possession this document comes are required by the Company to inform themselves about, and to observe any restriction as to, the Placing and the distribution of this document.

For the purposes of UK legislation, this document is directed only at and may only be communicated to the following types of persons: (i) persons outside the United Kingdom, (ii) persons who have professional experience in matters relating to investments who fall within the definition of investment professionals in Article 19(5) Financial Services and Markets Act (Financial Promotion) Order 2005 ("FPO"), (iii) persons who fall within Article 49(2)(a) to (d) FPO (high net worth companies, unincorporated associations etc.), and (iv) any other persons to whom it may otherwise lawfully be communicated (together, "Relevant Persons"). The contents of this document must not be acted on or relied upon by any persons who are not Relevant Persons. Any investment or investment activity to which the document relates is available only to Relevant Persons, and will be engaged in only with Relevant Persons.

The Shares have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act"), or with any securities regulatory authority of any state or other jurisdiction in the United States and may not be offered or sold into the United States. Accordingly neither this document nor any copy of it may be taken or transmitted into the United States or Canada or distributed directly or indirectly in the United States or Canada, or to any resident thereof except in compliance with the applicable securities laws or applicable exemptions. Any failure to comply with these restrictions may constitute a violation of applicable U.S. or Canadian securities laws. By accepting this document, the recipient represents and warrants that it is a person to whom this document may be delivered or distributed without a violation of the laws of any relevant jurisdiction.

This document has not been registered or filed as a prospectus with any governmental or other authority in the Isle of Man and this document and the issue of the Shares have not been approved or commented on by the Isle of Man Financial Supervision Commission or any other governmental or regulatory authority in or of the Isle of Man. This document may only be issued by or on behalf of the Company, or by or on behalf of any person who is or has been engaged or interested in the formation of the Company, to persons falling within the ambit of the Isle of Man Companies (Private Placements) (Prospectus Exemptions) Regulations 2000, including (without limitation) persons whose ordinary activities involve them in acquiring, holding, managing or disposing of shares or debentures (as principal or agent) for the purposes of their businesses.

In connection with the Placing, SP Angel, as stabilising manager, or any of its agents, may (but will be under no obligation to), to the extent permitted by applicable law, over-allot and effect other transactions with a view to supporting the market price of the Shares at a level higher than that which might otherwise prevail in the open market. SP Angel is not required to enter into such transactions and such transactions may be effected on any stock market, over-the-counter market or otherwise. Such stabilising measures, if commenced, may be discontinued at any time and may only be taken during the period from 20 April 2006 up to and including 20 May 2006. Save as required by law or regulation, neither SP Angel nor any of its agents intends to disclose the extent of any over-allotments and/or stabilisation transactions under the Offer.

Pursuant to the Placing Agreement, SP Angel has agreed to use its reasonable endeavours to provide subscribers for the Placing Shares at the Placing Price. In addition, the Company has granted to SP Angel an option (the "Over-allotment Option") pursuant to which SP Angel may require the Company to allot additional Shares up to a maximum of five million Shares at the Placing Price. This option is exercisable in whole or in part at any time up to and including 20 May 2006. Any Shares issued by the Company pursuant to the exercise of this option will be issued on the same terms and conditions as the Placing Shares and will form a single class for all purposes with the Placing Shares.

IMPORTANT NOTICE

Prospective investors should take independent advice and should carefully consider Part VI of this document headed "Risk Factors" before making any decision to purchase Shares.

Investment in the Shares will involve significant risks due to gearing and the inherent illiquidity of the underlying assets and should be viewed as long term. Shares may not be suitable for all recipients or be appropriate for their personal circumstances. Prospective investors should carefully consider in the light of their financial resources whether investing in the Company is suitable for them. An investment in the Shares is only suitable for financially sophisticated investors who are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses which may arise (which may be equal to the whole amount invested).

General

No person has been authorised by the Company to issue any advertisement or to give any information or to make any representations in connection with the contents of this document and, if issued, given or made, such advertisement, information or representation must not be relied upon as having been authorised by the Company. This document does not constitute, and may not be used for the purposes of, an offer or solicitation to anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation. The distribution of this document may be restricted and accordingly persons into whose possession this document comes are required to inform themselves about and to observe such restrictions .

Potential investors should not treat the contents of this document as advice relating to legal, taxation or investment matters. Potential investors should inform themselves as to: (a) the legal requirements within their own countries for the purchase, holding, transfer or other disposal of Shares; (b) any foreign exchange restrictions applicable to the purchase, holding, transfer or other disposal of Shares which they might encounter; and (c) the income and other tax consequences which may apply in their own countries as a result of the purchase, holding, transfer or other disposal of Shares. Potential investors must rely upon their own representatives, including their own legal advisers and accountants, as to legal, tax, investment or any other related matters concerning the Company and an investment therein. Statements made in this admission document are based on the law and practice currently in force in the Isle of Man and in England and Wales and are subject to changes therein. This document should be read in its entirety. All Shareholders are entitled to the benefit of, and are bound by and deemed to have notice of, the provisions of the Memorandum and Articles of Association of the Company.

Forward looking statements

This document contains forward looking statements. These relate to the Company's future prospects, developments and strategies. Forward-looking statements are identified by their use of terms and phrases such as "believe", "could", "would", "envisage", "estimate", "intend", "seek", "may", "plan", "will" or the negative of those, variations or comparable expressions, including references to assumptions. These statements are primarily contained in the section headed "Key Information" and Parts I and III of this document. The forward looking statements in this document are based on current expectations and are subject to risks and uncertainties that could cause actual results to differ materially from those expressed or implied by those statements.

CONTENTS

	<i>Page</i>
Placing Statistics	4
Expected Timetable of Principal Events	4
Key Information	5
Directors, Manager and Advisers	7
Part I The Company	8
Part II Corporate Structure and Management	14
Part III Property Market Report	19
Part IV The Initial Portfolio	28
Part V The Placing, Admission and Related Matters	31
Part VI Risk Factors	33
Part VII Taxation	36
Part VIII Financial Information on the Company	38
Part IX Key Accounting Policies	41
Part X General Information	43
Definitions	63

PLACING STATISTICS

Placing Price	70p
Euro Placing Price	€1.00
Number of Shares in issue at the date of this document	2,564,002
Number of Placing Shares being issued	up to 105,000,000
Total number of Shares in issue immediately following Admission	up to 107,564,002
Market capitalisation at the Placing Price immediately following Admission	£75,294,801*
Estimated net proceeds of the Placing receivable by the Company	£69.9 million*

Note:

*Shares are being placed at either 70p per share or €1.00 per share.
An exchange rate of approximately €1.43 to £1.00 has been used.*

*Assuming the Placing is fully subscribed.

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Publication of this document	12 April 2006
Admission and dealings in the Shares to commence on AIM	20 April 2006
CREST accounts credited	20 April 2006
Where applicable, definitive Share certificates despatched	by 28 April 2006

KEY INFORMATION

The following information is a summary of the key features of the Company and should be read in conjunction with the full text of this document.

The Company

The Company is a newly incorporated Isle of Man company which has been established to invest in German commercial real estate with a focus on retail assets. The Company is targeting a dividend yield of 8 to 10 per cent. per annum exploiting the current spread between commercial property yields and the cost of borrowing, together with the opportunity for capital appreciation if yields compress and property values increase.

The Company has an experienced Board headed by its Chairman, Stephen Dickinson, who is Deputy Chairman of Grainger Trust plc.

German Real Estate Market

Commercial property investment yields in Germany are high in comparison to other countries in Europe and are at a significant premium to the cost of debt available to finance the purchase of these properties. This should allow the Company to leverage its portfolio and so generate improved returns to Shareholders. The Company believes that investment yields in Germany may compress in the future which may generate capital gains on its Property Portfolio.

The retail property sector in Germany currently offers attractive yields, which range from around 6 per cent. to around 9.5 per cent. together with secure, stable rents generally from leases of up to 15 years let to tenants with strong covenants. Planning permission for new retail developments continues to be restricted and remains difficult to obtain and, in addition, Germany has less retail floor space per capita than most countries in Western Europe. The Company believes that these factors, coupled with anticipated demand from German and international retailers and the expected growth in the German economy, will help to ensure that demand for space, and thus occupancy, at existing centres will continue to be high and that rent levels will be sustained or increased.

Investment strategy

The Company's objective is to generate attractive returns to Shareholders through dividends and increases in net asset value. It is targeting a dividend yield of 8 to 10 per cent. as calculated by reference to the Euro Placing Price.

The Company intends to acquire and manage a portfolio of commercial properties in Germany with a focus on retail assets. It intends to purchase properties in prime local locations with medium to long term leases with tenants of high credit quality which yield, on average, approximately 7 per cent. per annum and which have the potential for capital growth from yield compression.

The intention is to leverage the Property Portfolio at a level of approximately 80 per cent., subject to the Company being able to secure debt financing, which, if achieved, would allow for a Property Portfolio with an initial cost of approximately €500 million. The Company expects to be fully invested by the end of 2006.

The Group intends to manage the Property Portfolio actively to increase yields and valuations of its properties by, *inter alia*, reviewing the mix and location of tenants, negotiating lease terms on renewal and exploiting incremental development potential.

On the sale of assets, the Directors will consider returning capital to Shareholders depending on the availability of suitable new investment opportunities. The Company does not intend to acquire properties for speculative development.

Initial Portfolio

The Manager has identified the Initial Portfolio, comprising properties with an aggregate cost of in excess of €190 million, which the Directors believe satisfy the Company's investment strategy. Letters of intent confirming the terms of acquisition, and under which the Company is seeking exclusivity for a period of approximately two months, have been issued in respect of all of these properties. The Company has been granted exclusivity through acceptance of the letters of intent or is in the final stages of negotiation with the owners of all the properties in the Initial Portfolio. The Company expects that all properties in the Initial Portfolio will be under exclusivity and will be undergoing final due diligence by 30 April 2006. The Company

expects that, subject to the completion of satisfactory due diligence, it will acquire the properties in the Initial Portfolio within two months of Admission.

The Initial Portfolio has a yield of 7.2 per cent. and a weighted average unexpired lease length of approximately 7 years.

In addition to the properties in the Initial Portfolio, the Manager has identified a pipeline of other properties that satisfy the Company's investment strategy. The Company will acquire these properties only following the completion of satisfactory due diligence and an independent professional valuation that supports the Company's valuation.

Financing

The Company has received an indicative offer letter from a bank relating to a financing facility (the "Bank Facility") under which the bank will provide debt finance to the Group of up to 80 per cent. of the acquisition cost of the properties in the Initial Portfolio, subject to the completion of satisfactory due diligence by the bank. The interest rate on such a loan drawn down on 3 April 2006 would have been 4.7 per cent. per annum fixed for seven years.

The Company is confident that it will be able to secure additional financing facilities on terms similar to the Bank Facility to allow it to invest fully the proceeds from the Placing with a gearing level of approximately 80 per cent. over the total portfolio.

The Manager

The Company has entered into the Management Agreement with the Manager under which the Manager will provide property investment advice and property management services to the Group. The joint CEOs of the Company, David Maxwell and Klaus Faßbender, are also principal members of the Manager. Klaus Faßbender has over 25 years' experience in the German real estate market which the Company believes will enable the Manager to identify properties that fit its strategy, particularly outside the major metropolitan areas.

The Board will agree annually in advance a management fee to be paid to the Manager which in the first year will be £650,000. The management fee is based on the estimated costs of the Manager in providing its services to the Group including remuneration of its principal members and employees and the costs of its sub-contractors including Argus.

On Admission, the Manager Team will own 2,564,002 Shares representing approximately 2.4 per cent. of the Company which will be subject to a lock-in for two years from Admission. Under a long term incentive plan, at the end of five years, if the annual average Net Distributable Income, as a percentage of the Euro Placing Proceeds, calculated on a yearly basis, equals or exceeds 8 per cent., the Manager will be awarded a further 2,564,000 Shares. In addition, the Manager Team will receive a performance fee of 20 per cent. of the Total Shareholder Return in excess of a hurdle rate of return of 10 per cent. per annum (subject to a high water mark). At least 50 per cent. of amounts paid to the Manager Team in respect of this fee (net of tax) will be used to acquire Shares in the market which will be subject to a lock-in for two years from the date of acquisition.

Dividend Policy

The Company intends to pay dividends twice yearly and is targeting a dividend yield of 8 to 10 per cent. as calculated by reference to the Euro Placing Price. In addition, the Company is targeting a long term payout ratio of 90 per cent. of Net Distributable Income.

The Placing

Under the Placing, the Company will issue up to 105 million Shares including the five million Shares available under the Over-allotment Option. The Over-allotment Option may be exercised in whole or in part by SP Angel, as stabilising manager, at any time on or before 20 May 2006. Assuming full exercise of the Over-allotment Option, approximately £69.9 million after expenses is being raised by the Company for investment in the Property Portfolio. The Placing Price is 70p per ordinary share and the Euro Placing Price is €1.00 per ordinary share. Pursuant to the terms of the Placing Agreement SP Angel has agreed, as agent of the Company, to use its reasonable endeavours to procure subscribers for all of the Placing Shares. The Placing is not being underwritten.

DIRECTORS, MANAGER AND ADVISERS

Directors	Stephen Dickinson (<i>Non-executive Chairman</i>) Klaus Günter Faßbender (<i>Joint Chief Executive Officer</i>) David Cleland Maxwell (<i>Joint Chief Executive Officer</i>) Adrian John Reginald Collins (<i>Non-executive</i>) Brian Anthony Ciochetti (<i>Non-executive</i>) Elizabeth Tansell (<i>Non-executive</i>) Martin Leitinger (<i>Non-executive</i>) all of the registered office below:
Registered Office	15-19 Athol Street Douglas Isle of Man IM1 1LB Tel: 01624 638300
Company Secretary	Richard Vanderplank
Manager	Deutsche Land Management LLP 79 Mount Street London W1U 3LL Tel: 020 7616 4700
Nominated Adviser	Matrix Corporate Capital Limited One Jermyn Street London SW1Y 4UH
Financial Adviser & Broker	SP Angel Corporate Finance LLP 79 Mount Street London W1K 2SN
Auditors & Reporting Accountant	BDO Stoy Hayward LLP 8 Baker Street London W1U 3LL
Tax Advisers to the Company	Ernst & Young LLP 1 More London Place London SE1 2AF
Solicitors to the Company as to English Law	Norton Rose Kempson House Camomile Street London EC3A 7AN
Solicitors to the Placing	DMH Stallard 37 Jewry Street London EC3N 2ER
Administrator and Registrar	Equity Limited 15-19 Athol Street Douglas Isle of Man IM1 1LB
CREST Settlement Agent	Computershare Investor Services (Channel Islands) Limited Ordnance House 31 Pier Road St Helier Jersey JE4 8PW
Isle of Man Advocates to the Company	Cains Advocates Limited Old Bank Chambers 15-19 Athol Street Douglas Isle of Man IM1 1LB

PART I

THE COMPANY

Business Description

The Company is a newly incorporated Isle of Man company which has been established to invest in German commercial real estate with a focus on retail assets. The Company is targeting a dividend yield of 8 to 10 per cent. per annum, exploiting the current spread between commercial property yields and the cost of borrowing, together with the opportunity for capital appreciation if yields compress and property values increase.

The Company has entered into a management agreement with the Manager under which the Manager will provide property investment advice and property management services to the Group including the sourcing of, and advice on, investment opportunities and the day-to-day management of the Property Portfolio. The joint CEO's of the Company, Klaus Faßbender and David Maxwell, are also members of the Manager and Mr Faßbender will sit on the Investment Committee. Both the Board and the Investment Committee will be comprised of a majority of independent non-executive directors, and will both be chaired by Stephen Dickinson. Further information on the Directors, the Investment Committee and the Manager are set out in Part II of this document, headed "Corporate Structure and Management".

The Company intends to invest in a portfolio of commercial properties in Germany with secure revenue streams from strong anchor tenants on mainly medium (> 4 years) to long (> 10 years) term leases. It is expected that the Property Portfolio will primarily comprise retail shopping centres and malls with the balance made up of commercial properties including offices and warehouses. The Company will seek to enhance the revenue streams from, and the value of, its properties through expansion, incremental development and re-negotiation of leases. The Company does not intend to acquire assets for speculative development.

The Manager has identified properties with an aggregate cost in excess of €190 million which the Directors believe satisfy the Company's investment strategy. Letters of intent confirming the terms of acquisition, and under which the Company is seeking exclusivity for a period of approximately two months, have been issued in respect of all of these properties. The Company has been granted exclusivity through acceptance of the letters of intent or is in the final stages of negotiation with the owners of all the properties in the Initial Portfolio. The Company expects that all properties in the Initial Portfolio will be under exclusivity and will be undergoing final due diligence by 30 April 2006. Further information on these properties is set out in Part IV of this document, headed "The Initial Portfolio". The Company expects that, subject to completion of satisfactory due diligence, it will acquire the properties in the Initial Portfolio within two months of Admission. The Manager has also identified a pipeline of further properties which meets the Company's investment strategy and the Directors expect that the Company will be fully invested, including debt financing of approximately 80 per cent. of the Property Portfolio cost, by the end of 2006.

The Company has received an indicative offer letter relating to the Bank Facility from a bank under which the Group will receive debt finance of up to 80 per cent. of the acquisition cost (including transaction expenses) of the Initial Portfolio, subject to completion of satisfactory due diligence on each property by the bank. The Company is confident that it will be able to secure additional financing facilities on terms similar to the Bank Facility to allow it to fully invest the proceeds from the Placing with a gearing level of approximately 80 per cent. over the total portfolio.

German Property Market

The Directors believe that the German commercial property market is an attractive investment opportunity for the Company.

High yield premium and potential for yield compression

Commercial property investment yields in Germany are high in comparison to other countries in Europe. Most markets in Europe have experienced significant yield compression over the last two years, whilst in Germany this yield compression has not yet fully taken place. For example, investment yields for retail properties in major cities in Germany are between 5.00 per cent. and 6.38 per cent. compared with the western European average of 5.18 per cent. and for office buildings are between 5.20 per cent. and 5.75 per cent. compared to the western European average of 5.29 per cent. Outside the major cities in Germany, higher investment yields (of up to 9.5 per cent. for retail and 7.25 per cent. for offices) are available for properties in good local locations let to tenants with strong covenants.

These investment yields on German commercial properties are at a significant premium to the cost of senior debt available for the purchase of these types of properties. The size of this premium in Germany is significantly higher than in other major European countries. This should allow the Company to leverage its portfolio and so generate improved returns for Shareholders.

The Company believes that investment yields in Germany may compress in the future which may generate capital gains on the Property Portfolio.

Economic conditions in Germany

The German economy is showing signs of recovery after several years of limited growth. Occupational demand for German commercial property has historically been closely tied to economic growth. The Company believes that the predicted recovery in the German economy, coupled with continued low interest rates, will help support higher property rentals and asset prices.

Acquisition opportunities

Over recent years, German commercial property has delivered a total investment return that has been low relative to other markets in Europe. The annualised total returns in Germany over the last three and five years have been 2.8 per cent. and 3.9 per cent. respectively. This compares, for example, with annualised total returns of over 10 per cent. in the UK over the same periods.

Ownership of commercial property in Germany is fragmented and localised, compared with European markets such as the UK and France, with a higher proportion of properties being owned by individuals and owner-occupier corporates as opposed to institutional investors. Against the background of a sluggish economy and low total property returns with little, if any, capital appreciation over the last five years, an increasing number of these property owners are seeking to dispose of their property assets.

In addition, a significant component of the German property investment market is the open ended managed property funds sector in which individual retail investors have invested. Many of these funds are suffering significant redemptions and are having to sell properties to fund these redemptions.

The Company believes that, with the strong local connections and experience available to it through the Manager, it will continue to be able to identify acquisition opportunities which fit its investment strategy.

Retail property in Germany

The retail sector in Germany comprises both in-town properties, including units on high streets and shopping centres, and out-of-town retail warehouses, supermarkets and shopping centres.

Retail properties currently offer attractive yields, which range from around 6 per cent. to around 9.5 per cent., together with secure, stable rents. They are generally let under leases of up to 15 years, to tenants with strong covenants. Shopping centres typically have one or more anchor tenants (usually a large retailer with a good credit rating) occupying units let on long-term leases with the remaining units generally let out on shorter leases.

Germany has less retail floor space per capita than most countries in western Europe. The Company believes this will sustain occupancy and rental levels in retail properties over the medium to long term.

Planning permission for new retail developments continues to be restricted and remains difficult to obtain, particularly for out-of-town centres, as local authorities seek to avoid the perceived harm caused by such developments to city centre retailing. Moreover, further planning regulations are being considered by government.

The Company believes that the relatively low level of retail floor space, the restrictions on new retail developments, anticipated demand from German and international retailers looking to increase their retail footage, combined with increases in consumption as the German economy continues to recover, will help to ensure that demand for space, and thus occupancy, at existing centres will continue to be high and that rent levels will be sustained or increased.

Over recent months there has begun to be strong interest, particularly from international investors, in acquiring retail properties in Germany. There are indications that, particularly in the major cities, retail property investment yields have stabilised.

Retail lease terms in Germany are fairly standardised and typically have a term of between 5 and 15 years, usually without a break clause. Rents are typically reviewed on an upward-only basis, with increases linked to a German cost of living index. Typically the property owner is responsible for structural repairs to the roof

and external walls of the property whilst the tenant is responsible for internal maintenance, repairs and service charges.

Competition

The German property investment market is dominated by domestic investors including private individuals, open and closed ended funds, insurance companies, pension funds and property companies. Not all of these investors are currently in a position to compete aggressively with investors such as the Company. There is, however, increasing interest from international property companies and funds.

Competitive Strengths

The Directors believe that the following competitive strengths of the Company will allow it to compete successfully and generate attractive returns for Shareholders:

Local market knowledge and contacts

The Company considers that strong local knowledge and contacts are essential in identifying and assessing investment opportunities. Klaus Faßbender has been active in the German real estate market for over 25 years. Since 1990 he has run his own property development and investment company, Argus, which will act as a consultant to the Manager. Mr Faßbender has an extensive network of relationships and contacts throughout the real estate industry in Germany which he will utilise to identify investment opportunities for the Company. The arrangements between Mr Faßbender, Argus and the Management Company are described more fully in Part II of this document, headed “Corporate Structure and Management”.

Successful track record

Between them, the principal members of the Manager have a strong track record of property development and investment in Germany and the UK. In addition to Mr Faßbender’s experience in German real estate, David Maxwell and Jonathan Elkington have operated successfully in the UK through their company, Cleland Capital Limited, which is a real estate funding business with current property projects of approximately £30 million and a pipeline of approximately £175 million. The Manager is chaired by Christopher Roshier, an experienced corporate financier, who has been a non-executive director of St. Modwen Properties plc for 18 years.

In addition, Stephen Dickinson, Chairman of the Company and of the Investment Committee, has been the Deputy Chairman of Grainger Trust plc since 2002, having acted as its Managing Director since 1974. During this period Grainger Trust plc has been one of the most successful property companies in Europe. It has recently started a programme of active investment in residential property in Germany.

Portfolio effect

The Company believes that its target assets (individual properties with a value between €10 million and €100 million) are likely to attract less interest from the larger property funds (for which these properties are too small) or from many individual investors (for which they are too large). Further, the Directors believe the effect of aggregating these types of properties into a single portfolio will be to add value to the overall portfolio.

Manager Team Incentives

The Company has sought to create a remuneration structure for the Manager Team that aligns the interests of the Manager Team with those of Shareholders.

The Manager Team is incentivised by an incentive fee equal to 20 per cent. of the Total Shareholder Return above a hurdle rate of return of 10 per cent. per annum, subject to a high water mark. At least half of amounts paid in respect of this performance fee (net of tax) will be used to acquire Shares in the market. Any Shares acquired by the Manager Team pursuant to this arrangement will be subject to a lock in for a period of two years from the date of their acquisition.

On Admission, the Manager Team will own 2,564,002 Shares representing approximately 2.4 per cent. of the issued share capital of the Company. These Shares are subject to a lock-in for a period of two years from the date of Admission.

At the end of five years, if the annual average Net Distributable Income, as a percentage of the Euro Placing Proceeds, calculated on a yearly basis, equals or exceeds 8 per cent., the Manager Team will be awarded 2,564,000 Shares. No lock-in provisions will apply to any such further issue of Shares to the Manager Team.

Further details of these arrangements are given in the section headed “Management Fee and Incentivisation” in Part II of this document.

Company Strategy

Total shareholder return

The Company’s objective is to generate attractive returns for Shareholders through dividends and increases in net asset value. The Company is targeting a dividend yield of 8 to 10 per cent. per annum, calculated by reference to the Euro Placing Price. Dividends will be paid twice yearly.

On the sale of assets, the Directors will consider returning capital to Shareholders depending, *inter alia*, on the availability of suitable new investment opportunities.

Valuation

The Company will secure an independent professional valuation for each property that it considers acquiring. The Directors do not intend to acquire any property where the valuation does not support the Company’s valuation.

Build a high yielding commercial property portfolio in Germany

The Company intends to acquire and manage a portfolio of commercial properties in Germany with a focus on retail assets. It will seek to invest in high yielding properties which generate a stable rental stream together with the potential for capital growth from yield compression.

The Company intends to purchase properties in prime local locations with medium to long term leases from tenants of high credit quality which yield, on average, approximately 7 per cent. per annum. The Company expects that the Property Portfolio will primarily comprise retail properties with the balance made up of other commercial properties, including offices and warehouses. The Company believes that through the contacts and relationships of the Manager properties with these characteristics can be identified, particularly outside the major metropolitan areas. The Company expects that the majority of the Property Portfolio will be in the former West Germany but it will consider acquiring properties in the east of the country that fit its investment strategy. The Board will monitor the Company’s investment strategy and, where considered appropriate, adjust it.

The Company expects that the proceeds from the Placing will be fully invested by the end of 2006. The intention is to leverage the Property Portfolio at a level of approximately 80 per cent., subject to the Company being able to secure debt financing, which, if achieved, would allow for a gross portfolio with an initial cost of approximately €500 million. The Company has identified an Initial Portfolio with an aggregate cost in excess of €190 million with a pipeline of further properties which are under active evaluation.

The Company does not intend to acquire properties for speculative development and, once fully invested, does not expect any single asset to exceed 20 per cent. of the total portfolio value at the time of acquisition.

Active portfolio management to increase yields and valuations

Through the Manager, the Group intends to manage the Property Portfolio by:

- reviewing the mix and location of tenants so as to enhance the overall rental yield;
- negotiating with new and existing tenants to optimise the yield and quality of tenants;
- identifying and exploiting development potential that may exist within certain properties;
- increasing occupancy levels through contact with potential tenants; and
- seeking to improve the efficiency and effectiveness of the day-to-day management of the properties.

Investment Process

The Company has entered into an agreement, the Management Agreement, with the Manager under which the Manager provides property investment advice and property management services to the Group. The Manager is a newly established UK limited liability partnership which is controlled by its principal members – Klaus Faßbender, David Maxwell and Jonathan Elkington.

Under the terms of the Management Agreement, the Manager is responsible for identifying and evaluating investment opportunities and, if it feels that they meet the Company’s investment strategy, presenting them to the Investment Committee for preliminary approval. If the Investment Committee approves the

investment, the Manager is responsible for ensuring that due diligence and documentation is properly completed before presenting its final findings and recommendations to the Investment Committee and then to the Board for final approval.

The acquisitions are expected to be made through wholly-owned SPVs established by the Group with, typically, each SPV owning a single property.

The Manager is also responsible for advising and assisting the Group in the strategic and day-to-day management of the Property Portfolio.

The Manager has entered into the Sub-Management Agreement with Argus, under which Argus will provide certain services to the Manager. Further details of the Sub-Management Agreement are set out in paragraph 8.1.2 of Part X of this document.

Use of Proceeds and Financing

The Company intends to use the net proceeds of the Placing to acquire the Initial Portfolio and for future investments in accordance with its investment strategy.

The proceeds from the Placing will be leveraged with debt financing which the Company expects to finalise after Admission.

The Company has received an indicative offer letter relating to a financing facility, the Bank Facility, from a major international bank under which the bank will provide debt finance to the Group of up to 80 per cent. of the acquisition cost of properties in the Initial Portfolio, subject to completion of satisfactory due diligence on each property by the bank. Due diligence on these properties is underway and the financing with respect to these properties is expected to be committed prior to completion of the Placing.

Loans drawn down under the Bank Facility would pay an interest margin of 0.8 per cent. over the five year Euro swap rate, require an average annual repayment of 1.0 per cent. per annum and have a tenure of seven years. The interest rate on such a loan drawn down on 3 April 2006 would have been 4.7 per cent. per annum fixed for seven years.

The Company is confident that it will be able to secure additional financing facilities on terms similar to the Bank Facility to allow it to fully invest the proceeds from the Placing. Although there are no limits on the Company's ability to borrow money, the Company intends its initial gearing level to be approximately 80 per cent. over the total portfolio.

Dividend Policy

The Company intends to pay dividends twice yearly and is targeting a dividend yield of 8 to 10 per cent. per annum calculated by reference to the Euro Placing Price.

Dividends will be declared in Euros but will be converted into Sterling on the payment date and paid in Sterling to Shareholders.

The Company is targeting a long term payout ratio of 90 per cent. of Net Distributable Income. The payout ratio may vary from year to year due to the financial and cash position of the Company, as affected, *inter alia*, by any annual repayments of principal that may be required under the Company's banking facilities. However, as properties are sold or refinanced, cash will become available to enable the Company to achieve its long term target payout ratio of 90 per cent.

The Company may reinvest proceeds from property disposals provided that investment opportunities continue to exist that fit the Company's investment criteria.

It is intended that, promptly after Admission, an application will be made to the Isle of Man court to cancel the share premium account arising on the issue of Shares so as to create a distributable reserve. This reserve, if approved by the court, will be available for distribution to Shareholders, should the Directors consider this to be appropriate. The distributable reserve enables the Directors to pay a dividend prior to the returns generated by the Group being transferred to the Company.

Tax Efficiency

The effective Group current tax rate is expected to be in the range of 5 to 10 per cent. (before taking account of any management incentive payments). In addition, a deferred tax charge will arise primarily as a result of the tax depreciation allowance available on the buildings element of German investment properties. The Company will seek to minimise the eventual cash effect of the deferred tax either by taking advantage of the

German rollover provisions (under which capital gains tax can be deferred if realised capital gains are reinvested in property) or by structuring the sales in a tax efficient manner.

Accounting Policy

The Group's financial statements will be prepared in accordance with IFRS and reported in Euros.

The Directors have decided that they will adopt the option that exists within IFRS to carry investment property at its fair value.

A summary of the key accounting policies adopted by the Company is set out in Part IX of this document.

Valuation Policy

The Company has appointed DTZ to value the Initial Portfolio and will appoint DTZ or another internationally recognised property valuer to value the rest of the pipeline properties. Going forward, the Board will arrange for the Property Portfolio to be valued in accordance with the then prevailing RICS Appraisal and Valuation Standards as often as it deems necessary. The Board will review each such valuation.

Regulatory Status

The Company is not regulated by the Isle of Man Financial Supervision Commission. The Manager is not regulated by the FSA.

Risk Factors

Prospective investors' attention is drawn to the "Risk Factors" set out in Part VI of this document.

PART II

CORPORATE STRUCTURE AND MANAGEMENT

Corporate Structure

The Group is being structured so as to allow for an efficient mechanism for acquiring and managing the Property Portfolio. The Company will be the parent company of the Group which, in addition to the Company, will comprise a Netherlands co-operative with excluded liability (the “Co-operative”), a partnership in the Netherlands (the “Partnership”) and a number of special purpose vehicles (“SPVs”).

The Company will hold 100 per cent. of the economic interest in the Co-operative. The Co-operative will hold 100 per cent. of the economic interest in the Partnership, although the Partnership will be responsible for satisfying the Group’s obligation to pay the Manager Team’s annual performance fee, if any, as described below under the heading “Management Fee and Incentivisation”. The Partnership will own the entire economic interest in each SPV, when formed.

The Company will fund its subsidiaries by way of loan and share capital in amounts to be determined from time to time in order to meet the capital requirements of the subsidiaries.

Directors

The Directors are responsible for the determination of the Group’s investment objectives and policies and have overall responsibility for the Group’s activities, including the review of investment activity and performance.

Brief biographical details of the Directors are as follows:

Stephen Dickinson (aged 71), Chairman

Mr Dickinson became Managing Director of Grainger Trust plc in 1974 and became Deputy Chairman in 2002. In 1974, Grainger Trust had gross assets of £3 million which had risen to £1.7 billion as at 30 September 2005. Mr Dickinson is a chartered accountant and in 1963 became the first accountant in practice in the British Virgin Islands. He was the British Virgin Islands’ representative to the UK Dependent Territories Association from 1993 to 2004.

Klaus Faßbender (aged 52), Joint Chief Executive Officer

Mr Faßbender is the founder and CEO of Argus, which has been engaged in German real estate and property investment and development since 1990. He has an extensive network of designers, developers, construction companies and local financial institutions and investors and is especially knowledgeable in the Berlin, Cologne, Dresden and Leipzig property markets. Over the last 25 years Mr Faßbender has owned, managed and developed a wide variety of commercial property, including the development of shopping centres worth in excess of €80 million, the acquisition of over 300 apartments in Berlin and the refurbishment of 1,500 apartments near Berlin.

David Maxwell (aged 27), Joint Chief Executive Officer

Mr Maxwell holds a degree in economics and a masters degree in Real Estate Finance from Cambridge University. He began his career with Bee Bee Developments, the specialist Clerkenwell residential and office property developers. He set up Cleland Group in 2003, and is a major shareholder of Cleland Capital Ltd, which provides equity and debt funding to UK development companies. Cleland Group has current UK property development projects of approximately £30 million and a pipeline of approximately £175 million.

Adrian Collins (aged 51), Non-Executive Director

Mr Collins is currently a director of Strand Partners Limited. He has worked in the fund management business for over 30 years, a large part of which was spent at Gartmore Investment Management, where latterly he was Managing Director. He is currently on the board of a number of public and private companies in the United Kingdom and overseas. These include New City High Yield Trust plc, City Natural Resources High Yield Trust plc, Raven Russia plc and Windsor plc.

Tony Ciochetti (aged 52), Non-Executive Director

Professor Ciochetti is Professor of Real Estate at Massachusetts Institute of Technology. He is a former property developer and an expert in commercial mortgage backed securitisation. He has held positions at the

University of North Carolina and has taught at University of Wisconsin Business School and Cambridge University.

Elizabeth Tansell (aged 44), Non-Executive Director

Ms Tansell is a member of the Institute of Chartered Accountants in England & Wales and has 20 years' experience in the fund administration sector. In November 2004, together with a former colleague she established Chamberlain Fund Services Limited, a niche, independent third party fund administrator, licensed by the Isle of Man Financial Supervision Commission to conduct investment business. Ms Tansell is a director of a number of offshore funds investing in a variety of investment instruments and geographical locations. Ms Tansell was appointed Chairman of the Isle of Man Fund Management Association in 2003. Ms Tansell is a resident of the Isle of Man.

Martin Leitinger (aged 30), Non-Executive Director

Mr Leitinger, an Austrian national, is currently an insurance broker for ARAG, an insurance company. From 2001 to 2003, Mr Leitinger ran his own real estate business, having previously worked for Blumenaver Immobilien, a real estate agent.

Corporate Governance

The Directors recognise the value of high standards of corporate governance and will take appropriate measures to ensure that the Company complies with the Combined Code to the extent they consider appropriate, taking into account the size of the Company and nature of its business.

The Company does not consider it necessary to establish an audit committee, given the nature of the Company. The Board will undertake all functions that would normally be delegated to the audit committee including reviewing annual and interim results, receiving reports from the auditors, agreeing auditors remuneration and assessing the effectiveness of the audit and internal control environment. Where necessary, the Board will obtain specialist external advice from either the Company's auditors or other advisers.

The Company also does not intend to establish remuneration and nomination committees as such committees would not be appropriate given the nature of the Company's operations. The Board will review annually the remuneration of the Directors and agree the level of non-executive fees. Consideration will be given by the Board to future succession plans for Board members as well as consideration as to whether the Board has the skills required effectively to manage the Company. The Company will take all reasonable steps to ensure compliance by the Directors and any employees with the provisions of the AIM Rules relating to dealings in securities of the Company and has adopted a share dealing code for this purpose.

Investment Committee

The Group's Investment Committee will be responsible for reviewing and assessing all acquisitions and disposals of properties. The Investment Committee will make recommendations to the Board, which will take the final investment decisions.

The Investment Committee will be made up of Stephen Dickinson (Chairman), Tony Ciochetti and Klaus Faßbender. Klaus Faßbender is also a member of the Manager.

The Manager

The Manager has been engaged by the Group to provide property investment advice and property management services to the Group pursuant to the Management Agreement (further details of which are set out in paragraph 8.1.1 of Part X of this document). The Manager is a UK limited liability partnership established on 27 March 2006. The Manager is not regulated by the FSA or in the Isle of Man or elsewhere in relation to the conduct of investment business or any other activity.

The principal members of the Manager anticipate devoting all or substantially all of their working time to fulfil their obligations under the Management Agreement. The chairman and principal members of the Manager are listed below.

Christopher Roshier (aged 60), Chairman

Mr Roshier has a degree in economics from Cambridge University and is a chartered accountant. A corporate financier for over 20 years, he was alternate head of corporate finance at Hill Samuel and a managing director of Drexel Burnham Lambert Securities. He has been a non-executive director of St Modwen Properties plc for over 18 years and is a director of a number of other listed companies.

Jonathan Elkington (aged 27)

Mr Elkington holds a degree in Business Management and Marketing from Newcastle University and is a Member of the Securities Institute. After graduating, he joined Brewin Dolphin Securities to train as a fund manager. He later became an equity analyst specialising in the Pan European Building and Construction and the Mining sectors. He joined Cleland Group in 2004 and is a major shareholder of Cleland Capital Ltd which provides equity and debt funding to UK development companies. Cleland Group has current UK property development projects of approximately £30 million and a pipeline of approximately £175 million.

Klaus Faßbender

See curriculum vitae above.

David Maxwell

See curriculum vitae above.

Property Manager

In accordance with the terms of the Management Agreement, the Manager has subcontracted the provision of certain property management services to Argus, a property management company based in Germany. Klaus Faßbender is a director and the sole shareholder of Argus. After Admission, it is envisaged that all property management services will be provided to the Group in accordance with the Sub-Management Agreement, although the Group will be entitled to retain the services of third party companies for the management of properties, if those companies are managing the relevant properties at the time of acquisition.

The property management services that Argus will render to the Group include:

- rent collection and service charge administration;
- tenant liaison;
- negotiating rent reviews and lettings with tenants;
- lease renewals; and
- preparation of investment, performance and financial reports for the Company.

Argus will also assist the Manager in the provision of services to the Group under the Management Agreement.

The Argus team responsible for the day-to-day management will be led by Klaus Faßbender. The Directors' believe Argus' local market presence will facilitate the identification of further acquisition opportunities and provide scope for active property management.

Management Fee and Incentivisation

Management fee

The Board will agree annually in advance a management fee to be paid to the Manager which in the first year will be £650,000. The management fee is based on the estimated costs of the Manager in providing its services to the Group including remuneration of its principal members and employees and the costs of its sub-contractors including Argus.

Incentive fee

If in any accounting period of the Company the Total Shareholder Return is in excess of a rate of return of 10 per cent. per annum, the Manager Team is entitled to an annual performance fee equal to 20 per cent. of such excess, subject to a high water mark.

The annual performance fee will become payable, and be paid, when there is, in the opinion of the Directors, sufficient cash available to pay such fee. Half of the amounts paid in respect of this fee (net of tax) will be applied by the Manager Team to acquire Shares in the market. However, if the Company continues not to have sufficient cash available, the Directors may elect to meet all or part of this liability through the issue of new Shares. Any Shares acquired by the Manager Team pursuant to this arrangement will be subject to a lock-in for a period of two years from the date of their acquisition.

Long term incentive plan

On Admission, the Manager Team will own 2,564,002 Shares representing approximately 2.4 per cent. of the issued share capital of the Company. These Shares are subject to a lock-in for a period of two years from the date of Admission. At the end of five years, if the annual average Net Distributable Income, as a percentage of the Euro Placing Proceeds, calculated on a yearly basis, equals or exceeds 8 per cent., the Manager Team will be awarded a further 2,564,000 Shares. No lock-in provisions will apply to any such further issue of Shares to the Manager Team.

In addition, the Manager Team will be entitled to a cash sum equivalent to the dividends that would have been received had it received the Shares in equal annual instalments of 512,800 Shares.

If the entire Property Portfolio is sold or a takeover of the Company occurs before the end of the fifth year and (in the event of a sale of the Property Portfolio) the Company is wound up and all cash is returned to Shareholders, then if the annual average Net Distributable Income Percentage (Net Distributable Income as a percentage of the Euro Placing Proceeds) is equal to or in excess of 8 per cent., the Manager will be issued 2,564,000 Shares in such a way that they are entitled to participate in any final distribution of profits and the return of any capital. In addition, the Manager will be entitled to a cash sum equal to the dividends that would have been received had they received the Shares in equal annual instalments of 512,800 Shares at the end of each year for each whole year prior to the takeover or winding up of the Company.

In the event that there is a capital event that affects the economic intent of the Long Term Incentive Plan, the terms of the Long Term Incentive Plan will be adjusted such that the economic intent remains as originally set out.

Conflicts of Interest

Cleland Capital Ltd, David Maxwell and Jonathan Elkington have agreed not to carry out any property related activities in Germany without the permission of the Board. Mr Faßbender and Argus have potential conflicts of interest relating to existing investments in German real estate which investments have been disclosed to the Board. Mr Faßbender and Argus have undertaken that they will conduct no new business that could be considered to be in conflict with the interests of the Group without the approval of the Board.

Administrator

The Administrator is Equity Limited, a company incorporated in the Isle of Man on 26 November 1997. The Administrator has its registered office at 15-19 Athol Street, Douglas, Isle of Man IM1 1LB. It has issued and paid-up share capital of £265,893 and is a subsidiary of Cains Advocates Limited, the Isle of Man legal adviser to the Company. The Administrator is the registrar of the Company. The Administrator is licensed by the Isle of Man Financial Supervision Commission for corporate service provider business.

The Administrator will utilise the services of the CREST Settlement Agent for the purposes of settling share transactions through CREST. The cost of this service will be borne by the Company. It is anticipated that the cost will be in the region of £5,000 per annum subject to the number of CREST settled transactions undertaken.

In addition, the Administrator shall provide general secretarial and administrative services to the Company and is entitled to an annual fee comprising:

- (i) a fixed fee of £1,000 per annum; and
- (ii) a variable fee calculated on a time spent basis in respect of any other requested duties and obligations as set out in the Administration Agreement.

The Administrator expects to review and, subject to written agreement between the Company and the Administrator, may amend the foregoing fees 12 months after Admission and annually thereafter.

Operating Costs of the Group

The Group will bear its on-going operational expenses. These expenses include, but are not limited to:

- direct costs of investing and realising the assets of the Group, including dealing costs, any stamp duty and registration fees;
- professionals' costs associated with investing and realising the assets of the Group, including the fees and expenses of property surveyors, valuers, sales agents, consultants, tax advisers, brokers, lawyers and accountants (including introductory fees payable to any sales agents and corporate finance fees);

- the management fee and any incentive fee payable to the Manager and the Manager Team;
- legal and professional expenses which the Manager incurs on behalf of the Group in connection with ongoing administration of the Group or otherwise;
- the cost of borrowings incurred for the Group (including up front arrangement fees payable to lenders in return for providing loan facilities and interest payable in respect of the borrowings);
- Directors' fees and expenses;
- audit costs;
- fees and expenses associated with maintaining the Company's admission to trading on AIM;
- taxes and duties imposed by any fiscal authority and any other governmental fees;
- costs of valuing and pricing assets and of publishing share prices and other notices in the financial press;
- expenses of publishing reports notices and proxy materials to Shareholders and of expenses of convening and holding meetings of Shareholders;
- expenses of preparing, printing and/or filing all reports and other documents relating to the Group including placement memoranda, explanatory memoranda, marketing documents, annual, semi-annual and extraordinary reports required to be lodged with all authorities having jurisdiction over the Company;
- expenses of making any capital distributions; and
- insurance premia (including insurance for members of the Board).

PART III

PROPERTY MARKET REPORT



King Sturge LLP
7 Stratford Place
London W1C 1ST

T +44 (0)20 7493 4933
F +44 (0)20 7409 0469
www.kingsturge.com

The Directors
Deutsche Land plc
15–19 Athol Street
Isle of Man IM1 1LB

12 April 2006

Dear Sirs

THE GERMAN COMMERCIAL REAL ESTATE MARKET

ATTRACTIONS OF INVESTING IN GERMAN COMMERCIAL REAL ESTATE

Investment yields

Commercial property investment yields in Germany are between 5 per cent. and 9 per cent. depending on investment grade and sector. These investment yields are, typically, high when compared with financing costs.

Table 1: German Real Estate Yields and Interest Rate Swaps, February 2006

	Real Estate Investment Yields, %	
<i>Sector</i>	<i>Prime</i>	<i>Secondary</i>
Office	5.0–5.8	7.0–7.25
In-town retail	6.1–6.4	N/A
Out-of-town retail	7.0–9.5	7.0–9.5
Logistics	7.0–7.5	8.0–c.11.0
Industrial	7.2–7.75	8.0
	<i>Five-year rate</i>	<i>Ten-year rate</i>
Euribor rates	3.4%	3.65%

Prime and secondary investment yields are determined by factors such as macro/micro location, specification, covenants and lease lengths.

Source: Europroperty for real estate yields. Financial Times, 1/02/06, page 41 for Euribor interest rate swap rates.

King Sturge German Commercial Property Market 2006, page 1 for Retail warehousing yields.

Europroperty, Dec 2005/Jan 2006, page 51, page 72, Table: Prime European rents and yields, Q3 2005 for in-town retail yields:

King Sturge European Office Markets 2005, page 18 for Prime office yields,

King Sturge European Industrial Property Markets 2006, page 10 for Prime Logistics & Industrial yields and Survey of King Sturge Offices & Associates Q4 2005 for Secondary Office, Logistics and Industrial yields.

Wide “risk premium”

The differential between Euribor ten-year money rates and German prime commercial property investment yields (the risk premium) is, as evidenced in Table 1, as much as, 135 to 735 basis points. For comparison, the risk premium in the UK has now fallen to – 50 to 150 basis points (as at January 2006).

Over the past five years, the risk premium in Germany has widened, increasing by 218 basis points for prime offices, 270 basis points for prime in-town retail and 244 basis points for prime logistics. However, in the last year the risk premium has started to narrow, as evidenced in Table 2.

Table 2: Euro 10-year money rate and investment yields for German commercial real estate

	2000	2004	2005
Prime in-town retail yield	5%	6.26%	6.26%
Prime office yield	4.9%	5.73%	5.64%
Prime logistics yield	7.63%	8.5%	8.63%
Euro 10-year rate	4.92%	3.89%	3.48%

Sources:

2000 investment yields: Europroperty, April 2001, page 54, Table: Yields in Europe (average of the lowest yields shown in the table for Berlin and Frankfurt).

2004 investment yields: Europroperty, Q3 2005, page 72, Table: Prime European rents and yields, Q4 2004 (average of the yields shown in the table for Berlin and Frankfurt).

2005 investment yields: Europroperty, Dec 2005/Jan 2006, page 51, page 72, Table: Prime European rents and yields, Q3 2005 (average of the yields shown in the table for Berlin and Frankfurt).

Euro 10 year rate: Financial Times – Long-dated government bond yield for Western Europe is for 10-year EU Government bonds denominated euro as at December of each year.

Investment sales

German open-ended funds, corporations and the public sector have been selling commercial property in the last year.

During 2005, especially towards the end, German open-ended funds had a large net outflow of funds due to redemptions. Outflows from three funds (two managed by KanAm and one managed by DB Real Estate) have caused their temporary closure¹. With such a background, the German open-ended fund managers association, the BVI, has introduced a number of measures aimed at reassuring investors.

There has also been a certain degree of financial distress in the corporate and public sectors leading to sales of commercial property.

Foreign investors have become net buyers, attracted into the market by the surplus income after financing costs. Across Europe, there is a huge weight of foreign money allocated for investment in commercial property and investors have been attracted to the German market due to the yield over finance cost arbitrage.

INVESTMENT COMPARISON WITH WESTERN EUROPE

Historically, the German commercial property market has been relatively expensive in a European context.

This has changed as investment yields in Germany are now high compared with elsewhere in Europe. Whereas, in the rest of Europe, there has been significant yield compression over the last two years, this has not yet fully taken place in Germany.

Prime office investment yields in major cities are 5.0 per cent. to 5.8 per cent. in Germany compared with a Western European average of 5.29 per cent., as evidenced by Table 3.

Table 3: Prime office investment yields for Western Europe

Madrid	4.63%	Hamburg	5.30%
London	4.75%	Stockholm	5.50%
Vienna	4.80%	Zurich	5.50%
Dublin	5.00%	Frankfurt	5.53%
Milan	5.00%	Amsterdam	5.75%
Paris	5.13%	Berlin	5.75%
Munich	5.20%	Brussels	6.25%
Yield Average Western Europe			5.29%

Sources:

Europroperty, Dec 2005/Jan 2006, page 51, Table: Prime European rents and yields, Q3 2005
EMEA Rent Navigator Q3 2005, CB Richard Ellis (Hamburg and Munich data)

1 EGi News 25/01/06

Prime retail investment yields in major cities are 5 per cent. to 6.38 per cent. in Germany compared with a Western European average of 5.18 per cent., as evidenced by Table 4.

Table 4: Prime retail investment yields for Western Europe

Dublin	3.13%	Madrid	5.13%
London	4.00%	Paris	5.25%
Milan	4.75%	Stockholm	5.63%
Vienna	5.00%	Hamburg	5.75%
Zurich	5.00%	Frankfurt	6.13%
Munich	5.00%	Brussels	6.25%
Amsterdam	5.13%	Berlin	6.38%
Yield Average Western Europe			5.18%

Sources:

Europroperty, Dec 2005/Jan 2006, page 51, Table: Prime European rents and yields, Q3 2005
EMEA Rent Navigator Q3 2005, CB Richard Ellis (Hamburg and Munich data)

Prime industrial investment yields around major cities are 7.5 per cent. to 9 per cent. in Germany compared with the Western European average of 7.47 per cent., as evidenced by Table 5.

Table 5: Prime industrial investment yields for Western Europe

London	5.75%	Stockholm	7.63%
Dublin	6.00%	Milan	7.68%
Amsterdam	6.90%	Paris	7.75%
Madrid	7.25%	Brussels	7.88%
Vienna	7.50%	Zurich	8.00%
Hamburg	7.50%	Frankfurt	8.25%
Munich	7.50%	Berlin	9.00%
Yield Average Western Europe			7.47%

Source:

Europroperty, Dec 2005/Jan 2006, page 51, Table: Prime European rents and yields, Q3 2005
EMEA Rent Navigator Q3 2005, CB Richard Ellis (Hamburg and Munich data)

Office, retail and industrial investment yields are typically higher in less major cities and large towns.

PERFORMANCE OF GERMAN COMMERCIAL PROPERTY

German commercial property has provided a poor performance as compared with elsewhere in Europe since 2000.

According to IPD data, commercial property in Germany has delivered annualised total returns of 2.8 per cent. p.a. over three years and 3.9 per cent. p.a. over five years. This compares with annualised total returns of 8.9 per cent. to 12.9 per cent. p.a. over three years and 10.1 per cent. to 11.1 per cent. p.a. over five years for three of the other largest countries in Europe, see Table 6.

The strong returns in France, Spain and the United Kingdom, in contrast to Germany, have been due to investment yields compressing, as well as the high income returns.

Table 6: All Property — Total Returns % p.a.

<i>Country</i>	<i>Three years annualised to 2004</i>	<i>Five years annualised to 2004</i>
Germany	2.8%	3.9%
France	8.9%	10.1%
Spain	9.3%	N/A
United Kingdom	12.9%	11.1%

Source:

IPD, Deutscher Immobilien Index, Results for year 2004 (Germany)
IPD, L'indice français de l'immobilier, Results for year 2004 (France)
IPD, Indice de la inversion Inmobiliaria, Results for year 2004 (Spain)
IPD, UK Digest 2005, table 2, market performance: sector

In Germany, had it not been for high income returns, there would have been negative returns.

Table 7: All Property Income Return as % of Total Return

<i>Country</i>	<i>Three years to 2004</i>	<i>Five years to 2004</i>
Germany	179%	131%
France	71%	61%
Spain	66%	N/A
United Kingdom	51%	60%

Sources:

IPD, Deutsche Immobilien Index, Results for year 2004 (Germany)

IPD, L'indice français de l'immobilier, Results for year 2004 (France)

IPD, Indice de la inversion Inmobiliaria, Results for year 2004 (Spain)

IPD, UK Digest 2005, table 2, market performance: sector

ECONOMIC BACKGROUND

Occupational demand for commercial property has historically been closely tied to economic growth.

The economic background in Germany is now beginning to show signs of recovery. Economic growth in the Eurozone is forecast to recover, with GDP growth of 2.2 per cent. in 2006, compared with 1.5 per cent. in 2005, as evidenced by Table 8. Economic activity reached a low point in 2003. In Germany growth is expected to pick up from 1.1 per cent. in 2005 to 1.9 per cent in 2006.

The government is introducing measures to restructure the economy and savings rates are high. Exports have been the mainstay of the economy; Germany retains its position as the largest exporting country in the world.

Inflation is low and is expected to remain low, due to considerable downward pressure on goods prices and greater price transparency.

Table 8: Economic Indicators for Euro Zone

	<i>2005</i>	<i>2006</i>	<i>2007</i>	<i>2008</i>
Eurozone Growth GDP	1.5	2.2	1.6	1.9
Eurozone Inflation CPI	2.2	1.9	2.2	1.9
Germany GDP	1.1	1.9	0.6	1.4
Germany CPI	2.0	1.9	2.7	2.1

Source: Oxford Economic Forecasting, Winter 2005/2006

COMMERCIAL PROPERTY VALUES

Asset values

Asset values are well supported at current levels, so any yield compression should result in capital appreciation.

Falls in values have made it possible to acquire commercial property assets at close to or even below initial acquisition price. In some instances, prices are even below build values (land and build costs). As rents have declined or remained unchanged, values of existing buildings have fallen.

These factors have been important in restricting new development. Moreover, cost of new development has increased, while land values have remained comparatively high.

Furthermore, the strict planning regime has and continues to deter development.

Building costs

Building costs have increased throughout Europe, as steel prices have risen. In 2005, the world price for steel increased by more than 25 per cent.

Table 9: Building Costs in Germany

	<i>City centre air conditioned office € per m²</i>	<i>Shopping centre € per m²</i>	<i>Warehouse € per m²</i>
Low	1180	430	460
High	1660	655	920

Source: Data provided to King Sturge by a global construction consultancy sourced from a confidential survey.

Land values

Germany has comparatively high land values for Europe. The average prime industrial land value in major German city regions is €417 per m² compared with the average in major Western European city regions at €265 per m², as evidenced by Table 10.

Table 10: Prime industrial land values (€ per m²)

Madrid	140 to 800	Vienna	75 to 360
London	147 to 735	Berlin	35 to 270
Munich	150 to 600	Milan	140 to 210
Frankfurt	100 to 600	Düsseldorf	40 to 200
Dublin	70 to 430	Brussels	85 to 150
Zurich	32 to 260	Paris	45 to 130
Amsterdam	160 to 375	Stockholm	53 to 106
Land Value Average Western Europe			91 to 373

Source: King Sturge, European Industrial Property Markets, 2006, page 13

Rents

Rents have fallen or, at best, are little changed over the last five and fifteen years.

Rents in the office sector have fared the worst. Prime rents have fallen 53 per cent. in Berlin and 26 per cent. in Frankfurt, over the past fifteen years. This compares with a fall of 3 per cent. in prime office rents averaged across Western Europe. The German Consumer Price Index has risen by 30 per cent. over the same period, as evidenced by Table 11.

Table 11: German prime office rents compared to European average and German Consumer Price Index

<i>Year</i>	<i>Rents in € per m² per month</i>				<i>Index Values</i>	
	<i>Berlin rents</i>	<i>Düsseldorf rents</i>	<i>Frankfurt rents</i>	<i>Munich rents</i>	<i>European average rents index</i>	<i>German CPI index rebased to 1991</i>
1991	43.46		46.02		100.00	100.00
1992	38.35		38.35		90.00	105.10
1993	30.68		33.23		79.00	109.72
1994	25.56		31.96		73.00	112.69
1995	23.01	20.50	29.40	25.60	73.00	114.60
1996	23.01	19.40	28.12	25.60	74.00	115.98
1997	23.01	20.50	28.12	25.60	76.00	117.72
1998	24.03	20.50	33.23	26.60	84.00	118.42
1999	24.54	21.50	39.88	28.10	94.00	119.13
2000	33.23	22.00	48.57	35.80	109.00	120.80
2001	33.23	23.00	51.13	30.70	121.00	123.10
2002	25.00	22.00	44.00	30.00	117.00	124.70
2003	20.00	22.00	38.00	28.00	112.00	125.94
2004	20.00	22.20	35.00	28.00	99.00	128.09
2005	20.50	21.90	34.00	28.50	97.00	129.75

Sources:

Atisreal, Office Market Report, Germany 2005, page 18 (chart), page 54 (chart) for Düsseldorf & Munich rents

Atisreal Office Market Report, Germany 2006, page 18 (chart), page 54 (chart) for 2005 Düsseldorf & Munich rents

OECD, Economic Outlook, Volume Dec 2005, N° 78, Annex Table 18, Consumer price indices, page 180 for CPI annual rates from which index is derived, 1992 – 2005

King Sturge, Global Office Rents, Q4 2005 for Berlin and Frankfurt rents

King Sturge, European Office Property Markets, 2005, page 5 (European prime office rents index compared to consume price index chart) for European average rents index

For retail, prime rents have risen by 0 per cent. in Düsseldorf, 3 per cent. in Hamburg, 5 per cent. in Berlin, 11 per cent. in Frankfurt and 19 per cent. in Munich over the past 5 years, compared with a rise of 7.4 per cent. in the German CPI.

Table 12: German prime retail compared to Consumer Price Index

<i>Year</i>	<i>Berlin rents</i>	<i>Düsseldorf rents</i>	<i>Frankfurt rents</i>	<i>Hamburg rents</i>	<i>Munich rents</i>	<i>German CPI rebased to 2000</i>
2000	189	180	189	179	210	100.00
2001	205	180	210	205	230	101.90
2002	205	180	190	200	230	103.22
2003	205	180	195	185	250	104.26
2004	200	180	205	185	250	106.03
2005	200	180	210	185	250	107.41

Sources:

Atisreal, Retail Market Report, Germany 2005-2006, page 5, 9, 14, 21, 25 (charts)

OECD, Economic Outlook, Volume 2004/2, N° 76, December, Annex Table 18, Consumer price indices, page 184

Planning

The planning process is relatively tight in Germany, so restricting new building. The planning regime has particularly acted to discourage out-of-town development that may adversely affect town centre locations. Moreover, further regulations are being considered by the government on top of the existing system.

The most significant statutory provisions on the development and use of land are found in the Building Code (Bauordnung) of each state (Land) and in the Federal Planning Act (Baugesetzbuch). There is a very rigid distinction between zoning (planning) law regulations which are federal in nature, and permit regulations which are regulations issued by the state.

Building controls are regulated by local authorities (building supervision authorities) that form part of the local administration, called the municipality (Stadtverwaltung) in urban areas and the Landratsamt in rural areas. Permit decisions are taken by civil servants, whilst zoning plans are adopted by the local council that consists of elected representatives (Gemeinderat). The building permit will include both the planning permission and the building regulation approval.

REVIEW OF SECTORS

Office sector

The office investment market has been depressed by the state of the occupational market. Between 2000 and 2004, the volume of investment transactions in the major cities fell by 22 per cent. A feature of the market is over renting¹.

Vendors in the last few years include: German banks, funds and financial institutions such as Deutsche Bank, Commerzbank, Volksbank, HVB, Bayerische Immobilien, Deka; foreign financial institutions and funds such as — Blackstone Group, Europa Capital Group, Pricoa, Morgan Stanley, Zurich Versicherungs; and, German corporates and public bodies such as Daimler Chrysler, E.on, Deutsche Telecom, Deutsche Bahn and State of Hessen.

Across Germany, there has been a sharp downturn in occupational markets. Total annual take-up of office space in German cities reached a peak in 2000/2001, since when it has fallen steadily until recently.

¹ King Sturge, German Commercial Property Market, 2006, pages 10-11-12

Vacancy for offices, averaged across Germany, as a consequence, has risen to 10.3 per cent. in 2005¹. Weak demand has resulted in a slow absorption of historic oversupply; the degree of oversupply varying on the city.

However, office markets are beginning to show some signs of recovery. Occupational demand has begun to improve in Berlin, Frankfurt am Main, Hamburg, Munich and Stuttgart over the last couple of years.

Prime office rents range from €16 per m² per month in Stuttgart to €31 per m² per month in Frankfurt am Main², see Table 13.

Table 13: Office Rents (€ per m² per month)

	<i>Maximum prime rent</i>	<i>Minimum prime rent</i>
Berlin	20.5	16.0
Düsseldorf	20.5	13.5
Hamburg	19.5	15.5
Frankfurt	31.0	24.0
Munich	27.8	20.0
Stuttgart	16.0	14.0

Source: DEGI Research, New perspectives, Market Report Germany 2005, page 21

Retail sector

In-town retail comprises units on the main high streets and in-town shopping centres.

Out-of town retail comprises retail warehouses (such as DIY stores), large supermarkets and discount stores (such as Aldi and Lidl) located in the suburbs.

Institutional investor interest in out-of-town retail is a more recent phenomenon; much of this interest is coming from foreign investors. Such investments offer secure and stable rents: lease terms can be 10 years and sometimes up to 15 years with good covenants. Yields are comparatively high for retail property investments in Germany with yields ranging from c.6 per cent. to c.7 per cent. for prime in-town and retail warehousing respectively, depending on location, lease term and covenant.

Investment yields tend to be lower in the west of Germany than in the east. Retail outlets with high sales per square metre, good covenants and long leases attract the keenest investment yields. There have recently been a number of portfolio sales of out-of-town outlets and shopping centres.

Many investors are attracted to the retail sector in anticipation of an upturn in consumption with economic recovery. Others are attracted by the yield differential between German retail investments (particularly out-of-town) and those in neighbouring countries.

Planning permission is generally becoming stricter for out-of-town retail, as planners combat the perceived harm done by such schemes to city centre retailing.

Top retail rents of €245 per m² per month are found on Kaufingerstrasse in Munich³. For out-of-town retail units in the suburbs of large cities, net rents are from €8 to €16 per m² per month. Rents at the upper end of this range are achieved for prime properties in excellent locations where land values are high.

Table 14: Retail Rents (€ per m² per month)

	<i>Maximum prime rent</i>	<i>Minimum prime rent</i>
Berlin	170	100
Düsseldorf	175	100
Hamburg	190	75
Frankfurt	210	110
Munich	245	180
Stuttgart	200	100

Source: DEGI Research, New perspectives, Market Report Germany 2005, page 25

1 Atis Real Office Market Report Germany, 2006, page 9

2 DEGI Research, New Perspective, Market Report Germany 2005, page 21

3 DEGI Research, New Perspective, Market Report Germany 2005, page 23

Industrial sector

Institutional investor interest has recently been strong for logistics property, which offers relatively high investment yields compared to other sectors and provides a stable and long term income profile. Investment yields for well-let newly built logistics properties range from 7.00 per cent. to 7.5 per cent. in core markets, depending on location, quality of building, covenant strength and lease terms. Generally, prime industrial investment yields range from 7.25 per cent. to 7.75 per cent.

Vendors in the last few years include: German banks and funds such as Deutsche Bank, Redevco, IVG; foreign investors and developers such as Curzon Capital, Gazeley, Slough Estates; and, German corporates such as BMW and Kühne and Nagel.

Portfolio transactions in the logistics sector have sold at premiums of 5 per cent. to 10 per cent. Investors have been prepared to pay a premium for a portfolio of logistics property in order to quickly purchase into the market, where there are expectations of further yield compression.

Occupational demand has declined for manufacturing plant, but this has been offset by demand for distribution warehousing and other industrial premises.

New construction is at low levels and is mostly in schemes where there are pre-agreements with occupiers. Speculative construction is at very low levels.

Prime industrial rents range from €4.6 per m² per month in Berlin to €6.2 per m² per month in Munich and Stuttgart. Over five years, there has been negative or zero industrial rental growth across Germany, see Table 15.

Table 15: Industrial Rents (€ per m² per month)

	<i>Prime rent</i>	<i>Secondary rent</i>
Berlin	4.6	2.5
Düsseldorf	5.0	2.5
Hamburg	5.5	2.5
Frankfurt	6.0	3.5
Munich	6.2	3.5
Stuttgart	6.2	2.5

Source: King Sturge, European Industrial Property Markets, 2006 and King Sturge data

Residential sector

Investment volumes in the residential sector have been very high following a number of large portfolio transactions of apartment blocks. These include Terra Firma's acquisition from Viterra (the housing unit of utility company E.on), Fortress' acquisition from NILEG, Cerberus & Fortress' acquisition from Deutsche Wohnen and Oaktree's acquisition from GEHAG.

Investors have acquired portfolios of apartments for the relatively stable cash flows and potential capital uplift through unit sales.

In Germany, home ownership is a little over 40 per cent. of the housing stock which is at very low levels compared with the rest of Europe. The mortgage market has structural differences as compared with elsewhere in Europe.

Germany has not seen the housing market boom that has occurred elsewhere in Europe. Over the last ten years, house prices have been flat or have fallen in real terms.

CONCLUSION

The German commercial property market has lagged the strong performance seen elsewhere in Europe since 2000. Across Europe, there has been considerable investor demand for property assets, which has led to significant yield compression, but Germany has so far not seen comparable yield movement.

The investment background is now changing as competition for product, particularly from foreign investors, increases. These investors are attracted to the market due to: — the yield over finance cost arbitrage, asset price support and prospect of a stronger performance from the German economy.

IMPORTANT INFORMATION

The information contained herein is for background purposes only.

The contents of this letter may be used only for the purpose of the Placing. Before this letter, or any part thereof, is reproduced or referred to, in any other document, circular or statement and before its contents, or any part thereof, are otherwise disclosed orally or otherwise to a third party, the written approval of King Sturge LLP as to the form and context of such publication or disclosure must first be obtained.

Yours sincerely

Signatory

King Sturge LLP

PART IV

THE INITIAL PORTFOLIO

Letters of intent confirming the terms of acquisition, and under which the Company is seeking exclusivity for a period of two months, have been issued in respect of all properties in the Initial Portfolio. The Company has been granted exclusivity through acceptance of the letters of intent or is in the final stages of negotiation with the owners of all the properties in the Initial Portfolio. The Company expects that all properties in the Initial Portfolio will be under exclusivity and undergoing final due diligence by 30 April 2006.

1. The Properties

An overview of the properties contained in the Initial Portfolio is shown in the table below.

Type	Net Cost €'000	Gross cost €'000	Net rent €'000	Yield %
Town centre shopping mall in Grevenbroich	28,000	29,960	2,249	7.5
Shopping Centre in Dessau	45,000	48,150	3,426	7.1
Portfolio of nine retail properties in NRW	14,900	15,943	1,342	8.4
Shopping Centre in Velbert	13,650	14,606	1,056	7.2
Shopping Centre in Castrop-Rauxel	18,550	19,848	1,365	6.9
Shopping Centre in Berlin	37,500	40,125	2,723	6.8
Large store in Cologne	13,500	14,445	870	6.1
Shopping Centre in Eschweiler	7,650	8,186	673	8.2
Total	<u>178,750</u>	<u>191,264</u>	<u>13,704</u>	<u>7.2</u>

Town centre shopping mall in Grevenbroich

A 25,800m² town centre shopping mall comprising retail units, a cinema, a hotel and a large car park. The anchor tenants are REWE with five years remaining on its lease and TED with four years remaining. The current yield is 7.5 per cent. Following rental of the 5,500m², which is currently vacant, the Company expects the yield to increase to approximately 8.5 per cent.

Shopping centre in Dessau

This property is situated in an established retail location on the outskirts of Dessau. The property comprises approximately 24,000m² of retail space currently yielding 7.1 per cent. The general tenant is Edeka, which has eight years of its lease remaining. Edeka has 12 sub tenants. The head lease held by Edeka results in a stable cash flow that is indexed in line with a German cost of living index such that each time the index experiences a rise of 10 per cent., the rental increases by 7.5 per cent.

Portfolio of nine retail properties in North Rhine Westphalia

These properties are single tenant properties situated in the shopping centres of a number of smaller towns in North Rhine Westphalia. Tenants include REWE and Edeka and the remaining life of the leases range from three to seven years giving the Company the opportunity to actively manage and develop the rent roll over the short to medium term. The net initial yield of the portfolio is 8.4 per cent. North Rhine Westphalia has restrictive planning policies in relation to out of town retail space and, therefore, new supply is limited.

Shopping centre in Velbert

This property comprises a shopping centre on the edge of the main shopping district of Velbert, covering 12,300 m² of lettable space. The anchor tenants are Media Markt, which has approximately 4,600m² of space, and Edeka, which has approximately 1,400m² of space. Media Markt's lease expires in 2011 and Edeka's in 2007. The other leases expire between 2006 and 2011.

The current yield from this property is 7.2 per cent. Redevelopment of the site in two years' time, will accommodate higher value users and also increase the lettable space, both of which are expected to enhance yield and capital value.

Shopping centre in Castrop-Rauxel

A town centre shopping mall of approximately 12,000m². The anchor tenant is Kaufland which has 9,000m² of space and a lease that runs to 2020. There are a further 23 tenants, including Deichmann, with lease

expiries from 2006 to 2010. The centre controls access to the pedestrianised town centre by virtue of its ownership of the main town centre car park. There is a small amount of vacant office space which can be let to increase the rent roll. The net initial yield is 6.9 per cent.

Shopping centre in Berlin

A new 20,000m² leisure and retail development in a densely populated area of Berlin. Tenants include REWE, Aldi and Innova, and all have leases until 2013 or 2015. The centre also includes a fitness studio leased until 2018 and a bowling alley leased until 2020. A nursing home leased until 2033 is under construction and will be included in the purchase. The net initial yield is 6.8 per cent.

Large store in Cologne

This property comprises a large store on one of Cologne's premier retail streets. Form 200, a high end furniture retailer, is a well established tenant. The store is being purchased as a sale and leaseback from the owner/occupier on a current yield of 6.05 per cent. The Company believes there is potential to redevelop the site in the medium term, and that this will increase the rent roll and enhance yield and capital value.

Shopping centre in Eschweiler

This property comprises a city centre shopping centre located between the City Hall and the market place, adjacent to a large Karstadt store. The anchor tenants are TEDi, a subsidiary of Tengelmann, and Schlecker (a pharmacy). Lease lengths vary from one to eight years with a net initial yield of 8.2 per cent.

2. Valuation

DTZ has undertaken a valuation of the Initial Portfolio as part of the Company's due diligence. This valuation supports the acquisition prices set out in this document. However, because of the commercially sensitive nature of DTZ's report, it has not been included in this document.

3. Lease maturity

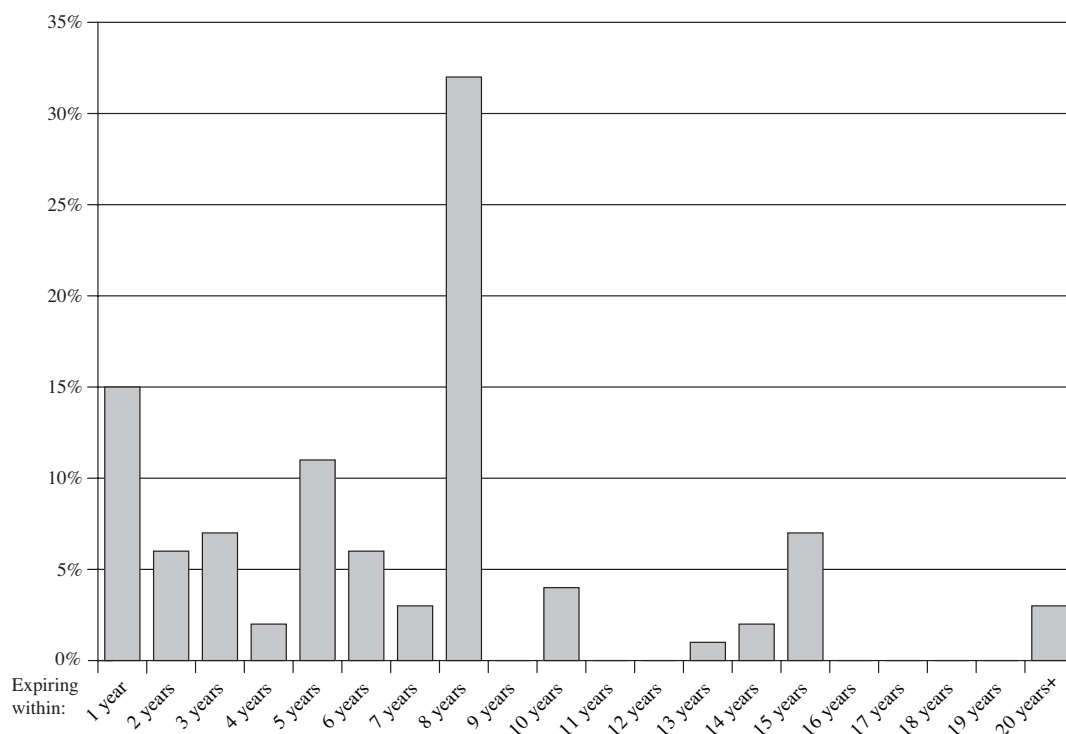
The portfolio comprises properties that have strong anchor tenants, which in general have medium to long term lease terms remaining. The other tenants have a variety of lease lengths remaining which will give the Company scope to increase rents as the shorter leases come up for renewal.

Anchor Tenants

	<i>Anchor tenant</i>	<i>Lease expiring within (years)</i>
Town centre shopping mall in Grevenbroich	REWE	5
Shopping Centre in Dessau	Edeka	8
Portfolio of nine retail properties in NRW	REWE, Edeka	3-7
Shopping centre in Velbert	Metro	6
Shopping centre in Castrop-Rauxel	Kaufland	15
Shopping centre in Berlin	REWE, Aldi, Innova	10, 8, 10
Large store in Cologne	Form 200	8
Shopping centre in Eschweiler	TEDi, Schlecker	1, 2

The lease maturity for the Initial Portfolio is as follows:

Lease expiries by % of current rent roll



The weighted average unexpired lease term is approximately seven years.

4. Tenant base

The Initial Portfolio has over 50 tenants most of which are retailers. The top seven tenants by reference to current rental comprise 51.2 per cent. of the current rent roll and are all retailers with strong covenants. The mix of tenants provides a secure rental base without being overly dependent upon any one retailer.

<i>Retailer</i>	<i>% of rent roll</i>
Edeka	28.3
REWE	7.4
Kaufland	6.4
Metro	4.1
Form 200	3.8
Aldi	1.2
Total	51.2
Other	48.8
Total	100.0

5. Information on the Initial Portfolio

The information contained in this document relating to the Initial Portfolio has been compiled from information provided by the sellers of those properties and, in most cases, confirmed in their letters of intent. The underlying documents required to complete the due diligence process are in the course of being made available to the Company. To the extent that material differences arise in the course of due diligence the terms on which the relevant property is to be purchased will be re-negotiated appropriately or, alternatively, the relevant property will not be purchased.

PART V

THE PLACING, ADMISSION AND RELATED MATTERS

The Placing and Admission

The Company is issuing up to 105 million Shares by way of the Placing to institutional and other investors to raise approximately £69.9 million net of expenses. The Placing Shares will represent approximately 97.6 per cent. of the enlarged issued share capital of the Company.

The Placing Shares and the existing Shares will rank *pari passu* in all respects.

Details of the Placing Agreement are set out in paragraph 8.1.5 of Part X of this document.

No offer of securities to the public is being made for which a prospectus is required to be produced. The Placing is not being underwritten.

Dealings in the Placing Shares on AIM are expected to commence on 20 April 2006. In the case of places requesting their Placing Shares in certificated form, it is expected that certificates in respect of such shares will be despatched by post not later than 28 April 2006. Pending despatch of definitive share certificates or crediting of CREST accounts, the Company's registrars will certify any instrument of transfer against the register.

Lock-in arrangements

The members of the Manager Team have agreed that they will not dispose of Shares held by them at Admission for a period of 24 months therefrom and, thereafter, to observe orderly market restrictions for a further period of 12 months during which any disposal will be subject to the consent of SP Angel as the Company's broker. The restrictions on disposal are subject to certain common permitted exceptions. The members of the Manager Team have also undertaken to accept the same restrictions in respect of any Shares acquired by them under the arrangements for the payment of incentive fees to them (other than the Shares to be issued at the end of five years under the long term incentive plan). Further details of the Orderly Market Agreement are set out in paragraph 8.1.6 of Part X of this document.

The Chairman, Stephen Dickinson, is acquiring Shares under the Placing and has agreed not to dispose of such Shares for a period of 12 months from Admission. The restrictions on disposal are subject to certain common permitted exceptions. Further details of this Director's Orderly Market Agreement are set out in paragraph 8.1.7 of Part X of this document.

Over-allotment and stabilisation

In connection with the Placing, SP Angel, as stabilising manager, or any of its agents, may (but will be under no obligation to), to the extent permitted by applicable law, over-allot and effect other transactions with a view to supporting the market price of the Shares at a level higher than that which might otherwise prevail in the open market. SP Angel is not required to enter into such transactions and such transactions may be effected on any stock market, over-the-counter market or otherwise. Stabilisation measures, if commenced, may be discontinued at any time and may only be taken during the period from 20 April 2006 up to including 20 May 2006. Save as required by law or regulation, neither SP Angel nor any of its agents intends to disclose the extent of any over-allotments and/or stabilisation transactions under the Placing.

In connection with the Placing, SP Angel, as stabilising manager, may, for stabilisation purposes, over-allot Shares up to a maximum of 5 million Shares. For the purposes of allowing it to cover short positions resulting from any such over-allotments and/or from sales of Shares by it during the stabilising period, the Company has granted to SP Angel the Over-allotment Option, pursuant to which SP Angel may require the Company to issue additional Shares up to maximum of 5 million Shares at the Placing Price. The Over-allotment Option is exercisable in whole or in part, upon notice by SP Angel, at any time on or before 20 May 2006. Any Shares made available pursuant to the Over-allotment Option will be issued on the same terms and conditions as the Shares being issued in the Placing and will form a single class for all purposes with the other Shares.

CREST

CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by a written instrument in accordance with the Isle of Man Uncertificated Securities Regulations 2005. The Articles permit the holding of Shares under the CREST system. All the Shares will be in registered form and no temporary documents of title will be issued.

The Company has applied for the Shares to be admitted to CREST and it is expected that the Shares will be so admitted and accordingly enabled for settlement in CREST on the date of Admission. Accordingly,

settlement of transactions in Shares following Admission may take place within the CREST system if any Shareholder so wishes.

CREST is a voluntary system and Shareholders who wish to receive and retain share certificates will be able to do so.

Taxation

Information regarding United Kingdom and Isle of Man taxation with regard to Shareholders is set out in Part VII of this document. No other taxation advice is being provided to Shareholders in this document. If you are in any doubt as to your tax position, you should consult your professional adviser immediately.

Further Information

Your attention is drawn to the additional information set out in Part X of this document.

PART VI

RISK FACTORS

Potential investors should carefully consider the risks described below, in the light of the information in this document and their personal circumstances, before making any decision to invest in the Company. The investment offered in this document may not be suitable for all of its recipients. An investment in the Company is only suitable for investors who are capable of evaluating the risks and merits of such investment and who have sufficient resources to bear any loss which might result from such investment. If any of the risks described should actually occur, the Group could be materially affected. In such circumstances, the price of the Shares may fall and Shareholders could lose all or part of their investment. If a potential investor is in any doubt about the action he, she or it should take, he, she or it should consult a professional advisor authorised under FSMA who specialises in advising on the acquisition of shares and other securities. The risk factors summarised below are not intended to be exhaustive and are not intended to be presented in any assumed order of priority. Additional risks and uncertainties not presently known to the Directors, or which the Directors currently deem immaterial, may also have an adverse effect upon the Group.

General

An investment in the Company is only suitable for financially sophisticated investors who are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses which may arise therefrom (which may be equal to the whole amount invested). Such an investment should be seen as complementary to existing investments in a wide spread of other financial assets and should not form a major part of an investment portfolio. Investors should not consider investing in the Shares unless they already have a diversified investment portfolio.

Share price volatility and liquidity

Investors should recognise that the price of securities and the income from them can go down as well as up. The price performance of the Shares is expected to represent an amplification of any upward or downward market movement affecting the value of the Group's assets, due to the effect of gearing.

The price at which the Shares may trade and the price which Shareholders may realise for their Shares will be influenced by a large number of factors, some specific to the Company and some which may affect quoted companies generally. These factors could include the performance of the Group's operations, large purchases or sales of Shares, liquidity (or absence of liquidity) in the Shares, currency fluctuations, legislative or regulatory changes and general economic conditions. The value of the Shares will therefore fluctuate and may not reflect their underlying asset value.

Possible adverse economic conditions

The financial position of the Group may be adversely affected by general economic conditions, by conditions within the German property market or by the particular financial condition of parties doing business with the Group. The returns that are likely to be achieved on an investment in a company which has its assets invested solely in Germany will be materially affected by the political and economic climate in Germany. In particular, changes in the rates of inflation and interest may affect the Group's income and capital value or the value of an underlying investment property.

Risks of property ownership

Investments in property may be difficult, slow or impossible to realise. The Shares will be subject to the general risks incidental to the ownership of real or heritable property, including changes in the supply of, or demand for, competing investment properties in an area, changes in interest rates and the availability of property secured debt, changes in property tax rates, alterations in landlord/tenant or planning laws, credit risks of tenants and borrowers and environmental factors. The marketability and value of any investment properties owned by the Group will, therefore, depend on many factors beyond the control of the Group and there is no assurance that there will be either a ready market for any investment properties of the Group or that such investment properties will be sold at a profit or will yield a positive cash flow. Changes in German law relating to foreign ownership of property might have an adverse effect on the net returns from the Property Portfolio.

Development

The Company may undertake development (including redevelopment) of property or invest in property that requires refurbishment prior to renting the property. The risks of development or refurbishment include, but are not limited to: (i) delays in timely completion of the project; (ii) cost overruns; (iii) poor quality workmanship; and (iv) inability to rent or inability to rent at a rental level sufficient to general profits.

Any change to the laws and regulations relating to the German commercial property market may have an adverse effect on the capital value of the Property Portfolio and/or the rental income of the Property Portfolio.

Substantial loss

If property prices in the German property market fall by more than the discounts to current market value achieved by the Group when it exchanges contracts, investment properties held in the Property Portfolio may only be realisable at a loss and may prove difficult to sell at all. The ability of the Group to complete on purchases is dependent on the amount of equity available to the Group, and on the borrowing terms available at the time, which may not be the same as are available today. A combination of higher interest rates, a deteriorating economy (with higher unemployment) and prolonged deflationary conditions, may result in falling capital values combined with falling rents and/or void periods.

Potential environmental liability

Under various state and local laws, ordinances and regulations, an owner of real property may be liable for the costs of removal or remediation of certain hazardous or toxic substances on or in such property. Such laws often impose such liability without regard to whether the owner knew of, or was responsible for, the existence of these substances. The owner's liability as to any property is generally not limited under such laws and could exceed the value of the property and/or the aggregate assets of the owner. The presence of such substances, or the failure properly to remediate contamination from such substances, may adversely affect the owner's ability to sell the real estate or to borrow funds using such property as collateral, which could have an adverse effect on the Group's return from such investment.

Gearing

Prospective investors should be aware that, whilst the use of borrowings should enhance the net asset value of the Shares where the value of the Group's underlying assets is rising, it will have the opposite effect where the underlying asset value is falling. In addition, in the event that the rental income of the Property Portfolio falls for whatever reason, including tenant defaults, the use of borrowings will increase the impact of such a fall on the net revenue of the Group and accordingly will have an adverse effect on the Company's ability to pay dividends to Shareholders.

Prospective investors should also be aware that any increase in interest rates may increase the costs of the Group's borrowings and may have an adverse effect on the returns to the Company and, consequently, the ability of the Company to pay dividends. This may also have a negative impact on the net asset value of the Shares.

Amounts owing under the bank facilities will rank ahead of Shareholders' entitlements and, accordingly, if the Group's assets do not grow at a rate sufficient to cover the costs of establishing and operating the Group (including interest and loan repayments), Shareholders may not recover the amount initially invested. As bank facilities are all almost certain to be secured by way of a charge over the assets of the Property Portfolio, in the event that the Group is unable to repay the loan, the Group's creditors will rank ahead of the Shareholders. Furthermore, should any fall in the underlying asset value or expected revenues result in the Group breaching the financial covenants contained in its bank facilities, the Group may be required to repay such borrowings in whole or in part, together with any attendant costs including the costs of disposing of any assets comprised in the Property Portfolio at less than their market value or at a time and in circumstances where the realisation proceeds are reduced because of a downturn in property values generally or because there is limited time to market the property. If any of the covenants under any such bank facility are breached, the Company is likely to be required to suspend payment of its dividends.

Impact of law and governmental regulation

The Group and any developers with whom the Company may deal will need to comply with German regulations relating to planning, land use and development standards. The institution and enforcement of such regulations could have the effect of increasing the expense and lowering the income or rate of return from, as well as adversely affecting the value of, the Group's assets. Changes in law relating to ownership of

land could have an adverse effect on the value of the Shares. New laws may be introduced, which may be retrospective and affect existing building consents, which restrict development in Germany and elsewhere.

Valuation risk

Property assets are inherently difficult to value as there is no liquid market or pricing mechanism. As a result, valuations are subject to substantial uncertainty. There is no assurance that the estimates resulting from any valuation process will reflect the actual sales price even where such sales occur shortly after the date of the valuation.

German property related taxes

The returns on the Shares will be affected by German taxation of property transactions, which may change. There is no assurance that the expected tax efficiencies of the Group will be achieved or will continue into the future.

Tax

The attention of potential investors is drawn to Part VII of this document, headed "Taxation". The tax rules and their interpretation relating to an investment in the Company may change during the life of the Company.

Any change in any member of the Group's tax status or in taxation legislation or its interpretation, could affect the value of the investments held by the Group, affect the Company's ability to provide returns to Shareholders or alter the post-tax returns to Shareholders. Representations in this document concerning the taxation of the Group and Shareholders are based upon current tax law and practice which is, in principle, subject to change.

PART VII

TAXATION

The following information is based on the law and practice currently in force in the UK and the Isle of Man. The information is not exhaustive and, if potential investors are in any doubt as to their taxation position, they should consult their professional adviser. Investors should note that tax law and interpretation can change and that, in particular, the levels and bases of, and reliefs from, taxation may change and that changes may alter the benefits of investment in the Company.

UK taxation

The Company

It is the intention of the Directors to conduct the affairs of the Company so that the central management and control of the Company is not exercised in the United Kingdom and so that the Company does not carry out any trade in the United Kingdom (whether or not through a permanent establishment situated there). The Company is not intending to invest in any United Kingdom property, nor will it maintain a United Kingdom bank account. The Company will thus not be resident in the United Kingdom for taxation purposes. On this basis, the Company should not be liable for United Kingdom taxation on its income and gains.

UK Shareholders

Shareholders who are resident in the United Kingdom for tax purposes may, depending on their circumstances, be liable to United Kingdom income tax or corporation tax in respect of dividends paid by the Company. The following statements refer to a Shareholder who acquires and holds the Shares as an investment.

- (a) Dividends received by an individual Shareholder who is resident or ordinarily resident in the United Kingdom for taxation purposes will be chargeable to income tax.

Such a Shareholder is not entitled to a tax credit in the United Kingdom in respect of a dividend received from the Company and will be liable to income tax on the dividend. As such, the tax liabilities referred to below will be payable by such Shareholders.

Such Shareholders who are liable to income tax at the starting or basic rates, dividends received from the Company would be liable to income tax at the dividend ordinary rate, currently 10 per cent. of the dividend paid. For such Shareholders who are liable to income tax at the higher rate, dividends received from the Company would be subject to income tax at the dividend upper rate, currently 32.5 per cent. of the dividend paid.

Any such Shareholder who is not domiciled in the UK, will be subject to the same tax rates, but only to the extent that such sums are remitted or deemed to be remitted to the UK.

A UK resident corporate Shareholder will be liable to corporation tax on the dividend paid.

- (b) The Company should not, as a closed ended company, be an offshore fund for the purposes of UK taxation and the provisions of Chapter V Part XVII of the Income and Corporation Taxes Act 1988 will not apply. In the case of those Shareholders who are individuals or otherwise not within the charge to corporation tax, capital gains tax may be payable on a disposal of Shares. Taper relief may be available to reduce the amount of any chargeable gain on disposal. No indexation allowance will be available to such holders. Individual Shareholders are entitled to an annual exemption from capital gains. For the 2005/2006 tax year this is £8,500. A UK resident shareholder will be liable to corporation tax on gains on the disposal of shares. Indexation allowance to reduce any chargeable gain arising on disposal of the Shares.

It is anticipated that the Company would not be regarded as a close company if it were resident in the UK. Therefore, capital gains realised by the Company should not be attributed to Shareholders under section 13 of the Taxation of Chargeable Gains Act 1992.

Non UK domiciled individual Shareholders (who are resident or ordinarily resident in the UK) will only be liable to UK capital gains tax to the extent that any gains of the Shares are remitted to the UK.

- (c) A UK resident corporate Shareholder who, together with connected or associated persons, is entitled to at least 25 per cent. of the Shares should note the provisions of the controlled foreign companies legislation contained in Sections 747 et seq of the Taxes Act.

- (d) The attention of individuals ordinarily resident in the United Kingdom is drawn to the provisions of section 739 and 740 of the Taxes Act which may render such individuals liable to tax on the income of the Company (taken before any deduction for interest) in certain circumstances.

Non-UK Shareholders

Shareholders who are not resident or ordinarily resident in the United Kingdom and do not carry on a trade, profession or vocation through a branch, agency or permanent establishment in the United Kingdom with which the Shares are connected will not normally be liable to United Kingdom taxation on income or gains arising on the sale or other disposal of their Shares.

Individual Savings Accounts and Personal Equity Plans

Shares in the Company will not be eligible to be held in the stocks and shares component of an ISA or an existing PEP.

Self-invested Personal Pension Schemes (“SIPPs”)

The Personal Pension Scheme (Restriction on Discretion to Approve) (Permitted Investments) Regulations 2001 provide that investments which may be held directly or indirectly for the purposes of a SIPP include shares which are dealt in on AIM.

Isle of Man taxation

If required, confirmation will be sought and obtained from the Isle of Man taxation authorities that, under current law and practice in the Isle of Man, the Company will qualify for exempt status and will be exempt from corporate income-tax in the Isle of Man. There is no capital gains tax, inheritance tax or stamp duty in the Isle of Man.

A standard 0 per cent. rate of income tax for all companies (except in relation to profits arising from certain defined sectors such as banking, or from land and property in the Isle of Man) became effective from 6 April 2006. The withholding taxes regime on dividends and interest paid to non residents was also eliminated for all companies, effective from 6 April 2006.

PART VIII

FINANCIAL INFORMATION ON THE COMPANY

Section A — Accountant's report



BDO Stoy Hayward
Chartered Accountants

BDO Stoy Hayward LLP
8 Baker Street
London
W1U 3LL

The Directors
Deutsche Land plc
15-19 Athol Street
Douglas
Isle of Man
IM1 1LB

Matrix Corporate Capital Limited
One Jermyn Street
London
SW1Y 4UH

12 April 2006

Dear Sirs

Deutsche Land plc (“the Company”)

We report on the financial information set out in Section B of Part VIII. This financial information has been prepared for inclusion in the admission document dated 12 April 2006 of the Company (the “Admission Document”) on the basis of accounting policies set out in the financial information in Section B of Part VIII. This report is required by Schedule Two of the AIM Rules and is given for the purpose of complying with that paragraph and for no other purpose.

Responsibilities

As described in paragraph 1 to the financial information, the Directors of the Company are responsible for preparing the financial information on the basis of preparation set out in paragraph 2 to the financial information and in accordance with International Financial Reporting Standards.

It is our responsibility to form an opinion on the financial information as to whether the financial information gives a true and fair view, for the purposes of the Admission Document, and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with the Standards of 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 statements underlying 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.

Opinion

In our opinion, the financial information in Part B gives, for the purposes of the Admission Document, a true and fair view of the state of affairs of the Company as at the date stated in accordance with the basis of preparation set out in paragraph 2 to the financial information.

Declaration

For the purposes of Paragraph a of Schedule Two of the AIM Rules, we are responsible for this report as part of the Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Admission Document in compliance with Schedule Two of the AIM Rules.

Yours faithfully

BDO Stoy Hayward LLP
Chartered Accountants

Section B — Financial information

1. Responsibility

The Directors of the Company are responsible for the financial information set out below.

2. Accounting policies

The financial information has been prepared under the historical cost convention and in accordance with International Financial Reporting Standards.

The Company was incorporated in the Isle of Man on 21 February 2006 under the name of Deutsche Land plc under the Isle of Man Companies Acts 1931 to 2004 with registered number 115673c.

Since incorporation, the Company has not traded, nor has it received any income, incurred any expenses or paid any dividends. Consequently no profit and loss account is presented. The financial information is based on the balance sheet of the Company as at the date of incorporation, 21 February 2006.

3. Balance sheet as at 21 February 2006

	<i>As at 21 February 2006 €</i>
Current assets	
Debtors — unpaid share capital	0.02
Net assets	<u>0.02</u>
Share capital and reserves	
Called up share capital	<u>0.02</u>
Shareholders' Funds — equity	<u><u>0.02</u></u>

4. Share capital

The Company was incorporated with an authorised share capital of €2,000 divided into 200,000 ordinary shares of €0.01 each, of which two subscriber shares were issued.

On 3 March 2006 the Company passed a written resolution to increase the authorised share capital of the Company to 500,000,000 ordinary shares of €0.01 each. On the same date, 2,564,000 ordinary shares of €0.01 were issued for €0.02 per share. As a result of this increase in authorised share capital, the Company is required, under Isle of Man law, to pay duty of £5,000.

On the same date, the Company passed a written resolution approving the cancellation of the share premium account, which will be created as a result of the Placing, and approving that such amounts (subject to court approval) be available for distribution to shareholders.

PART IX

KEY ACCOUNTING POLICIES

Set out below are the key accounting policies that the Directors intend to apply in preparing the Group's financial statements.

Principal accounting policies

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS's and IFRC interpretations) issued by the International Accounting Standards Board (IASB) and with those parts of the Companies Act 1985 applicable to companies preparing accounts under IFRS.

A summary of the more important accounting policies is set out below.

Rental income

Rental income is accounted for on a straight line basis over the period of the lease.

Any incentive given to lessees to enter into a lease agreement is treated as a revenue cost and accounted for as rental income from the commencement date of any rent free period. The cost of all lease incentives is therefore offset against the total rent due over the lease term, on a straight line basis.

Dividends

Equity dividends are recognised when they become legally payable. In the case of interim dividends to equity Shareholders, this is when declared by the directors. In the case of final dividends, this is when approved by the Shareholders at the annual general meeting.

Investment property

Investment properties are revalued annually to open market value, with changes in the carrying value being recognised in the income statement in the period in which they arise. In accordance with IAS 40 "Investment Properties", depreciation is not provided on investment properties.

Where a rent incentive (such as a rent free period) is given to a tenant, the carrying value of the investment property excludes any amount reported as a separate asset as a result of recognising rental income on this basis

Financial instruments

Financial assets

The Group classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. The accounting policy for each category is as follows:

Fair value through the profit and loss: This category comprises only in-the-money derivatives. They are carried in the balance sheet at fair value with changes in fair value recognised in the income statement.

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 (trade debtors), but also incorporate other types of contractual monetary asset. They are carried at cost less any provision for impairment.

Held-to-maturity investments: These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. These assets are measured at amortised cost, with changes through the income statement.

Financial liabilities

The Group classifies its financial liabilities into one of the two following categories, depending on the purpose for which the asset was acquire. The accounting policy for each category is as follows:

Fair value through the profit and loss: This category comprises only out-of-the-money derivatives. They are carried in the balance sheet at fair value with changes in fair value recognised in the income statement.

Other financial liabilities: Include the following items:

- trade payables and other short term monetary liabilities, which are recognised at amortised cost;
- bank borrowings and the debt element of convertible debt issued by the Group are initially recognised at the amount advanced net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the balance sheet. Interest expense in this context includes initial transaction costs and premiums payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on the taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expenses that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profits, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

PART X

GENERAL INFORMATION

1. Directors' Responsibility

- 1.1 The Directors, each of whose name appears on page 7 of this document, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. Company

- 2.1 The Company was incorporated on 21 February 2006 and with the name Deutsche Land plc. with limited liability in the Isle of Man as a public company under the Isle of Man Law with registered number 115673C.
- 2.2 The principal legislation under which the Company was formed and now operates is the Isle of Man Law and the regulations made thereunder. The Company is domiciled in the Isle of Man.
- 2.3 The Company's registered office and its principal place of business are in the Isle of Man and are located at 15-19 Athol Street, Douglas, Isle of Man IM1 1LB, with telephone number 01624 638300.
- 2.4 Save for its entry into the material contracts summarised in paragraph 8 of this Part X and certain non-material contracts, since its incorporation, the Company has not carried on business or incurred borrowings or liabilities.

3. Share Capital

- 3.1 At incorporation the authorised share capital of the Company was €2,000 divided into 200,000 ordinary shares of each of €0.01 two of which were issued as subscriber shares to the two subscribers to the Memorandum and Articles of Association. Neither the Isle of Man Law nor the Articles impose pre-emption rights on the issue of new shares. Accordingly, at incorporation, the Directors were generally and unconditionally authorised to allot securities in the Company up to the authorised but unissued share capital of the Company and such power was not limited in duration.
- 3.2 On 3 March 2006, a special resolution was duly passed resolving that the Company be generally and unconditionally authorised to make market purchases (within the meaning of section 13 of the Companies Act 1992 (Isle of Man)) of Shares provided that:
 - 3.2.1 the maximum number of Shares authorised to be acquired is 14.99 per cent. of the issued share capital of the Company;
 - 3.2.2 the minimum price that may be paid for each Share is €0.01 (nominal value);
 - 3.2.3 the maximum price that may be paid for each Share is an amount equal to 105 per cent. of the average of the middle market quotation for a Share as derived from the Daily Official List of The London Stock Exchange for the five business days immediately preceding the day on which the Shares are contracted to be purchased;
 - 3.2.4 the authority conferred shall expire at the conclusion of the next annual general meeting of the Company, unless such authority is renewed prior to such time; and
 - 3.2.5 the Company may make a contract to acquire its Shares under the authority conferred prior to the expiry of such authority, which will or may be executed wholly or partly after such authority, and may purchase its Shares in pursuance of any such contract,
- 3.3 On 3 March 2006, a special resolution was duly passed resolving that the Company's authorised share capital be increased to €5 million divided into 500 million Ordinary Shares.
- 3.4 On 3 March 2006, the Company passed a special resolution approving the cancellation of the share premium account, which will be created as a result of the Placing and as described under the section entitled "Management Fee and Incentivisation" in Part II of this document, and approving that (subject to court approval) such amounts be available for distribution to Shareholders.
- 3.5 On 3 March 2006, the following allotments were made at €0.02 per Share (representing a premium of €0.01 per Share over the par value):

<i>Name</i>	<i>No. of Shares</i>
Klaus Faßbender	899,964
David Maxwell	886,631
Jonathan Elkington	379,985
Windmark Limited	371,780
Richard MacIntyre	25,640

3.6 On 3 April 2006, one subscriber Share was transferred to Klaus Faßbender and one subscriber Share was transferred to David Maxwell, both transfers being at par value (€0.01 per Share).

3.7 The following table shows the authorised and fully paid issued share capital of the Company as at the date of this document and immediately following Admission (assuming that all Placing Shares are placed):

	<i>At Present</i>		<i>Immediately following Admission</i>	
	<i>No. of Shares</i>	<i>Nominal value</i>	<i>No. of Shares</i>	<i>Nominal value</i>
Authorised	500,000,000	€5,000,000.00	500,000,000	€5,000,000.00
Issued	2,564,002	€25,640.02	107,564,002	€1,075,640.02

3.8 The liability of a Shareholder is limited to any amounts which were payable but remain unpaid on subscription of those Shares held by that Shareholder.

3.9 The Shares carry the right to vote at general meetings, dividends, and the surplus assets of the Company on a winding-up.

3.10 Save pursuant to the Placing, and as described under the section entitled “Management Fee and Incentivisation” in Part II of this document, since the date of incorporation no share or loan capital of the Company has been issued or agreed to be issued, or is now proposed to be issued, for cash or any other consideration and no commission, discounts, brokerages or other special terms have been granted by the Company in connection with the issue of any such capital.

3.11 No share or loan capital of the Company is under option or has been agreed, conditionally or unconditionally, to be put under option.

3.12 As of the date of this document, the Company has no listed or unlisted securities not representing share capital.

4. Directors’ and Other Interests

4.1 The aggregate maximum amount of fees payable to the Directors permitted under the Articles is €250,000 per annum in aggregate.

4.2 No benefits in kind or pension contributions are intended to be made.

4.3 The Directors have letters of appointment with the Company, further details of which are set out in paragraph 8 of this Part X. Save as disclosed in this document there are no contracts entered into by the Company in which the Directors have a material interest.

4.4 No loan has been granted to, nor any guarantee provided for the benefit of, any Director by the Company.

4.5 No Director has any interest in any transactions which are or were unusual in their nature or significant to the business of the Company and which have been effected by the Company since incorporation or have been effected by the Company since incorporation and remain in any way outstanding or unperformed.

4.6 No Director (nor any member of a Director’s family) has had a related financial product (as defined in the AIM Rules) referenced to Shares.

4.7 No Director other than Stephen Dickinson, Klaus Faßbender and David Maxwell has agreed to subscribe for any Shares under the Placing. Save, in respect of Klaus Faßbender and David Maxwell, as disclosed in paragraph 4.9 below, no Director has any interest in the share capital of the Company nor has any person connected with any Director (so far as is known, or who could with reasonable diligence be ascertained by, each Director) an interest in the share capital of the Company or with any options in respect of such capital.

4.8 The Company is not aware of any person or persons who directly or indirectly, jointly or severally, exercise or could exercise control of the Company.

- 4.9 Save as set out below, the Company and the Directors are not aware of any person, who as at 11 April 2006 (being the most recent practicable date before publication of this document) or who will, immediately following Admission, be interested (within the meaning of the Companies Act 1985 as amended), directly or indirectly, in 3 per cent. or more of the issued share capital of the Company.

	<i>Before Admission</i>		<i>Following Admission</i>	
	<i>No. of Shares</i>	<i>% of existing issued share capital</i>	<i>No. of Shares</i>	<i>% of existing issued share capital*</i>
Klaus Faßbender	899,965	35.1	1,099,965**	1.02
David Maxwell	886,632	34.6	1,086,632**	1.01
Jonathan Elkington	379,985	14.8	379,985	0.37
Windmark Limited	371,780	14.5	371,780	0.36
Shepherd Investments International Limited			10,500,000	9.76
York Investment Limited			10,000,000	9.30
RMB International			9,000,000	8.37
Standard Life Investments			8,000,000	7.44
Moore Capital management			6,000,000	5.58
Henderson Global Investors			5,000,000	4.65
ZA Capital LLP			5,000,000	4.65
ACP Global Opportunities			4,200,000	3.90

* Assuming the Placing is fully subscribed.

** 200,000 of these Shares have been subscribed pursuant to the Placing.

- 4.9.1 The Company and the Directors are not aware of any person who will, directly or indirectly, jointly or severally, exercise or could exercise control over the Company after the date of Admission.
- 4.9.2 The Company and Directors are not aware of any arrangements, the operation of which may at subsequent date result in a change in control of the Company.
- 4.9.3 No persons have voting rights in respect of the share capital of the Company (issued or to be issued) which differ from any other Shareholder.
- 4.10 The Company will purchase directors' and officers' liability insurance for the benefit of the Directors.
- 4.11 No Director has any unspent convictions relating to indictable offences, has been bankrupt or has made, or been the subject of, any individual voluntary arrangement.
- 4.12 Save as disclosed below, none of the Directors has been a director of any company at the time of or within twelve months preceding the date of its receivership, compulsory liquidation, creditors' voluntary liquidation, administration, company voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors. None of the Directors has been a partner of any partnership at the time of or within twelve months preceding the date of its compulsory liquidation, administration or partnership voluntary arrangement or the receivership of any assets of such partnership nor have any of their assets been the subject of receivership.
- David Maxwell is a director of Endell Estates Limited, which went into a creditors' voluntary liquidation, being an insolvent liquidation, in August 2005. Mr I D Yerrill of Gerald Edelman Business Recovery Professionals was appointed as liquidator of that company. The assets of Endell Estates Limited have been realised, with an estimated shortfall to creditors of approximately £200,000 and no further dividends are proposed in respect of creditors or distributors to shareholders. The company currently remains in liquidation whilst the liquidator carries out his remaining statutory duties.
- Adrian Collins became a director of Geared Income Investment Trust Plc ("GIITP") on 17 February 1997 and of its subsidiary, Geared Income Trading Limited ("GITL") on 1 August 2000. Administrative receivers of GIITP were appointed on 8 April 2003. There was a deficiency to creditors of £118,474,110. On 5 July 2005, the members of GITL passed a special resolution that GITL, having no assets and no liabilities, be voluntarily wound up.
- Adrian Collins became a director of The Turkey Trust plc ("TTT") on 1 March 1992. On 4 June 1998, the members of TTT passed a special resolution that TTT, having assets of approximately £40 million in excess of its liabilities, be voluntarily wound up.
- 4.13 None of the Directors has been publicly criticised by any statutory or regulatory authority or been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company.

4.14 The directorships (other than of Deutsche Land plc) held by each of the Directors over the five years preceding the date of this document and the partnerships in which they have been partners in the five years preceding the date of this document are as follows:

<i>Director</i>	<i>Current Directorships</i>	<i>Past Directorships</i>
Stephen Dickinson	Grainger Trust plc	
Klaus Faßbender	ARGUS Bau-und Entwicklung GmbH ARGUS Grundbesitz und Kapital Verwaltungs GmbH ARGUS Immobilien Projektentwicklung GmbH & Co. KG ARGUS Immobilien-Verwaltung GmbH & Co. KG ARGUS Kapaldienste GmbH Entwicklungsgesellschaft Reinhardtstrasse 11 und 13 mbH	
David Maxwell	Bach Homes (Gosport) LLP Cleland Capital Ltd Cleland Charlton Investment Limited Cleland Commercial (Eastbourne) LLP Cleland Homes Ltd Cleland Homes (Northwood St) LLP Cleland Homes (Ushers) LLP Cleland Properties (Batheaston) LLP Cleland Properties (Cheltenham) LLP Cleland Properties (Gornhay) LLP Cleland Properties (Holcombe) Ltd Cleland Properties (Lincoln Marina) LLP Cleland Properties (Thornhill Rd) Ltd Endell Estates Ltd (in liquidation) G-REIT Asset Management Limited James Kendell & Co Ltd Land and Project Services Limited	Originalway Limited
Adrian Collins	Campden Partners Ltd City Natural Resources High Yield Trust PLC Colombo Commercial Company (Produce) Limited Fincorp International Ltd LTC Holdings PLC Midas Capital Partners Ltd New City High Yield Trust plc Nuwara Eliya (Holdings) plc Nuwara Eliya Tea Estates Co Ltd Raven Russia Limited Silver Spear Holdings Limited Strand Partners Limited Tea Plantations Investment Trust PLC The Sri Lanka Fund Ltd Windsor PLC	Applied Solutions International Ltd Avanti Capital plc Buchanan Capital Management Ltd Geared Income Investment Trust PLC Geared Income Trading Limited India Strategic Value Fund (CI) Ltd India Strategic Value Fund India Strategic Value Fund Management Investment Technology Group Ltd Investment Technology Group Europe Ltd The Badger Coffee and Tea Co Ltd Trustnet Ltd
Tony Ciochetti	Taurus Investments LLC	

Director
Elizabeth Tansell

Current Directorships
Advanced Advertising Limited
BET Capital Partners Limited
BET SPV Limited
Chamberlain Fund Services Limited
Dolphin Fund Plc
Emerald Equity Company P.L.C.
Fortaleza Investments PLC
G L Media Holding Limited
Medranow Limited
Mint Capital Limited
Mint GP Limited
Oriental Development Company Limited
Prestige Investment Portfolio Plc
Promethean Plc
RAB External Managers Enhanced Fund Plc
RAB Multi Strategy Enhanced Fund PLC
RAB Multi Strategy Fund Plc
RAB Multi Strategy Investments Limited
STAS Limited
R K Corkill & Co Limited
Troika General Partner Limited

Past Directorships
AIB Management (I.O.M.) Limited
Aitchison & Colegrave International Port. Fund
Alliance & Leicester International Fund Manager
API Global Assetbuilder Fund PLC
Aries Nominees Limited
Arif Limited
Bank of Ireland Unit Managers (IOM) Limited
Barvest Limited
Belmont Enhanced Return PLC
Belmont Global Select Strategies PLC
Belmont Market Neutral PLC
Bervest (GP) Limited
BoE International Asset Management (IOM) Limited
BoE International Fund Managers Limited
BoE International Fund Services Limited
BoE International Holdings Limited
BoE International Market Neutral Fund PLC
BoE International Multifund PLC
BoE International Portfolio Services Limited
BoE Life International Limited
BoE Protected Equity Fund Limited
BoE Trust Co Limited
BoE Ventures Limited
Castlerock Fund PLC
Dunforth Limited
Eldwick Investments Limited
Emerald Equity Company P.L.C.
European Master Fund PLC
European Masters Investments Limited
Hobart Investments Limited
Hobart Property Limited
Hungarian Agricultural and Real Estate Fund Ltd
Irish Permanent Fund Managers (IOM) Limited
Irish Permanent International Funds P.L.C.
Kent Investments Limited
Laxey Investors Limited
Libra Nominees Limited
Lichfield Investments Limited
London & Capital Satellites Fund Management Ltd
London & Capital Satellites Limited
Lupus Solus Limited
Masters Management Limited
Old Mutual International Total Income Fund Limited

Director

Current Directorships

Past Directorships

Oriental Development Company Limited
Pictet (Isle of Man) Limited
Quadrant International Management (IOM) Limited
Quadrant Managed International Funds PLC
Rawlinson & Hunter
RHR (Isle of Man) Limited
RHR Nominees Limited
Ribblesdale Limited
Salisbury Limited
Sigma Venture Management Limited
Sigma Ventures PLC
Stafford Investments P.L.C.
Stenham Management Services Limited
Sterling London Properties Limited
Sterling London Property Managers Limited
Sterling Property Fund PLC
Sussex Investments Limited
Symphony Fund Plc
The Traded Endowment Fund P.L.C.
Trans Global Strategists Limited
Ulster Bank Global Funds PLC
United Sun Pacific International
Value Catalyst Fund Limited
Woodbourne Secretaries (Isle of Man) Limited

Martin Leitinger

5. Memorandum and Articles of Association

5.1 *Memorandum of Association*

The Memorandum of Association of the Company contains no restriction on the objects of the Company and the Company has, by and subject to the Isle of Man Law, the same rights, powers and privileges as an individual, unless restricted by special resolution and no such restrictions have been imposed or are resolved to be imposed.

5.2 *Articles of Association*

The Articles of the Company contain provisions, *inter alia*, to the following effect:

Voting rights

- 5.2.1 Subject to the provisions of the Isle of Man Law and to any special terms as to voting on which any shares may have been issued or may for the time being be held and to any suspension or abrogation of voting rights pursuant to the Articles, at any general meeting every member who (being an individual) is present in person or (being a corporation) is present by a duly authorised representative, not being himself a member entitled to vote, shall on a show of hands have one vote and on a poll every member present in person or by proxy or (being a corporation) by a duly authorised representative shall have one vote for each share of which he is the holder.

Variation of rights

- 5.3 Subject to the provisions of the Isle of Man Law, if at any time the share capital of the Company is divided into shares of different classes any of the rights for the time being attached to any share or class of shares in the Company (and notwithstanding that the Company may be or be about to be in liquidation) may (unless otherwise provided by the terms of issue of the shares of that class) be varied or abrogated in such manner (if any) as may be provided by such rights or, in the absence of any such provision, either with the consent in writing of the holders of not less than three quarters in nominal

value of the issued shares of the class or with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of shares of the class duly convened and held as provided in the Articles. This paragraph shall apply also to the variation or abrogation of the special rights attached to some only of the shares of any class as if each group of shares of the class differently treated formed a separate class the separate rights of which are to be varied. Subject to the terms of issue or the rights attached to any shares, the rights or privileges attached to any class of shares shall be deemed not to be varied or abrogated by the Board resolving that a class of shares is to become or to cease to be a class of shares title to which is permitted to be transferred by means of any uncertificated system in accordance with the CREST Regulations.

Alteration of capital

5.4 The Company in general meeting may from time to time by ordinary resolution:

- (a) increase its share capital by such sum to be divided into shares of such amount as the resolution prescribes;
- (b) consolidate and/or divide, re-designate or convert all or any of its share capital into shares of larger or smaller nominal amount, or into different classes or shares than its existing shares;
- (c) cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares cancelled; and
- (d) subject to the provisions of the Isle of Man Law, sub divide its shares or any of them into shares of smaller nominal value than is fixed by the Memorandum of Association of the Company and may by such resolution determine that as between the shares resulting from the sub-division, on or more of the shares may, as compared with the others, have any such preferred, deferred or other special rights or be subject to any such restrictions as the Company has power to attach to unissued or new shares but so that the proportion between the amount paid up and the amount (if any) not paid up on each reduced share shall be the same as it was in the case of the share from which the reduced share is derived.

Subject to the provisions of the Isle of Man Law and to any rights for the time being attached to any shares, the Company may by special resolution reduce its share capital, any capital redemption reserve, any share premium account or any undistributable reserve in any manner.

Subject to the provisions of the Isle of Man Law and to any rights for the time being attached to any shares, the Company may enter into a contract for the purchase of any of its own shares of any class (including any redeemable shares) and any contract under which it may, subject to any conditions, become entitled to or be obliged to purchase all of any of such shares. Any shares to be so purchased may be selected in any manner whatsoever provided that if at the relevant date proposed for approval of the proposed purchase there shall be in issue any shares of a class entitling the holders to convert into equity share capital of the Company then no such purchase shall take place unless it has been sanctioned by a special resolution passed at a separate general meeting (or meetings if there is more than one class) of the holders of the class of convertible shares.

Transfer of shares

5.5 Each member may transfer all or any of his shares in the case of certificated shares by instrument of transfer in writing in any usual form or in any form approved by the Board or in the case of uncertificated shares without a written instrument in accordance with the CREST Regulations. Any written instrument shall be executed by or on behalf of the transferor and (in the case of a transfer of a share which is not fully paid up) by or on behalf of the transferee. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the Company's register of members as the holder of the share.

5.6 No transfer of any share shall be made:

- (a) to a minor; or
- (b) to a bankrupt; or
- (c) to any person who is, or may be, suffering from mental disorder and either
 - (i) has been admitted to hospital in pursuance of an application for admission for treatment under the UK Mental Health Act 1983 or any similar statute relating to mental health (whether in the United Kingdom, the Isle of Man or elsewhere); or

- (ii) an order has been made by any court having jurisdiction (whether in the United Kingdom, the Isle of Man or elsewhere) in matters concerning mental disorder for his detention or for the appointment of a receiver, *curator bonis* or other person to exercise powers with respect to his property or affairs,

and the Directors shall refuse to register the purported transfer of a share to any such person.

- 5.7 The Board may in its absolute discretion and without giving any reason refuse to register any transfer or a certificated share unless:
- (a) it is in respect of a share which is fully paid up;
 - (b) it is in respect of a share on which the Company has no lien;
 - (c) it is in respect of only one class of shares;
 - (d) it is in favour of a single transferee or not more than four joint transferees;
 - (e) it is duly stamped (if so required); and
 - (f) it is delivered for registration to the registered office of the Company for the time being, or such other place as the Board may from time to time determine, accompanied (except in the case of a transfer where a certificate has not been required to be issued) by the certificate for the shares to which it relates and such other evidence as the Board may reasonably require to prove the title of the transferor and the due execution by him of the transfer or if the transfer is executed by some other person on his behalf, the authority of that person to do so;

provided that the Board's discretion may not be exercised in such a way as to prevent dealings in the shares from taking place on an open and proper basis.

- 5.8 There are certain additional transfer restrictions, as described below.
- 5.9 The registration of transfers of shares or of any class of shares may be suspended at such times and for such periods (not exceeding thirty days in any year) as the Board may from time to time determine (subject to the CREST Regulations in the case of any shares of a class which is a Participating Security as defined below). Notice of closure of the register of members of the Company shall be given in accordance with the requirements of Isle of Man law.
- 5.10 The Board shall register a transfer of title to any uncertificated share or the renunciation or transfer of any renounceable right of allotment of a share which is a share or class of shares or a renounceable right of allotment of a share ("Participating Security"), title to which is permitted to be transferred by means of an relevant uncertificated system in accordance with the CREST Regulations, held in uncertificated form in accordance with the CREST Regulations, except that the Board may refuse (subject to any relevant requirements applicable to the recognised investment exchange(s) to which the shares of the Company are admitted) to register any such transfer or renunciation which is in favour of more than four persons jointly or in any other circumstance permitted by the CREST Regulations.

Dividends

- 5.11 Subject to any special rights attaching to shares (of which there are none at present), the holders of the Shares are entitled, proportionately amongst themselves, to the profits of the Company available for distribution and resolved by ordinary resolution to be distributed (up to the amount recommended by the Directors) according to the amounts paid up on the Shares held by them. The Directors may pay interim dividends, if profits are available for distribution. No dividends payable in respect of an Share shall bear interest. The Directors may, if authorised by an ordinary resolution, offer the holders of Shares the right to elect to receive further Shares, credited as fully paid (or other specific assets) instead of cash in respect of all or part of a dividend (a "scrip dividend"). The Directors may, pursuant to the provisions of the Articles relating to disclosure of interests, withhold dividends or other sums payable in respect of shares that are the subject of a notice under the Articles as described in paragraph 5.13 below and which represent 0.25 per cent. or more in nominal value of the issued shares of their class and in respect of which the required information has not been received by the Company within 14 days of that notice and the member holding those shares may not elect, in the case of a scrip dividend, to receive shares instead of that dividend.
- 5.12 The Company or its Directors may fix a date as the record date for a dividend provided that the record date is no later than the date on which the dividend is paid or made. A dividend unclaimed after a period of 12 years from the date when it became due for payment shall be forfeited and shall revert to the Company.

Suspension of rights

5.13 The Board may at any time serve a notice (“Information Notice”) upon a member requiring the member to disclose to the Board in writing within such period (being not less than ten days and not more than thirty days) as may be specified in the notice, information relating to any beneficial interest of any third party or any other interest of any kind whatsoever which a third party may have in relation to any or all shares registered in the member’s name. If a member has been issued with an Information Notice and has failed in relation to any shares the subject of the Information Notice (“relevant shares”) to furnish any information required by such notice within the time period specified therein, then the Board may at any time following fourteen days from the expiry of the date on which the information required to be furnished pursuant to the relevant Information Notice is due to be received by the Board, serve on the relevant holder a notice (in this paragraph called a “disenfranchisement notice”) whereupon the following sanctions shall apply:

(a) Voting

the member shall not with effect from the service of the disenfranchisement notice be entitled in respect of the relevant shares to be present or to vote (either in person or by representative or proxy) at any general meeting of the Company or at any separate meeting of the holders of any class of shares of the Company or on any poll or to exercise any other right conferred by membership in relation to any such meeting or poll; and

(b) Dividends and transfers

where the relevant shares represent at least 0.25 per cent. in nominal value of their class:

- (i) any dividend or other money payable in respect of the relevant shares shall be withheld by the Company, which shall not have any obligation to pay interest on it and the member shall not be entitled to elect pursuant to the Articles to receive shares instead of that dividend: and
- (ii) subject in the case of uncertificated shares to the CREST Regulations, no transfer, other than an approved transfer, of any relevant shares held by the members shall be registered unless the member is not himself in default as regards supplying the information required pursuant to the relevant Information Notice and the member proves to the satisfaction of the Board that no person in default as regards supplying such information is interested in any of the shares which are the subject of this transfer.

Return of capital

5.14 If the Company is wound up, the surplus assets remaining after payment of all creditors are to be divided among the members in proportion to the capital which at the commencement of the winding up is paid up on the shares held by them respectively and, if such surplus assets are insufficient to repay the whole of the paid up capital, they are to be distributed so that as nearly as may be the losses are borne by the members in proportion to the capital paid up at the commencement of the winding up on the shares held by them respectively, subject to the rights attached to any shares which may be issued on special terms or conditions.

5.15 If the Company is wound up the liquidator may, with the sanction of a special resolution of the Company and any other sanction required by law, divide among the members *in specie* the whole or any part of the assets of the Company and may for that purpose value any assets and determine how the division shall be carried out as between the members or different classes of members. Any such division may be otherwise than in accordance with the existing rights of the members but if any division is resolved otherwise than in accordance with such rights the members shall have the same right of dissent and consequential rights as if such resolution were a special resolution passed pursuant to Section 222 of the Isle of Man Companies Act 1931. The liquidator may with the like sanction vest the whole or any part of the whole of the assets in trustees on such trusts for the benefit of the members as he with the like sanction shall determine but no member shall be compelled to accept any assets on which there is a liability.

5.16 A special resolution sanctioning a transfer or sale to another company duly passed pursuant to Section 222 of the Isle of Man Companies Act 1931 may in the like manner authorise the distribution of any shares or other consideration receivable by the liquidator among the members otherwise than in accordance with their existing right and any such determination shall be binding on all the members, subject to the right of dissent and consequential rights conferred by the said section.

Pre-emption rights

- 5.17 There are no pre-emption rights under the Isle of Man Law.

Borrowing powers

- 5.18 Subject to the other provisions of the Articles and to the Isle of Man Law, the Directors may exercise all the powers of the Company to borrow money, to guarantee, to indemnify and to mortgage or charge its undertaking, property, assets (present and future) and uncalled capital or any part or parts thereof and to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

Directors

- 5.19 The Articles provide that, unless otherwise determined by ordinary resolution, the Board (other than any alternate directors) will consist of not fewer than 2 or more than 10 Directors. At no time shall a majority of Directors be resident in the United Kingdom.
- 5.20 A Director shall not vote or be counted in the quorum of any resolution of the Board or committee of the Board concerning his own appointment (including fixing or varying the terms of his appointment or its termination) as the holder of any office or place of profit with the Company or any company in which Company is interested.
- 5.21 No person will be disqualified from being appointed or re-appointed a Director, and no Director will be required to vacate that office, by reason only of the fact that he has attained the age of 70 years or any other age nor will it be necessary by reason of his age to give special notice of any resolution for his appointment or re-appointment.
- 5.22 The maximum aggregate annual fees payable to the Directors for services in the office of Director shall, unless the Company determines otherwise by ordinary resolution, be €250,000. Any such fees shall be distinct from salary, bonuses or other remuneration payable to Director.
- 5.23 The remuneration of any Director appointed by the Company to any employment or executive office may be either a fixed sum or may be calculated, in whole or in part, by reference to business done or profits made.
- 5.24 Subject to the Isle of Man Law, current and former Directors of the Company and alternate Directors appointed by them shall be entitled to be indemnified by the Company in respect of liabilities incurred by them in carrying out their duties.

Directors' interests

- 5.25 Subject to the provision of the Isle of Man Law, and provided that he has disclosed to the Board the nature and the extent of any interest, a Director:
- (i) may be party to, otherwise interested in, any contract, arrangement or transaction with the Company or in which the Company is otherwise interested;
 - (ii) may act in a professional capacity for the Company, other than as auditor of the Company or a subsidiary undertaking, and be appropriately remunerated;
 - (iii) may be a director or other officer of, or be employed by, or be a party to any transaction or arrangement with, or otherwise invested in, any company promoted by or in which the Company is otherwise interested; and
 - (iv) will not, except as otherwise agreed by him, be accountable to the Company for any benefit that he derives from any contract, transaction or arrangement and no such contract, transaction or arrangement will be voidable because of any interest or benefit disclosed to the Directors.
- 5.26 Except as provided below, a Director will not vote at meetings of the Board in respect if any contract, arrangement or proposal in which he has any interest which is material, other than by virtue of an interest in shares, debentures or other securities of the Company. A Director will not be counted in the quorum at a board meeting in relation to any resolution on which he is not entitled to vote at board meetings. Subject to the provision of the Isle of Man Law, a Director generally will be entitled to vote and be counted in the quorum at a board meeting in respect of any resolution concerning:
- (a) the giving to him of any guarantee, security or indemnity in respect of a debt or obligation incurred by him at the request of or for the benefit of the Company or any of its subsidiaries;
 - (b) the giving to a third party of any guarantee, security or indemnity in respect of a debt or obligation of the Company or any of its subsidiaries for which he himself has assumed

responsibility in whole or in part either along or jointly with others, under a guarantee or indemnity or by the giving of security;

- (c) an offer of securities by the Company or any of its subsidiaries in which offer the Director is or may be entitled to participate as a holder of securities or in the underwriting or sub-underwriting of which the Director is to participate;
- (d) another company in which he and any persons connected with him do not to his knowledge hold an interest in shares (as that term is used in sections 198 to 211 of the UK Companies Act 1985) representing one per cent. or more of either any class of the equity share capital, or the voting rights, in such company;
- (e) an arrangement for the benefit of the employees of the Company or any of its subsidiaries which does not award him any privilege or benefit not generally awarded to the employees to whom such arrangement relates; or
- (f) insurance which the Company proposes to maintain or purchase for the benefit of Directors or for the benefit of persons including Directors.

Disclosure of Interests

5.27 Shareholders who hold three per cent. or more of the Shares will be required to notify their interests and any changes to such interests to the Company in a generally similar manner to the requirements which would be relevant if sections 198-202 of the UK Companies Act 1985 applied to the Company.

5.28 In summary:

- (a) Any shareholder who acquires an interest in shares, or ceases to be interested in shares, or becomes aware that he has acquired an interest in shares or that he has ceased to be interested in shares in which he was previously interested in the circumstances set out in sub-paragraph (c) below, comes under an obligation (“the obligation of disclosure”) to make notification to the Company with respect to his interests (if any) in its shares.
- (b) Where, otherwise than in circumstances within sub-paragraph (a), a person is aware at the time when it occurs of any change of circumstances affecting facts relevant to the application of sub-paragraph (a) to an existing interest of his in shares, or otherwise becomes aware of any such facts (whether or not arising from any such change of circumstances), then he comes under the obligation of disclosure at the time of the event or change of circumstances there mentioned, or at the time at which he became aware of the facts in question, as appropriate.
- (c) For the purposes of the obligation of disclosure, the following provisions apply:
 - (i) if in some or all of those shares the shareholder has interests which are material interests, he has a notifiable interest at any time when the aggregate nominal value of the shares in which those material interests subsist is equal to or more than 3 per cent. of the nominal value of the share capital; and
 - (ii) he has a notifiable interest at any time when, not having such an interest by virtue of (i), the aggregate nominal value of the shares in which he has interests (whether or not including material interests) is equal to or more than 10 per cent. of the nominal value of the share capital.
- (d) For the purposes of sub-paragraph (d), a material interest is any interest other than:
 - (i) an interest which a person who may lawfully manage investments belonging to another has by virtue of having the management of such investments under an agreement in or evidenced in writing;
 - (ii) an interest which a person has by virtue of being the operator of an authorised unit trust scheme (as defined under the laws of England and Wales) or a recognised scheme (as defined under the laws of England and Wales) or a UCITS (as defined under the laws of England and Wales);
 - (iii) an interest belonging to an open-ended investment company;
 - (iv) an interest in shares in a listed company which, if that company were not listed, would fall to be disregarded by virtue of section 209(10) of the UK Companies Act 1985; or
 - (v) an interest of another which a person is taken to have by virtue of the application of section 203 or 205 of the UK Companies Act 1985, where the interest of that other person falls within (i), (ii), (iii) or (iv) above.

- (e) All facts relevant to determining whether a person has a notifiable interest at any time (or the percentage level of his interest) are taken to be what he knows the facts to be at that time. The obligation of disclosure arises where the person has a notifiable interest immediately after the relevant time, but did not have such an interest immediately before that time. The obligation also arises where the person had a notifiable interest immediately before the relevant time, but does not have such an interest immediately after it, or he had a notifiable interest immediately before that time, and has such an interest immediately after it, but the percentage levels of his interest immediately before and immediately after that time are not the same.
- (f) Subject to the qualifications mentioned below, “percentage level” means the percentage figure found by expressing the aggregate nominal value of all the shares comprised in the share capital concerned in which the person has material interests immediately before or (as the case may be) immediately after the relevant time as a percentage of the nominal value of that share capital and rounding that figure down, if it is not a whole number, to the next whole number. In relation to a notifiable interest which a person has when the aggregate nominal value of the shares in which he is interested is equal to or more than 10 per cent. of the nominal value of that relevant share capital, the provisions of the Articles shall have effect as if for the words “has material interests” there were substituted “is interested”.
- (g) Where notification is required with respect to a person’s interest (if any) in shares, the obligation to make the notification must be performed within the period of 2 days next following the day on which that obligation arises, and the notification must be in writing to the Company. The notification must specify the share capital to which it relates, and must also, subject as mentioned below, state the number of shares comprised in that share capital in which the person making the notification knows he had material interests immediately after the time when the obligation arose, or in a case where the person no longer has a notifiable interest in shares comprised in that share capital, state that he no longer has that interest.

Where, immediately after the relevant time, the aggregate nominal value of the shares in which the person making the notification is interested is equal to or more than 10 per cent. of the nominal value of that relevant share capital, the above provision shall have effect as if for the words “had material interests” there were substituted “was interested”.

Nothing requires a notification to state, in relation to any shares, whether the interest of the person making the notification is (or is not) a material interest.

- (h) A notification (other than one stating that a person no longer has a notifiable interest) shall include the following particulars, so far as known to the person making the notification at the date when it is made:
 - (i) the identity of each registered holder of shares to which the notification relates and the number of such shares held by each of them, and
 - (ii) the number of such shares in which the interest of the person giving the notification is such that, otherwise than by virtue of an interest under a trust, he has a right to call for delivery of the shares to himself or to his order or he has a right to acquire an interest in shares or is under an obligation to take an interest in shares.
- (i) A person who has an interest in shares comprised in the Company’s share capital, that interest being notifiable, is under obligation to notify the Company in writing:
 - (i) of any particulars in relation to those shares which are specified in sub-paragraph (h), and
 - (ii) of any change in those particulars,
 of which in either case he becomes aware at any time after any interest notification date and before the first occasion following that date on which he comes under any further obligation of disclosure with respect to his interest in shares comprised in that share capital.

An obligation arising under this paragraph must be performed within the period of 2 days next following the day on which it arises.
- (j) The reference in sub-paragraph (h) to an interest notification date, in relation to a person’s interest in shares is to either the date of any notification made by him with respect to his interest under this Article, and where he has failed to make a notification, the date on which the period allowed for making it came to an end.
- (k) A person who at any time has an interest in shares which is notifiable is to be regarded under sub-paragraph (h) as continuing to have a notifiable interest in them unless and until he comes under obligation to make a notification stating that he no longer has such an interest in those shares.

Prohibited Persons

- 5.29 Notwithstanding any other provision of the Articles the Board may (in its absolute discretion and without giving any reason therefor) refuse to register any transfer of a share to a “Prohibited Person” (being, *inter alia*, a person who, by virtue of his holding, may, in the opinion of the Board, cause or be likely to cause the Company and/or Shareholders some regulatory, pecuniary, legal or material administrative disadvantage that might not otherwise be suffered or incurred). If any transferee is a Prohibited Person or the Board otherwise determines that the holding of shares by such transferee would be in breach of any relevant legal or regulatory requirement or would subject the Company to any adverse legal, regulatory or taxation consequences or the Board otherwise determines (in its sole discretion and without being obliged to provide its reasons therefor) that such holding is not in the Company’s interest, the Company may direct such transferee to sell his shares to a person who is not a Prohibited Person within thirty days of the notice of refusal.

General Meetings

- 5.30 Subject to the provisions of the Isle of Man Law, annual general meetings shall be held at such time and place as the Board may determine.
- 5.31 All general meetings other than annual general meetings, shall be called extraordinary general meetings.
- 5.32 The Board may convene an extraordinary general meeting whenever it thinks fit. At any meeting convened on such requisition (or any meeting requisitioned pursuant to section 113 of the Isle of Man Companies Act 1931) no business shall be transacted except that stated by the requisition or proposed by the Board. If there are not within the Isle of Man sufficient members of the Board to convene a general meeting, any Director or any member of the Company may call a general meeting.
- 5.33 An annual general meeting and an extraordinary general meeting convened for the passing of a special resolution or a resolution appointing a person as a Director or (save as provided by the Isle of Man Law) a resolution of which special notice has been given to the Company shall be convened by not less than 21 clear days’ notice in writing. Other extraordinary general meetings shall be convened by not less than 14 clear days’ notice in writing.
- 5.34 No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business but the absence of a quorum shall not preclude the choice or appointment of a Chairman which shall not be treated as part of the business of the meeting. Subject to the provisions of the Articles, two persons entitled to attend and to vote on the business to be transacted, each being a member present in person or a proxy for a member or a duly authorised representative of a corporation which is a member, shall be a quorum. If within 15 minutes (or such longer interval not exceeding one hour as the Chairman in his absolute discretion thinks fit) from the time appointed for the holding of a general meeting a quorum is not present, or if during a meeting such a quorum ceases to be present, the meeting, if convened on the requisition of members, shall be dissolved. In any other case, the meeting shall stand adjourned to the same day in the next week at the same time and place, or to such other day and at such time and place as the Chairman (or, in default, the Board) may determine, being not less than 14 nor more than 28 days thereafter. If at such adjourned meeting a quorum is not present within 15 minutes from the time appointed for holding the meeting one member present in person or by proxy or (being a corporation) by a duly authorised representative shall be a quorum. If no such quorum is present or, if during the adjourned meeting a quorum ceases to be present, the adjourned meeting shall be dissolved. The Company shall give at least seven clear days’ notice of any meeting adjourned through lack of quorum (where such meeting is adjourned to a day being not less than 14 nor more than 28 days thereafter).

6. City Code on Takeovers and Mergers

- 6.1 The City Code on Takeovers and Mergers (the “Code”) applies to all takeover and merger transactions in relation to the Company, and operates principally to ensure fair and equal treatment of shareholders in relation to takeovers and an orderly framework within which takeovers are conducted. The Code has not, and does not seek to have, the force of law, but has been endorsed by the FSA under FSMA. The FSA may, at the request of the Takeover Panel (the “Panel”), take enforcement action against a person authorised under FSMA who contravenes the Code or a Panel ruling.

The Code is based upon a number of general principles which are essentially statements of good standards of commercial behaviour. One such principle states that where control of the company is acquired by a person, or persons acting in concert, a general offer to all other shareholders is normally required. A similar obligation may arise if control is consolidated. “Control” for these purposes means

a holding, or aggregate holdings, of shares carrying 30 per cent. or more of the voting rights of the company, irrespective of whether the holding or holdings give *de facto* control. "Voting rights" for these purposes means all the voting rights attributable to the share capital of the company which are currently exercisable at a general meeting. A general offer will also be required where a person who, together with persons acting in concert with him, holds not less than 30 per cent. but not more than 50 per cent. of the voting rights, acquires additional shares which increase his percentage of the voting rights. Unless the Panel consents, the offer must be made to all other shareholders, be in cash (or have a cash alternative) and cannot be conditional on anything other than the securing of acceptances which will result in the offeror and persons acting in concert with him holding shares carrying more than 50 per cent. of the voting rights.

7. Overseas Investors

- 7.1 No action has been taken to permit the distribution of this document in any jurisdiction outside the UK where such action is required to be taken. This document may not therefore be used for the purpose of, and does not constitute, an offer or solicitation to anyone in any jurisdiction or in any circumstances in which such offer or solicitation is not permitted. Accordingly, no person receiving a copy of this document in any territory other than the United Kingdom, may treat the same as constituting an offer or invitation to him to acquire, subscribe for or purchase Shares nor should he in any event acquire, subscribe for or purchase Shares unless such an invitation, acquisition, subscription or purchase complies with any registration or other legal requirements in the relevant territory. Any person outside the United Kingdom wishing to acquire, subscribe for or purchase Shares should satisfy himself that, in doing so, he complies with the laws of any relevant territory, and that he obtains any requisite governmental or other consents and observes any other applicable formalities.

The Shares are not registered under the Securities Act as amended (the "1933 Act"). Therefore, the Shares may not be offered or sold or otherwise transferred in the US or directly or indirectly to or for the benefit of a "US Person" as defined under Regulation S of the Securities Act.

8. Material Contracts

- 8.1 The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by the Company or its subsidiaries, since its incorporation and are, or may be, material:

8.1.1 The Management Agreement

The Management Agreement dated 12 April 2006 between the Company, the Manager and Klaus Faßbender, David Maxwell and Jonathan Elkington (together the "Executive Team") under which the Company has appointed the Manager on an exclusive basis to provide certain property investment advice and property management services to the Company, the Co-operative and the SPVs (together the "Services"), in each case subject to the overall supervision of the Investment Committee and the boards of directors of each of the Company, the Co-operative and the SPVs, as the case may be, and having regard to the investment strategy of the Group. Certain of those Services are to be delegated to Argus which will provide these services to the Company, the Co-operative and the SPVs pursuant to the provisions of the sub-contract. In addition, if the Company consents, certain of the Services may be provided by third party consultants or professionals. The Company will be responsible for the fees of any such party.

No member of the Group may appoint or engage any person other than the Manager to provide the Services, provided that the Manager complies with its obligations under the Management Agreement, and save where an SPV has previously appointed any person to provide services and that appointment is continuing.

The Management Agreement is for an initial term of six years and shall continue thereafter unless terminated by either the Company or the Manager giving 12 months notice. The Management Agreement may also be terminated by either the Company or the Manager on the occurrence of certain events, including: (i) if the other party shall be in material default of its obligations under the Management Agreement and such default is not remedied within thirty business days of receiving notice of the default; (ii) if an order is made or an effective resolution passed for the liquidation of the other party; or (iii) if the other party ceases to carry on its business.

The Manager is obliged to utilise the services of the Executive Team whilst those individuals are employed, engaged or otherwise made available to the Manager. In the event that any member of the Manager Team ceases to be employed, engaged or otherwise made available to the Manager, that shall

be a material default, and shall only be remedied if that employee is replaced by a competent replacement of equivalent skill and experience who is acceptable to the Company.

The Manager, each of its associates and each member of the Executive Team may not provide services to any other party in relation to investments in property in Germany. In addition, each member of the Executive Team may only operate in Germany through the Manager. Until such time as the funds raised by the Company pursuant to the Placing and/or drawn by it under the Bank Facility are fully invested in German commercial property in the manner contemplated in this document (“Fully Invested”), each member of the Executive Team shall devote his full time and attention to enabling the Manager to perform the Services. Notwithstanding the above, the Manager may request the Company’s consent to members of the Executive Team being allowed to carry out work in connection with their current ongoing projects in the UK and Germany. In circumstances where the Company is Fully Invested, such consent shall not be unreasonably withheld or delayed by the Company.

In addition to delegating certain of the Services to Argus, the Manager may, with the consent of the Company, delegate all or part of the Services to any other property manager or other agent.

The Manager will be entitled to an annual management fee which in the first year shall be an amount equal to £650,000. In each subsequent calendar year, the Manager and the Company shall endeavour to agree the annual management fee for that year.

In the event that they cannot agree, the matter shall be referred to their respective Chairmen and if they cannot agree the matter will be settled by independent adjudicators. In addition to the annual management fee, the Manager Team may, at the end of five years, be entitled up to 2,564,000 new shares in the Company under the terms of an incentive plan, further details of which are included in Part 11 of this document.

The Company has given certain indemnities in favour of the Manager in respect of its potential losses in carrying out its responsibilities under the Management Agreement.

The Manager is obliged to maintain appropriate professional indemnity insurance.

In the event that any member of the Executive Team or the Manager, Argus or any company, partnership, fund or other person managed by any of them (“Relevant Party”) has the opportunity to acquire an interest in any property located in Germany or elsewhere which complies with the Group’s investment strategy, the Company shall be provided with all material details in relation to the property and the interest, and shall be given the opportunity to acquire the interest first. Even if the Company decides not to acquire the relevant interest then the Relevant Party may only do so with the prior consent of the Company.

8.1.2 The Sub-Management Agreement

An agreement dated 12 April 2006 between the Manager (1) and Argus (2) (the “Sub-Contract”) whereby the Manager has appointed Argus to provide and to assist the Manager in the provision of certain of the services referred to in the Management Agreement. The Sub-Contract substantially repeats the terms of the Management Agreement and includes provision for payment to be made to Argus to cover its expected costs for operation and remuneration for Klaus Fassbender. The payment for the first year is to be £312,000 which will be paid by the Manager out of the management fee it receives from the Company. The Sub-Contract contains provisions committing Argus to act only for the Group unless otherwise agreed. The Sub-Contract is for an initial period of six years, but subject to termination thereafter, or in certain circumstances, prior to the end of that initial period.

8.1.3 The Nominated Adviser Agreement

An Agreement dated 12 April 2006 between the Company (1), the Directors (2) and Matrix (3) (the “Nominated Adviser Agreement”) under which Matrix agreed to act as Nominated Adviser to the Company for an initial period of 12 months and thereafter subject to 3 months written notice by either party. Under the Nominated Adviser Agreement, the Company has agreed to pay Matrix an annual retainer fee at the rate £25,000 per annum plus VAT for acting as Nominated Adviser and such fee will be payable quarterly in advance. The Nominated Adviser Agreement contains covenants and indemnities given by the Company and the Directors to Matrix.

8.1.4 The Broker Agreement

An Engagement Letter dated 12 April 2006 between SP Angel (1) and the Company (2) (the “Broker Agreement”) pursuant to which the Company has appointed SP Angel to act as Broker to the Company for the purposes of the AIM Rules. The Broker Agreement commences on Admission and continues thereafter unless terminated by either party on three months notice. The Company has

agreed to pay SP Angel a fee of £15,000 per annum for its services as Broker under the Broker Agreement. The Broker Agreement contains certain undertakings and indemnities given by the Company to SP Angel.

8.1.5 The Placing Agreement

An Agreement dated 12 April 2006 between the Company (1), the Non-Executive Directors (2), Matrix (3), SP Angel (4) and the Manager Team (5) (the “Placing Agreement”) pursuant to which, conditional upon *inter alia*, admission taking place on or before 20 April 2006 (or such later time or date as the Company and SP Angel may agree being not later than 31 May 2006) SP Angel has agreed to use reasonable endeavours to procure subscribers for the Placing Shares proposed to be issued by the Company at the Placing Price. In addition, the Company has granted SP Angel the Over-allotment Option under which SP Angel may require the Company to allot up to an additional five million Shares at the Placing Price, which option may be exercised, in whole or in part, at any time up to and including 20 May 2006. The Placing Agreement contains warranties and indemnities from the Company, the Non-Executive Directors and the Manager Team in favour of SP Angel and Matrix, together with provisions which enable SP Angel to terminate the Placing Agreement in certain circumstances prior to Admission, including events of *force majeure* and circumstances where any warranties are found to be untrue or inaccurate in any material respect.

Under the Placing Agreement the Company is to pay SP Angel a commission of 4 per cent. (four per cent.) on the total gross proceeds of the Placing Shares allotted to Placees.

In consideration of the services of SP Angel and of Matrix in connection within the Admission, the Company will pay to each of SP Angel and Matrix respectively:

- (a) initial corporate finance fees of £10,000, plus VAT (if applicable), to each of SP Angel and Matrix payable against invoices issued by them after commencement of work on the assignment; and
- (b) a further corporate finance fee of £90,000, plus VAT (if applicable), to be paid to each of SP Angel and to Matrix on and subject to Admission.

8.1.6 The Manager’s Orderly Market Agreement

An Orderly Market Agreement dated on or about 12 April 2006 between SP Angel (1), Matrix (2), the Company (3) and each of the Directors and Members of the Manager Team to whom Shares are to be issued (the “Lock-In Parties”) (4) pursuant to which the Lock-In Parties have undertaken not to dispose of (a) Shares issued to them prior to Admission and (b) those Shares issued to members of the Manager Team in satisfaction of part of the annual incentive fee payable to them under the Management Agreement (but not the Ordinary Shares to be issued to them at the end of the five year term) until two years from the date of Admission (or in the case of Shares issued in respect of the incentive fees from the date of issue thereof). The Lock-In Parties are also subject to an undertaking that for a further 12 months after the end of the two year period they will only dispose of Ordinary Shares held by them through the Company’s broker from time to time.

This Orderly Market Agreement contains an undertaking given by the Lock-In Parties to procure that DREB (as described in paragraph 8.1.8(b) below) will distribute to the Lock-In Parties 50 per cent. of each cash payment that DREB receives from the Partnership (as described in paragraph 8.1.8(b) below) and that the Lock-In Parties will apply such payment, after deduction of tax, in purchasing Shares in the market, such purchase to be effected through the Company’s broker from time to time. The Lock-In Parties have agreed that, should the Company so require, the Partnership shall be entitled to satisfy any part of any incentive fees from time to time due to DREB by procuring the issue of Shares at an issue price equal to the then mid-market price of such Shares. If at any time DREB should become the registered holder of any Shares the Lock-In Parties shall procure that DREB will enter into an orderly market agreement in respect of such Shares substantially in the same terms as the Managers’ Orderly Market Agreement.

The undertaking by the Lock-In Parties not to dispose of Ordinary Shares will not apply to:

- (a) either the provision of an irrevocable undertaking to accept, or to the acceptance of, or to the sale or transfer pursuant to an acceptance of, a general offer made to all holders of the same class of shares in the Company as the Shares (or to all such shareholders other than the offeror and/or any body corporate controlled by the offeror and/or any persons acting in concert with the offeror (within the meaning of the Code)) to acquire the whole or any part of the issued share capital of the Company;

- (b) any scheme of arrangement under section 425 of the UK Companies Act 1985 (or any statutory equivalent in the Isle of Man) providing for the acquisition by any person (or group of persons acting in concert) of more than 50 per cent. of the issued Ordinary Shares of the Company;
- (c) any compromise or any scheme of reconstruction under section 110 of the UK Insolvency Act 1986 in relation of the Company; or
- (d) the disposal or agreement to dispose of any Shares to the Company made pursuant to an offer by the Company to purchase its own shares which is made on identical terms to all holders of Shares and otherwise complies with Isle of Man law, the AIM Rules and rules of the Exchange from time to time.

This Orderly Market Agreement has been entered into by the following persons in respect of the members of Ordinary Shares to be issued to them prior to Admission shown opposite their respective names below:

<i>Name</i>	<i>No. of Ordinary Shares</i>
Klaus Gunter Fasßbender	1,099,965
David Cleland Maxwell	1,086,632
Jonathan Elkington	379,985
Windmark Limited	371,780
Richard MacIntyre	25,640

8.1.7 The Director Orderly Market Agreement

An Orderly Market Agreement dated 12 April 2006 between SP Angel (1), Matrix (2), the Company (3) and Stephen Dickinson (4) pursuant to which Stephen Dickinson has undertaken not to dispose of Shares issued to him prior to Admission until one year from the date of Admission. Exceptions permitted in the Orderly Market Agreement referred to in paragraph 8.1.6 above, also apply to the undertakings given by Stephen Dickinson in this Orderly Market Agreement.

8.1.8 Group Structure Deeds

(a) The Co-operative Agreement

A deed of establishment to be dated on or about 20 April 2006 between the Company and D.L. Limited (together, the “Members”), pursuant to which Deutsche Land Cooperatief U.A. (the “Co-operative”) was established. The Co-operative is wholly-owned by the Group and the provisions under which the Co-operative will operate reflect that ownership structure. In addition, the Co-operative will create an investment committee whose terms of reference will, broadly, be to approve and recommend investment opportunities to the board of the Company. The Investment Committee will be made up of Stephen Dickinson (Chairman), Tony Ciochetti and Klaus Fassbender.

(b) The Partnership Agreement

The structure of the Group underneath the Co-operative is still under review at the date hereof. The arrangements with regard to the payment of the incentive fee are expected to be as described below but may be subject to minor amendment prior to execution of the Partnership Agreement.

Partnership Agreement

A deed of formation and association to be dated on or about 20 April 2006 between the Co-operative and Deutsche Real Estate B.V. (“DREB”), a limited liability company incorporated in the Netherlands and owned by David Maxwell, Klaus Fassbender, Jonathan Elkington, Windmark Limited and Richard MacIntyre (the Co-operative and DREB together, the “Partners” and each a “Partner”). Pursuant to the terms of the Partnership Agreement, the Co-operative and DREB formed and established a partnership in the Netherlands with the name D.L. Holdings V.O.F. (the “Partnership”).

Capital Accounts

The Partnership shall keep a capital account for each Partner and each Partner’s capital account will be credited with its initial capital contribution to the Partnership, allocated retained earnings and its acquired partnership interests, and shall be debited for allocated losses, withdrawals of contributions, distributions of retained earnings and its transferred partnership interests.

Profits

The profits of the Partnership, if any, shall be allocated to the Partners' respective capital accounts annually. Allocations shall be made first to restore debit balances resulting from losses incurred by the Partnership in previous financial years that have not been restored by profits in previous financial years. The profits shall be allocated to the capital accounts of the Partners as provided below:

- (i) if, in any accounting period, the Cumulative TSR% exceeds the Cumulative Hurdle Rate, DREB shall be entitled to an incentive fee as described below;
- (ii) all other profits in that accounting period are for the account of the Co-operative (the "Co-operative Profit Share").

To the extent the Partnership has sufficient profits in a specific accounting period, the Co-operative Profit Share and the DREB Profit Share shall automatically be allocated to the respective capital accounts of the Partners upon adoption of the annual accounts of the Partnership relating to that specific accounting period.

In the event that the Partnership has insufficient profits in a specific accounting period to allocate the entire Co-operative Profit Share and DREB Profit Share to their respective capital accounts, the Partners agree to allocate the shortfall of the Co-operative Profit Share and the DREB Profit Share in that specific accounting period to their respective capital accounts in the subsequent accounting period(s). In the event of insufficient profits in an accounting period to allocate the entire Co-operative Profit Share and DREB Profit Share, profits will first be allocated to the Co-operative's capital account and, to the extent profits are available thereafter, they will be allocated to DREB's capital account.

Losses of the Partnership, if any, shall be annually allocated to the Partners' respective capital accounts.

In the event of the replacement of DREB or the admission of a new partner to the Partnership, the profits of the Partnership shall be allocated in accordance with each partner's initial capital contribution to the Partnership, unless decided otherwise by unanimous consent of all partners.

Distribution of Profit Share

DREB may only withdraw amounts from its capital account with the consent of the Co-operative. The Co-operative may withdraw amounts from its capital account without the consent of any other Partner. No Partner will be under any obligation to repay profits withdrawn by it, or allocated for withdrawal by it.

Incentive Fee

The payment of the incentive fee will be based on Total Shareholder Return ("TSR") taking account of dividends paid in the period and the movement in the share price.

At the end of each accounting period, the TSR% will be calculated as the annual internal rate of return since the end of the last accounting period in which an incentive fee was earned (or since Admission if an incentive fee has not been earned) based on the Euro Share Price¹ at the Opening Date², the Relevant Dividends³ and the Euro Share Price at the Closing Date⁴.

Calculation of fee

If the TSR% at the end of any accounting period is greater than a hurdle rate of 10 per cent. (the "Hurdle Rate") then the Manager Team will be entitled to an incentive fee calculated as 20 per cent. of the return in excess of the Hurdle Rate as follows:

Incentive fee =
 $20\% \times (\text{Cumulative TSR}\%^5 - \text{Cumulative Hurdle Rate}\%^6) \times \text{Euro Share Price at the Opening Date} \times \text{number of Shares}\^7$

High water mark

The TSR% is calculated from the end of the last accounting period in which an incentive fee was earned (or Admission if an incentive fee has not yet been earned). Accordingly, the payment of an incentive fee is subject to a high water mark since, if in any accounting period the TSR is less than 10 per cent., this shortfall will need to be recovered prior to the award of any incentive fee in any future period.

Notes:

- (1) The Euro Share Price on each day is calculated as the weighted average Share Price for the 15 trading days ending on that day.
- (2) The Opening Date is the later of Admission and the last date of the last accounting period for which an incentive fee has been earned.
- (3) Relevant Dividends are those that have been paid between the Opening Date and the Closing Date.
- (4) The Closing Date is the last date of the relevant accounting period.
- (5) The Cumulative TSR% is equal to the annual TSR% compounded for the period of time for which it has been calculated. For example a TSR% of 11 per cent. over 2 years generates a Cumulative TSR% of 23.2 per cent..
- (6) The Cumulative Hurdle Rate is equal to the Hurdle Rate compounded over the period of time from the end of the last accounting period in which the incentive fee was earned. The table below shows the approximate Cumulative Hurdle Rate for the number of years since the payment of the last incentive fee:

<i>Years from Opening Date</i>	<i>Cumulative Hurdle Rate%</i>
1	10.0
2	21.0
3	33.1
4	46.4
5	61.1

- (7) The number of Shares is equal to the total number of Shares in issue and assumes that there are no new Share issues during the period covered by the TSR% calculation. In the event that there is a capital event during the period in question, the number of Shares and/or the TSR calculation will be adjusted to reflect the original intent.

8.1.9 The Letters of Appointment

Each of the Directors signed a letter of appointment with the Company on 12 April 2006, pursuant to which each Director agreed to serve as a director of the Company until the next following annual general meeting, at which they may be required to resign and will be eligible for re-election. The letters of appointment are conditional on Admission.

The appointment of a Director will be terminated before the next following annual general meeting if, amongst other things, the Director: resigns by giving notice in writing, becomes bankrupt or makes an arrangement or compound with his creditors, is requested by all of his fellow Directors to vacate office or the Company by ordinary resolution declares that he shall cease to be a Director.

Each of Klaus Fassbender and David Maxwell has agreed to waive his fee as a Director for so long as he remains an employee of the Manager and has agreed to resign as a Director in the event that:

- (a) the Management Agreement is terminated for any reason and/or the Manager ceases to provide the services as set out in the Management Agreement; or
- (b) he is no longer employed, engaged or otherwise available to the Manager for any reason.

9. Working Capital

- 9.1 In the Directors' opinion, having made due and careful enquiry, the working capital available to the Company will be sufficient for its present requirements, that is for at least 12 months from the date of Admission.

10. Miscellaneous

- 10.1 The Shares will be in registered certificated form and can be held in certificated or uncertificated form. Under the Articles, the Shares are eligible for settlement in CREST subject to the CREST Regulations. The ISIN number of the Shares is GB00B10QQ280.
- 10.2 The Company has not been and is not currently engaged in any legal or arbitration proceedings nor, so far as the Company is aware, are there any such legal or arbitration proceedings pending or threatened by or against the Company which may have or have had since the Company's incorporation a significant effect on the Company's financial position.
- 10.3 None of the Shares available under the Placing are being underwritten.
- 10.4 The Directors confirm that the Company was incorporated and registered on the date referred to in paragraph 2.1 above and that, save for its entry into the material contracts described in paragraph 8.1 above, the Company has not traded, no accounts have been made up and no dividends have been declared.
- 10.5 There has been no significant change in the financial or trading position of the Company since the date of its incorporation or any factors which have influenced its activities. The Company does not have nor has it had since incorporation any employees and it neither owns nor leases any premises.

- 10.6 The total costs and expenses payable by the Company in connection with the Placing and Admission (including professional fees, commissions, the costs of printing and the fees payable to the registrars) will be approximately £3.6 million (exclusive of VAT).
- 10.7 The Company is not dependent on any patents or other intellectual property rights or licences.
- 10.8 Save as disclosed in this document, the Company currently has no significant investments in progress.
- 10.9 Save as disclosed in this document, no person has received, directly or indirectly, from the Company since 21 February 2006 (the date of incorporation of the Company) or entered into contractual arrangements to receive, directly or indirectly, from the Company on or after Admission, fees totalling £10,000 or more or securities in the Company with a value of £10,000 or more, calculated by reference to the Placing Price, or any other benefit with a value of £10,000 or more at the date of Admission.
- 10.10 The accounting reference date of the Company is 31 January.
- 10.11 Where information contained in this document has been sourced from a third party, the Company confirms that such information has been accurately reproduced and, so far as the Company is aware, and is able to ascertain from the information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.
- 10.12 Matrix Corporate Capital Limited has given and not withdrawn its written consent to the inclusion in this document of references to its name in the form and context in which they appear.
- 10.13 SP Angel Corporate Finance LLP has given and not withdrawn its written consent to the inclusion in this document of references to its name in the form and context in which they appear.
- 10.14 BDO Stoy Hayward LLP has given and not withdrawn its written consent to the inclusion of its accountant's report on the Company set out in Section A of Part VIII of this document in the form and context in which it appears and accepts responsibility for such report in accordance with the AIM Rules.
- 10.15 King Sturge LLP has given and not withdrawn its written consent to the inclusion of the property market report in the form set out in Part III of this document and accepts responsibility for such report in accordance with the AIM Rules.

11. Availability of Documents

- 11.1 Copies of this document will be available free of charge to the public at the registered office of Matrix Corporate Capital Limited, One Jermyn Street, London SW1Y 4UH during normal business hours on any weekday (excluding Saturday and public holidays) from the date of Admission for not less than one month.
- 11.2 Copies of the following documents will be available for inspection at the registered office of the Company and at the offices of Norton Rose, Kempson House, Camomile Street, London EC3A 7AN during business hours on any weekday from the date of this document (Saturdays and public holidays excepted) until the date of Admission:
- 11.2.1 the Memorandum and Articles of the Company;
 - 11.2.2 the material contracts referred to in paragraph 8 of this Part X;
 - 11.2.3 the Accountant's Report set out in Section A of Part VIII of this document;
 - 11.2.4 the consent letters referred to in paragraph 10 of this Part X; and
 - 11.2.5 this document.

Dated: 12 April 2006

DEFINITIONS

In this document, unless the context otherwise requires, the expressions set out below bear the following meanings:

“ <i>Administrator</i> ”	means Equity Limited or any successor administrator of the Company;
“ <i>Admission</i> ”	means the date of admission of the Shares to trading on AIM in accordance with the AIM Rules;
“ <i>AIM</i> ”	means the market of that name operated by London Stock Exchange plc;
“ <i>AIM Rules</i> ”	means the amended rules of London Stock Exchange plc for AIM companies and their nominated advisers governing admission to and operation of AIM;
“ <i>Argus</i> ”	means Argus Grundbesitz und Kapital Verwaltungs GmbH and its subsidiaries and holding companies from time to time;
“ <i>Articles</i> ”	means the articles of association of the Company;
“ <i>Bank Facility</i> ”	the financing facility from a major international bank which has been offered to the Group;
“ <i>Business Day</i> ”	means a day, other than a Saturday or a Sunday, which is a bank business day in the Isle of Man, Germany and London;
“ <i>Combined Code</i> ”	means the revised combined code on the principles of good governance and code of best practice published in July 2003 by the Financial Reporting Council;
“ <i>Company</i> ”	means Deutsche Land plc;
“ <i>Co-operative</i> ”	has the meaning set out in the first paragraph of Part II of this document;
“ <i>CREST</i> ”	means the relevant system (as defined in the CREST Regulations) in respect of which CRESTCo is the Operator (as defined in the CREST Regulations) in accordance with which securities may be held and transferred in uncertificated form;
“ <i>CRESTCo</i> ”	means CRESTCo Limited;
“ <i>CREST Regulations</i> ”	means the Isle of Man Uncertificated Securities Regulations 2005;
“ <i>CREST Settlement Agent</i> ”	means Computershare Investor Services (Channel Islands) Limited;
“ <i>Directors</i> ” or “ <i>Board</i> ”	means the directors or the board of directors, as the case may be, of the Company;
“ <i>DTZ</i> ”	means DTZ Debenham Tie Leung Limited of 1 Curzon Street, London W1A 5PZ;
“ <i>FSA</i> ”	means the Financial Services Authority of the United Kingdom;
“ <i>Group</i> ”	means the Company and its subsidiary undertakings from time to time;
“ <i>IFRS</i> ”	means International Financial Reporting Standards;
“ <i>Initial Portfolio</i> ”	means the properties which are further described in paragraph 1 of Part IV of this document;
“ <i>Investment Committee</i> ”	means the investment committee of the Group, as more fully described in Part II of this document;
“ <i>Isle of Man Law</i> ”	means the Isle of Man Companies Acts 1931 to 2004 and subordinate legislation made thereunder and every modification or re-enactment thereof for the time being in force;

<i>“Management Agreement”</i>	means the management agreement, a summary of which is set out in paragraph 8.1.1 of Part X of this document;
<i>“Manager”</i>	means Deutsche Land Management LLP a limited liability partnership established under the laws of England and Wales;
<i>“Manager Team”</i>	means the members of the Manager comprising David Maxwell, Klaus Faßbender, Jonathan Elkington, Windmark Limited and Richard MacIntyre and Deutsche Real Estate BV, a company controlled by them;
<i>“Net Distributable Income”</i>	means profits of the Company after taxation and after excluding the effects of any realised or unrealised gains and losses on the sale or revaluation of properties and the tax effects thereof;
<i>“Over-allotment Option”</i>	means the option granted by the Company to SP Angel under which SP Angel may require the Company to allot up to an additional five million Shares, which option may be exercised, in whole or in part, at any time up to and including 20 May 2006;
<i>“Partnership”</i>	has the meaning set out in Part II;
<i>“Placing”</i>	means the conditional placing by SP Angel as described in this document;
<i>“Placing Price”</i>	means 70p per Share or, as the case may be, €1.00 per Share;
<i>“Placing Shares”</i>	the up to 105 million Shares to be issued pursuant to the Placing;
<i>“Property Portfolio”</i>	means the real property from time to time held by the Group;
<i>“Shares”</i>	means the ordinary shares of €0.01 each in the share capital of the Company;
<i>“Shareholders”</i>	means the holders of the Shares;
<i>“SPVs”</i>	means the special purpose vehicles as defined in Part II of this document;
<i>“Total Shareholder Return” or “TSR”</i>	has the meaning set out in paragraph 8.1.8 of Part X of this document;
<i>“Total Shareholder Return %” or “TSR %”</i>	has the meaning set out in paragraph 8.1.8 of Part X of this document;
<i>“United Kingdom” or “UK”</i>	means the United Kingdom of Great Britain and Northern Ireland;
<i>“United States” or “US”</i>	means the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia;
<i>“£” or “sterling” or “pence”</i>	means the lawful currency of the UK; and
<i>“€” or “euro” or “cent (Euro)”</i>	means the lawful single currency of the European Union.

