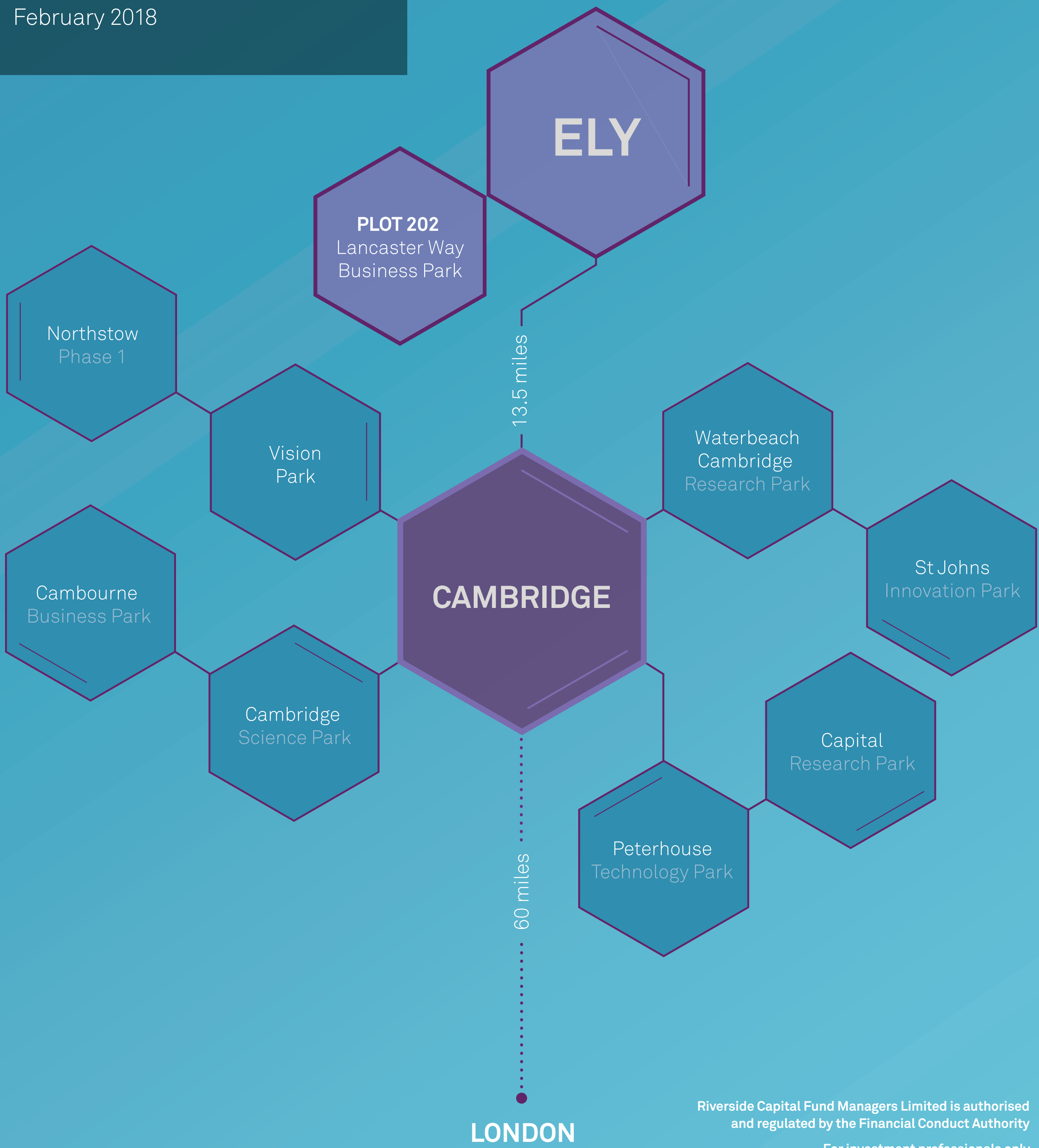
Riverside CAPITAL

THE PROPERTY INVESTMENT PEOPLE

Investment Opportunity: Plot 202, Lancaster Way Business Park, Ely

February 2018



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01.
Statement from Dominic Wright

Dominic Wright
Group Chief Executive
Riverside Capital

The area surrounding Cambridge is a global hotspot for businesses involved in software, electronics, and biotechnology. World-famous companies including ARM Holdings and Autonomy started life there. Multinational tech giants including Microsoft, Amazon, Google and Apple are proud to call the region their home – attracted in part by the potential for new acquisitions. Life Science company, AstraZeneca, has chosen the region as the location for its new global headquarters and R&D facility, bringing with it a further 1,500 staff to add to its current workforce of 2,000.

The attraction? The talent pool. Cambridge University is ranked as the world's second best university[1]. It is a university that, in 2016, had a total income of £1.64 billion, of which 25% was from research grants and contracts. It's the heart of the region and is the reason the surrounding area boasts 4,500 knowledge intensive firms[2].

Post Brexit, the UK government has committed to increasing its investment in Research and Development to 2.4% of GDP by 2027[3], and in December 2017 the government's Life Sciences Sector Deal brought together existing and future commitments from 25 global organisations. The result of all this innovation, investment and government commitment is likely to be an increased demand for property in the Cambridge region, and our latest commercial property investment is well placed to enable our investors to take advantage of this.

Located on a historic site, named after the Lancaster Bomber squadrons that were based there in World War II, Lancaster Way Business Park is two miles south of Ely, and 13 miles north of Cambridge. We're forward funding the construction of a brand-new R&D and office building that will be the new headquarters to Cambridge Nutritional Sciences, the leading supplier internationally of food intolerance and sensitivity testing.

The deal will see the tenant take a new 25-year lease, with guaranteed rental uplifts every 5 years in the form of inflation-linked rent reviews. Forward funding the development of the property also means that pricing is attractive and will enable us to pay investors a 6% annual income once the property is income producing.

This opportunity has everything we look for in a deal: a growth story, fantastic location, strong tenant, long income, healthy distribution yield, built in rental performance, and an attractive price.

The following pages provide in-depth insights and details of this investment opportunity. If you'd like to know more, please contact a member of our team.

* See glossary of terms on page 46

02.
Key highlights of the opportunity

An 'off market' opportunity to invest in a purpose-built Research and Development (R&D) facility located two miles south west of the city of Ely, just 13.5 miles north of Cambridge and in the heart of the 'Cambridge Cluster', one of the largest, high-tech business clusters in Europe.

The building has been pre-let to Cambridge Nutritional Sciences Ltd on a 25-year lease with inflation-linked rent reviews.

Term of investment
The term of the investment is five years, commencing 28 February 2018, with the asset expected to be sold around March 2023.

Attractive purchase price
By forward funding, we are able to acquire the property at a significant discount to the completed investment value. Further benefits accrue from buying the property this way since stamp duty land tax is payable on the value of the land only.

Compelling yield
Using forward funding to acquire the property at a significant discount to its worth on completion as well as reduced stamp duty means that, once fully income producing, the asset will generate a running income yield of 6.6%.

Long, inflation-linked lease
Income is derived from a 25-year full repairing and insuring lease*. The lease has a five-yearly upward only rent review, linked to the level of UK inflation (RPI*). Investor demand for such assets is growing, as their predictable income becomes more valuable in a world of low interest rates and volatile markets. In addition, long-lease, inflation-linked property assets are sought by pension funds to help them match their liabilities.

Tenant strength

Upon completion, the property will be occupied by Cambridge Nutritional Sciences Ltd, a subsidiary of Omega Diagnostics Group Plc, who will provide a guarantee. Both Cambridge Nutritional Sciences and its parent have Dun & Bradstreet (D&B) ratings of 2A1. This indicates, according to D&B, that their risk of failure is low.

Key location

The location just 13.5 miles north of Cambridge has attracted a dynamic cluster of biotech firms looking for specialist and cost-effective premises with access to a skilled and expanding labour pool. Part of the 'Cambridge Cluster', the area boasts the largest cluster of life sciences activity outside the US, with over 4,500 knowledge-intensive firms registered within a 25-mile radius of the city of Cambridge.

Robust sector outlook

Life sciences are considered vital for the UK government's industrial strategy post-Brexit. Several major pharmaceutical companies have recently announced significant new investment in the UK, and the government has pledged to increase its R&D spend to 2.4% of GDP by 2027, rising to 3% over the longer term[3].

Investment will be via a Guernsey authorised and regulated cell of Riverside Capital Protected Cell Company (PCC) Limited, or directly into an English Limited Partnership ("The ELP") for offshore and onshore investors respectively. This marketing document relates only to investment via the Cell.

* See glossary of terms on page 46

Funding

The purchase price of the proposed R&D facility and land of Plot 202, Wellington Road, Lancaster Way Business Park, Ely is £8.75 million. Once structure set-up costs, fees and working capital are included, the total cost rises to £10.32 million.

Funding will be a combination of equity and debt. Riverside Capital will raise equity funding of £4.50 million, while Royal Bank of Scotland International (RBSI) will provide the debt element amounting to £5.82 million.

The closing date for the equity investment is 23 February 2018.
Equity investment is available from £25,000.

Purchase Price (£m)	£8.750
Transaction Costs (£m)	£0.776
Working Capital (£m)	£0.794
Total (£m)	**£10.320**

Funded by;

Bank debt (£m)	£5.820
Equity (£m)	£4.500
Total (£m)	**£10.320**

Key Dates

23 February 2018	Closing date for equity investment
Q1 2019	Development completed
April 2019	Bi-annual distribution, equivalent to 6% p.a., to commence
March 2023	Expected sale of asset

Investment returns

Our base case projected IRR* over the term of the investment is 10.00%, net of all fees and costs, with an upper case return of 13.91% and a lower case return of 5.83%.

Returns will be generated through a blend of capital and income growth.

Income

- Income is derived from the 25-year, full repairing and insuring lease to Cambridge Nutritional Sciences Ltd (CNS). Underpinned by a guarantee from its parent Omega Diagnostics Group Plc (ODG), both CNS and ODG are judged by Dun and Bradstreet to have low risk of failure.
- Income growth is generated from the five-yearly upward-only rent reviews that are linked to the level of UK inflation (RPI*).
- It is intended that a distribution, equivalent to 6.00% per annum, will be paid half-yearly, in arrears, from approximately April 2019.

Growth

- The property offers strong capital growth opportunities. Demand for specialist buildings, such as laboratories, is expected to increase given the life science sector's growing importance to the UK economy and the government's commitment to higher spending on research and development.
- With UK inflation, (as measured by the retail price index*) touching a five-year high of 4.0% in October 2017, the UK is continuing to feel the effects of sterling's depreciation as well as rising energy prices. While some of these effects may be temporary, we expect a growing demand for investors looking for alternative sources of inflation-linked assets given the backdrop of low interest rates, volatile markets and the uncertainty caused by Brexit.
- Our intention is to sell the property in, or around, March 2023. Demand for assets generating long-dated income streams is growing, especially from UK pension funds looking to match long-dated liabilities.

* See glossary of terms on page 46

03.
About Riverside Capital

Riverside Capital is a full-service property investment company, providing a platform for professional investors and intermediaries to access and invest in the UK property market.

Founded in 2010, to date we have completed over £1.2 billion* in transactions and have delivered an average 1.8x equity return to investors on all exits.

Our primary service is direct property investment. We scour the UK property market to offer investors regular opportunities to invest directly into UK property assets, on a deal-by-deal basis.

Our expert team is able to access 'off-market' opportunities that are not available to the broader market. We advise in the purchase of every asset we take to our investors, and then manage these assets to deliver income and capital growth.

* 31 December 2017

1.2bn IN TRANSACTIONS

4.2 year AVERAGE HOLD PERIOD

Average 1.8x EQUITY RETURN TO INVESTORS

Our track record of exits in long-let, income producing commercial property investments similar to this transaction is as follows:

Table One: Riverside Capital track record in long-let, income producing commercial property investments

Asset Property	Sector	Bought	Sold	Hold Period (Months)	IRR (anticipated)	£100k Invested Returned	Multiplier On Exited Deals
O2 Academy Birmingham	Leisure	£2,150,000	£3,160,000	28	24%	£165,189	1.65
GR2010	Ground Rents	£9,000,000	£15,000,000	38	24%	£197,622	1.98
DPD Raunds	Logistics	£4,712,000	£8,250,000	36	19%	£172,800	1.73
Pure Gym, Vauxhall	Leisure	£2,550,000	£4,350,000	50	17.49%	£193,400	1.93
Premier Inn, Camberley	Hotel	£6,650,000	£8,465,000	75	6.29%	£143,940	1.44
Travelodge, Torquay	Hotel	£ 6,235,000	£8,500,000	36	17.33%	£148,228	1.48**
Co-op, Sittingbourne	Leisure	£2,620,000	£2,964,000	57	6.16%	£131,000	1.31

** Contracts exchanged December 2017; due to complete March 2018

04. Opportunity in detail

Adding value for our investors is integral to what we do. Our expertise in delivering attractive investments starts with the acquisition of the development, and includes a focus on the key elements of income, tenant and location.

Acquisition – Adding value through forward funding

The property is being acquired via a forward funding agreement. Through a forward funding agreement, a purchaser agrees to fund the development of the property from start to finish – which includes purchasing the land.

The benefits of this agreement are three-fold:

1. Stamp duty land tax (SDLT) is payable on the value of the land only. This presents a significant tax saving when compared to paying SDLT on the finished development, since the land value is typically far less than a finished development.

2. Buying the buildings through forward funding is cheaper than the acquisition cost of a standing investment.

3. On completion, the investor owns a brand new building, with the benefit of long leases and significant capital allowances (please refer to page 40 for more information on capital allowances).

Riverside Capital has a strong track record in delivering forward funding opportunities within the UK property market. Examples include:

- A £4.07m Travelodge Hotel in King's Lynn
- Two retail units and a gym in Leeds let to Aldi, Poundworld and Puregym, purchased for £6.92m
- A £5.49m Premier Inn Hotel in Cleethorpes, Lincolnshire
- A £15.47m Travelodge Hotel in Stratford, London

Whilst forward funding does involve a slightly higher level of risk compared to buying a finished investment, we aim to mitigate that risk through undertaking extensive due diligence on both the developer and the contractor. Please refer to Risk Factors on page 44 for further information.

Forward funding: process and projected timings

Forward funding is a transaction whereby the developer agrees to provide a site with planning consent, signed agreements for leases with tenants in place, and then to construct the properties to satisfy those agreements.

In exchange, the investor will provide the necessary capital to acquire the land and fund the construction works.

The stages in the process for the development can be summarised as follows:

Planning: full planning consent has been obtained by the developer. Any planning conditions requiring discharge are the responsibility of the developer, with no obligations on the investor.

Agreement for leases: the tenant has signed an agreement for lease. This commits the tenant to enter the lease once the construction of the property is complete.

Land acquisition: completion of the land will take place on 28 February 2018. Exchange of contracts to acquire the land has taken place.

Construction and costs: the developer is wholly responsible for delivering the project, with the lease in place, at a guaranteed maximum price to the investor. This negates all cost overrun risks and places the risk and obligation on the developer to deliver the development on time and on budget.

Timing: it is anticipated that the construction period will be 12 to 14 months, with a projected completion in March 2019. If the development is not completed and income producing by 15 March 2019, the developer is obliged to pay an amount per day in lieu of loss of income.

Construction works will be carried out by Dixons Contractors (www.dixonscontractors.com). Dixons has a strong track record in delivering high quality projects across the commercial, public and private sectors in Northern Ireland and Great Britain.

The Development

The proposed development is of Plot 202 in Lancaster Way Business Park, Ely. Plot 202, part of the Phase 2 masterplan (see page 21) for the park, is situated to the west of Wellington Road and is approximately 1.75 acres in size.

The main development comprises a pre-let R&D and office facility of approximately 37,500 sq. ft. that has been specifically designed to meet the requirements of the tenant, Cambridge Nutritional Sciences Ltd. This two-storey accommodation will comprise a mixture of research laboratories, manufacturing space, warehousing and offices.

The development works will also include mains services, access roads, car parking, cycle parking, bin storage and landscaping to meet local authority parking requirements.

The site currently benefits from full planning permission and development is planned to take 12–14 months, with practical completion expected in Q1 of 2019.

(Please see pages 19–21 for further information on Plot 202 and Lancaster Way Business Park)

A computer generated image of the proposed development

Income

The pre-let has been agreed to the tenant, Cambridge Nutritional Sciences Ltd, for a 25-year lease from the date of occupancy, with upwards only, RPI-linked*, five-yearly rent reviews and no breaks.

Reviews are subject to a minimum increase of 2% per annum and a maximum of 5% per annum. Our inflation assumptions for RPI* can be found in Appendix 1.

Development is planned to take 12–14 months, with practical completion expected in the first quarter of 2019 and the property, once fully income producing, will generate a net initial yield (NIY) of 6.6%.

No rent-free periods have been agreed.

The lease will commence immediately upon completion and is also fully repairing and insuring (FRI*), meaning that the tenant is responsible for the maintenance and upkeep of the site once in occupancy.

It is expected that surplus income (after fees, interest and amortisation) will be used to pay an annual coupon of 6%, which will be paid twice yearly, from April 2019.

Table Two

Property	**Tenant**	**Initial Rent** (paid quarterly in advance)	**Area** (sq. ft.)	**Rent** (£ per sq. ft.)	**Rent free period**	**Lease start** (anticipated)	**Lease Expiry** (anticipated)	**Review Pattern**
R&D Facility, Plot 202, Wellington Road	Cambridge Nutritional Sciences	£595,000	37,500	£15.86	None	March 2019	March 2044	5 yearly, upward only to RPI*

* See glossary of terms on page 46
** Collar and Cap of 2.0% – 5%

Tenant

Upon completion, the property will be occupied by Cambridge Nutritional Sciences Ltd (CNS). CNS is a subsidiary of Omega Diagnostics Group Plc, which will provide a guarantee.

Both Cambridge Natural Sciences (CNS) and its parent, Omega Diagnostics Group, have a Dun & Bradstreet rating of 2A1. This indicates (according to this rating) a tangible net worth of between £1,500,000 and £6,999,999 and a low risk of failure.

Cambridge Nutritional Sciences

The company specialises in the development and manufacture of tests to aid the detection of immune reactions to food, often described as food intolerance or food sensitivity. It is the largest supplier of IgG (immunoglobulin G) tests internationally. These innovative tests identify foods causing IgG antibody production which has been linked to a number of chronic conditions including eczema, migraine, asthma, depression and arthritis.

Over the past 20 years, CNS has developed an excellent reputation with patients and laboratories around the world. In addition, it has built an impressive and stable distribution network, serving 80 countries within the health and well-being market.

Food intolerance/sensitivity testing is a growing market, with the public becoming much more aware of the role their diet plays in their health and well-being. The overall market is expected to grow steadily at a compound annual growth rate of 6% for the period 2015–2019[4]. This places CNS in a strong position to capture further growth opportunities within the testing segment and its growth trajectory is expected to continue, with its core business being supported by increasing the range of products and services in the health and well-being market.

Cambridge Nutritional Sciences financial highlights: 12 months to March 2017

- The Food intolerance division performed well, producing double-digit growth. For this year, total CNS sales increased by 22% to £6.60 million (2016: £5.4 million).
- Food intolerance will continue to be a key growth driver and contributor to the bottom line. This has been reflected in the increase in operational and marketing resource to provide high level scientific and technical support for the CNS product range.
- The growth trajectory is expected to continue, with this core business supported by increasing the range of products and services in the health and well-being market, which now extends to 80 countries.

22%

2017 Sales

£6.6m

2016 (£5.4m) **2015** (£4.0m)

9.4%

2017 Profit before tax

£1.6m

2016 (£1.5m) **2015** (£0.97m)

40%

2017 Tangible net worth

£5.7m

2016 (£4.1m) **2015** (£2.6m)

40%

2017 Net current assets

£5.71m

2016 (£4.1m) **2015** (£2.6m)

Omega Diagnostics Group

Omega Diagnostics Group has an established core business providing high quality in vitro diagnostic tests within three core areas of competence – food intolerance, allergy and autoimmune, and infectious disease – sold in over 100 countries. It is listed on the London Stock Exchange.

Founded in Scotland in 1987 by the former CEO, Andrew Shepherd, the company's global reputation stems from beginnings as a manufacturer of tests for a range of infectious diseases such as Syphilis, Dengue fever, Chagas disease and Malaria. Its export success was officially recognised with the Queen's Award for Export Achievement in 1993, providing a solid foundation for future success.

In 2006, Omega Diagnostics Group was formed with a strategy to expand its product range through acquisitions. In September 2007, it acquired Genesis Diagnostics and Cambridge Nutritional Sciences, giving customers access to tests for the fast-growing area of food intolerance, as well those for autoimmune diseases – including anaemia, connective tissue disease and renal disease.

Today, Omega Diagnostics Group has a global presence. With its headquarters in Scotland, it has subsidiaries near Cambridge (UK), Reinbek (Germany) and Mumbai (India) and three manufacturing sites, two in the UK and one in Germany.

Its diagnostic kits and systems are found in hospitals, blood banks, clinics and laboratories around the world and produce information used by physicians and practitioners to diagnose disease, make treatment decisions and monitor patients.

The Group is profitable and cash generative and the latest financial results have highlighted opportunities to accelerate growth of the business. Investment in new products has seen the launch of a new panel of automated allergy tests and progress on Visitect CD4 for monitoring of HIV positive patients.

Omega Diagnostics Group financial highlights: 12 months to March 2017

- Group revenue grew by 12% to £14.2 million (2016: £12.7 million) with growth in revenue across all three business areas.
- As a predominantly export business, they benefited from a weaker sterling throughout the year, which added £1.1 million to reported revenues (2016: £0.2 million).
- On a constant currency basis, revenue would have been ahead of last year by 3%. Gross profit increased to £9.2 million (2016: £8.1 million), with an increase in the gross profit margin to 64.7% (2016: 63.8%).
- Adjusted profit before tax (statutory profit before tax of £0.7 million with add backs for amortisation of intangible assets, share-based payment charges and IFRS-related discount charges) was £1.1 million (2016: £1.3 million) and adjusted earnings per share were 1.1 pence (2016: 1.2 pence), the small reduction reflecting an increase in overhead expenditure compared to the previous year.
- The Group's cash position at the year end was £0.7 million (2016: £1.3 million), which represented a neutral cash flow in the second half of the financial year.
- For the food intolerance division (Cambridge Nutritional Sciences and Genesis Diagnostics) total sales increased by 13% to £8 million (2016: £7.06 million).

12.9%

2017 Sales

£14.2m

2016 (£12.7m) **2015** (£12.1m)

13%

2017 Gross profit

£9.2m

2016 (£8.1m) **2015** (£7.7m)

0.9%

2017 Gross profit

64.7%

2016 (63.8%) **2015** (63.4%)

16%

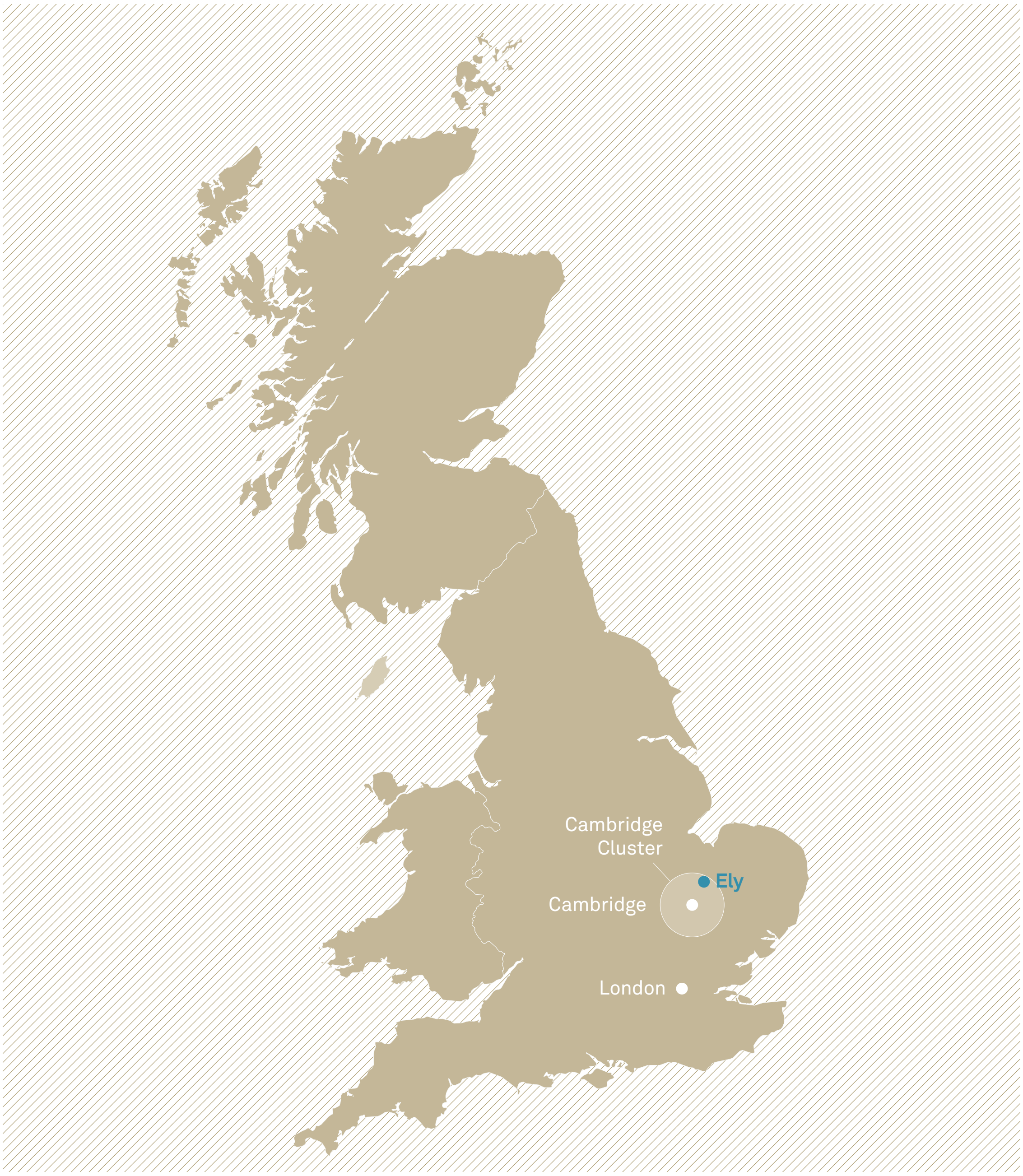
2017 Adjusted profit (before tax)

£1.1m

2016 (£1.4m) **2015** (£1.4m)

Location

The investment sits within Lancaster Way Business Park, two miles south-west of Ely city centre and approximately 13 miles north of Cambridge, in the heart of the "Cambridge Cluster". These areas are part of a strong growth story, as the burgeoning life sciences sector, spinning out of Cambridge, spreads to a 25-mile radius around the city. The Cambridge Cluster is now one of the largest high-tech business clusters in Europe.



Where it is

The Development – Plot 202

The proposed development is of Plot 202 in Lancaster Way Business Park, Ely.

Plot 202 is sited to the west of Wellington Road and is broadly rectangular in shape. The Plot totals 1.75 acres (0.71 hectares), with 3,483.86 sqm (37,500 sq ft) of pre-let bespoke R&D and office space, designed to specifically meet the requirements of the tenant, Cambridge Nutritional Sciences Ltd.

1 Cambridge Commodities
2 University of Cambridge
3 Bartram associates
4 A.C. Timber Solutins
5 Malco Freight
6 Megahertz
7 Ellgia
8 Witchford Recycling Centre
9 DAS Int. Suncrop Ltd.
10 QAV Limited
11 QAV Limited
12 Volvo Truck and Bus Centre
13 Michell instruments
14 Ellutia
15 Ison Distribution

1	Witchford Recycling Centre	7	Ion Distribution
2	QAV Limited	8	Cambridge Commodities
3	DAS Int. Suncrop Produce Ltd	9	Bartram Associates
4	Screwfix	10	A.C. Timber solutions
5	Volvo Truck & Bus Centre	11	Malco Freight
6	Ellutia	12	Ellgia

The Business Park – Lancaster Way

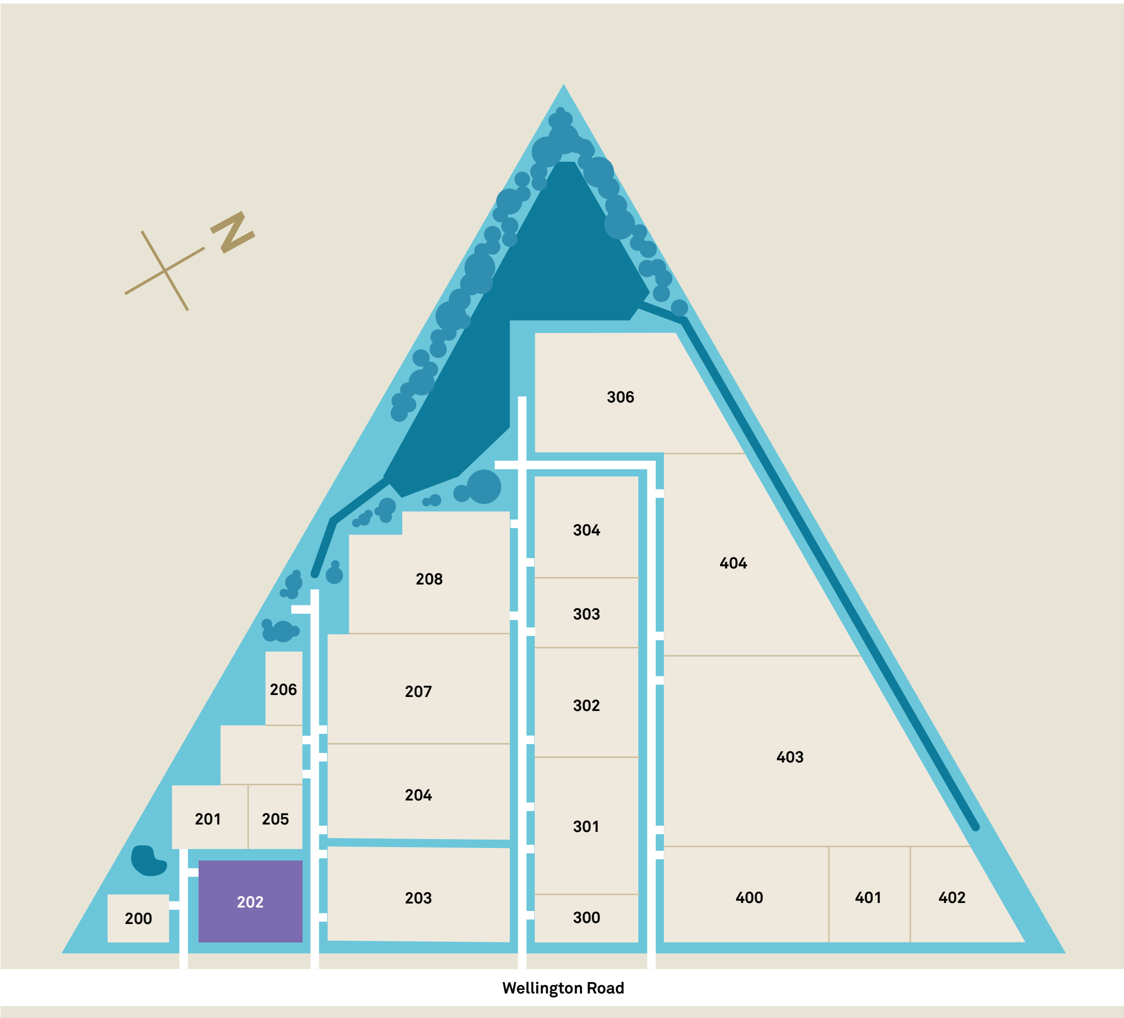
Two miles south-west of Ely city centre, Lancaster Way Business Park is approximately 13.5 miles north of Cambridge, 60 miles south-west of Norwich and 60 miles north of central London.

So named after the Lancaster Bomber squadrons that were based there in World War II, the business park is an historic site, just outside an historic cathedral city.

The Park currently extends to 175 acres and has outline planning consent for an additional 90 acres of land and up to 125,000 m2 of additional office, R&D, industrial warehousing and distribution accommodation for class B1, B2 and B8 usage. This can accommodate buildings ranging from 10,000 to 500,000 sq. ft. to suit occupiers' requirements.

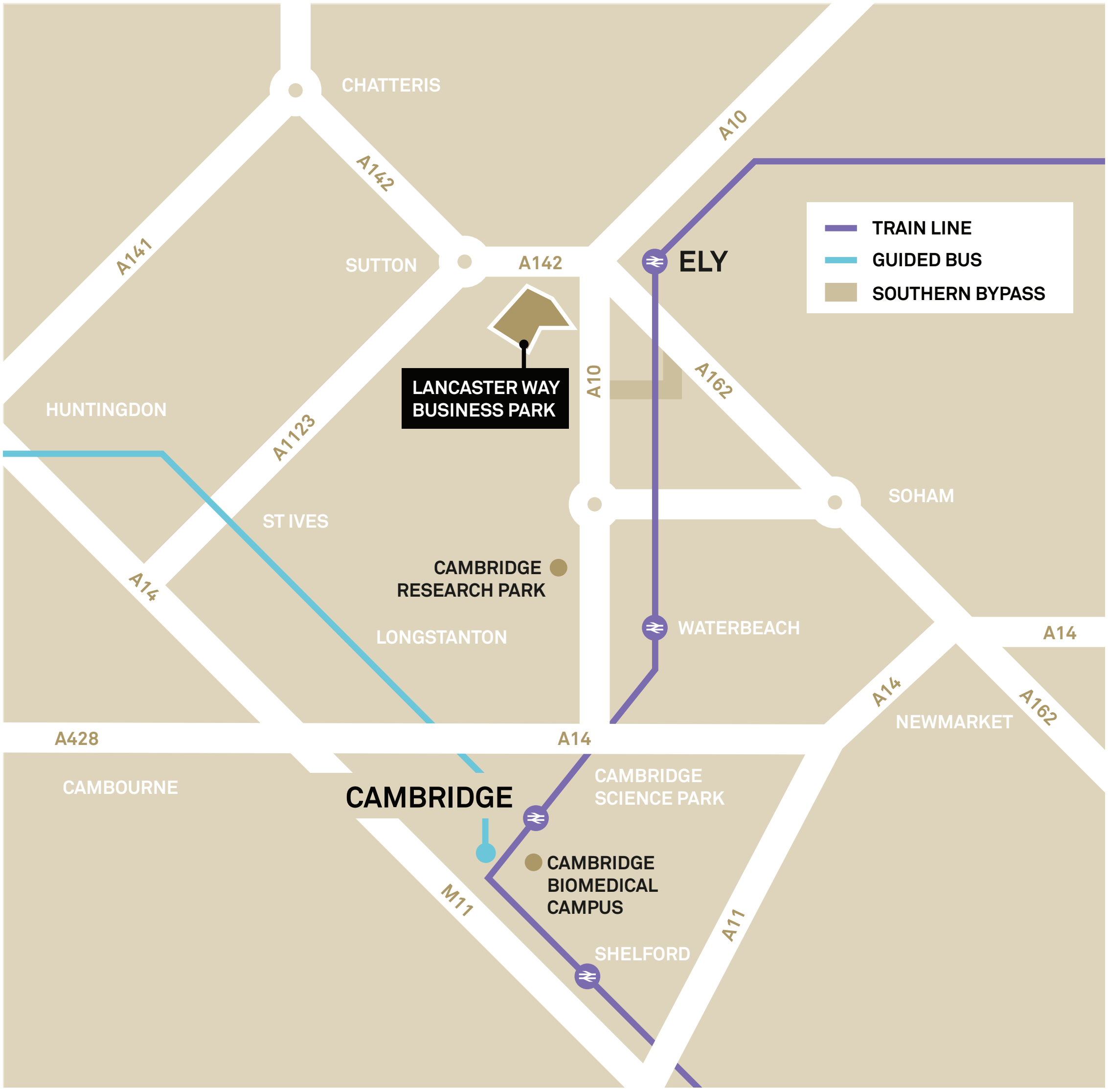
There are currently over 75 existing businesses in the Park, with approximately 1,400 employees.

The development of Plot 202 forms part of the Park's Phase 2 Master Plan. This Plan comprises 20 new sites, six of which are already occupied, with a further three plots under offer.



Connectivity

The site is approximately one mile from the intersection of the A142 and A10. The A10 provides fast road access to the north of Cambridge, while the new Ely Southern Bypass will speed up access to the A14 and in turn the M11 motorway to Stansted Airport and London.



Ely train station is located just 2.5 miles from Lancaster Way Business Park, and has direct links to Cambridge's main railway station (16 minutes) and Cambridge Science Park via the newly opened Cambridge North station (12 minutes). As a major railway hub, Ely also provides links to the north-east of England as well as London Kings Cross, with journey times of around an hour.

The Cambridge Busway further improves connectivity with central Cambridge through Cambridge North railway station. This guided bus service connects Cambridge with St Ives, Huntingdon and Peterborough, with services running up to every seven minutes.

The City – Ely

Lancaster Way Business Park sits two miles south west of Ely city centre.

Located just 13.5 miles north of Cambridge, Ely is part of the 'Cambridge Cluster', the largest cluster of life science activity outside the US[5]. Home to 93% of all publicly-quoted bioscience companies in Europe[6], the cluster has become synonymous with cutting-edge R&D. With established links to key universities, including the University of Cambridge and the University of East Anglia, it benefits from 25% of the UK's commercial R&D spend as well as the largest venture capital funding outside of London.

The city of Ely itself is a prosperous business and commercial centre with a growing cluster of high-tech businesses drawn to its affordable, accessible location and skilled workforce. The city has become a magnet for life sciences companies, with Dako, Cambridge Life Sciences, Quotient Bioresearch, Thermo Fisher and Genesis Diagnostics all based in strategic locations around the city[6].

Ely is one of the fastest growing cities in Europe, with the population forecast to reach 27,000 by 2031[7]. The city has a particularly high proportion of adults aged 30–44 and a notably large percentage of working-age adults in the most affluent AB social groups.

Cambridge

A growth story

Ely owes much of its current success to its proximity to Cambridge. Home to the world-renowned University of Cambridge, this medieval city is a leading centre for life science and technology research and development (R&D). Both sectors make a significant contribution to the UK economy and have been identified by the government as key areas for its industrial strategy plans post Brexit.

As one of the fastest growing economies in the country, employment growth has surged, rising 31.3% in Cambridge and South Cambridgeshire in the 10 years to 2015 and dwarfing the UK average of 12.1%. People have followed the jobs, resulting in population growth of 11.8% over the same period, compared with the national average of 7.8%[8]. To meet the demand that comes with this expansion, local authorities and businesses are investing in the area's transport infrastructure and housing stock so it can continue to compete with other global hubs like San Francisco and Boston.

An incubator for start-ups

Cambridge has been incredibly successful in establishing, nurturing and growing spin-outs from its colleges. The University of Cambridge has the third most successful university innovation ecosystem in the world behind Stanford and Massachusetts Institute of Technology, with follow-on funding for the University of Cambridge spin-outs amounting to £1.4 billion in 2014. Cambridge University Computer Lab alumni alone have accounted for the start up of over 240 companies[9].

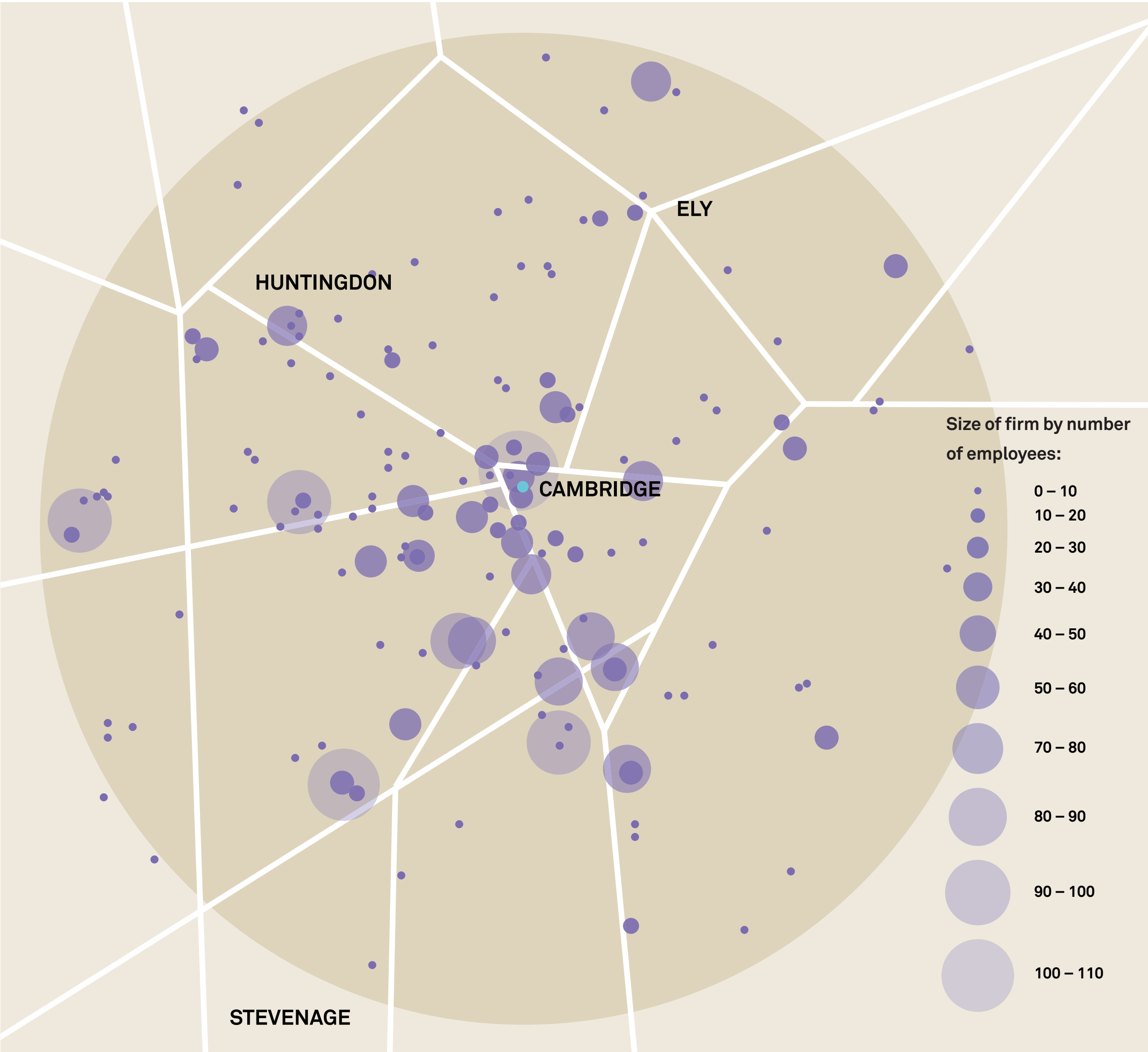
Of the region's most notable start-ups, ARM Holdings is the jewel in Cambridge's crown. Acquired by Japan's SoftBank in 2016, the chip designer has a market capitalisation of £16 billion and is ranked by Forbes as the twelfth most innovative company in the world. Autonomy is perhaps the next most famous – being sold to Hewlett-Packard for a staggering £7 billion in 2011.

Other start-up sales include CSR (sold to Qualcomm in 2015 and now known as Qualcomm Technologies International), Domino Printing Sciences (sold to Japan's Brother Industries in 2015) and Cambridge Antibody Technology (acquired by AstraZeneca in 2006), while the plethora of listed start-ups include Abcam, AVEVA and GW Pharmaceuticals, each of which has a market capitalisation of over $1 billion.

Culturing life science and technology clusters

Cambridge's unique position in the UK and Europe in terms of life sciences and related knowledge-intensive industries has generated strong cluster effects. Known as 'Silicon Fen', the area boasts over 4,500 knowledge-intensive firms within a 25-mile radius of the city[10], often located within research and business parks. Looking ahead, Cambridge's cluster of life sciences and technology companies means it is ideally placed to benefit from the shift to bioinformatics and the computer modelling of drug discovery.

4,500 knowledge intensive firms within 25 mile radius including: AstraZeneca, Gilead and Illumina.



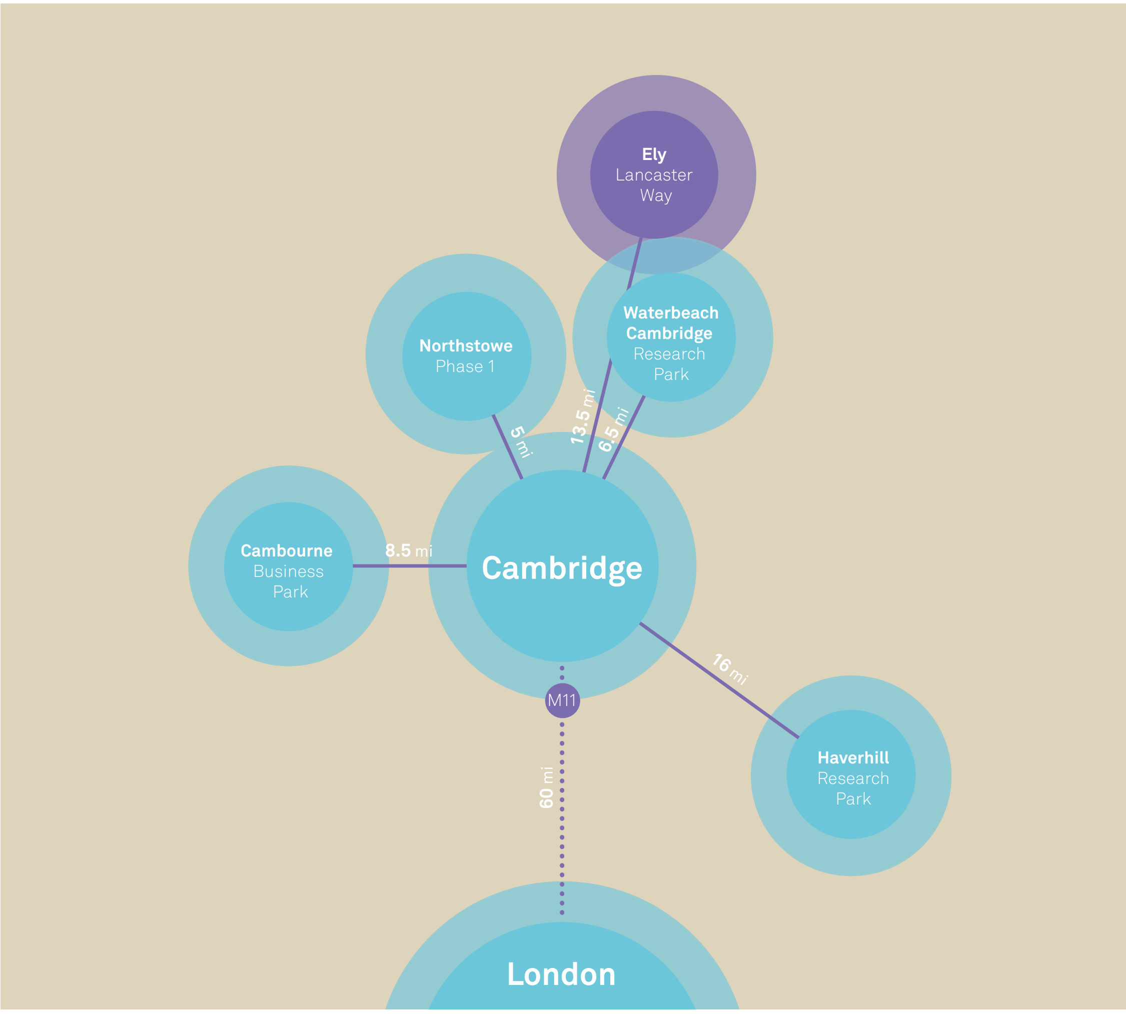
Source: 5

The area's businesses are supported by incubator and innovation spaces, strong knowledge sharing in local networks, and a wealth of employable graduate talent. SMEs, in particular, are drawn by the broad and deep science base of individuals and companies, along with associated financial and other technical expertise and support.

In terms of life sciences companies, AstraZeneca has chosen Cambridge as the location for both its new global headquarters and its new R&D facility, relocating around 1,500 staff to supplement its existing 2,000 employees in the vicinity. AstraZeneca chief executive Pascal Soroit cited Cambridge's close ties to a university that has "a global reputation for life sciences" in a place that "is a hub for biotech start-ups" as supporting his decision. Other multinational giants in the area include biotech firms Gilead and Illumina.

Technology companies Amazon, Microsoft, Apple and Google have also been attracted to the area. Apple opened its research and development headquarters in Cambridge in 2016, while Google acquired Cambridge-based artificial-intelligence innovator DeepMind in January 2014. Amazon is reportedly under offer to take space in the heart of the city as the company looks to add 400 research staff to develop capabilities such as machine learning and drone technologies[11]. Meanwhile, following its £24 billion acquisition of ARM Holdings in 2016, SoftBank has also pledged to double the tech company's UK headcount by 2021 and extend its headquarters in Cambridge[12].

Figure One: The Cambridge Compass Enterprise Zone



Cambridge Compass Enterprise Zone

In 2016, the new Cambridge Compass Enterprise Zone (see Figure One) created a dynamic network of five sites to expand the city's reach and take some of the pressure off the infrastructure of Cambridge itself by encouraging business to relocate outside the city. Located to the north, south-east and west of Cambridge, the sites will create new communities and boost the local and surrounding economies, while still allowing companies to benefit from the innovation and collaboration of being close to other related businesses. The largest and most advanced of these sites is Lancaster Way Business Park in Ely.

The Enterprise Zone status brings with it a number of benefits. These include business rates relief of up to £275,000 over five years, fast-tracked planning applications, additional support for business from the Greater Cambridge Greater Peterborough Local Enterprise Partnership, and additional access to growth funding.

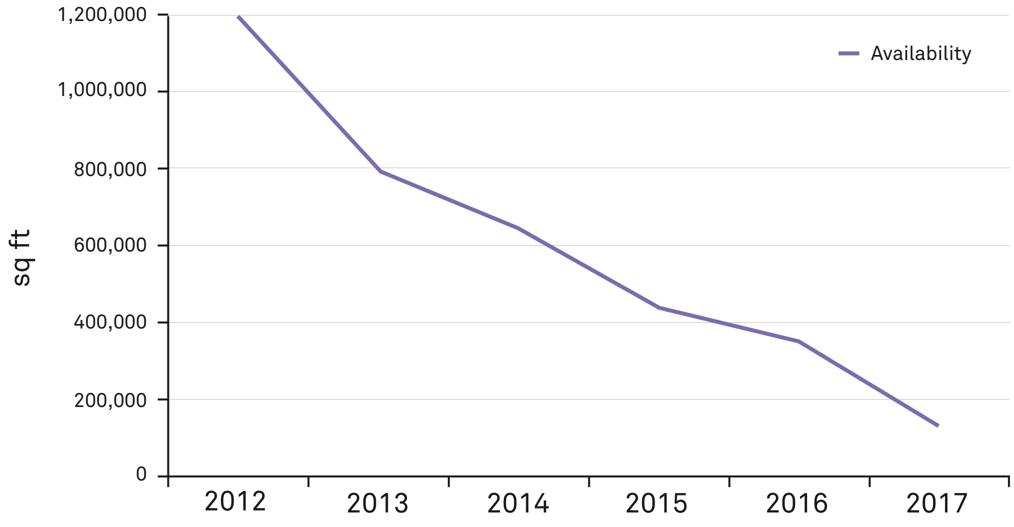
Commercial property market

Cambridge's strong cluster effects are the most relevant for the life science and technology sectors. This has seen a number of established Cambridge and international names expanding their operations within the city as their business needs change.

Over the last three years, Cambridge's average annual office and laboratory take-up has reached 620,000 sq. ft., a 59% increase over the 10-year annual average. This structural shift has been driven by both inward investing and expanding global R&D businesses which has left the market with only 1.3 years of supply[13]. Savills classify this level of supply as a shortfall.

Availability of office and research and development space has fallen by 90% in the five years to 2017. This has added to the upward pressure on top rents.

Chart One: Office/R&D availability in Cambridge from 2012–2017



Source: 13

While uncertainty over Brexit prompted a slowdown in leasing activity in 2017, the mismatch of supply and demand remains. Cambridgeshire has seen strong continual demand for commercial space, including major deals with AstraZeneca, Amazon, Heptares and Astex Pharmaceuticals. Supply, however, remains an issue.

Over the next five years, it is forecasted that there will be an additional 2,200 office- and laboratory-based jobs in Cambridge and the surrounding area. This ongoing demand will result in the need for more than 300,000 sq. ft. of additional space[13].

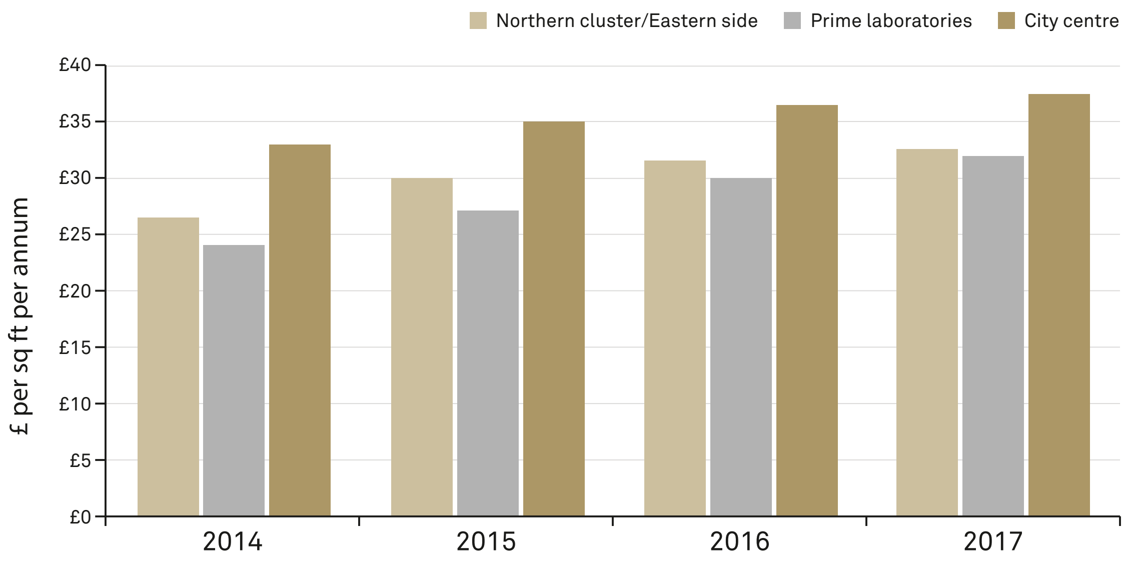
The challenge for the area is to continue to provide the right space. There remain few commercial development plots suitable or capable of housing significant additional development in Cambridge itself, leading to a shift in developments outside of the city. For large scale occupiers, where design-and-build is the only option this is resulting in a wait of two to three years for developments to be completed.

In addition a shortage of space for start-ups and companies looking for grow-on space, as well as increasing occupational costs has also led to a number of companies looking for space in the surrounding areas.

Strong demand is spurring rental growth

Unprecedented levels of take-up and a shortage of speculative development have added further upward pressure on top rents in Cambridge, which are now the highest of all UK cities apart from London. Prime office rents now stand at £38 per sq. ft.[14] and prime open plan laboratory rents at £33.50 per sq. ft. Both are new highs for the Cambridge market and show how office and laboratory space is being keenly sought by occupiers.

Chart Two: Positive rental growth across the region (2014–2017)

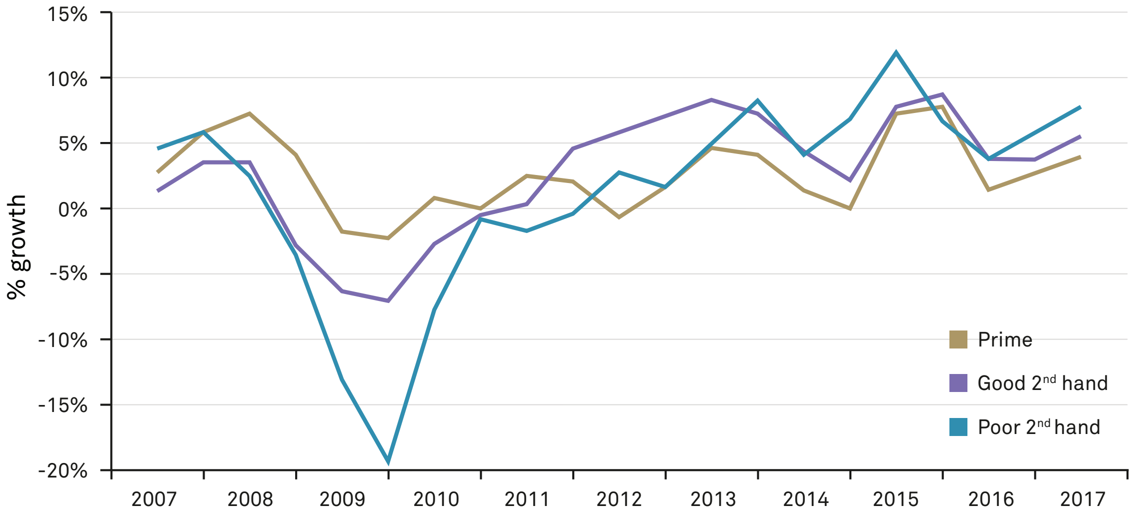


Source: 13

Bidwell's Cambridgeshire Offices and Laboratories Report (September 2017) notes that prime office rents are almost 62% higher than they were in 2007, an increase of 4.9% per annum over this period[14]. The increase in laboratory rents has also been impressive, but over a shorter period, with values rising by 5.5% per annum over the past three years

In addition, unlike previous rental cycles in the 'Golden Triangle' (Cambridge, Oxford, London), the current upturn in rents has seen second-hand office rents grow at a faster rate than prime rents. This is as a result of occupiers being forced to consider older space given the shortage of newly developed stock.

Chart Three: Tight supply on grade A space maintains pressure on secondary rental values



Source: 15

Cambridge's rental growth is also spreading as occupiers seek more affordable locations within the Cambridge Compass Enterprise Zone. With its excellent transport links and close proximity to Cambridge itself, Ely is well placed to provide specialist and cost-effective premises[16]. This pipeline of demand is expected to continue as smaller companies – which provide the backbone of the Cambridge ecosystem (it is estimated that around 20,000 of the area's 27,000 companies employ fewer than 10 employees) – look to move to larger premises. For these companies, rent accounts for a significant proportion of their annual cost, after personnel costs. Therefore, appropriately priced and affordable office space is vital.

Boost in commercial investment

In terms of investment volumes, Cambridge has experienced a stepped increase in recent years. Five-year average investment volumes have reached £241 million in 2017, 65% above the long-term annual average. Notable transactions have included Aviva Investors' acquisition of 50 and 60 Station Road in the CB1 District for £80 million, and the purchase of 14-15 Market Street for £18 million by a private Saudi Arabian investor.

Figure Two shows how the Cambridge Compass Enterprise Zone, as well as outlying feeder locations, compare in rental terms to central locations.

Figure Two: Comparison of R&D, Biotech and Business Park rental values within the Cambridge region

Source: 17

By way of a high level comparison, Haverhill Research Park, which is 16.3 miles away from Cambridge, commands headline rents of £20 psf. Melbourne Science Park, at 9.19 miles from Cambridge, commands headline rents of £18 psf. Cambridge Business Park, at 8.45 miles away from Cambridge, commands headline rents of £22.50 psf. And Cambridge Research Park in Waterbeach commands headline rents of £23.50 psf., at a distance of 6.38 miles from Cambridge City Centre. This robust investment interest has driven capital value growth. Cambridge's office/laboratory capital values stand 62% above the March 2009 levels, outstripping comparable UK cities such as Oxford and Manchester.

UK Institutions, which have historically preferred prime assets in the city, are now under increasing pressure to buy following strong inflows of capital. Given the lack of supply within the city, they are now looking further afield for opportunities.

Valuation / Comparables

The Cambridge and wider eastern region market has seen strong investor interest over recent years.

Examples of long let office / Industrial / Midtech units include.

Table Three

Description	Address	Tenant	Area (sq ft.)	Lease Terms	Rent £P.A. (PSF)	Transaction Date	Price (Yield)
This is a core Cambridge location, to a stronger tenant but on similar lease terms to the subject property	Abcam Building, Phase 2 Cambridge Biomedical Campus, Cambridge CB2	Abcam Plc	100,000	New 20 year lease with 5 yearly reviews to higher of OMV or RPI 1%-4%	£3,030,000 (£30.00)	February 2017	c£63m (c4.8%)
Milton is regarded as being outside of the core Cambridge locations to the north of Cambridge. The Guarantor is stronger, however shorter term and lease terms less attractive	Nokia Building, 3 Ely Road, Milton CB24	Alcatel-Lucent Telecom Ltd (Nokia Guarantee)	16,920	7 years to expiry	£405,500 (£23.64)	August 2016	£6.125m (6.2%)

Description	Address	Tenant	Area (sq ft.)	Lease Terms	Rent £PS (PSF)	Transaction Date	Price (Yield)
Royston lies in close proximity to Cambridge, with the attraction of discounted rents to core locations. The unit has a high office and lab content. and a 2A1 tenant covenant. The lease itself was only for 10 year term.	Satorius Stedim Unit, Grantham Close, Royston	Automation Partnership (Cambridge) Ltd	40,003	10 years to expiry	£450,000 (£11.25)	October 2017	£6.3m 6.7%
The building is again of very similar specification however, the term certain at 8 years was much shorter. Tenant was a 4A1	Bruel & Kjaer, Jarman Way, Royston	Bruel & Kjaer	56,132	8 year unexpired	473,648 (£8.43)	June 2015	£6.125m (7.3%)
Located in Cambridge city centre The Quorum represents a building let on a long income lease (linked to RPI). At 15 years, this is also considerably shorter then the lease on Plot 202.	The Quorum, Barnwell Road, Cambridge CB5	Marshall Group Properties Ltd	60,880	New 15 year lease with reviews to higher of RPI 2%-4%pa or OMV	£1,217,600 (£20.00)	December 2017	£22.7m (5.02%)
Located in Cambridge city centre. Chequers house also represents a building let on a long income lease. Again, at 15 years this is also considerably shorter then the lease on Plot 202.	Chequers House, 77–81 Newmarket Road, Cambridge CB2	Ashton Legal	8,801	New 15-year lease	£229,000 (£26.00)	December 2016	£4.4m (4.88%)

05.
Structure and financial considerations

Structure

Investment in the opportunity will be via a Guernsey authorised and regulated cell of Riverside Capital Protected Cell Company (PCC) Limited. The PCC is regulated as an Authorised Closed-Ended Investment Scheme by the Guernsey Financial Services Commission (GFSC), with registration number 2266153.

Offshore investors will invest into the PCC, while UK-domiciled investors will invest directly into the English Limited Partnership (see Chart Four).

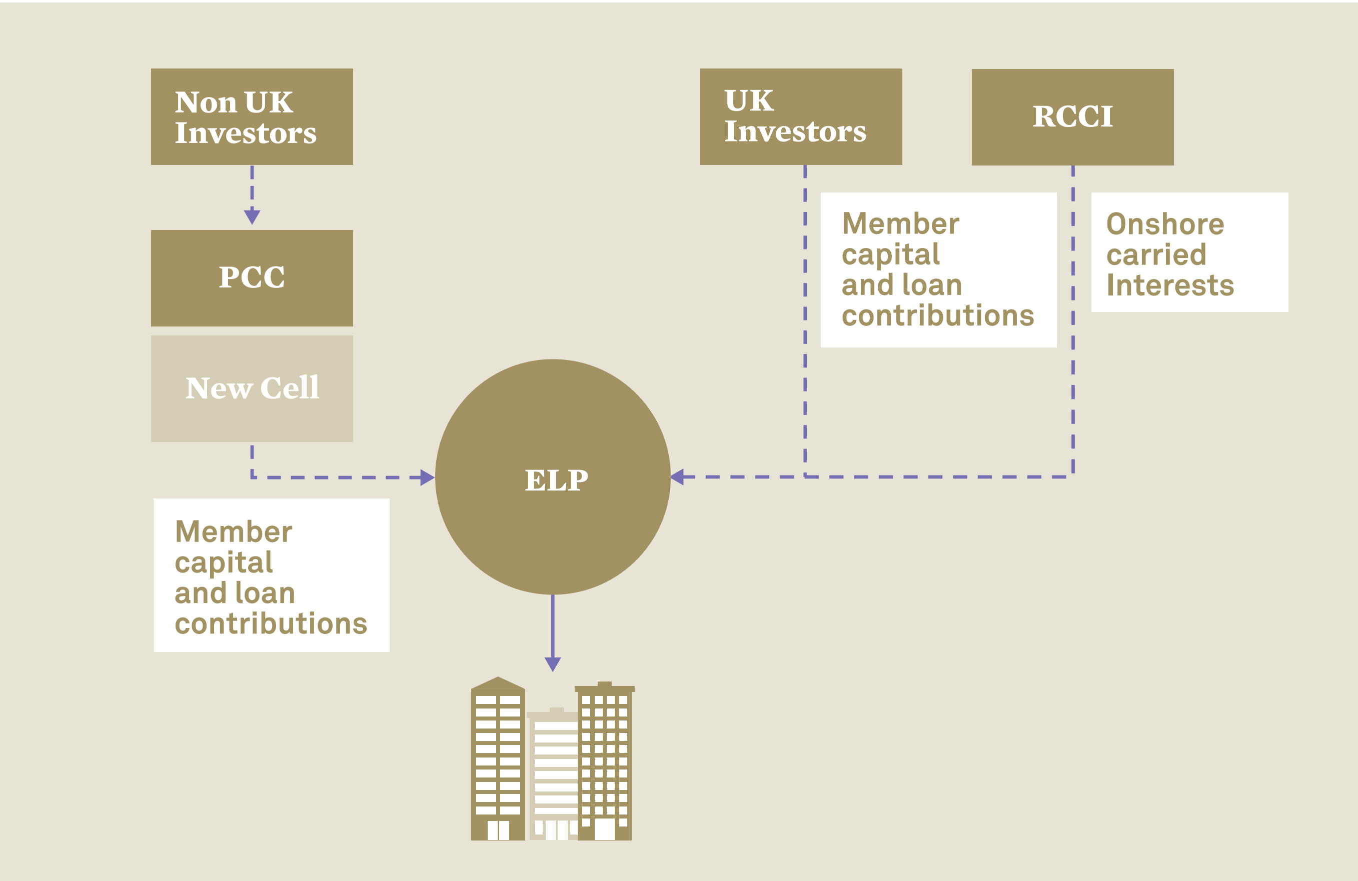
This marketing document relates only to investment via the Cell (offshore investors), and not investment directly into the ELP.

Investors via the Cell will own a share of the ELP. The Cell has an independent board, although Riverside Capital provides advice to that board.

An investor investing £25,000 via the Cell will own (indirectly) the same proportion of the ELP as an investor who invests £25,000 directly into the ELP. The limited partnership structure set out in Chart Four has been set up to allow onshore investors to take full advantage of any available capital allowances (see Taxation later in this Section). Accordingly, the costs of setting up, administering and closing down the entire structure shown in Chart Four will be shared by investors on a pro rata basis.

We have reviewed the practical information underpinning the opportunity, including how it is structured and funded, as well as taxation considerations, fees and expected returns.

Chart Four: Investment structure



The Board

The Protected Cell Company (PCC) is controlled by a single Board. The Board is comprised of individuals who have been carefully selected to meet statutory, regulatory and fiduciary requirements. The Board has appointed Riverside Capital Group Limited as investment and asset advisor. The role of the investment advisor is to put investment propositions to the Board which, if accepted, will be promoted to professional investors and intermediaries in various jurisdictions.

Board members

Shelagh Mason
Guernsey-domiciled Director

Shelagh is an English property solicitor with over 30 years' experience in commercial property. She is a consultant to Collas Crill, one of the major Channel Islands legal practices, having previously been a senior partner at both Spicer & Partners Guernsey LLP and Edge & Ellison. She currently holds several non-executive Director and Director positions in commercial property related companies.

Shelagh is a past Chairman of the Guernsey Branch of the Institute of Directors, a member of the Chamber of Commerce and the Guernsey International Legal Association, and holds the IOD certificate and Diploma in Company Direction. She has also been on the Board of Directors of Standard Life Investment Property Income Trust.

John Whittle
Guernsey-domiciled Director

John is a highly experienced Non-Executive Director with a background in third-party fund administration. His business skills were honed in high-tech service industries and he has in-depth experience of strategic development and mergers/acquisitions.

As the CFO of Close Fund Services Ltd, John was responsible for internal finance and Client Financial Reporting. In this role, he established a new Client Accounting team in Cape Town and transformed the company's client financial reporting service from a very low standard to an acknowledged leader in the field. Prior to this, John was Managing Director of Hugh Symons Group PLC, a £100m service group, which he led through a record year and a return to profit. Similarly, John turned an annual loss of £51 million into a profit of £10 million at Talkland International Ltd (now Vodafone Retail) in his role as Finance Director. John is approved with the FCA and holds the IOD certificate and Diploma in Company Direction.

Dominic Wright

Representative from Riverside Capital Group Limited

Dominic is co-founder and Group Chief Executive of Riverside Capital, with overall responsibility for the running of Riverside Capital Group. With 19 years of market experience, Dominic has spent the majority of his career providing commercial property investment opportunities to the private equity arena. He has a strong track record in identifying and transacting on commercial property deals with a particular emphasis in London.

Dominic has vast experience in asset management and works to ensure that business plans are met and that exits are achieved on time. With his substantial network of industry contacts, his experience extends to arranging debt finance for investments and asset-backed corporate restructuring.

How the opportunity will be funded

The purchase price of the development is £8.75 million. Once structure set-up costs, fees and working capital are included, the total cost rises to £10.32 million (see Table Four).

The development will be funded through a combination of equity and debt. Riverside Capital will raise equity funding of £4.50 million, while Royal Bank of Scotland International (RBSI) will provide the debt element amounting to £5.82 million.

Table Four

Purchase Price (£m)	£8.750
Transaction Costs (£m)	£0.776
Working Capital (£m)	£0.794
Total (£m)	**£10.320**

Table Five

Bank debt (£m)	£5.820
Equity (£m)	£4.500
Total (£m)	**£10.320**

Equity investment

Riverside Capital is seeking to raise £4.50 million in equity investment.

Equity investment is available from £25,000, with a closing date of 23 February 2018.

Bank loan

Credit approved senior debt terms have been agreed with Royal Bank of Scotland International (RBSI) for a five-year loan which will be entered into simultaneously with the land purchase. Upon entering into the facility, it is intended that the loan will be fully hedged by way of a swap*.

During the initial development phase, the loan will equate to 65% Loan to Cost (where cost includes land, construction, developer's profit and associated set up / structuring fees).

Table Six – Key loans terms under the development phase

Amount	£5.82 million
Loan to Cost	65%
Margin	3.50% above 3-month LIBOR*
Arrangement Fee	1.25%
Non-utilisation Fee	1.25%

Upon completion of the development, the loan will switch to standard investment loan terms:

Table Seven – Key loan terms under the investment phase

Amount	£5.82 million
Loan to Value	60%
Margin	2.50% above 3-month LIBOR*
Arrangement Fee	0.5%
Amortisation	£80,000 per annum from practical completion

We have assumed an all-in rate for the investment stage at 3.65%.

Exit strategy

It is envisaged that a sale of the asset will take place in approximately Q1 2023.

Expected returns

The base case projected return over the term of the investment is 10.00% IRR*, net of all fees and costs, with an upper case return of 13.91% and a lower case return of 5.83%.

Table Eight

	Exit yield	Return on Equity	IRR*
Base case	5.75%	53.92%	10.00%
Upper case	5.25%	81.66%	13.91%
Lower case	6.25%	28.67%	5.83%

* See glossary of terms on page 46

Taxation

The comments below are intended to provide a good, high-level understanding of the UK tax aspects of the proposed investment based on UK tax legislation at the date of this tax report. However, the comments below should not be taken as advice and each investor should seek their own personal tax advice in relation to the investment based on their specific circumstances.

Structure

- The property will be acquired and developed by an English Limited Partnership ("ELP").
- UK tax resident investors will invest directly into the ELP – i.e. they will be a member of the ELP.
- Non-UK tax resident investors will make their investment via a non-UK company incorporated and tax resident in Guernsey called Riverside Capital PCC Limited ("the PCC"). The PCC is a protected cell company, registered and authorised with the Guernsey Financial Services Commission ("GFSC"). The PCC will establish a new "cell" which will then invest into the ELP.

Taxation of ELP

- The ELP will be transparent for UK tax purposes – i.e. the tax adjusted profits / (losses) of the ELP will be shared between the UK and the PCC pro-rata to their respective capital contributions into the ELP. For the avoidance of doubt, UK investors will not be subject to UK tax on the drawings received from the ELP.
- In calculating the tax adjusted profits / (losses), the ELP should be entitled to a deduction for costs incurred wholly and exclusively for the purposes of the property rental business. This will include interest payable on senior debt finance, however, the non-UK investors and UK corporate investors should refer to comments in their respective sections (below) regarding the corporate interest restrictions ("CIR") recently introduced by the UK government.
- Any capital expenditure incurred acquiring or developing the property will not be tax deductible against income but will be deductible in calculating the chargeable gain arising on any future sale of the property. That said, the ELP should be entitled to claim capital allowances on qualifying capital expenditure incurred developing the property which would be tax deductible against property rental business income received.
- A high-level capital allowances assessment has been prepared and a significant amount of allowances are expected to be available in respect of capital expenditure incurred developing the property. These can be claimed by the ELP and will reduce the tax adjusted profit of the property business. This will generate cash-tax savings at a rate of up to 45% for the UK individual investors, 20% for the non-UK investors (reducing to 17% from 1 April 2020) and 19% for UK company investors (reducing to 17% from 1 April 2020).

Taxation of the UK Investors

- UK investors should be subject to UK tax based on their proportionate share of the property rental business profits from the ELP, based on their respective capital contributions into the ELP.
- The ELP will be required to file a UK partnership tax return by 31 January following the relevant tax year.

Individuals

- Individuals should be subject to UK income tax at a rate of up to 45% on their share of profits from the ELP.
- If losses are received then investors should be able to carry forward these losses and offset them against their share of future profits of the property rental business carried on by the ELP.
- Any gain realised on a future sale of the property by the ELP will also be shared proportionately between the UK investors. UK individual investors would then be subject to UK capital gains tax at a rate of 20% on their share of the net chargeable gain. Each investor may be entitled to utilise any brought forward capital losses (if any) and an annual exempt amount (currently £11,300 per annum) which may be available to offset against their share of the gain.

Companies

- UK companies should be subject to UK corporation tax at a rate of 19% (expected to fall to 17% from 1 April 2020) on a share of profits from the ELP.
- The UK government introduced the CIR rules with effect from 1 April 2017. In summary, UK corporate investors may be subject to a restriction on their share of the interest expense from ELP that they can treat as tax deductible in calculating their total taxable profits if their total net interest expense for the chargeable accounting period is greater than £2 million. If the rules apply then the default position is that the interest expense is restricted to 30% of tax adjusted EBITDA. The rules are complex and each UK corporate investor should be taking bespoke tax advice on this matter as the application of the CIR rules depends on each investors' specific circumstances.
- If losses are received then these losses should be available to utilise against total taxable profits of the company in the chargeable accounting period or, otherwise, they can (subject to certain restrictions introduced with effect from 1 April 2017) be carried-forward and offset against total profits of the company in future periods. If the company is part of a group for UK corporation tax purposes then it may be possible for the loss to be surrendered to another group company and offset against the profits of that company in the same chargeable accounting period.

- Any gain realised on a future sale of the property by the ELP will be shared proportionately between the UK investors. UK corporate investors would then be subject to UK corporation tax at a rate of 19% (reducing to 17% from 1 April 2020) on their share of the net chargeable gain. Each corporate investor may be entitled to utilise any brought forward capital losses (if any).

Taxation of non-UK investors

- The non-UK investors will invest via the PCC (see "Structure" section page 33).
- The relevant "cell" of the PCC will be subject to UK income tax at a rate of 20% on its proportionate share of the property rental business profits from the ELP.
- The cell will register for gross payment status under HMRC's non-resident landlord scheme ("NRLS") in order to receive rental payments gross (rather than net of UK tax). The cell will then file UK non-resident landlord income tax returns with HMRC by 31 January following the relevant tax year.
- Any income distributions from the PCC to non-UK investor-shareholders in the PCC should not be subject to UK tax, but may be subject to local taxes in the jurisdiction in which the non-UK investors are tax resident.
- Please note, from 1 April 2020, it is expected that the PCC will cease being subject to UK income tax (under HMRC's NRLS) and will become subject to UK corporation tax on its share of the property rental business profits from the ELP. At this time, the UK corporation tax rate is expected to be 17%. One of the main purposes of the rules is to bring non-UK companies holding UK property within the scope of the CIR rules which may restrict the PCC's share of the future interest expense from ELP. If the rules apply, then the interest expense which can be treated as tax deductible is restricted to 30% of tax adjusted EBITDA. However, the details behind the proposals for bringing non-resident landlord companies within the scope of UK corporation tax have not been finalised and are therefore subject to change. These provisions are complex and the tax profile for the PCC is being reviewed as more details on the legislation become known.
- Following recent announcements at the Autumn Budget 2017, from April 2019, non-UK persons will now be subject to UK tax on disposals of UK commercial property (or disposals of interests in "property-rich" entities). Therefore, it is also expected that the PCC will be subject to UK tax on the proportion of any future gain realised on a sale of the property which is attributable to the period post April 2019. The details behind these proposals are still being consulted and are therefore subject to change. As for the CIR rules in the point above, the tax profile for the PCC on any capital gain expected on a future sale of the property will be reviewed as more details on the legislation become known. Any capital distributions from the PCC to non-UK investor-shareholders in the PCC should not be subject to UK tax, but may be subject to local taxes in the jurisdiction in which the non-UK investors are tax resident.

Note: Riverside Capital Group Limited is not qualified to give tax advice. You should note that the tax implications of using the above structure will differ depending on the investor's individual circumstances. All investors are strongly recommended to seek their own independent advice on their tax position in the proposed investment vehicle.

Riverside Capital Fees

Fees relating to the opportunity are automatically deducted from the investment vehicles. These include Riverside Capital's transaction and ongoing asset management fees, as well as charges relating to the equity investment and annual running fees.

Table Nine

Transaction, debt arrangement and structuring fee	1.5% of the net purchase price of the property Riverside Capital fee estimated at £131,250
Annual asset management fee	0.5% of the net purchase price of the property Riverside Capital fee estimated at £43,750
Performance fee	An exit fee of 20% of returns to investors above a minimum IRR* hurdle of 8% per annum

In respect of the equity investment, issue costs together with an annual fee will be charged, and may be paid to third party intermediaries. These are shown in Table Nine.

Table Ten

Issue costs	3% of the initial equity commitments
Annual fee	0.5% of the initial equity commitments

06.
Risk factors

Economic downturn
A downturn in the UK economy or the property market might have an adverse impact on values, leading to a reduction in demand for commercial property and low rental growth. The asset's income has the benefit of reviews linked to RPI; it is our experience that, in an environment of low rental growth, investors are increasingly attracted to assets which provide stable long-term income with inflation-linked uplifts.

Debt market
A return to illiquidity in the lending market could make the sale of the properties more difficult due to a lack of debt finance. However, prudent loan to value (LTV)* financing – plus amortisation* of 1% per annum over the hold period taking the gearing down to under 57% at the end of the business plan (2023) – should enhance the opportunity to refinance if necessary at this time.

Reduced demand
The highly regulated life sciences industry faces a number of hurdles to trade as a result of Brexit. However, hopes of a "soft" Brexit are seen to have increased the probability of a potential alignment in regulatory regimes. The life sciences sector makes a significant contribution to the UK economy, and the UK government had identified it as one of five key sectors that are vital to its industrial strategy post Brexit. As part of this, it has committed to increasing investment in R&D. This has been underpinned by the recent commitment of several major drug companies to invest in the country.

Reduced values
If demand slows, rental values may fall. However, a lack of suitable properties should help to offset any downward pressure on rents. In addition, the asset's rent reviews are linked to RPI.

Tenant strength
The tenant and the guarantor have Dun & Bradstreet (D&B) ratings of 2A1. According to D&B, this denotes a low risk of business failure. The value of the investment is directly related to the strength of the tenant. Should the credit rating of the tenant depreciate, it is likely that the value of the investment would go down.

Forward funding

The asset is being acquired by way of a forward funding agreement. Forward funding is a commonly accepted method of property acquisition. Any additional risk incurred by buying a property in this way is mitigated by Riverside Capital's extensive due diligence on both the developer and contractor, and our knowledge and expertise of the relevant sector.

Our in-house project surveyor monitors the development's progress, alongside the bank's appointed surveyor. Monthly funding payments to the contractor are signed off by the project quantity surveyor and are subject to the scrutiny of the monitoring surveyors of both Riverside Capital and the bank. Payments may be withheld if the contractor is behind schedule, or if the work undertaken is not up to standard. In addition, the payments for the works is made monthly in arrears, resulting typically in the value of works on site being far greater than that received in payments by the contractor. This leaves the investor with sufficient funds in hand should it need to step in on behalf of the developer and complete the works.

Appendix 1: Inflation assumptions

Table Eleven shows our base case assumptions for RPI over the expected term of the opportunity. These have been based on an average of the latest independent forecasts from well-respected research institutions.

Table Eleven

	RPI forecast
2019	3.1%
2020	3.1%
2021	3.1%
2022	3.2%
2023	3.2%

Glossary of terms

All-in borrowing rate

The total borrowing rate including all applicable elements, such as fees.

Amortisation

The practice of reducing the value of an asset or a loan in incremental steps.

FRI lease

Full Repairing and Insuring lease. This is a lease which relieves the landlord from all liability for the cost of insurance and repairs. Instead, the tenant is legally responsible for all

Internal Rate of Return (IRR)

A measure of the annualised rate of return on a compound basis.

Loan To Value (LTV)

A financial term used by lenders to express the ratio of a loan to the value of an asset purchased.

LIBOR

London Interbank Offered Rate. An average of the interest rate that banks estimate they would charge to lend to each other. LIBOR is commonly used as a reference point for loans and other financial instruments.

Net Initial Yield (NIY)

The current annualised rent, net of costs, expressed as a percentage of capital value, after allowing for purchase costs.

RPI

Retail Price Index. A measure of UK inflation, which is used to calculate the inflation-linked element of index-linked UK government bonds (gilts). RPI includes some components that are not included in the Consumer Prices Index (CPI), such as mortgage interest payments.

Swap

A financial transaction where two counterparties agree to exchange cash flows for their mutual benefit. The most common kind of swap is an interest rate swap. One counterparty will pay away a floating rate of interest (one that varies according to the level of interest rates) and receive a fixed rate of interest; the other counterparty will pay away a fixed rate of interest and receive a floating rate of interest in return.

Sources

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[8] Savills; Spotlight Cambridge Cross Sector, 2016

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[12] Kier; Press Release, 25 August 2016
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[17] Bidwells

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Recipients of this document who intend to apply for shares in the company following the publication of an Information Memorandum in final form relating to the company are reminded that any such application may only be made on the basis of the information contained in such Information Memorandum which may be different from the information contained in this document. No reliance may be placed for any purpose whatsoever on the information contained in this document or on its completeness. No representation or warranty, express or implied, is given by the company, its directors and proposed directors or advisers as to the accuracy or completeness of the information contained in this document and no liability is accepted for any such information or opinions.

Investment involves risks, and past performance is not necessarily a guide to future performance. Please note that the value of investments and the income from them may go down as well as up and that you may not get back your original investment. Please refer to the Information Memorandum for details, including the risk factors. You should ensure you fully understand the risks associated with the investment and should also consider your own investment objective and risk tolerance level. If in doubt, please seek independent financial professional advice from an authorised person specialising in advising on investments of the kind in question.

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