

REITS - TAXATION AND EXCHANGE CONTROL

1 UK taxation

1.1 General

The following statements are intended as a general guide to certain UK tax considerations in relation to the Ordinary Shares of Capital & Counties Properties PLC (“Capco”, “the “Company” or “the “Group”) They are based on UK tax law as at the date of this document and what is understood to be the current published practice of HM Revenue & Customs (“HMRC”) (which may not be binding on HMRC), both of which are subject to change at any time, possibly with retrospective effect.

They are intended as a general guide and apply only to holders of Ordinary Shares in the capital of the Company (“Shareholders”) resident and, in the case of an individual, domiciled or deemed domiciled (under both UK domestic law and any relevant double tax treaty) for tax purposes in the UK (except in the case of the statements in paragraphs 1.4, 1.6, 1.8 and 1.12 and except in so far as express reference is otherwise made to the treatment of non-UK residents or domiciliaries), who hold Ordinary Shares in the Company as an investment (other than under an individual savings account or a self-invested personal pension) and who are the absolute beneficial owners thereof (and of dividends paid on them). In particular, Shareholders holding their Ordinary Shares via a depositary receipt system or clearance service should note that they may not always be the absolute beneficial owners thereof. The discussion does not address all possible tax consequences relating to an investment in the Ordinary Shares. Certain categories of Shareholders, including those carrying on certain financial activities, those subject to specific tax regimes or benefitting from certain reliefs or exemptions, those connected with the Company or Group or that control or hold, directly or indirectly, (either alone or together with one or more associated or connected persons) 10 per cent. or more of the shares and/or voting power of the Company and those for whom the Ordinary Shares are employment related securities, may be subject to special rules and this summary does not apply to such Shareholders.

All Shareholders and prospective Shareholders, and in particular those who may be resident or otherwise subject to tax in a jurisdiction other than the UK or who may be unsure as to their UK tax position should seek their own professional advice on the potential tax consequence of subscribing for, purchasing, holding or selling Ordinary Shares under the laws of their country and/or state of citizenship, domicile or residence.

In particular, each Shareholder and prospective Shareholder should be aware that the tax legislation of any jurisdiction where they are resident or otherwise subject to taxation (as well as the tax legislation of the UK, the jurisdiction of incorporation and residence of the Company) may have an impact on the tax consequences of an investment in the Ordinary Shares, including in respect of any income or gains received from the Ordinary Shares.

1.2 Taxation of distributions from the Company

The Company, as the principal company of a group REIT, may pay dividends as either a Property Income Distribution (“PID”) or a normal dividend (“Non-PID”), or a combination of both.

1.3 Taxation of PIDs – General

Subject to certain exceptions, a PID will generally be treated in the hands of Shareholders who are individuals as the profit of a UK property business for income tax purposes (as defined in Part 3 of the Income Tax (Trading and Other Income) Act 2005). A PID is, together with any property income distribution from any other company to which Part 12 of the Corporation Tax Act (“CTA”) 2010 applies (i.e. any other REIT), treated as a separate UK property business. Income from any other UK property business carried on by the relevant Shareholder must be accounted for separately. This means that any surplus expenses from a Shareholder’s separate UK property business cannot be offset against a PID as part of a single calculation of the profits of the Shareholder’s UK property business. A Shareholder who is subject to income tax at the basic rate will be liable to pay income tax at 20 per cent. on the PID. Higher rate and additional rate taxpayers will be taxable at the respective prevailing rates (currently 40 per cent. and 45 per cent., respectively). A credit will be available in respect of the basic rate withheld by the Company in the PID (see further below).

Currently, neither the Nil Rate Amount (as defined in paragraph 1.5 “Taxation of Non-PID dividends – General” below) nor the property income allowance is available in respect of income tax on PIDs. Subject to certain exceptions, a PID will generally be treated in the hands of Shareholders who are within the charge to corporation tax as the profit of a property business (as defined in Part 4 of the CTA 2009). A PID is, together with any property income distribution from any other company to which Part 12 of CTA 2010 applies (i.e. any other REIT), treated as a separate Part 4 property business. Income from any other Part 4 property business carried on by the relevant Shareholder must be accounted for separately. This means that any surplus expenses from a Shareholder’s different Part 4 property business cannot be offset against a PID as part of a single calculation of the relevant Shareholder’s property business profits.

A Shareholder within the charge to corporation tax will generally be subject to corporation tax at the prevailing rates applicable to the respective investor. The current rate of UK corporation tax is 19 per cent. (currently due to be reduced to 17 per cent. for the financial year beginning 1 April 2020).

Where a Shareholder who is not resident for tax purposes in the UK receives a PID, the PID will generally be chargeable to UK income tax under Part 3 of the Income Tax (Trading and Other Income) Act 2005, as a profit of a UK property business and this tax will generally be collected by way of a withholding tax (see further below). Under section 548(7) of the CTA 2010, this income is expressly not non-resident landlord income for the purposes of regulations under section 971 of the Income Tax Act 2007.

Prospective non-UK tax resident Shareholders should consult their own professional advisers on the implications in the relevant jurisdictions of any non-UK implications of receiving PIDs.

Taxation of PIDs – Withholding tax

Subject to certain exceptions summarised below, the Company is required to withhold income tax at source at the basic rate (currently 20 per cent.) from its PIDs (whether paid in cash or in the form of a stock dividend). The Company will provide Shareholders with a certificate setting out the gross amount of the PID, the amount of tax withheld, and the net amount of the PID.

Shareholders should note that, in certain circumstances, the Company is not required to withhold income tax at source from a PID. These circumstances include where the Company reasonably believes that the person beneficially entitled to the PID is: (i) a company resident for tax purposes in the UK; (ii) a company resident for tax purposes outside the UK which carries on a trade through a permanent establishment in the UK and which is required to bring the PID into account in computing the chargeable profits of that permanent establishment for UK corporation tax purposes; or (iii) an entity which falls within an exempt category, such as a charity or local authority. They also include where the Company reasonably believes that the PID is paid to the scheme administrator of a UK approved pension scheme, the sub-scheme administrator or certain pension sub-schemes, the account manager of an individual savings account, the plan manager of a personal equity plan, or the account provider for a child trust fund, in each case, provided the Company reasonably believes that the PID will be applied for purposes of the relevant scheme, account plan or fund in respect of which the recipient has duties. In order to pay a PID without withholding tax, the Company will need to be satisfied that the Shareholder concerned is entitled to that treatment. For that purpose, the Company will require such Shareholders to submit a valid claim form to the Company’s UK Registrar, Link Asset Services. The claim forms can be downloaded from Capco’s website. Shareholders should note that the Company may seek recovery from Shareholders if the statements made in their claim form are incorrect and the Company suffers tax as a result. The Company will, in some circumstances, suffer tax if its reasonable belief as to the status of a Shareholder turns out to have been mistaken.

Where tax has been withheld at source by the Company from the payment of a PID, Shareholders who are individuals may, depending on their particular circumstances, be liable to further tax on their receipt of a PID at their applicable marginal rate, incur no further liability on their receipt of a PID, or be entitled to claim repayment of some or all of the tax withheld on their receipt of a PID. Shareholders who are corporate entities within the charge to UK corporation tax will generally be liable to pay corporation tax in respect of their receipt of a PID and, in the unlikely event that income tax is withheld at source, the

tax withheld can be set against their liability to corporation tax in the accounting period in which the PID is received.

For Shareholders that are not resident in the UK, it is not possible to make a claim under a double taxation convention for a PID to be paid by the Company gross or at a reduced rate. The right of a Shareholder to claim repayment of any part of the tax withheld from a PID will depend on the existence and terms of any double taxation convention between the UK and the country in which the Shareholder is resident and the ability of the Shareholder to secure the benefits of the relevant articles of the relevant double taxation convention. Shareholders who are not resident for tax purposes in the UK should obtain their own tax advice concerning tax liabilities on PIDs received from the Company.

1.5 Taxation of Non-PID dividends – General

Shareholders who are resident in the UK for taxation purposes may, depending on their circumstances, be liable to UK income tax in respect of non-PID dividends paid by the Company.

A UK resident individual Shareholder will not be subject to income tax on a Non-PID dividend such individual Shareholder receives from the Company if the total amount of Non-PID dividend income received by the individual in the tax year (including the dividend from the Company) does not exceed a dividend allowance of £2,000, which will be taxed at a nil rate (the “Nil Rate Amount”).

In determining the income tax rate or rates applicable to a UK resident individual Shareholder's taxable income, dividend income is treated as the highest part of such individual Shareholder's income. Dividend income that falls within the Nil Rate Amount will count towards the basic or higher rate limits (as applicable) which may affect the level of savings allowance to which they are entitled, and the rate of tax due on any dividend income in excess of the Nil Rate Amount.

To the extent that a UK resident individual Shareholder's dividend income for the tax year exceeds the Nil Rate Amount and, when treated as the top slice of such individual Shareholder's income, falls above such individual Shareholder's personal allowance but below the basic rate limit, such an individual Shareholder will be subject to tax on that dividend income at the dividend basic rate of 7.5 per cent. To the extent that such dividend income falls above the basic rate limit but below the higher rate limit, such an individual Shareholder will be subject to tax on that dividend income at the dividend upper rate of 32.5 per cent. To the extent that such dividend income falls above the higher rate limit, such an individual Shareholder will be subject to tax on that dividend income at the dividend additional rate of 38.1 per cent.

Subject to special rules for “small companies” for the purposes of Chapter 2 Part 9A of the Corporation Tax Act 2009, (which would generally be exempt from UK corporation tax on Non-PID dividends, provided certain conditions are met), Shareholders within the charge to UK corporation tax will be subject to UK corporation tax (currently at a rate of 19 per cent.) on the amount of any Non-PID dividend paid by the Company, unless such Non-PID dividend falls within an exempt class (an example of which being dividends paid in respect of non-redeemable ordinary shares) and certain conditions are met.

The exemptions are not comprehensive and are subject to anti-avoidance rules. Shareholders within the charge to UK corporation tax are advised to consult their independent professional tax advisers in relation to the implications of the legislation.

1.6 Taxation of Non-PID dividends – Withholding tax

Under current UK tax law, the Company will not be required to withhold tax at source from Non-PID dividends.

1.7 Taxation of capital gains: UK residents and Temporary Non-Residents

Shareholders who are resident in the UK, or individual Shareholders who cease to be resident in the UK for a period of less than five years of assessment (“Temporary Non-Residents”), may, depending on their circumstances (including the availability of exemptions or reliefs), be liable to UK taxation on chargeable gains in respect of gains arising from a sale or other disposal of Ordinary Shares.

For an individual Shareholder within the charge to UK capital gains tax, a disposal (or deemed disposal) of Ordinary Shares may give rise to a chargeable gain or an allowable loss for the purposes of capital gains tax. The rate of capital gains tax on disposal of shares is 10 per cent. (2019/2020 tax year) for individuals who are subject to income tax at the basic rate and 20 per cent. (2019/2020 year) for individuals who are subject to income tax at the higher or additional rates. An individual Shareholder is entitled to realise an annual exempt amount of gains (currently £12,000) for the year to 5 April 2020 without being liable to UK capital gains tax.

For a corporate Shareholder within the charge to UK corporation tax, a disposal (or deemed disposal) of Ordinary Shares may give rise to a chargeable gain at the rate of corporation tax applicable to that Shareholder (currently 19 per cent.) or an allowable loss for the purposes of UK corporation tax.

1.8 Taxation of capital gains: Non-UK residents

As a result of changes to the Taxation of Chargeable Gains Act 1992 made by the Finance Act 2019, Shareholders who are not resident in the UK (and who are not Temporary Non-Residents) may nevertheless be subject to UK tax on chargeable gains arising on a sale or other disposal on or after 6 April 2019 of shares that derive at least 75 per cent. of their value from UK land where the person making the disposal has a “substantial indirect interest” in the UK land. It is expected that the Ordinary Shares will derive at least 75 per cent. of their value from UK land for this purpose and, because the Company converted to being a REIT on 9 December 2019, all Shareholders will be regarded as having a substantial indirect interest in UK land, irrespective of the size of their shareholding with effect from the REIT conversion date.

Accordingly, a non-UK resident Shareholder may be liable to UK tax on chargeable gains in respect of a sale or other disposal of Ordinary Shares on or after 6 April 2019 depending on the Shareholder’s circumstances (including the availability of any exemption or relief, including exemption under the terms of an applicable double taxation agreement). Shareholders who are tax resident in South Africa should note that Article 13 (Capital Gains) of the United Kingdom and South Africa Double Taxation Convention should enable a Shareholder who is entitled to the benefit of that article to claim an exemption from UK tax on chargeable gains on the basis that the Ordinary Shares will be quoted on the London Stock Exchange. Shareholders who are tax resident in the United States should note that Article 13 (Gains) of the United Kingdom and United States Double Taxation Convention should enable a Shareholder who is entitled to the benefit of that article to claim an exemption from UK tax on chargeable gains on the basis that Ordinary Shares will be traded on the London Stock Exchange.

In a case where the relevant Shareholder held Capco Ordinary Shares on 5 April 2019 and such Shareholder acquired his Ordinary Shares pursuant to the Demerger as a result of holding such Capco Ordinary Shares with the result that the Ordinary Shares are treated as the same asset as the Capco Ordinary Shares for the purpose of UK tax on chargeable gains, any gain or loss accruing to the Shareholder on a disposal of such Ordinary Shares will be calculated taking into account a proportion of the allowable cost to the Shareholder of acquiring his Capco Ordinary Shares, based on an apportionment of the allowable cost by reference to the market value of the Ordinary Shares and the Capco Ordinary Shares on the first day on which market value or prices were quoted or published for the Ordinary Shares. Further, the Shareholder’s allowable cost of acquiring his Capco Ordinary Shares will be assumed to be their market value on 5 April 2019 unless the Shareholder elects for such treatment not to apply. Where such an election is made and a loss accrues on the disposal, such loss will not be an allowable loss.

1.9 Inheritance tax – Ordinary Shares not registered on the SA Register

Ordinary Shares which are not registered on the SA Register, but which are registered on the UK Register (“UK Shares”) will be assets situated in the UK for the purposes of UK inheritance tax.

A gift of UK Shares by, or a transfer on the death of, an individual holder of such shares may (subject to certain exemptions and reliefs) give rise to a liability to UK inheritance tax, even if the Shareholder is neither domiciled in the UK nor deemed to be domiciled there (under certain rules relating to long residence or previous domicile). Generally, UK inheritance tax is not chargeable on gifts to individuals if the transfer is made more than seven complete years prior to the death of the donor. For inheritance tax purposes, a transfer of assets at less than full market value may be treated as a gift in respect of

the undervalue element and particular rules apply to gifts where the donor reserves or retains some benefit in respect of the asset gifted. Special rules also apply to close companies and to trustees of settlements who acquire, dispose of or hold UK Shares, potentially bringing them within the charge to inheritance tax. Holders of UK Shares should consult an appropriate professional adviser if they intend to make a gift, transfer at less than full market value, or hold UK Shares through such a company or trust arrangement.

1.10 Inheritance tax – Ordinary Shares registered on the SA Register

Ordinary Shares registered on the SA Register (“SA Shares”) should be assets situated outside the UK for the purposes of UK inheritance tax. This is on the basis that all of the SA shares, certified or dematerialised, are transferable by entry on the SA Register, and are therefore situated in the country where the SA Register is kept i.e. South Africa. A gift of SA Shares by, or a transfer on the death of, an individual holder of such shares who is domiciled or is deemed to be domiciled in the UK (under certain rules relating to long residence or previous domicile) may (subject to certain exemptions and reliefs) give rise to a liability to UK inheritance tax. As discussed above, generally, UK inheritance tax is not chargeable on gifts to other individuals if the transfer is made more than seven complete years prior to the death of the donor. For inheritance tax purposes, a transfer of assets at less than full market value may be treated as a gift in respect of the undervalue element and particular rules apply to gifts where the donor reserves or retains some benefit from the asset gifted. Where a Shareholder is neither domiciled nor deemed domiciled (under certain rules relating to long residence or previous domicile) in the UK, neither a gift of SA Shares by the holder nor the death of such Shareholder should give rise to a liability to UK inheritance tax. Special rules also apply to close companies and to trustees of settlements who acquire, dispose of or hold SA Shares, potentially bringing them within the charge to inheritance tax. Holders of SA Shares should consult an appropriate professional adviser if they intend to make a gift, transfer at less than full market value, or hold SA Shares through such a company or trust arrangement.

1.11 Inheritance tax – Double taxation

If a charge to tax of a similar character to UK inheritance tax (in other words, tax that is chargeable by reference to death or gifts inter vivos) arises in another country in respect of Ordinary Shares in connection with the same event that gives rise to a charge to UK inheritance tax, relief may be available under the terms of a double tax agreement or unilateral United Kingdom double tax relief provisions.

Holders of Ordinary Shares should seek professional advice in a situation where there is potential for a double charge to UK inheritance tax and an equivalent tax in another country or if they are in any doubt about their UK inheritance tax position.

1.12 Stamp duty and Stamp Duty Reserve Tax (“SDRT”)

The following statements about UK stamp duty and SDRT apply regardless of whether or not a Shareholder is resident, domiciled or deemed domiciled in the UK. Certain categories of person, including intermediaries, brokers, dealers and persons connected with depositary receipt arrangements and clearance services, may not be liable to stamp duty or SDRT or may be liable at a higher rate or may, although not primarily liable for tax, be required to notify and account for it under the SDRT Regulations 1986.

Shareholders are referred to “South African taxation” below, which contains information regarding the application of certain South African transfer taxes to the Ordinary Shares.

Issue

No stamp duty or SDRT will arise on the issue of Ordinary Shares by the Company. In the case of shares issued to a clearance service or depositary receipt system, this is as a result of EU case law which has been accepted by HMRC.

Ordinary Shares Registered on the UK Register: Transfers Outside of CREST, Depositary Receipt Systems and Clearance Services.

The conveyance or transfer on sale of Ordinary Shares will generally be subject to stamp duty on the instrument of transfer at the rate of 0.5 per cent. of the amount or value of the consideration given (rounded up to the nearest £5).

An exemption from stamp duty is available on an instrument transferring Ordinary Shares where the amount or value of the consideration is £1,000 or less, and it is certified on the instrument that the transaction effected by the instrument does not form part of a larger transaction or series of transactions for which the aggregate consideration exceeds £1,000.

An unconditional agreement to transfer Ordinary Shares will normally give rise to a charge to SDRT at the rate of 0.5 per cent. of the amount or value of the consideration for the Ordinary Shares. However, where within six years of the date of the agreement (or, if the agreement is conditional, the date on which it becomes unconditional) an instrument of transfer is executed pursuant to the agreement, and stamp duty is paid on that instrument, any SDRT already paid will generally be refunded (generally, but not necessarily, with interest), provided that a claim for payment is made, and any outstanding liability to SDRT will be cancelled.

The purchaser or transferee of the Ordinary Shares will generally be responsible for paying SDRT. In the absence of contractual agreement, no party is legally responsible for the payment of stamp duty as it is not an assessable tax; however, in practice, the purchaser or transferee will usually pay this to ensure that the company register of members can be updated by the registrar to show the transfer.

Ordinary Shares Registered on the UK Register: Transfers within CREST

Paperless transfers of Ordinary Shares within CREST are generally liable to SDRT, rather than stamp duty, generally at the rate of 0.5 per cent. of the amount or value of the consideration. CREST is obliged to collect SDRT on relevant transactions settled within the system (generally from the purchaser of the Ordinary Shares) and to account for this to HMRC. Deposits of Ordinary Shares into CREST will generally not be subject to stamp duty or SDRT unless such a transfer is itself made for consideration.

Ordinary Shares Registered on the UK Register: Transfers to and within Depository Receipt Systems and Clearance Services other than Strate

Subject to the comments in the following paragraphs (including the commentary on “Ordinary Shares registered on the SA Register” in relation to Strate), where Ordinary Shares are transferred: (i) to, or to a nominee or agent for, a person whose business is or includes the provision of clearance services; or (ii) to, or to a nominee or agent for, a person whose business is or includes issuing depository receipts, stamp duty or SDRT may be payable at a rate of 1.5 per cent. of the amount or value of the consideration payable or, in certain circumstances, the value of the Ordinary Shares (in the case of stamp duty, rounded up to the nearest multiple of £5). As a result of EU case law, no such charge should arise on a transfer of Ordinary Shares which forms an integral part of an overall transaction involving the raising of capital. While HMRC has accepted the European Court of Justice decision, if the transfer does not form an integral part of such a transaction, they may still seek to impose 1.5 per cent. stamp duty or SDRT on transfers into depository receipts systems or clearance services as part of a capital raising.

Transfers of Ordinary Shares within a clearance service or depository receipt system will generally be exempt from SDRT and, provided no instrument of transfer is entered into, will not be subject to stamp duty.

Clearance service providers may, in certain circumstances, make an election under section 97A(1) of the Finance Act 1986 for the normal rates of stamp duty and SDRT to apply (where applicable) to an issue or transfer of Ordinary Shares into, and to transactions within, the service instead of the higher rate applying to an issue or transfer of the Ordinary Shares into the clearance system and the exemption for dealings in the Ordinary Shares whilst in the system. Any liability for stamp duty or SDRT in respect of a transfer into a clearance service or depository receipt system, or in respect of a transfer within such service or system, which does arise, will generally be an obligation of the clearance service or depository receipt system operator or their nominee, as the case may be, but the cost will in practice be borne by the participants in the clearance service or depository receipt system.

Ordinary Shares Registered on the SA Register

Pursuant to a specific exemption for shares registered on an overseas branch register, UK stamp duty will not be payable on the transfer of Ordinary Shares which are registered on the SA Register, provided that no instrument of transfer is executed in the UK in respect of the transfer. A consequence of this stamp duty exemption is that SDRT at the rate of 0.5 per cent. Should not be payable on an agreement to transfer Ordinary Shares registered on the SA Register where the transfer would be exempt from stamp duty. This exemption does not, however, extend to the 1.5 per cent. SDRT charge where such securities are transferred to a depositary receipt system or clearance service, subject to the comments below in relation to the transfer of shares into Strate. The Company understands that confirmation has been obtained from HMRC by Strate in relation to electronic transfers of shares in UK companies which are registered on a branch register of members in South Africa and listed on the JSE to the effect that:

- issues or transfers into Strate of shares in UK incorporated companies which are listed on the JSE and registered on a South African branch register will not be subject to UK stamp duty or SDRT at the higher rate of 1.5 per cent.; and
- transfers of such shares within Strate should not be subject to UK stamp duty or SDRT.

This confirmation will be relevant to the issue or transfer of Ordinary Shares into Strate and transfers of Ordinary Shares within Strate.

Transfers of Ordinary Shares between the UK Register and the SA Register

Subject to the commentary above in relation to the 1.5 per cent. charge, no UK stamp duty or SDRT will arise on the transfer of Ordinary Shares between the UK Register and the SA Register, provided that: (i) there is no change in beneficial ownership of the Ordinary Shares; and (ii) in the case of stamp duty only, the transfer is not a conveyance in contemplation of a sale of the Ordinary Shares.

2 South African taxation

2.1 General

The following is a summary of the South African tax considerations which are relevant for investors who acquire, hold and dispose of Ordinary Shares in the Company. This summary is based on the Company's understanding of the applicable laws, treaties and regulatory interpretations in effect in South Africa on the date of this document, all of which are subject to change, including changes that could have a retrospective effect.

This summary does not purport to address all tax consequences associated with the acquisition, ownership and disposal of Ordinary Shares, and does not take into account the specific circumstances of any particular investor or the tax laws of any country other than South Africa. The summary of South African income tax consequences set out below is for general information only. All Shareholders should consult their tax advisers regarding the particular tax consequences applicable to them in relation to Ordinary Shares, including the applicability and effect of other tax laws and possible changes in tax law.

The South African income tax system is a residence-based system of taxation, in terms of which South African tax residents are subject to tax in South Africa on their worldwide income. Persons that are non-resident for South African tax purposes are subject to tax on income derived from a South African source. This summary is based on the assumption that an investor is resident in South Africa for tax purposes, and that the Company is resident in the UK for tax purposes.

A natural person is a South African tax resident if he or she is "ordinarily resident" in South Africa or, if not "ordinarily resident" in South Africa, was physically present in South Africa for certain prescribed periods within a six-year period. These periods require a physical presence in South Africa of more than 91 days in each of the six years and more than 915 days during the first five years.

A person other than a natural person (i.e. a juristic person or a trust) is a South African tax resident if it is incorporated, established or formed in South Africa or if its place of effective management is located in South Africa.

The definition of a resident specifically excludes any person who is deemed to be exclusively a resident of another country for purposes of an applicable agreement for the avoidance of double taxation entered into between South Africa and the other relevant jurisdiction. Prospective purchasers with questions regarding their tax residency should consult their tax advisers.

2.2 Distributions

A monetary amount paid by the Company to a South African tax resident Shareholder, in respect of a share in the Company, will comprise either a “foreign dividend” or a “foreign return of capital” for South African income tax purposes. This determination is made with reference to the treatment of the amount according to the tax laws relating to companies in the UK (or in the absence of tax law, company law in the UK). In essence, an amount will comprise a foreign dividend if treated as a dividend for purposes of the tax laws applicable to companies in the UK. An amount will comprise of a foreign return of capital if it does not comprise a foreign dividend (i.e. if treated as another form of distribution or similar payment for purposes of tax laws applicable to companies in the UK). The taxation of foreign dividends and foreign returns of capital differs and is set out below.

2.3 Foreign dividend

It is understood that distributions made in respect of Ordinary Shares will generally comprise dividends for income tax purposes in the UK, and will accordingly generally comprise foreign dividends for South African income tax purposes.

A foreign dividend which is received or which accrues in respect of a share listed on the JSE is exempt from South African income tax. Any foreign dividend which is received or which accrues to a South African Shareholder in respect of a share in the Company will accordingly be exempt from South African income tax. The exemption from income tax is applicable to all persons (i.e. natural persons and juristic persons).

South Africa imposes a 20 per cent. withholding tax on dividends (“Dividends Tax”) paid in respect of shares in foreign companies if the shares are listed on a South African exchange. All dividends declared to South African Shareholders (which hold their shares on the JSE) by the Company will accordingly be subject to Dividends Tax, unless the recipient of the dividend qualifies for an exemption. A foreign dividend will be exempt from Dividends Tax if the beneficial owner is, inter alia, a company which is a South African tax resident, a public benefit organisation, a pension fund, a pension preservation fund, a provident fund, a provident preservation fund, a retirement annuity fund, a benefit fund and a collective investment scheme in securities. Natural persons do not qualify for an exemption from Dividends Tax. Dividends Tax must be withheld by the Company or by the appropriate broker or transfer secretary unless the recipient of the dividend qualifies for an exemption. Certain prescribed legal formalities must be complied with by the beneficial owner of a dividend in order to facilitate the process whereby no Dividends Tax will be withheld (with the beneficial owners essentially being required to, by a date determined by the Company or, if the Company has not determined a date, by the date of payment of the dividend, submit a declaration that the dividend is exempt from Dividends Tax and a written undertaking to inform the Company in writing should the circumstances affecting the exemption change or should the beneficial owner cease to be the beneficial owner).

A South African Shareholder who receives a foreign dividend which is subject to Dividends Tax may claim a rebate if any foreign taxes are imposed on the payment by the government of another country. The rebate shall be limited to the amount of Dividends Tax payable.

2.4 Foreign return of capital

Please see the discussion below for more information regarding the taxation of a foreign return of capital.

2.5 Disposals

Persons who are tax resident in South Africa may be subject to capital gains tax (“CGT”) upon the disposal of Ordinary Shares, if they hold Ordinary Shares as capital assets. The determination of whether shares are held as capital assets is generally a question of fact and depends primarily upon

the intention with which the shares were acquired and held. It is assumed that Ordinary Shares will generally be acquired and held as capital assets.

The South African income tax legislation does include certain safe harbour provisions, however, which treat certain amounts (excluding dividends) received by or accruing to a Shareholder from the disposal of shares to be of a capital nature and therefore subject to CGT, if the Shareholder held those shares for a continuous period of at least three years immediately preceding the date of disposal. If the safe harbour provisions do not apply, the capital or revenue nature of the proceeds arising in respect of the disposal will be determined by applying South African common law principles.

2.6 Capital gains tax

Upon a disposal of Ordinary Shares, a South African Shareholder may realise a capital gain or capital loss for South African tax purposes, depending on whether the proceeds from the disposal exceed the Shareholder's base cost in the Ordinary Shares. In general, the base cost of an asset will be the acquisition cost of the asset in question (i.e. the subscription price in the event that a person subscribed for shares or the purchase price paid in the event of an acquisition of shares).

A prescribed portion (ranging from 40 per cent. (in the case of a natural person) to 80 per cent. (in the case of a company or a trust)) of a net capital gain realised by a South African investor will be included in normal taxable income and subject to tax at the applicable rates. The tax rates applicable are a maximum effective rate of 18 per cent. in the case of a natural person, a rate of 22.4 per cent. in the case of a company and a rate of 36 per cent. in the case of a trust. Capital losses may only be set off against other capital gains realised in the same or any subsequent tax year.

In the case of South African Shareholders who are natural persons, an amount of 40,000 rand is deducted from any capital gain realised in any tax year.

In circumstances where a person receives a foreign return of capital (and receives such amount prior to the disposal of its Ordinary Shares), such person must reduce their base cost for CGT purposes by the amount received. If the amount received exceeds the base cost of the Ordinary Shares, the excess portion will be treated as a capital gain in the hands of a holder of the Ordinary Shares for the year of assessment in which the foreign return of capital is received by or accrues to the holder of the Ordinary Shares and will be subject to CGT.

2.7 Income tax

South African tax residents will be subject to income tax on the proceeds arising upon the disposal of Ordinary Shares, if the Ordinary Shares are held for speculative purposes (i.e. as trading stock as opposed to capital assets) and disposed of in a scheme of profit-making.

2.8 Securities transfer tax

Securities transfer tax ("STT") is a tax levied on a transfer of beneficial ownership of a security issued by a company which is listed in South Africa (i.e. a disposal of an Ordinary Share). There is no STT payable on the issue of a share by a company. STT at 0.25 per cent. will accordingly be payable upon a transfer of beneficial ownership of Ordinary Shares.

In the context of listed shares, STT is normally payable by, inter alia, brokers and transfer secretaries (and recoverable from the transferee).

Republic of South Africa exchange control

The following is a general summary of the current exchange control positions in South Africa and is intended as a guide only and is therefore not comprehensive. Persons who are in any doubt as to the position in any particular case should consult their independent professional advisers. Please note that Capital & Counties Properties PLC is not responsible for obtaining any exchange control consents that any investor may need to obtain.

The South African exchange control regulations are used principally to control capital movements by

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South African residents to countries outside the CMA and are administered by FinSurv. In broad terms, all foreign currency transactions of South African residents are subject to the South African exchange control regulations.

The Ordinary Shares in the Company constitute approved inward-listed instruments and will be classified as domestic assets for exchange control purposes.

3.1 South African individuals

South African individuals (excluding Emigrants) are permitted to invest and deal with in inward-listed instruments on the exchange operated by the JSE without restriction.

3.2 South African corporates and trusts

South African companies, trusts, partnerships and banks are permitted to invest and deal with in inward-listed instruments on the exchange operated by the JSE without restriction.

Institutional investors (comprising of, inter alia, retirement funds, long-term insurers, collective investment scheme management companies and investment managers who have registered with FinSurv as institutional investors for exchange control purposes) and authorised dealers are permitted to invest in and deal with inward-listed instruments on the exchange operated by the JSE without affecting their permissible foreign portfolio investment allowances or foreign exposure limits.

3.3 Non-residents of the CMA

Non-residents (excluding Emigrants) are permitted to invest in and deal with inward-listed instruments on the exchange operated by the JSE without restriction.

Any share certificates issued to non-residents of South Africa will be endorsed "Non-Resident" in accordance with the South African exchange control regulations.

All dematerialised shares issued will be credited directly to the Shareholder's non-resident share account held by his duly appointed CSDP. The CSDP or broker through whom the Company's Shareholders have dematerialised their Ordinary Shares will ensure that they adhere to the South African exchange control regulations.

3.4 Emigrants

Emigrants may hold shares on the exchange operated by the JSE and, after the "Non-Resident" endorsement has been annotated (if certificated), the securities will be forwarded to the Authorised Dealer controlling the remaining assets of the Emigrant concerned. All dematerialised shares issued will be credited directly to the Shareholder's Emigrant share account at the CSDP controlling the Emigrant's remaining share portfolio. The CSDP or broker through whom the Company's Shareholders have dematerialised their shares will ensure that they adhere to the South African exchange control regulations. Former residents of the CMA who have emigrated may not use funds from their Emigrant's capital account to acquire shares listed on the London Stock Exchange.

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