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**THE FOLLOWING ANNOUNCEMENT IS AN ADVERTISEMENT AND NOT A PROSPECTUS AND DRUM SHAREHOLDERS SHOULD NOT MAKE ANY INVESTMENT DECISION IN RELATION TO THE NEW CUSTODIAN SHARES EXCEPT ON THE BASIS OF THE INFORMATION IN THE SCHEME DOCUMENT WHICH IS PROPOSED TO BE PUBLISHED IN DUE COURSE**

**THIS ANNOUNCEMENT CONTAINS INSIDE INFORMATION**

**FOR IMMEDIATE RELEASE**

**3 September 2021**

**RECOMMENDED ALL-SHARE ACQUISITION OF DRUM INCOME PLUS REIT PLC  
BY CUSTODIAN REIT PLC**

**SUMMARY**

The Boards of Custodian REIT plc ("**Custodian**") and Drum Income Plus REIT plc ("**Drum**") are pleased to announce that they have reached agreement on the terms of a recommended all-share acquisition of Drum by Custodian (the "**Acquisition**"), which is to be implemented by way of a Court-sanctioned scheme of arrangement of Drum (the "**Scheme**") under Part 26 of the Companies Act 2006 (the "**Companies Act**").

The Boards of Custodian and Drum believe that the Acquisition presents an attractive opportunity for Drum Shareholders to obtain a more liquid investment and a strategic opportunity for Custodian to grow the current property portfolio. The Acquisition seeks to allow Drum Shareholders to transfer their investment into a company that continues to focus on regional real estate investments with attractive income characteristics, while at the same time offering greater liquidity, reduced ongoing charges providing further economies of scale and greater portfolio diversification. For Custodian Shareholders, the Drum portfolio is complementary to Custodian's, is expected to enhance earnings per Custodian Share and the corporate transaction leads to savings compared with an equivalent property acquisition.

Under the terms of the Acquisition:

**Drum Shareholders will be entitled to receive 0.530  
New Custodian Shares in exchange for each Drum Share (the "Exchange Ratio").**

The Exchange Ratio values the entire issued and to be issued share capital of Drum at approximately £21.4 million (based on a closing price of 105.80 pence per Custodian Share on 3 August 2021, being the latest practicable date prior to the Possible Offer Announcement).

The value implied by the Exchange Ratio, represents a premium of approximately:

- 7.8 per cent. to the bid market closing price of 52.00 pence per Drum Share on 3 August 2021; and
- 80.9 per cent. to the bid market closing price of 31.00 pence per Drum Share on 4 March 2021 being the date immediately prior to the date on which the Drum Board announced that it was undertaking a strategic review to consider the future of Drum; and
- 10.3 per cent. to the volume weighted average price per Drum Share of 50.85 pence over the 12 month period ended on and including 3 August 2021.

The Acquisition will result in the Existing Custodian Shareholders owning 95.4 per cent. and the Drum Shareholders owning 4.6 per cent., respectively, of the share capital of the Enlarged Custodian.

Custodian will adjust the Exchange Ratio in the event that: (a) either Custodian or Drum announces, declares, makes or pays any one or more dividends or other distributions prior to completion of the Acquisition (save in relation to the making or payment of any dividend or distribution that was announced or declared prior to the date of the Possible Offer Announcement) that is in aggregate in excess of 1.25 pence per Custodian Share or 0.75 pence per Drum Share respectively (the amount of such excess in each case being the "**Excess**"), in which event the adjustment to the Exchange Ratio shall be to take account of the Excess; and/or (b) at the time of completion of the Acquisition, either Custodian or Drum has announced, declared, made or paid its regular quarterly dividend of 1.25 pence per Custodian Share and 0.75 pence per Drum Share as applicable, but the other has not announced, declared, made or paid such dividend (a "**Dividend Discrepancy**"), in which case the adjustment to the Exchange Ratio shall be to take account of the Dividend Discrepancy.

Drum announced on 22 July 2021 that the Net Asset Value per Drum Share as at 30 June 2021 was 70.11 pence. Custodian announced on 27 July 2021 that the Net Asset Value per Custodian Share as at 30 June 2021 was 101.7 pence. The Scheme Document will contain a valuation in respect of Drum's and Custodian's property portfolios as at 30 June 2021 in accordance with Rule 29 of the Code.

The Drum Board considers that the Acquisition is expected to result in a sustainable increase in the valuation of Drum Shareholders' investments due to the higher premium to NAV at which Custodian Shares have historically traded compared to Drum Shares. Over the three months ended 3 August 2021 (being the latest practicable date prior to the Possible Offer Announcement), the Custodian Shares traded at an average premium to Net Asset Value of 1.2 per cent. and the Drum Shares traded at an average discount to Net Asset Value per share of 15.1 per cent.

The Drum Board believes that the proposed Acquisition offers Drum Shareholders an attractive opportunity for the following reasons.

- The Acquisition offers Drum Shareholders the opportunity to continue their investment in a REIT with a similar investment strategy to Drum, but with a broad and diversified shareholder base offering greater liquidity.
- The Custodian portfolio is complementary to the Drum portfolio, with a focus on investing in regional real estate assets and a history of strong performance.

- Custodian offers Drum Shareholders a similar investment objective to Drum in providing shareholders with an attractive level of dividend, fully covered by earnings. Custodian met its target of paying an annual dividend per Custodian Share of 5.0 pence for the financial year ending 31 March 2021.

Having reviewed a range of alternative transactions, the Drum Board believes that the Enlarged Custodian would be attractive in providing Drum Shareholders with greater liquidity, greater portfolio diversification and lower ongoing charges than provided by Drum. Furthermore, the Board believes that the Acquisition represents an orderly, low risk and effective transfer of Drum's property portfolio in today's market.

The Custodian Board also believes there is a compelling strategic rationale for the Acquisition.

- The Custodian Board believes that Drum's portfolio is complementary to the Custodian portfolio, based on Drum's similar property strategy and Custodian's current sector and geographical weightings.
- The Acquisition is expected to enhance earnings per Custodian Share and dividend cover in the first full year of ownership following the Acquisition. Following completion of the Acquisition, the Enlarged Custodian portfolio would benefit from increased tenant diversification and the increase in the asset base would reduce the Enlarged Custodian's Ongoing Charges Ratio.
- As the Acquisition is structured as a corporate transaction, neither SDLT in England and Northern Ireland nor LBTT in Scotland will be payable on acquiring the properties within the Drum portfolio, leading to savings of approximately £2.1 million (net of stamp duty payable by Custodian on the acquisition of the Drum Shares) compared to an equivalent property acquisition.

Consequently, the Custodian Board believes that the Acquisition is of benefit to the Existing Custodian Shareholders as it will grow the portfolio without incurring SDLT or LBTT, diversify the Custodian portfolio, enhance dividend cover and reduce the Ongoing Charges Ratio.

### *Recommendation*

The Drum Directors, who have been so advised by Dickson Minto W.S. ("**Dickson Minto**") as to the financial terms of the Acquisition, consider the terms of the Acquisition to be fair and reasonable. In providing its advice to the Drum Directors, Dickson Minto has taken into account the commercial assessment of the Drum Directors. Dickson Minto is providing independent financial advice to the Drum Directors for the purposes of Rule 3 of the Code.

Accordingly, the Drum Directors intend unanimously to recommend that Drum Shareholders vote, or procure votes, in favour of the Scheme at the Court Meeting and in favour of the Resolution necessary to enable Drum to implement the Acquisition to be proposed at the General Meeting. Hugh Little and Alan Robertson, the Drum Directors who hold, or who are beneficially entitled to, Drum Shares, have each irrevocably undertaken to vote in favour of the Scheme in respect of their own beneficial holdings of 150,000 Drum Shares in aggregate, representing approximately 0.39 per

cent., in aggregate, of Drum's ordinary share capital in issue on 2 September 2021 (being the latest practicable date prior to this Announcement).

#### *Other Drum Shareholder irrevocable undertakings*

Custodian has received an irrevocable undertaking to vote or procure votes to approve the Scheme at the Court Meeting and to vote or procure votes in favour of the Resolution necessary to be able to implement the Acquisition to be passed at the General Meeting from Seven Investment Management, the largest Drum Shareholder, in respect of 26,379,190 Drum Shares, representing approximately 69.05 per cent. of the issued share capital of Drum as at 2 September 2021 (being the last practicable date prior to the date of this Announcement) in respect of which Seven Investment Management has investment management discretion and can procure the exercise of the voting rights attaching to such Drum Shares.

The Board of Custodian notes that as part of the irrevocable undertaking provided by Seven Investment Management in respect of the Acquisition, Seven Investment Management has confirmed that it is its current intention to hold the New Custodian Shares for the medium term from the date on which the Acquisition becomes Effective other than such New Custodian Shares as Seven Investment Management is expecting to sell in the near term to meet the liquidity requirements from their underlying funds. Seven Investment Management has also given certain orderly market undertakings to Custodian in respect of the any proposed disposals in the medium term.

Custodian has also received an irrevocable undertaking to vote or procure votes to approve the Scheme at the Court Meeting and to vote or procure votes in favour of the Resolution necessary to be able to implement the Acquisition to be passed at the General Meeting from Drum Property Investment Group Limited in respect of 2,560,000 Drum Shares, representing approximately 6.70 per cent. of Drum's ordinary share capital in issue on 2 September 2021 (being the latest practicable date prior to this Announcement).

#### *Next steps*

Drum will shortly send the Scheme Document to Drum Shareholders which will include the full terms of the Scheme, an Explanatory Statement from Dickson Minto, an expected timetable of principal events and notices of the Court Meeting and the General Meeting.

The Scheme is conditional on the approval by a majority in number representing not less than 75 per cent. in value of the Drum Shareholders who are on the register of members of Drum at the Voting Record Time, present and voting, whether in person or by proxy, at the Court Meeting (or any adjournment thereof). The implementation of the Scheme also requires the approval of the Resolution to be proposed at the General Meeting (or any adjournment thereof) to amend the Drum Articles to ensure that, if the Scheme is approved at the Court Meeting, any Drum Shares issued after the Scheme Record Time will automatically be acquired by Custodian on the same terms as under the Scheme.

If the Scheme receives the necessary approval from the Drum Shareholders, Drum will ask the Court to sanction the Scheme and a copy of the Court Order will be delivered to the Registrar of

Companies in England and Wales. The Scheme will only become Effective on delivery of the Court Order to the Registrar of Companies.

It is expected that the Scheme will become Effective on 3 November 2021 and the New Custodian Shares which are to be issued to Drum Shareholders will be admitted to (i) listing on the premium listing segment of the Official List of the FCA; and (ii) trading on the London Stock Exchange's main market for listed securities on 4 November 2021.

### *General*

Whilst it is intended that the Acquisition will be implemented by way of a Court-sanctioned scheme of arrangement under Part 26 of the Companies Act, Custodian reserves the right to implement the Acquisition by way of a Takeover Offer, subject to the Panel's consent.

The Acquisition will be subject to the conditions and further terms set out in Appendix I to this Announcement and in the Scheme Document. It is expected that the Scheme will become Effective on 3 November 2021, subject to the satisfaction (or, where applicable, waiver) of such conditions and further terms. Further details of the Acquisition will be set out in the Scheme Document which will contain notice of the Court Meeting and the General Meeting, together with the forms of proxy for use at those Meetings.

Commenting on the Acquisition, Hugh Little, Chairman of Drum said:

*"This transaction gives Drum Shareholders the opportunity to participate in a portfolio of regional real estate assets that has similar characteristics to the existing Drum portfolio but is larger and, as a result, more diversified. Drum Shareholders will benefit from lower costs as a proportion of net assets and from the greater premium to NAV at which the Custodian Shares may trade. The Board is grateful to Drum Real Estate Investment Management Limited for the skill and effort it has devoted to the Company since IPO and looks forward, on behalf of Shareholders, to a continuing investment with Custodian."*

Commenting on the Acquisition, David Hunter, Chairman of Custodian said:

*"I am delighted to announce this important transaction for Custodian, which I am confident should benefit both our new and existing shareholders. The property portfolios of each company are complementary, and the Acquisition is expected to deliver increased earnings and dividend cover, to further diversify our portfolio and to reduce our Ongoing Charges Ratio."*

**This summary should be read in conjunction with, and is subject to, the full text of this Announcement (including its appendices).**

**The Acquisition will be subject to the conditions and further terms of the Acquisition set out in Appendix I to this Announcement, and to the full terms and conditions to be set out in the Scheme Document. Appendix II to this Announcement contains the sources of certain information and bases of calculation used in this Announcement. Appendix III to this Announcement contains details of the irrevocable undertakings received in relation to the Acquisition that are referred to in this Announcement. Appendix IV to this Announcement contains definitions of certain terms used in this Announcement.**

## Enquiries:

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Douglas Armstrong

## Important notices

*Numis Securities Limited ("**Numis**"), which is authorised and regulated in the United Kingdom by the Financial Conduct Authority, is acting as financial adviser and corporate broker exclusively for Custodian and no one else in connection with the matters referred to in this Announcement. In connection with such matters, Numis will not regard any other person as their client, nor will it be responsible to any person other than Custodian for providing the protections afforded to clients of Numis or for providing advice in relation to the contents of this Announcement or any other matter referred to herein. Neither Numis nor any of its affiliates owes or accepts any duty, liability or responsibility whatsoever (whether direct, indirect, consequential, whether in contract, in tort, under statute or otherwise) to any person who is not a client of Numis in connection with the Acquisition, the matters referred to in this Announcement, any statement contained herein or otherwise.*

*Dickson Minto W.S. ("**Dickson Minto**"), which is authorised and regulated by the Financial Conduct Authority in the United Kingdom, is acting exclusively for Drum and for no one else in connection with the matters referred to in this Announcement and will not be responsible to anyone other than Drum for providing the protections afforded to its clients or for providing advice in connection with the Acquisition referred to in this Announcement.*

***If you are in any doubt about the contents of this Announcement or the action you should take, you are recommended to seek your own independent financial advice immediately from your stockbroker, bank manager, solicitor, accountant or independent financial adviser, duly authorised under the Financial Services and Market Act 2000 (as amended) if you are resident in the United Kingdom or from another appropriately authorised independent financial adviser.***

## Overseas jurisdictions

*The release, publication or distribution of this Announcement in jurisdictions other than the United Kingdom may be restricted by the laws of those jurisdictions and therefore persons who are subject to the laws of any jurisdiction other than the United Kingdom into whose possession this Announcement comes should inform themselves about and observe such restrictions. Any failure to comply with any such restrictions may constitute a violation of the securities laws of any such jurisdiction.*

*This Announcement has been prepared in connection with proposals in relation to a scheme of arrangement and for the purposes of complying with the laws of England and Wales, the Code, the Listing Rules and the rules of the London Stock Exchange and the information disclosed may not be the same as that which would have been disclosed if this Announcement had been prepared in accordance with the laws and regulations of any jurisdiction outside of England and Wales.*

*Overseas Shareholders should consult their own legal and tax advisers with respect to the legal and tax consequences of the Scheme. It is the responsibility of any person into whose possession this Announcement comes to satisfy themselves as to the full observance of the laws of the relevant jurisdiction in connection with the Acquisition including the obtaining of any governmental, exchange control or other consents which may be required and/or compliance with other necessary formalities which are required to be observed and the payment of any issue, transfer or other taxes or levies due in such jurisdiction.*

### **US shareholders**

*US Shareholders should note that the Acquisition relates to the shares in a company incorporated in England and Wales and is proposed to be made by means of a scheme of arrangement provided for under the laws of England and Wales. A transaction effected by means of a scheme of arrangement is not subject to the proxy solicitation or tender offer rules under the US Exchange Act. Accordingly, the Acquisition is subject to the disclosure requirements, rules and practices applicable to schemes of arrangement involving a target company incorporated in England and Wales and listed on the London Stock Exchange, which differ from the requirements of US proxy solicitation or tender offer rules.*

### **Forward-looking statements**

*This Announcement contains certain forward-looking statements with respect to Custodian, Drum and the Enlarged Custodian. These forward-looking statements can be identified by the fact that they do not relate only to historical or current facts. Forward-looking statements often use words such as, without limitation, "anticipate", "target", "expect", "estimate", "intend", "plan", "believe", "aim", "will", "may", "hope", "continue", "would", "could" or "should" or other words of similar meaning or the negative thereof. Forward-looking statements include, but are not limited to, statements relating to the following: (i) future capital expenditures, expenses, revenues, economic performance, financial conditions, dividend policy, losses and future prospects, (ii) business and management strategies and the expansion and growth of the operations of Custodian or Drum or the Enlarged Custodian, and (iii) the effects of government regulation on the business of Custodian or Drum or the Enlarged Custodian. There are many factors which could cause actual results to differ materially from those expressed or implied in forward looking statements. Among such factors are changes in the global, political, economic, business, competitive, market and regulatory forces, future exchange*

and interest rates, changes in tax rates and future business combinations or disposals. Such statements are qualified in their entirety by the inherent risks and uncertainties surrounding future expectations.

These forward-looking statements are based on assumptions regarding the present and future business strategies of such persons and the environment in which each will operate in the future. Except as expressly provided in this Announcement, they have not been reviewed by the auditors of Custodian or Drum. By their nature, these forward-looking statements involve known and unknown risks, uncertainties because they relate to events and depend on circumstances that will occur in the future. The factors described in the context of such forward-looking statements in this Announcement may cause the actual results, performance or achievements of any such person, or industry results and developments, to be materially different from any results, performance or achievements expressed or implied by such forward-looking statements. No assurance can be given that such expectations will prove to have been correct and persons reading this Announcement are therefore cautioned not to place undue reliance on these forward-looking statements which speak only as at the date of this Announcement. None of Custodian or Drum, nor their respective members, directors, officers or employees, advisers or any person acting on their behalf, provides any representation, assurance or guarantee that the occurrence of the events expressed or implied in any forward-looking statements in this Announcement will actually occur. No forward-looking or other statements have been reviewed by the auditors of Custodian or Drum.

None of Custodian or Drum or their respective members, directors, officers, employees, advisers and any person acting on behalf of one or more of them undertakes any intention or obligation to update publicly or revise forward-looking statements, whether as a result of new information, future events or otherwise, except to the extent legally required.

Neither Custodian nor Drum, nor any of their respective associates, directors, officers, employees or advisers, provides any representation, assurance or guarantee that the occurrence of the events expressed or implied in any forward-looking statements in this Announcement will actually occur.

### **No profit forecasts or estimates**

No statement in this Announcement is intended as a profit forecast or estimate for Custodian or Drum for any period and no statement in this Announcement should be interpreted to mean that earnings or earnings per Ordinary Share for the current or future financial years would necessarily match or exceed the historical published earnings or earnings per Ordinary Share.

### **Dealing disclosure requirements of the Code**

Under Rule 8.3(a) of the Code, any person who is interested in 1% or more of any class of relevant securities of an offeree company or of any securities exchange offeror (being any offeror other than an offeror in respect of which it has been announced that its offer is, or is likely to be, solely in cash) must make an Opening Position Disclosure following the commencement of the offer period and, if later, following the announcement in which any securities exchange offeror is first identified. An Opening Position Disclosure must contain details of the person's interests and short positions in, and rights to subscribe for, any relevant securities of each of (i) the offeree company and (ii) any securities exchange offeror(s). An Opening Position Disclosure by a person to whom Rule 8.3(a)

*applies must be made by no later than 3.30 pm (London time) on the 10th business day following the commencement of the offer period and, if appropriate, by no later than 3.30 pm (London time) on the 10th business day following the announcement in which any securities exchange offeror is first identified. Relevant persons who deal in the relevant securities of the offeree company or of a securities exchange offeror prior to the deadline for making an Opening Position Disclosure must instead make a Dealing Disclosure.*

*Under Rule 8.3(b) of the Code, any person who is, or becomes, interested in 1% or more of any class of relevant securities of the offeree company or of any securities exchange offeror must make a Dealing Disclosure if the person deals in any relevant securities of the offeree company or of any securities exchange offeror. A Dealing Disclosure must contain details of the dealing concerned and of the person's interests and short positions in, and rights to subscribe for, any relevant securities of each of (i) the offeree company and (ii) any securities exchange offeror(s), save to the extent that these details have previously been disclosed under Rule 8. A Dealing Disclosure by a person to whom Rule 8.3(b) applies must be made by no later than 3.30 pm (London time) on the business day following the date of the relevant dealing.*

*If two or more persons act together pursuant to an agreement or understanding, whether formal or informal, to acquire or control an interest in relevant securities of an offeree company or a securities exchange offeror, they will be deemed to be a single person for the purpose of Rule 8.3.*

*Opening Position Disclosures must also be made by the offeree company and by any offeror and Dealing Disclosures must also be made by the offeree company, by any offeror and by any persons acting in concert with any of them (see Rules 8.1, 8.2 and 8.4).*

*Details of the offeree and offeror companies in respect of whose relevant securities Opening Position Disclosures and Dealing Disclosures must be made can be found in the Disclosure Table on the Takeover Panel's website at [www.thetakeoverpanel.org.uk](http://www.thetakeoverpanel.org.uk), including details of the number of relevant securities in issue, when the offer period commenced and when any offeror was first identified. You should contact the Panel's Market Surveillance Unit on +44 (0)20 7638 0129 if you are in any doubt as to whether you are required to make an Opening Position Disclosure or a Dealing Disclosure.*

### **Publication on website**

*A copy of this Announcement and the documents required to be published pursuant to Rule 26.1 and Rule 26.3 of the Code will be made available (subject to certain restrictions relating to persons resident in Restricted Jurisdictions) free of charge, on Drum's website at <https://www.dripreit.co.uk/investor-centre/> and on Custodian's website at <https://www.custodianreit.com/offer-for-drum-income-plus-reit-plc/> by no later than 12 noon on the Business Day following the date of this Announcement.*

*Neither the contents of these websites nor the content of any other website accessible from hyperlinks on such websites is incorporated into, or forms part of, this Announcement.*

### **Availability of hard copies**

*In accordance with Rule 30.3 of the Code, a person so entitled may request a copy of this Announcement (and any information incorporated into it by reference to another source) in hard copy form free of charge. A person may also request that all future documents, announcements and information sent to that person in relation to the Acquisition should be in hard copy form. For persons who have received a copy of this Announcement in electronic form or via a website notification, a hard copy of this Announcement will not be sent to you unless you have previously notified the Registrar that you wished to receive all documents in hard copy form or unless requested in accordance with the procedure set out below.*

*If you would like to request a hard copy of this Announcement please contact Computershare on +44 (0370) 707 1222.*

### **Scheme process**

*In accordance with Rule 5 of Appendix 7 of the Code, Drum will announce through a Regulatory Information Service key events in the Scheme process including the outcomes of the Meetings and the Sanction Hearing.*

*Unless otherwise consented to by the Court and the Panel, any modification or revision to the Scheme will be made no later than the date which is 14 days prior to the Meetings (or any later date to which such Meetings are adjourned). In accordance with Rule 11 of Appendix 7 of the Code, if the Scheme lapses or is withdrawn all documents of title and other documents lodged with any form of election will be returned as soon as practicable and in any event within 14 days of such lapsing or withdrawal.*

### **Information relating to Shareholders**

*Please be aware that addresses, electronic addresses and certain other information provided by Shareholders, persons with information rights and other relevant persons for the receipt of communications from Drum may be provided to Custodian during the Offer Period as required under Rule 4 of Appendix 4 of the Code in order to comply with Rule 2.11(c) of the Code.*

### **Rounding**

*Certain figures included in this Announcement have been subjected to rounding adjustments. Accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that precede them.*

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**FOR IMMEDIATE RELEASE**

**3 September 2021**

**RECOMMENDED ALL-SHARE ACQUISITION OF DRUM INCOME PLUS REIT PLC  
BY CUSTODIAN REIT PLC**

**1. Introduction**

The Boards of Custodian and Drum are pleased to announce that they have reached agreement on the terms of a recommended all-share acquisition of Drum by Custodian (the "**Acquisition**"). It is proposed that the Acquisition will be effected by way of a Court-sanctioned scheme of arrangement between Drum and the Drum Shareholders under Part 26 of the Companies Act.

**2. The Acquisition**

Under the terms of the Acquisition:

**Drum Shareholders will be entitled to receive 0.530  
New Custodian Shares in exchange for each Drum Share (the "Exchange Ratio").**

The Exchange Ratio values the entire issued and to be issued share capital of Drum at approximately £21.4 million (based on a closing price of 105.80 pence per Custodian Share on 3 August 2021, being the latest practicable date prior to the Possible Offer Announcement).

The value implied by the Exchange Ratio, represents a premium of approximately:

- 7.8 per cent. to the bid market closing price of 52.00 pence per Drum Share on 3 August 2021; and
- 80.9 per cent. to the bid market closing price of 31.00 pence per Drum Share on 4 March 2021 being the date immediately prior to the date on which the Drum Board announced that it was undertaking a strategic review to consider the future of Drum; and
- 10.3 per cent. to the volume weighted average price per Drum Share of 50.85 pence over the 12 month period ended on and including 3 August 2021.

The Acquisition will result in the Existing Custodian Shareholders owning 95.4 per cent., and the Drum Shareholders owning 4.6 per cent., respectively, of the share capital of the Enlarged Custodian.

Custodian will adjust the Exchange Ratio in the event that: (a) either Custodian or Drum announces, declares, makes or pays any one or more dividends or other distributions prior to completion of the Acquisition (save in relation to the making or payment of any dividend or distribution that was announced or declared prior to the date of the Possible Offer Announcement) that is in aggregate in excess of 1.25 pence per Custodian Share or 0.75 pence per Drum Share respectively (the amount of such excess in each case being the "**Excess**"), in which event the adjustment to the Exchange Ratio shall be to take account of the Excess; and/or (b) at the time of completion of the Acquisition, either Custodian or Drum has announced, declared, made or paid its regular quarterly dividend of 1.25 pence per Custodian Share and 0.75 pence per Drum Share as applicable, but the other has not announced, declared, made or paid such dividend (a "**Dividend Discrepancy**"), in which case the adjustment to the Exchange Ratio shall be to take account of the Dividend Discrepancy.

Drum announced on 22 July 2021 that the Net Asset Value per Drum Share as at 30 June 2021 was 70.11 pence. Custodian announced on 27 July 2021 that the Net Asset Value per Custodian Share as at 30 June 2021 was 101.7 pence. The Scheme Document will contain a valuation in respect of Drum and Custodian's property portfolios as at 30 June 2021 in accordance with Rule 29 of the Code.

The Drum Board considers that the Acquisition is expected to result in a sustainable increase in the valuation of Drum Shareholders' investments due to the higher premium to NAV at which Custodian Shares have historically traded compared to Drum Shares. On 4 March 2021, the date immediately prior to the date on which Drum announced it was undertaking its strategic review, Drum's closing bid price was 31.00 pence per share. Over the three months ended 3 August 2021 (being the latest practicable date prior to the Possible Offer Announcement), the Custodian Shares traded at an average premium to NAV of 1.2 per cent. and the Drum Shares traded at an average discount to NAV per Drum Share of 15.1 per cent.

### **3. Background to and reasons for the recommendation**

Drum was established in 2015 with the objective of providing investors with a regular dividend income, plus the prospect of income and capital growth over the long term, by investing in regional real estate assets.

Since launch, the Drum Board has been conscious that Drum, with a market capitalisation of £19.9 million as of 3 August 2021 and with approximately 69.05 per cent. of its voting rights controlled by a single institutional discretionary investment manager on behalf of underlying retail investors who hold the beneficial interest to such Drum Shares, offers the Drum Shareholders and potential investors limited liquidity for dealings. The Drum Board believes that this has constrained investor appetite for the Drum Shares and it has placed substantial limitations on potential further offerings of Drum Shares, notwithstanding the attractive investment strategy and performance that Drum offers.

The Drum Board notes that, Custodian, with a market capitalisation of £445 million as of 3 August 2021 and with a shareholder base that is both broad and diversified would, following the Effective Date offer Drum Shareholders greater liquidity whilst at the same time providing a similar investment profile of investing in regional real estate assets and exposure to an established portfolio, including the assets currently held by Drum, with a history of strong performance.

Having reviewed a range of alternative transactions, the Drum Board believes that the Enlarged Custodian would be attractive in providing Drum Shareholders with greater liquidity, greater portfolio diversification and lower ongoing charges than provided by Drum; and, furthermore, that the Acquisition represents an orderly, low-risk and effective transfer of Drum's property portfolio in today's markets.

#### **4. Background to and reasons for the Acquisition**

The Custodian Board believes there is a compelling strategic rationale for the Acquisition. The Custodian Board views Drum's portfolio as complementary to the Custodian portfolio based on Drum's similar property strategy and Custodian's current sector and geographical weightings.

The Acquisition is expected to enhance earnings per Custodian Share and dividend cover in the first full year following the Acquisition. Following completion of the Acquisition, the Enlarged Custodian portfolio would benefit from increased tenant diversification and the increase in asset base will reduce the Enlarged Custodian's Ongoing Charges Ratio.

As the Acquisition is structured as a corporate transaction, neither SDLT in England and Northern Ireland nor LBTT in Scotland will be payable on acquiring the properties within the Drum portfolio, leading to savings of approximately £2.1 million (net of stamp duty payable by Custodian on the acquisition of the Drum Shares) compared to an equivalent property acquisition.

Consequently, the Custodian Board believes that the Acquisition is of benefit to the Existing Custodian Shareholders as it will grow the portfolio without incurring SDLT or LBTT, diversify the Custodian portfolio, enhance dividend cover and reduce the Ongoing Charges Ratio.

#### **5. Recommendation**

The Drum Directors, who have been so advised by Dickson Minto as to the financial terms of the Acquisition, consider the terms of the Acquisition to be fair and reasonable. In providing its advice to the Drum Directors, Dickson Minto has taken into account the commercial assessment of the Drum Directors. Dickson Minto is providing independent financial advice to the Drum Directors for the purposes of Rule 3 of the Code.

Accordingly, the Drum Directors intend unanimously to recommend that Drum Shareholders vote in favour of the Scheme at the Court Meeting and the Resolution necessary to enable Drum to implement the Acquisition to be proposed at the Drum General Meeting, as Hugh Little and Alan Robertson, being those Drum Directors who hold or who are beneficially entitled to Drum Shares have irrevocably undertaken to do in respect of their own beneficial holdings of 150,000 Drum Shares in aggregate, representing approximately 0.39 per cent. in aggregate of Drum's ordinary share capital in issue on 2 September 2021 (being the latest practicable date prior to this Announcement).

Custodian does not require the approval of the Custodian Shareholders in connection with the Acquisition.

## **6. Irrevocable undertakings**

Custodian has received irrevocable undertakings to vote in favour of the Scheme at the Court Meeting and to vote in favour of the Resolution necessary to enable Drum to implement the Acquisition in respect of a total of 29,089,190 Drum Shares, representing, in aggregate, approximately 76.15 per cent. of Drum's ordinary share capital in issue on 2 September 2021 (being the latest practicable date prior to this Announcement), from:

- (i) as referred to in paragraph 5 above, those of the Drum Directors who hold or are beneficially entitled to Drum Shares, being Hugh Little and Alan Robertson, in respect of 150,000 Drum Shares, in aggregate, representing approximately 0.39 per cent. in aggregate of Drum's ordinary share capital in issue on 2 September 2021 (being the latest practicable date prior to this Announcement);
- (ii) Seven Investment Management, in respect of 26,379,190 Drum Shares, representing, in aggregate, approximately 69.05 per cent. of Drum's ordinary share capital in issue on 2 September 2021 (being the latest practicable date prior to this Announcement), in respect of which Seven Investment Management has investment management discretion and can procure the exercise of the voting rights attaching to such Drum Shares; and
- (iii) Drum Property Investment Group Limited, in respect of in 2,560,000 Drum Shares, representing approximately 6.70 per cent. of Drum's ordinary share capital in issue on 2 September 2021 (being the latest practicable date prior to this Announcement).

Further details of the irrevocable undertakings in relation to the Acquisition are set out in Appendix III to this Announcement.

## **7. Directors, management, employees, pensions and locations**

Following completion of the Acquisition, the Drum Board, as currently constituted, will resign as directors of Drum on the Effective Date. The agreements in place between Drum and each of its service providers, including Drum Real Estate Investment Management Limited will be terminated with effect from the Effective Date, with notice having been served on the date of this Announcement. This is expected to result in a termination payment of £159,553 being made to Drum Real Estate Investment Management Limited, and further termination payments of £26,750 in aggregate to the other service providers to Drum. The fees paid to Drum Real Estate Investment Management Limited are detailed in Drum's annual report and accounts and amounted to £205,000 in the year to 30 September 2020.

As an externally managed REIT, Drum has no employees and therefore does not operate any pension scheme, nor does it have any arrangement in place for any employee involvement in its capital. Drum has no fixed assets other than its property portfolio, nor does it have a place of business, research and development function or headquarters. Ownership of the property portfolio will transfer to Custodian pursuant to the Acquisition and will be managed as part of Custodian's

overall property portfolio according to the policies and processes of Custodian and Custodian Capital.

The Custodian Board will continue to serve as currently constituted on the Board of the Enlarged Custodian. Custodian's existing management and service providers, including Custodian Capital, will remain in place and its investment objective, investment policy and dividend policy will continue unchanged. Custodian Capital intends to undertake a review of the Drum portfolio and expects to manage it in line with Custodian's existing investment policy, which includes letting vacant space to maximise income, refurbishing the properties, as required, to maximise value and fully incorporating the properties into the existing Custodian portfolio.

Enlarged Custodian will continue to be listed on the premium listing segment of the Official List of the FCA and admitted to trading on the London Stock Exchange's main market for listed securities. Custodian will continue to have its registered office at 1 New Walk Place, Leicester LE1 6RU and be managed by Custodian Capital which will also continue to have its headquarters at 1 New Walk Place, Leicester LE1 6RU. The fees paid to Custodian Capital are detailed in Custodian's annual report and accounts and amounted to £3.75 million in the year to 31 March 2021.

## **8. Dividends and dividend policy**

The Boards of Custodian and Drum have agreed to retain their current dividend policies for the period prior to the Effective Date. In addition, the Custodian Board has confirmed that Custodian will continue its existing dividend policy following completion of the Acquisition. The dividend policy of Custodian is to grow the dividend on a sustainable basis, at a rate which is fully covered by projected net rental income and does not inhibit the flexibility of the Company's investment strategy.

Custodian will adjust the Exchange Ratio in the event that: (a) either Custodian or Drum announces, declares, makes or pays any one or more dividends or other distributions prior to completion of the Acquisition (save in relation to the making or payment of any dividend or distribution that was announced or declared prior to the date of the Possible Offer Announcement) that is in aggregate in excess of 1.25 pence per Custodian Share or 0.75 pence per Drum Share respectively (the amount of such excess in each case being the "**Excess**"), in which event the adjustment to the Exchange Ratio shall be to take account of the Excess; and/or (b) at the time of completion of the Acquisition, either Custodian or Drum has announced, declared, made or paid its regular quarterly dividend of 1.25 pence per Custodian Share and 0.75 pence per Drum Share as applicable, but the other has not announced, declared, made or paid such dividend (a "**Dividend Discrepancy**"), in which case the adjustment to the Exchange Ratio shall be to take account of the Dividend Discrepancy.

It is anticipated that Enlarged Custodian will pay an interim dividend of a minimum of 1.25 pence per Custodian Share, in the absence of unforeseen circumstances and assuming rent collection levels remain in line with forecast, in respect of the quarter ended 30 September 2021 by reference to a record date after the Scheme becomes Effective and that Drum Shareholders who receive New Custodian Shares will be entitled to this dividend alongside Existing Custodian Shareholders.

## **9. Information relating to Custodian**

Custodian, established in 2014, is a UK real estate investment trust with a portfolio comprising properties predominantly let to institutional grade tenants throughout the UK, principally characterised by properties with individual values of less than £10 million at acquisition.

Custodian seeks to provide investors with an attractive level of income and the potential for capital growth, striving to be the REIT of choice for private and institutional investors seeking high and stable dividends from well diversified UK real estate.

Custodian has grown significantly since its launch in March 2014, increasing its property portfolio from £95.2 million to approximately £575.4 million as at 30 June 2021, comprising 159 assets at that date.

Custodian is externally managed by Custodian Capital, a property management and investment business which is, regulated by the FCA. Custodian Capital is a wholly owned subsidiary of Mattioli Woods plc, the specialist wealth management and employee benefits business, with approximately £12.0 billion of assets under management, administration or advice. Custodian entered the UK REIT regime on 27 March 2014. As a consequence of Custodian continuing to be a UK REIT and meeting the relevant conditions, it should not be subject to UK corporation tax on the profits (income and capital gains) derived from its investment in its property portfolio and while Custodian remains within the UK REIT regime, the disposal of any properties currently held by it should continue to be tax exempt.

The Scheme Document will contain a valuation in respect of Custodian's property portfolio as at 30 June 2021 in accordance with Rule 29 of the Code.

## **10. Information relating to Drum**

Drum was established in May 2015 to provide investors with a regular dividend income, together with the prospect of income and capital growth over the longer term, by investing in regional real estate assets.

Drum offers investors the opportunity to access a diversified portfolio of UK commercial real estate through a closed-ended fund. By targeting smaller lot size properties, Drum's objective is to provide investors with an attractive level of income and the potential for income and capital growth over the longer term.

Drum's market capitalisation was £19.9 million as at 3 August 2021 (being the last practicable date prior to the Possible Offer Announcement). Drum had a portfolio comprising 10 assets with an aggregate value of £48.9 million as at 30 June 2021. As at 30 June 2021 Drum had 82 tenants spread across the UK with gross contracted rent per annum totalling approximately £3.64 million.

Drum is externally managed by Drum Real Estate Investment Management Limited, a property management and investment business which is part of Drum Property Investment Group Limited's co-investment division. Drum Real Estate Investment Management Limited's multi-disciplinarian team has a long track record of successfully developing and managing commercial property investments throughout the UK.

The Scheme Document will contain a valuation in respect of Drum's property portfolio as at 30 June 2021 in accordance with Rule 29 of the Code.

## **11. Structure of the Acquisition**

It is intended that the Acquisition will be implemented by way of a Court-sanctioned scheme of arrangement between Drum and the Drum Shareholders, under Part 26 of the Companies Act, in accordance with which Custodian will acquire all of the Drum Shares. However, Custodian reserves the right to implement the Acquisition by way of a Takeover Offer, subject to Panel consent.

The purpose of the Scheme is to provide for Custodian to become the holder of the entire issued and to be issued ordinary share capital of Drum. This is to be achieved by the transfer of the Drum Shares to Custodian in consideration for which Drum Shareholders will receive New Custodian Shares on the basis of the Exchange Ratio, as set out in paragraph 2 of this Announcement.

Once the Drum Shareholder approvals have been obtained at the Court Meeting and the General Meeting, and the other Conditions have been satisfied or (where applicable) waived, the Scheme must be sanctioned by the Court at the Sanction Hearing.

The Scheme will become Effective in accordance with its terms on delivery of the Court Order to the Registrar of Companies. Upon the Scheme becoming Effective, it will be binding on all Drum Shareholders, irrespective of whether or not they attended or voted at the Court Meeting or the General Meeting (and if they attended and voted, whether or not they voted in favour), and share certificates in respect of Drum Shares will cease to be valid and entitlements to Drum Shares held within the CREST system will be cancelled.

Drum Shares will be acquired by Custodian pursuant to the Scheme fully paid and free from all liens, charges, equities, encumbrances, rights of pre-emption and any other interests of any nature whatsoever and together with all rights attaching thereto, including voting rights and the rights to receive and retain in full all dividends and other distributions declared, made or paid on or after the Effective Date, save where the record date for such dividend or other distribution falls prior to the Effective Date or otherwise where Custodian and Drum agree.

The New Custodian Shares issued to Drum Shareholders pursuant to the Scheme will be issued credited as fully paid and will rank *pari passu* in all respects with existing Custodian Shares, including the right to receive dividends and other distributions declared, made or paid on Custodian Shares by reference to a record date falling after the Effective Date. The New Custodian Shares will be issued in registered form and will trade under the same ISIN number as the existing Custodian Shares.

Fractions of New Custodian Shares will not be allotted or issued to Drum Shareholders and entitlements will be rounded down to the nearest whole number of Custodian Shares. No cash payments shall be made or returned in respect of any fractional entitlements which will be retained for the benefit of the Enlarged Custodian.

If the Scheme does not become Effective on or before 31 December 2021 being the Long Stop Date (or such later date as Custodian and Drum may agree with the consent of the Panel), it will lapse and the Acquisition will not proceed.

If the Scheme becomes Effective, Drum will become a wholly owned subsidiary of Custodian. Following the Effective Date, it is intended that Drum's name will be changed to Custodian Real Estate (Drop Holdings) plc and the name of Drum Subsidiary will be changed to Custodian Real Estate (Drop) Limited. The properties that are currently held by Drum Subsidiary are expected to continue to be held by the Drum Subsidiary (albeit it will have a new name). Drum Subsidiary will join the Custodian REIT group on the Effective Date. In the event that the properties held by Drum Subsidiary are sold after the Effective Date, their disposal should continue to be exempt from UK corporation tax under the provisions of the REIT regime.

The Scheme Document will include full details of the Scheme, together with notices of the Court Meeting and the General Meeting. The Scheme Document will also contain the expected timetable for the Acquisition and will specify the necessary actions to be taken by Drum Shareholders.

## **12. Conditions of the Acquisition**

The Acquisition is subject to a number of Conditions and certain further terms set out in Appendix I to this Announcement and to the full terms and conditions to be set out in the Scheme Document, including, amongst other things:

- 12.1. the Scheme becoming unconditional and Effective by the Long Stop Date, failing which the Scheme will lapse;
- 12.2. the approval of the Scheme by a majority in number representing not less than 75 per cent. in value of the Drum Shareholders who are on the register of members of Drum at the Voting Record Time, present and voting, whether in person or by proxy, at the Court Meeting (or any adjournment thereof);
- 12.3. the approval of the Resolution necessary to implement the Acquisition by the requisite majority of Drum Shareholders at the General Meeting (or any adjournment thereof) to amend the Drum Articles to ensure that, if the Scheme is approved at the Court Meeting, any Drum Shares issued after the Scheme Record Time will automatically be acquired by Custodian on the same terms as under the Scheme;
- 12.4. the Scheme being sanctioned by the Court (without modification, or with modification on terms agreed by Custodian and Drum) on or before the 22nd day after the expected date of the Sanction Hearing to approve the Scheme as will be set out in the Scheme Document to be sent to Drum Shareholders in due course (or such later date as may be agreed between Custodian and Drum in writing and the Court may allow);
- 12.5. the delivery, by no later than the Long Stop Date, of a copy of the Court Order to the Registrar of Companies in England and Wales; and
- 12.6. the FCA and the London Stock Exchange having acknowledged to Custodian or its agent (and such acknowledgement not having been withdrawn) that the application for Admission of the New Custodian Shares has been approved and (subject to satisfaction of any conditions to which such approval is expressed) will become effective as soon as a dealing notice has been issued by the FCA and the London Stock Exchange having acknowledged to Custodian or its agent (and such acknowledgement not having been

withdrawn) that the New Custodian Shares will be admitted to: (i) listing on the premium listing segment of the Official List of the FCA; and (ii) trading on the London Stock Exchange's main market for listed securities.

### **13. Scheme timetable/further information**

Full details of the expected timetable will be set out in the Scheme Document which will be posted to Drum Shareholders (together with the notices of the Court Meeting and the General Meeting and the Forms of Proxy) as soon as practicable and, in any event, within 28 days of the date of this Announcement unless Drum and Custodian otherwise agree, and the Panel consents, to a later date. Subject to certain restrictions relating to persons resident in Restricted Jurisdictions, the Scheme Document will also be made available on Drum's website at <https://www.dripreit.co.uk/investor-centre/> and Custodian's website at <https://www.custodianreit.com/offer-for-drum-income-plus-reit-plc/>.

### **14. Right to switch to a Takeover Offer**

Subject to obtaining the consent of the Panel, Custodian reserves the right to elect to implement the Acquisition by way of a Takeover Offer as an alternative to the Scheme.

In such event, such Takeover Offer will be implemented on the same terms and conditions, so far as applicable, as those which would apply to the Scheme subject to appropriate amendments to reflect the change in method of effecting the Acquisition, including (without limitation) the inclusion of an acceptance condition set at 90 per cent. of the Drum Shares to which the Takeover Offer relates, (or such lesser percentage as may be agreed after consultation with the Panel (if necessary), being in any case more than 50 per cent. of the voting rights normally exercisable at a general meeting of Drum, including, for this purpose, any such voting rights attaching to Drum Shares that are issued before the Takeover Offer becomes or is declared unconditional as to acceptances, whether pursuant to the exercise of any outstanding subscription or conversion rights or otherwise). Further, if sufficient acceptances of the Takeover Offer are received and/or sufficient Drum Shares are otherwise acquired, it is the intention of Custodian to apply the provisions of Chapter 3 of Part 28 of the Companies Act to compulsorily acquire any outstanding Drum Shares to which such Takeover Offer relates.

### **15. Listing, dealings and settlement of the New Custodian Shares**

Applications will be made to the FCA and the London Stock Exchange, respectively for the New Custodian Shares to be admitted to: (i) the premium listing segment of the Official List of the FCA; and (ii) trading on the London Stock Exchange's main market for listed securities. It is expected that Admission will become effective and that dealings for normal settlement in the New Custodian Shares will commence on the London Stock Exchange at 8.00 a.m. on the Business Day immediately following the Effective Date.

### **16. De-listing**

It is intended that dealings in Drum Shares will be suspended shortly before the Effective Date at a time to be set out in the Scheme Document. It is further intended that applications will be made to the London Stock Exchange to cancel trading in Drum Shares on the Main Market of the London

Stock Exchange, and to the FCA to cancel the listing of the Drum Shares on the Official List, in each case with effect from or shortly following the Effective Date.

On the first Business Day after the Effective Date, entitlements to Drum Shares held within the CREST system will be cancelled and share certificates in respect of Drum Shares will cease to be valid.

Drum does not hold any Drum Shares in treasury.

#### **17. Disclosure of interests in Drum Shares**

As at the close of business on 2 September 2021 (being the last practicable date prior to the publication of this Announcement), save for: (i) the disclosures in this paragraph 17; and (ii) the irrevocable undertakings referred to in paragraph 6 above, none of Custodian or any of its directors or, so far as Custodian and the Custodian Directors are aware, any person acting, or deemed to be acting, in concert with Custodian:

- 17.1. had an interest in, or right to subscribe for, relevant securities of Drum;
- 17.2. had any short position in (whether conditional or absolute and whether in the money or otherwise), including any short position under a derivative, any agreement to sell or any delivery obligation or right to require another person to purchase or take delivery of, relevant securities of Drum;
- 17.3. had procured an irrevocable commitment or letter of intent to accept the Acquisition in respect of relevant securities of Drum; or
- 17.4. had borrowed or lent any Drum Shares.

Furthermore, no arrangement exists with Custodian, Drum or an associate of Custodian in relation to Drum Shares. For these purposes, an "arrangement" includes any indemnity or option arrangement, any agreement or any understanding, formal or informal, of whatever nature, relating to Drum Shares which may be an inducement to deal or refrain from dealing in such securities.

#### **18. Overseas Shareholders**

The availability of the New Custodian Shares and the distribution of this Announcement to persons resident in, or citizens of, or otherwise subject to, jurisdictions outside the United Kingdom may be affected by the laws of the relevant jurisdictions. Such persons should inform themselves of, and observe, any applicable legal or regulatory requirements of their jurisdiction. Drum Shareholders who are in any doubt regarding such matters should consult an appropriate independent professional adviser in the relevant jurisdiction without delay.

This Announcement is not intended and does not constitute or form part of any offer to sell or to subscribe for, or any invitation to purchase or subscribe for, or the solicitation of any offer to purchase or otherwise subscribe for any securities. Drum Shareholders are advised to read the Scheme Document carefully once this has been received.

## **19. General**

The Acquisition will be subject to the conditions and further terms set out in Appendix I to this Announcement and to the full terms and conditions which will be set out in the Scheme Document. The Scheme Document will be despatched to Drum Shareholders as soon as practicable and, in any event, within 28 days of the date of this Announcement, unless Drum and Custodian otherwise agree, with the consent of the Panel, to a later date.

In deciding whether or not to vote or procure votes to approve the Scheme at the Court Meeting or to vote or procure votes in favour of the Resolution necessary to implement the Acquisition at the General Meeting in respect of their Drum Shares, Drum Shareholders should rely on the information contained, and follow the procedures described, in the Scheme Document.

Dickson Minto and Numis have each given and not withdrawn their consent to the publication of this Announcement with the inclusion herein of the references to their names in the form and context in which they appear.

The Scheme Document will not be reviewed by any federal state securities commission or regulatory authority in the US, nor will any commission or authority pass upon the accuracy or adequacy of the Scheme Document. Any representation to the contrary is unlawful and may be a criminal offence.

Appendix II to this Announcement contains the sources of certain information and bases of calculation used in this Announcement. Appendix III to this Announcement contains details of the irrevocable undertakings received in relation to the Acquisition that are referred to in this Announcement. Appendix IV to this Announcement contains definitions of certain terms used in this Announcement.

## **20. Documents published on a website**

Copies of the following documents will, by no later than 12 noon (London time) on the Business Day following the date of this Announcement, be made available on Drum's website at <https://www.dripreit.co.uk/investor-centre/> and Custodian's website at <https://www.custodianreit.com/offer-for-drum-income-plus-reit-plc/> until the end of the Offer Period:

- (a) this Announcement;
- (b) the consent letters from each of Numis and Dickson Minto; and
- (c) the Irrevocable Undertakings referred to in paragraph 6 and Appendix III to this Announcement.

None of the contents of Drum's website, the contents of Custodian's website or the contents of the or the content of any other website accessible from hyperlinks on either such website, is incorporated into or forms part of, this Announcement.

### **Enquiries:**

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Douglas Armstrong

### **Important Notices**

*Numis Securities Limited ("**Numis**"), which is authorised and regulated in the United Kingdom by the Financial Conduct Authority, is acting as financial adviser and corporate broker exclusively for Custodian and no one else in connection with the matters referred to in this Announcement. In connection with such matters, Numis will not regard any other person as their client, nor will it be responsible to any person other than Custodian for providing the protections afforded to clients of Numis or for providing advice in relation to the contents of this Announcement or any other matter referred to herein. Neither Numis nor any of its affiliates owes or accepts any duty, liability or responsibility whatsoever (whether direct, indirect, consequential, whether in contract, in tort, under statute or otherwise) to any person who is not a client of Numis in connection with the Acquisition, the matters referred to in this Announcement, any statement contained herein or otherwise.*

*Dickson Minto W.S. ("**Dickson Minto**"), which is authorised and regulated by the Financial Conduct Authority in the United Kingdom, is acting exclusively for Drum and for no one else in connection with the matters referred to in this Announcement and will not be responsible to anyone other than Drum for providing the protections afforded to its clients or for providing advice in connection with the Acquisition referred to in this Announcement.*

*The Scheme Document (or in the event that the Acquisition is to be implemented by means of a Takeover Offer, the offer document), will contain the full terms and conditions of the Acquisition, including details of how to vote in respect of the Scheme. Any voting decision or response in relation to the Acquisition should be made solely on the basis of the Scheme Document.*

*The contents of this Announcement do not amount to legal, tax or financial advice. The statements contained in this Announcement are made as at the date of this Announcement, unless some other time is specified in relation to them, and service of this Announcement shall not give rise to any implication that there has been no change in the facts set forth in this Announcement since such date.*

***If you are in any doubt about the contents of this Announcement or the action you should take, you are recommended to seek your own independent financial advice immediately from your stockbroker, bank manager, solicitor, accountant or independent financial adviser, duly authorised under the Financial Services and Market Act 2000 (as amended) if you are resident in the United Kingdom, or authorised or exempted under the Investment Intermediaries Act 1995 of Ireland or the European Communities (Markets in Financial Instruments) Regulations (Numbers 1 to 3) 2007 if you are resident in Ireland, or from another appropriately authorised independent financial adviser.***

### **Overseas jurisdictions**

*The release, publication or distribution of this Announcement in jurisdictions other than the United Kingdom may be restricted by the laws of those jurisdictions and therefore persons who are subject to the laws of any jurisdiction other than the United Kingdom into whose possession this Announcement comes should inform themselves about and observe such restrictions. Any failure to comply with any such restrictions may constitute a violation of the securities laws of any such jurisdiction.*

*This Announcement has been prepared in connection with proposals in relation to a scheme of arrangement and for the purposes of complying with the laws of England and Wales, the Code, the Listing Rules and the rules of the London Stock Exchange and the information disclosed may not be the same as that which would have been disclosed if this Announcement had been prepared in accordance with the laws and regulations of any jurisdiction outside of England and Wales.*

*Overseas Shareholders should consult their own legal and tax advisers with respect to the legal and tax consequences of the Scheme. It is the responsibility of any person into whose possession this Announcement comes to satisfy themselves as to the full observance of the laws of the relevant jurisdiction in connection with the Acquisition including the obtaining of any governmental, exchange control or other consents which may be required and/or compliance with other necessary formalities which are required to be observed and the payment of any issue, transfer or other taxes or levies due in such jurisdiction.*

### **US shareholders**

*US Shareholders should note that the Acquisition relates to the shares in a company incorporated in England and Wales and is proposed to be made by means of a scheme of arrangement provided for under the laws of England and Wales. A transaction effected by means of a scheme of arrangement is not subject to the proxy solicitation or tender offer rules under the US Exchange Act. Accordingly, the Acquisition is subject to the disclosure requirements, rules and practices applicable to schemes of arrangement involving a target company incorporated in England and Wales and listed on the London Stock Exchange, which differ from the requirements of US proxy solicitation or tender offer rules.*

### **Forward-looking statements**

*This Announcement contains certain forward-looking statements with respect to Custodian, Drum and the Enlarged Custodian. These forward-looking statements can be identified by the fact that they do not relate only to historical or current facts. Forward-looking statements often use words*

such as, without limitation, "anticipate", "target", "expect", "estimate", "intend", "plan", "believe", "aim", "will", "may", "hope", "continue", "would", "could" or "should" or other words of similar meaning or the negative thereof. Forward-looking statements include, but are not limited to, statements relating to the following: (i) future capital expenditures, expenses, revenues, economic performance, financial conditions, dividend policy, losses and future prospects, (ii) business and management strategies and the expansion and growth of the operations of Custodian or Drum or Enlarged Custodian, and (iii) the effects of government regulation on the business of Custodian or Drum or Enlarged Custodian. There are many factors which could cause actual results to differ materially from those expressed or implied in forward looking statements. Among such factors are changes in the global, political, economic, business, competitive, market and regulatory forces, future exchange and interest rates, changes in tax rates and future business combinations or disposals. Such statements are qualified in their entirety by the inherent risks and uncertainties surrounding future expectations.

These forward-looking statements are based on assumptions regarding the present and future business strategies of such persons and the environment in which each will operate in the future. Except as expressly provided in this Announcement, they have not been reviewed by the auditors of Custodian or Drum. By their nature, these forward-looking statements involve known and unknown risks, uncertainties because they relate to events and depend on circumstances that will occur in the future. The factors described in the context of such forward-looking statements in this Announcement may cause the actual results, performance or achievements of any such person, or industry results and developments, to be materially different from any results, performance or achievements expressed or implied by such forward-looking statements. No assurance can be given that such expectations will prove to have been correct and persons reading this Announcement are therefore cautioned not to place undue reliance on these forward-looking statements which speak only as at the date of this Announcement. None of Custodian or Drum, nor their respective members, directors, officers or employees, advisers or any person acting on their behalf, provides any representation, assurance or guarantee that the occurrence of the events expressed or implied in any forward-looking statements in this Announcement will actually occur. No forward-looking or other statements have been reviewed by the auditors of Custodian or Drum.

None of Custodian or Drum or their respective members, directors, officers, employees, advisers and any person acting on behalf of one or more of them undertakes any intention or obligation to update publicly or revise forward-looking statements, whether as a result of new information, future events or otherwise, except to the extent legally required.

Neither Custodian nor Drum, nor any of their respective associates, directors, officers, employees or advisers, provides any representation, assurance or guarantee that the occurrence of the events expressed or implied in any forward-looking statements in this Announcement will actually occur.

#### **No profit forecasts or estimates**

No statement in this Announcement is intended as a profit forecast or estimate for Custodian or Drum for any period and no statement in this Announcement should be interpreted to mean that earnings or earnings per Ordinary Share for the current or future financial years would necessarily match or exceed the historical published earnings or earnings per Ordinary Share.

### **Dealing disclosure requirements of the Code**

*Under Rule 8.3(a) of the Code, any person who is interested in one per cent. or more of any class of relevant securities of an offeree company or of any securities exchange offeror (being any offeror other than an offeror in respect of which it has been announced that its offer is, or is likely to be, solely in cash) must make an Opening Position Disclosure following the commencement of the Offer Period and, if later, following the announcement in which any securities exchange offeror is first identified.*

*An Opening Position Disclosure must contain details of the person's interests and short positions in, and rights to subscribe for, any relevant securities of each of (i) the offeree company and (ii) any securities exchange offeror(s). An Opening Position Disclosure by a person to whom Rule 8.3(a) applies must be made by no later than 3.30 p.m. (London time) on the tenth Business Day (as defined in the Code) following the commencement of the Offer Period and, if appropriate, by no later than 3.30 p.m. (London time) on the tenth Business Day (as defined in the Code) following the announcement in which any securities exchange offeror is first identified. Relevant persons who deal in the relevant securities of the offeree company or of a securities exchange offeror prior to the deadline for making an Opening Position Disclosure must instead make a Dealing Disclosure.*

*Under Rule 8.3(b) of the Code, any person who is, or becomes, interested in one per cent. or more of any class of relevant securities of the offeree company or of any securities exchange offeror must make a Dealing Disclosure if the person deals in any relevant securities of the offeree company or of any securities exchange offeror. A Dealing Disclosure must contain details of the dealing concerned and of the person's interests and short positions in, and rights to subscribe for, any relevant securities of each of (i) the offeree company and (ii) any securities exchange offeror, save to the extent that these details have previously been disclosed under Rule 8. A Dealing Disclosure by a person to whom Rule 8.3(b) applies must be made by no later than 3.30 p.m. (London time) on the Business Day (as defined in the Code) following the date of the relevant dealing.*

*If two or more persons act together pursuant to an agreement or understanding, whether formal or informal, to acquire or control an interest in relevant securities of an offeree company or a securities exchange offeror, they will be deemed to be a single person for the purpose of Rule 8.3.*

*Opening Position Disclosures must also be made by the offeree company and by any offeror and Dealing Disclosures must also be made by the offeree company, by any offeror and by any persons acting in concert with any of them (see Rules 8.1, 8.2 and 8.4).*

*Details of the offeree and offeror companies in respect of whose relevant securities Opening Position Disclosures and Dealing Disclosures must be made can be found in the Disclosure Table on the Panel's website at [www.thetakeoverpanel.org.uk](http://www.thetakeoverpanel.org.uk), including details of the number of relevant securities in issue, when the Offer Period commenced and when any offeror was first identified. If you are in any doubt as to whether you are required to make an Opening Position Disclosure or a Dealing Disclosure, you should contact the Panel's Market Surveillance Unit on +44 (0)20 7638 0129.*

### **Publication on website**

A copy of this Announcement and the documents required to be published pursuant to Rule 26.1 and Rule 26.3 of the Code will be made available (subject to certain restrictions relating to persons resident in Restricted Jurisdictions) free of charge, on Drum's website at <https://www.dripreit.co.uk/investor-centre/> and on Custodian's website at <https://www.custodianreit.com/offer-for-drum-income-plus-reit-plc/> by no later than 12 noon on the Business Day following the date of this Announcement.

Neither the contents of these websites nor the content of any other website accessible from hyperlinks on such websites is incorporated into, or forms part of, this Announcement.

### **Availability of hard copies**

In accordance with Rule 30.3 of the Code, a person so entitled may request a copy of this Announcement (and any information incorporated into it by reference to another source) in hard copy form free of charge. A person may also request that all future documents, announcements and information sent to that person in relation to the Acquisition should be in hard copy form. For persons who have received a copy of this Announcement in electronic form or via a website notification, a hard copy of this Announcement will not be sent to you unless you have previously notified the Registrar that you wished to receive all documents in hard copy form or unless requested in accordance with the procedure set out below.

If you would like to request a hard copy of this Announcement please contact Computershare on +44 (0370) 707 1222.

### **Scheme process**

In accordance with Rule 5 of Appendix 7 of the Code, Drum will announce through a Regulatory Information Service key events in the Scheme process including the outcomes of the Meetings and the Sanction Hearing.

Unless otherwise consented to by the Court and the Panel, any modification or revision to the Scheme will be made no later than the date which is 14 days prior to the Meetings (or any later date to which such Meetings are adjourned). In accordance with Rule 11 of Appendix 7 of the Code, if the Scheme lapses or is withdrawn all documents of title and other documents lodged with any form of election will be returned as soon as practicable and in any event within 14 days of such lapsing or withdrawal.

### **Information relating to Shareholders**

Please be aware that addresses, electronic addresses and certain other information provided by Shareholders, persons with information rights and other relevant persons for the receipt of communications from Drum may be provided to Custodian during the Offer Period as required under Rule 4 of Appendix 4 of the Code in order to comply with Rule 2.11(c) of the Code.

***Rounding***

*Certain figures included in this Announcement have been subjected to rounding adjustments. Accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that precede them.*

**APPENDIX I**  
**CONDITIONS AND FURTHER TERMS OF THE ACQUISITION**

**Part A**

**Conditions to the Acquisition**

The Acquisition will be conditional upon the Scheme becoming unconditional and becoming Effective, subject to the Code, by no later than 11.59 p.m. on the Long Stop Date, or such later date (if any) as Custodian and Drum may agree, with the consent of the Panel, and the Court may allow.

**Scheme approval**

The Scheme will be conditional upon:

- (a) the approval of the Scheme by a majority in number representing not less than 75 per cent. in value of the Drum Shareholders who are on the register of members of Drum at the Voting Record Time, present and voting, whether in person or by proxy, at the Court Meeting (or any adjournment thereof);
- (b) the approval of the Resolution necessary to implement the Acquisition by the requisite majority of Drum Shareholders at the General Meeting (or any adjournment thereof) to amend the Drum Articles to ensure that, if the Scheme is approved at the Court Meeting, any Drum Shares issued after the Scheme Record Time will automatically be acquired by Custodian on the same terms as under the Scheme;
- (c) the Scheme being sanctioned by the Court (without modification, or with modification on terms agreed by Custodian and Drum) on or before the 22nd day after the expected date of the Sanction Hearing to approve the Scheme as will be set out in the Scheme Document to be sent to Drum Shareholders in due course (or such later date as may be agreed between Custodian and Drum in writing and the Court may allow);
- (d) the delivery, by no later than the Long Stop Date, of a copy of the Court Order to the Registrar of Companies in England and Wales; and
- (e) the FCA and the London Stock Exchange having acknowledged to Custodian or its agent (and such acknowledgement not having been withdrawn) that the application for Admission of the New Custodian Shares has been approved and (subject to satisfaction of any conditions to which such approval is expressed) will become effective as soon as a dealing notice has been issued by the FCA and the London Stock Exchange having acknowledged to Custodian or its agent (and such acknowledgement not having been withdrawn) that the New Custodian Shares will be admitted to: (i) listing on the premium listing segment of the Official List of the FCA; and (ii) trading on the London Stock Exchange's main market for listed securities.

In addition, Custodian and Drum have agreed that, subject to the requirements of the Panel and in accordance with the Code, the Acquisition will also be conditional upon the following Conditions

and, accordingly, the necessary actions to make the Scheme Effective will not be taken unless the following Conditions (as amended if appropriate) have been satisfied or, where relevant, waived:

### **Regulatory approvals**

- (i) if, in the reasonable opinion of Custodian, approval from a Relevant Authority is required for, or a Relevant Authority decides to review, the Acquisition or any matter arising from or related to the Acquisition, it being established in terms satisfactory to Custodian that such Relevant Authority approves (or is deemed to approve) or will permit the Acquisition to proceed on terms satisfactory to Custodian;

### **General Third Party Clearances**

- (ii) the waiver (or non-exercise within any applicable time limits) by any relevant government or governmental, quasi-governmental, supranational, statutory, regulatory, administrative, environmental, professional or investigative body, court, trade agency, association, institution, any entity owned or controlled by any relevant government or state, or any other body or person whatsoever in any jurisdiction (each a "**Third Party**") of any termination right, right of pre-emption, first refusal or similar right arising as a result of or in connection with the Acquisition including, without limitation, its implementation and the proposed acquisition of any shares or other securities in, or in control of, Drum by Custodian;
- (iii) other than in relation to the regulatory approvals referred to in paragraph (i) above, no Third Party having decided to take, institute, implement or threaten any action, proceeding, suit, investigation, enquiry or reference, or enacted, made or proposed any statute, regulation, decision or order, or having taken any other steps which would or might reasonably be expected to (in any case which is material in the context of the Acquisition):
  - require, prevent or delay the divestiture, or alter the terms envisaged for any proposed divestiture by any member of the Custodian Group or any member of the Drum Group of all or any portion of their respective businesses, assets or property or impose any limitation on the ability of any of them to conduct their respective businesses (or any of them) or to own, control or manage any of their respective assets or properties or any part thereof;
  - require, prevent or delay, or alter the terms envisaged for, any proposed divestiture by any member of the Custodian Group of any shares or other securities in Drum;
  - impose any limitation on, or result in a delay in, the ability of any member of the Custodian Group directly or indirectly to acquire or to hold or to exercise effectively, directly or indirectly, all or any rights of ownership in respect of shares or loans or securities convertible into shares or any other securities (or the equivalent) in any member of the Drum Group or to exercise management control over any such member, in each case, to an extent which is material in the context of the Drum Group;

- otherwise adversely affect the business, assets, profits or prospects of any member of the Custodian Group or of any member of the Drum Group;
- make the Scheme or the Acquisition or, in each case, its implementation or the acquisition or proposed acquisition by Custodian or any member of the Custodian Group of any shares or other securities in, or control or management of Drum or any member of the Drum Group void, illegal, and/or unenforceable under the laws of any relevant jurisdiction, or otherwise, directly or indirectly, restrain, restrict, prohibit, delay or otherwise adversely interfere with the same, or impose additional conditions or obligations with respect thereto, or otherwise challenge or interfere therewith;
- require (save as envisaged pursuant to the Acquisition or Chapter 3 of Part 28 of the Companies Act) any member of the Custodian Group or the Drum Group to offer to acquire any shares or other securities (or the equivalent) or interest in any member of the Drum Group or the Custodian Group owned by any third party; or
- impose any limitation on or result in any delay in the ability of any member of the Custodian Group to integrate or co-ordinate its business, or any part of it, with the businesses or any part of the businesses of any other member of the Drum Group which is adverse in the context of the Drum Group or the Custodian Group,

and all applicable waiting and other time periods (including extensions thereof) during which any such Third Party could institute, implement or threaten any action, proceeding, suit, investigation, enquiry or reference or any other step under the laws of any jurisdiction in respect of the Acquisition or the acquisition or proposed acquisition of any Drum Shares having expired, lapsed or been terminated;

- (iv) in addition to the regulatory approvals referred to in paragraph (i) above, all necessary filings, applications and/or notifications which are necessary or considered appropriate by Custodian (acting reasonably) having been made in connection with the Acquisition and all necessary waiting periods and other time periods (including any extensions thereof) under any applicable legislation or regulation of any jurisdiction having expired, lapsed or been terminated and all statutory or regulatory obligations in any jurisdiction having been complied with in connection with the Acquisition or the acquisition by any member of the Custodian Group of any shares or other securities in, or control or management of, Drum or any member of the Drum Group or the carrying on by any member of the Drum Group of its business;
- (v) in addition to the regulatory approvals referred to in paragraph (i) above, all authorisations, orders, recognitions, grants, consents, licences, confirmations, clearances, permissions and approvals for the proposed acquisition of any shares or other securities in, or control of, Drum by any member of the Custodian Group having been obtained in terms and in a form reasonably satisfactory to Custodian from all necessary Third Parties or persons with whom any member of the Drum Group has entered into contractual arrangements or other

material business relationships, and all such authorisations, orders, recognitions, grants, consents, licences, confirmations, clearances, permissions and approvals together with all authorisations orders, recognitions, grants, licences, confirmations, clearances, permissions and approvals necessary or appropriate to carry on the business of any member of the Drum Group, remaining in full force and effect and all filings necessary for such purpose have been made and there being no notice or intimation of any intention to revoke, suspend, restrict, modify or not to renew any of the same at the time at which the Acquisition becomes otherwise unconditional and all necessary statutory or regulatory obligations in any jurisdiction having been complied with;

**Certain matters arising as a result of any arrangement, agreement etc.**

- (vi) except as Disclosed, there being no provision of any agreement, arrangement, licence, permit or other instrument to which any member of the Drum Group is a party or by or to which any such member or any of its assets are or may be bound, entitled or subject, which, in each case as a consequence of the Scheme or the Acquisition or because of a change in the control or management of Drum or otherwise, would or would reasonably be expected to result in (in each case to an extent which is material in the context of the Drum Group as a whole, or in the context of the Acquisition):
- any monies borrowed by or any other indebtedness or liabilities (actual or contingent) of, or grant available to any member of the Drum Group, being or becoming repayable or capable of being declared repayable immediately or earlier than their or its stated maturity date or repayment date or the ability of any member of the Drum Group to borrow monies or incur any indebtedness being withdrawn or inhibited or being capable of becoming or being withdrawn or inhibited;
  - any assets or interests of any such member being or falling to be disposed of or charged or ceasing to be available to any such member or any right arising under which any such asset or interest could be required to be disposed of or charged or could cease to be available to any such member other than in the ordinary course of business;
  - the creation or enforcement of any mortgage, charge or other security interest over the whole or any part of the business, property, assets or interests of any member of the Drum Group or any such mortgage, charge or other security interest (whenever arising or having arisen) becoming enforceable;
  - the rights, liabilities, obligations or interests of any member of the Drum Group in, or the business of any such member with, any person, firm, Company or body (or any arrangement or arrangements relating to any such interest or business) being terminated, adversely modified or affected;
  - the value of any member of the Drum Group or its financial or trading position or prospects being prejudiced or adversely affected;

- the creation of any liability, actual or contingent, by any member of the Drum Group, other than trade creditors or other liabilities incurred in the ordinary course of business; or
- any requirement on any such member to acquire, subscribe, pay up or repay any shares or other securities (or the equivalent),

and no event having occurred which, under any provision of any agreement, arrangement, licence, permit or other instrument to which any member of the Drum Group is a party or by or to which any member of the Drum Group or any of its assets may be bound, entitled or subject, would or might reasonably be expected to result in any of the events or circumstances as are referred to in this Condition (vi), in each case which is or would be material in the context of the Drum Group taken as a whole;

**No material transactions, claims or changes in the conduct of the business of the Drum Group**

(vii) except as Disclosed, no member of the Drum Group having, since 30 June 2021:

- save as between Drum and the Drum Group, issued, agreed to issue, authorised or proposed the issue of additional shares of any class or securities convertible into shares of any class or rights, warrants or options to subscribe for, or acquire, any such shares or convertible securities;
- other than to another member of the Drum Group, sold (or agreed to transfer or sell) any treasury shares;
- save for intra-Drum Group transactions, made or authorised or proposed or announced an intention to propose any material change in its loan capital or issued or authorised the issue of any debentures or incurred or increased any indebtedness or contingent liability;
- issued, authorised or proposed the issue of any debentures or (save for intra-Drum Group transactions), save in the ordinary course of business, incurred or increased any indebtedness or become subject to any liability (actual or contingent);
- purchased, redeemed or repaid or announced any proposal to purchase, redeem or repay any of its own shares or other securities or reduced or, save in respect to the matters mentioned in the first bullet under this Condition (vii), made any other change to any part of its share capital;
- implemented, or authorised, proposed or announced its intention to implement, any reconstruction or other transaction or arrangement otherwise than in the ordinary course of business or entered into or changed the terms of any contract with any director or senior executive;

- other than pursuant to the Acquisition, implemented, effected, authorised or announced its intention to implement, effect, authorise or propose any merger, demerger, reconstruction, amalgamation, scheme or acquisition or disposal of assets or shares in any undertaking or undertakings in any such case to an extent which is material and adverse in the context of the Drum Group or in the context of the Acquisition;
- entered into or varied or authorised, proposed or announced its intention to enter into or vary any contract, transaction or commitment (whether in respect of capital expenditure or otherwise) which is of a long term, onerous or unusual nature or magnitude or which is or could be restrictive on the businesses of any member of the Drum Group or the Custodian Group or which involves an obligation of such a nature or magnitude or which is other than in the ordinary course of business and which, in any such case, is material in the context of the Drum Group taken as a whole;
- entered into, implemented or authorised the entry into of any joint venture, asset or profit sharing arrangement, partnership or merged with, demerged or acquired any body corporate, partnership or business or acquired or disposed of or transferred, mortgaged or charged or created any security interest over any assets or any right, title or interest in any assets (including shares in any undertaking and trade investments or authorised the same;
- been unable or deemed unable, or admitted in writing that it is unable, to pay its debts as they fall due or having stopped or suspended (or threatened to stop or suspend) payment of its debts generally or ceased or threatened to cease carrying on all or a substantial part of its business which, in any such case, is material in the context of the Drum Group taken as a whole;
- (other than in respect of a member of the Drum Group which is dormant and was solvent at the relevant time) taken any corporate action or had any legal proceedings started or threatened against it for its winding-up (voluntary or otherwise), dissolution or reorganisation or for the appointment of a receiver, administrative receiver, administrator, trustee or similar officer of all or any of its assets or revenues or any analogous proceedings in any jurisdiction or had any such person appointed;
- commenced negotiations with any of its creditors or taken any step with a view to rescheduling or restructuring any of its indebtedness or entered into a composition, compromise, assignment or arrangement with any of its creditors whether by way of a voluntary arrangement, scheme of arrangement, deed of compromise or otherwise which, in any such case, is material in the context of the Drum Group taken as a whole, or been declared insolvent;
- entered into any contract, transaction or arrangement which would be restrictive on the business of any member of the Drum Group or the Custodian Group other

than to a nature and extent which is normal in the context of the business concerned;

- waived, settled, abandoned or compromised any claim or admitted any dispute, claim or counter-claim whether made or potential and whether by or against any member of the Drum Group (otherwise than in the ordinary course of business) and which is material in the context of the Drum Group taken as a whole;
- entered into any contract, commitment, arrangement or agreement otherwise than in the ordinary course of business or passed any resolution or made any offer (which remains open for acceptance) with respect to or announced any intention to, or to propose to, effect any of the transactions, matters or events referred to in this condition and which is material in the context of the Drum Group taken as a whole;
- made any material alteration to its constitutional documents; or
- having taken (or agreed or proposed to take) any action which requires, or would require, the consent of the Panel or the approval of Drum Shareholders in a general meeting in accordance with, or as contemplated by, Rule 21.1 of the Code;

**No adverse change, litigation or regulatory enquiry**

(viii) except as Disclosed, since 30 June 2021:

- no adverse change or deterioration having occurred in the business, assets, financial or trading position or profits or prospects of any member of the Drum Group which is material in the context of the Drum Group taken as a whole;
- no litigation, arbitration proceedings, prosecution or other legal or regulatory proceedings to which any member of the Drum Group is or may become a party (whether as a plaintiff, defendant or otherwise) and no investigation by any Third Party against or in respect of any member of the Drum Group having been instituted, announced or threatened by or against or remaining outstanding in respect of any member of the Drum Group which is material in the context of the Drum Group taken as a whole;
- no contingent or other liability of any member of the Drum Group having arisen, increased or become apparent which would be reasonably likely to be adverse in the context of the Drum Group, taken as a whole;
- no steps having been taken which might reasonably be expected to result in the withdrawal, cancellation, termination or modification of any licence held by any member of the Drum Group which is necessary for the proper carrying on of its business and the withdrawal, cancellation, termination or modification or which would reasonable be expected to have a material adverse effect on the Drum Group; and

- no member of the Drum Group having conducted its business in breach of any applicable laws and regulations which in any case is material in the context of the Drum Group taken as a whole;

#### **No discovery of certain matters**

(ix) except as Disclosed, Custodian not having discovered:

- that any financial, business or other information concerning the Drum Group disclosed at any time by or on behalf of any member of the Drum Group, whether publicly, to any member of the Custodian Group or to any of their advisers or otherwise, is misleading, contains a misrepresentation of fact or omits to state a fact necessary to make that information not misleading and which was not subsequently corrected before the date of this Announcement by disclosure by or on behalf of the Drum Group; or
- that any member of the Drum Group is subject to any liability (actual or contingent) which has not been disclosed at any time by or on behalf of the Drum Group, whether publicly, to any member of the Custodian Group or to any of their advisers,

in each case, to the extent which is material in the context of the Drum Group taken as a whole;

(x) except as Disclosed, Custodian not having discovered that:

- any past or present member of the Drum Group has failed to comply in any material respect with any and/or all applicable legislation or regulations, of any jurisdiction with regard to the use, storage, carriage, disposal, spillage, release, discharge, leak or emission of any waste or hazardous substance or any substance likely to impair materially the environment (including property) or harm human health or animal health or otherwise relating to environmental matters or the health and safety of humans, or that there has otherwise been any such storage, carriage, disposal, spillage, release, discharge, leak or emission (whether or not the same constituted a non-compliance by any person with any such legislation or regulations, and wherever the same may have taken place) any of which storage, carriage, disposal, spillage, release, discharge, leak or emission would be likely to give rise to any material liability (actual or contingent) on the part of any member of the Drum Group; or
- there is, or is likely to be, for that or any other reason whatsoever, any material liability (actual or contingent) of any past or present member of the Drum Group to make good, repair, reinstate or clean up any property now or previously owned, occupied, operated or made use of or controlled by any such past or present member of the Drum Group, under any environmental legislation, regulation, notice, circular or order of any government, governmental, quasi-governmental, state or local government, supranational, statutory or other

regulatory body, agency, court, association or any other person or body in any jurisdiction.

### **Anti-corruption, sanctions and criminal property**

(xi) save as Disclosed, Custodian not having discovered that:

- any past or present member, director or officer of the Drum Group or any person that performs or has performed services on behalf of the Drum Group is or has at any time engaged in any activity, practice or conduct which would constitute an offence under the Bribery Act 2010, the US Foreign Corrupt Practices Act of 1977 or any other applicable anti-corruption;
- any asset of any member of the Drum Group constitutes criminal property as defined by section 340(3) of the Proceeds of Crime Act 2002 (but disregarding paragraph (b) of that definition);
- any past or present member, director or officer of the Drum Group, or any other person for whom any such person may be liable or responsible, has engaged in any business with, made any investments in, made any funds or assets available to or received any funds or assets from: (a) any government, entity or individual in respect of which US or European Union persons, or persons operating in those territories, are prohibited from engaging in activities or doing business, or from receiving or making available funds or economic resources, by US or European Union laws or regulations, including the economic sanctions administered by the US Office of Foreign Assets Control, or HM Treasury in the UK; or (b) any government, entity or individual targeted by any of the economic sanctions of the United Nations, the US, the European Union or any of its member states; or
- no member of the Drum Group has been engaged in any transaction which would cause Custodian to be in breach of any law or regulation upon its acquisition of Drum, including the economic sanctions of the US Office of Foreign Assets Control, or HM Treasury & Customs in the UK, or any government, entity or individual targeted by any of the economic sanctions of the United Nations, the US, the European Union or any of its member states.

## **Part B**

### **Waiver and invocation of the Conditions**

Subject to the requirements of the Panel in accordance with the Code, Custodian reserves the right to waive, in whole or in part, all or any of the Conditions in Part A above, except for Conditions (a), (b), (c) and (d) (Scheme Approval), which cannot be waived.

The Acquisition will be subject to the satisfaction (or waiver, if permitted) of the Conditions in Part A above, and to certain further terms set out in Part D below, and to the full terms and conditions which will be set out in the Scheme Document to be published in due course.

The Conditions in Part A (a) and (b) and (ii) to (xi) (inclusive) must be fulfilled, or waived by, no later than 11.59 p.m. on the date immediately preceding the date of the Sanction Hearing. The Acquisition will lapse if it does not become Effective by 11.59 p.m. on the Long Stop Date. Custodian shall be under no obligation to waive or treat as satisfied any of the Conditions which are capable of waiver by a date earlier than the latest date specified above for the fulfilment or waiver thereof, notwithstanding that the other Conditions to the Acquisition may at such earlier date have been waived or fulfilled and that there are at such earlier date no circumstances indicating that any of such Conditions may not be capable of fulfilment.

Custodian may only invoke a Condition so as to cause the Acquisition not to proceed, to lapse or to be withdrawn with the consent of the Panel. The Panel will normally only give its consent if the circumstances which give rise to the right to invoke the Condition are of material significance to Custodian in the context of the Acquisition. This will be judged by reference to the facts of each case at the time that the relevant circumstances arise. The Conditions contained in Part A, paragraph (i) and, if applicable, the Acquisition condition referred to in Part C, are not subject to this provision of the Code. Any Condition that is subject to Rule 13.5(a) of the Code may be waived by Custodian.

### **Part C**

#### **Implementation by way of Takeover Offer**

Subject to obtaining the consent of the Panel, Custodian reserves the right to elect to implement the Acquisition by way of a Takeover Offer as an alternative to the Scheme.

In such event, such Takeover Offer will be implemented on the same terms and conditions, so far as applicable, as those which would apply to the Scheme subject to appropriate amendments to reflect the change in method of effecting the Takeover Offer, including (without limitation) the inclusion of an acceptance condition set at 90 per cent. of the Drum Shares to which the Takeover Offer relates, (or such lesser percentage as may be agreed after consultation with the Panel (if necessary) and if that percentage is less than 75 per cent. of the Drum Shares to which the Takeover Offer relates, with the consent of Drum, being in any case more than 50 per cent. of the voting rights normally exercisable at a general meeting of Drum, including, for this purpose, any such voting rights attaching to Drum Shares that are issued before the Takeover Offer becomes or is declared unconditional as to acceptances, whether pursuant to the exercise of any outstanding subscription or conversion rights or otherwise). Further, if sufficient acceptances of the Takeover Offer are received and/or sufficient Drum Shares are otherwise acquired, it is the intention of Custodian to apply the provisions of Chapter 3 of Part 28 of the Companies Act to compulsorily acquire any outstanding Drum Shares to which such Takeover Offer relates.

### **Part D**

#### **Certain further terms of the Acquisition**

If Custodian is required by the Panel to make an offer for Drum Shares under a mandatory offer for Drum under Rule 9 of the Code, Custodian may make such alterations to the above Conditions as are necessary to comply with that Rule and applicable law.

The availability of the Acquisition to persons not resident in the UK may be affected by the laws of the relevant jurisdictions. Persons who are not resident in the UK should inform themselves about, and observe, any applicable requirements. Drum Shareholders who are in any doubt about such matters should consult an appropriate independent professional adviser in the relevant jurisdiction without delay and observe any applicable requirements. Further details in relation to Overseas Shareholders will be contained in the Scheme Document.

Each of the Conditions shall be regarded as a separate Condition and shall not be limited by reference to any other Condition.

The Drum Shares will be acquired by Custodian fully paid and free from all liens, equitable interests, charges, encumbrances, rights of pre-emption and any other third party rights or interests whatsoever and together with all rights existing at the date of this Announcement or thereafter attaching thereto, including (without limitation) the right to receive and retain, in full, all dividends and other distributions (if any) declared, made or paid or any other return of capital (whether by way of reduction of share capital, repurchase or redemption or otherwise) made on or after the date of this Announcement in respect of the Drum Shares.

The Scheme will be governed by the laws of England and Wales and be subject to the jurisdiction of the Court and to the conditions and further terms set out in this Appendix I and to be set out in the Scheme Document. The Acquisition will also be subject to the applicable requirements of the Companies Act, the Court, the FCA, the London Stock Exchange and the Code. This Announcement does not constitute, or form part of, an offer or invitation to purchase Drum Shares or any other securities.

## APPENDIX II

### SOURCES OF INFORMATION AND BASES OF CALCULATION

In this Announcement:

1. Unless otherwise stated, all financial information relating to Custodian has been extracted or derived (without adjustment) from the audited consolidated financial statements for Custodian for the financial year ended 31 March 2021.
2. Unless otherwise stated, all financial information relating to Drum has been extracted or derived (without adjustment) from the unaudited consolidated financial statements for Drum for the six months ended 31 March 2021.
3. Unless otherwise stated, all Closing Bid Prices for the Drum Shares and the Custodian Shares are derived from the London Stock Exchange Daily Official List.
4. The issued share capital of Drum is 38,201,990 Drum Shares, and the issued share capital of Custodian is 420,603,344 Custodian Shares, both as at 2 September 2021 (being the latest practicable date prior to the date of this Announcement).
5. The average premium to Net Asset Value per share is based on:
  - (a) the daily closing bid price per Drum Share and per Custodian Share, as per Datastream, over the three month period ended on and including 3 August 2021 (being the latest practicable date prior to the Possible Offer Announcement);
  - (b) the daily Net Asset Value for Custodian as per Datastream, over the last three month period ended on and including 3 August 2021 (being the latest practicable date prior to the Possible Offer Announcement); and
  - (c) the daily Net Asset Value for Drum as per Datastream, over the last three month period ended on and including 3 August 2021 (being the latest practicable date prior to the Possible Offer Announcement).

## APPENDIX III

### IRREVOCABLE UNDERTAKINGS

#### Directors' Irrevocable undertakings

The following Drum Directors being those Drum Directors who hold Drum Shares have given irrevocable undertakings to vote in favour of the Scheme at the Court Meeting (or otherwise be bound by the Scheme) and the Resolution to be proposed at the General Meeting in relation to the following Drum Shares:

Name	Number of Drum Shares	Percentage of Drum Shares
Hugh Little	100,000	0.26
Alan Robertson	50,000	0.13

Each irrevocable undertaking includes undertakings to, amongst other things, vote (or procure the vote) in favour of all resolutions to approve or give effect to the Scheme and any related matters proposed at the General Meeting. These irrevocable undertakings will continue to be binding in the event that a higher competing offer is made for Drum.

These irrevocable undertakings shall automatically terminate and be of no further effect in the event that:

- (i) the Acquisition terminates, lapses or is withdrawn in accordance with its terms; or
- (ii) the Scheme has not become Effective, or the offer announced has not been declared unconditional in all respects in accordance with the requirements of the Code on the Long Stop Date (or such later time or date as agreed between Custodian and Drum, with the approval of the Court and/or the Panel, if required).

#### Other Drum Shareholders' Irrevocable Undertakings

The following Drum Shareholders have given irrevocable undertakings to vote in favour of the Scheme at the Court Meeting (or otherwise be bound by the Scheme) and the Resolution to be proposed at the General Meeting in relation to the following Drum Shares:

Name	Number of Drum Shares	Percentage of Drum Shares
Seven Investment Management LLP	26,379,190	69.05
Drum Property Investment Group Limited	2,560,000	6.70

Each irrevocable undertaking includes undertakings to, amongst other things, vote (or procure the vote) in favour of all resolutions to approve or give effect to the Scheme and any related matters proposed at the General Meeting. These irrevocable undertakings will all continue to be binding in the event that a higher competing offer is made for Drum. The irrevocable undertaking given by Seven Investment Management also sets out its current expectation that it will hold its New Custodian Shares for the medium term from the date on which the Acquisition becomes Effective (other than such New Custodian Shares as Seven Investment Management is expecting to sell in the near term to meet the liquidity requirements from their underlying funds). Seven Investment Management has also given certain orderly market undertakings to Custodian in respect of any proposed disposals in the medium term.

Seven Investment Management's irrevocable undertaking will cease to have any effect if:

- (i) the Scheme Document, or the Offer Document (as the case may be) is not posted within 28 days of this Announcement;
- (ii) where the Acquisition is implemented by way of a Scheme, the Court convened shareholder meeting of the Drum Shareholders in respect of the Scheme is not scheduled to take place within 28 days of the date of the Scheme Document;
- (iii) the Acquisition is withdrawn or lapses or does not become wholly unconditional or Effective in accordance with its terms by the Long Stop Date or such later date as may be agreed in writing between Custodian and Drum with the consent of the Panel (if required) for the sole purpose of satisfaction of any outstanding material official authorisations and/or regulatory clearances only, such time period not to be greater than two months; or
- (iv) Seven Investment Management is required to withdraw any of the undertakings given in its irrevocable undertaking by any court of competent jurisdiction or a competent regulator.

The irrevocable undertaking given by Drum Property Investment Group Limited shall automatically terminate and be of no further effect in the event that:

- (i) the Acquisition terminates, lapses or is withdrawn in accordance with its terms; or

- (ii) the Scheme has not become Effective, or the offer announced has not been declared unconditional in all respects in accordance with the requirements of the Code on the Long Stop Date (or such later time or date as agreed between Custodian and Drum, with the approval of the Court and/or the Panel if required).

## APPENDIX IV

### DEFINITIONS

<b>Acquisition</b>	the proposed acquisition by Custodian of the entire issued and to be issued ordinary share capital of Drum, to be implemented by means of the Scheme as described in this Announcement (or, should Custodian so elect, by a Takeover Offer under certain circumstances described in this Announcement)
<b>Admission</b>	the admission of the New Custodian Shares to listing on the premium listing segment of the Official List of the FCA; and (ii) trading on the London Stock Exchange's main market for listed securities
<b>Announcement</b>	this Announcement made pursuant to Rule 2.7 of the Code, including its Appendices
<b>Appendices</b>	the appendices to this Announcement, and "Appendix" has the corresponding meaning, save where the context otherwise requires
<b>Articles</b>	the articles of association of Drum from time to time
<b>Business Day</b>	a day, not being a public holiday, Saturday or Sunday, on which banks in the City of London are open for normal business
<b>Code</b>	The City Code on Takeovers and Acquisitions
<b>Companies Act</b>	the Companies Act 2006 (as amended)
<b>Conditions</b>	the conditions to the implementation of the Acquisition (including the Scheme) as set out in Appendix I to this Announcement and to be set out in the Scheme Document
<b>Court</b>	the High Court of England and Wales
<b>Court Meeting</b>	the meeting or meetings of the Drum Shareholders to be convened by order of the Court for the purpose of considering and, if thought fit, approving the Scheme, including any adjournment, postponement reconvention of any meeting
<b>Court Order</b>	the order of the Court sanctioning the Scheme
<b>Custodian</b>	Custodian REIT plc, a public limited company incorporated in England and Wales with registered number 08863271 and with a registered office at 1 New Walk Place, Leicester LE1 6RU
<b>Custodian Board</b>	the board of Custodian Directors

<b>Custodian Capital</b>	Custodian Capital limited, a limited company incorporated in England and Wales with registered number 06504305 and with its registered office at 1 New Walk Place, Leicester LE1 6RU
<b>Custodian Directors</b>	the Directors of Custodian as at the date of this Announcement or, where the context so requires, the directors from Custodian from time to time
<b>Custodian Group</b>	Custodian and its subsidiaries
<b>Custodian Shareholders</b>	the holders of Custodian Shares from time to time
<b>Custodian Shares</b>	the ordinary shares of 1 pence each in the capital of Custodian
<b>Dickson Minto</b>	Dickson Minto W.S.
<b>Disclosed</b>	(i) information in the annual report and consolidated financial statements of the Drum Group for the financial year ended 30 September 2020; (ii) matters disclosed in any public announcement to a Regulatory Information Service made by Drum prior to the date of this Announcement; (iii) information in this Announcement; or (iv) as otherwise fairly disclosed in writing to Custodian (or Custodian's financial, accounting, taxation or legal advisers (specifically in their capacity as Custodian's advisers in relation to the Acquisition) prior to 12 noon on the Business Day before the date of this Announcement (including all information provided in the electronic data rooms created by Dickson Minto and Brodies LLP and made available to Custodian and its advisers for the purposes of the Acquisition)
<b>Dividend Discrepancy</b>	shall have the meaning given to it where used in the body of this Announcement
<b>Drum</b>	Drum Income Plus REIT plc, a public limited company incorporated in England and Wales with registered number 09511797 and with its registered office at Level 13, Broadgate Tower, 20 Primrose Street, London EC2A 2EW
<b>Drum Board</b>	the board of Drum Directors
<b>Drum Directors</b>	the Directors of Drum as at the date of this Announcement or, where the context so requires, the directors from Drum from time to time
<b>Drum Group</b>	Drum and its subsidiaries from time to time, including the Drum Subsidiary
<b>Drum Shareholders</b>	the holders of Drum Shares from time to time
<b>Drum Shares</b>	the ordinary shares of 10 pence each in the capital of Drum
<b>Drum Subsidiary</b>	Drum Income Plus Limited, a private limited company incorporated in England and Wales with registered number 09515513 and with its

registered office at Level 13, Broadgate Tower, 20 Primrose Street, London EC2A 2EW

<b>Effective</b>	(a) if the Acquisition is implemented by way of the Scheme, means the Scheme having become effective pursuant to its terms; or (b) if the Acquisition is implemented by way of Takeover Offer, means the Takeover Offer having been declared or become unconditional in all respects in accordance with the requirements of the Code
<b>Effective Date</b>	if the Acquisition is implemented by way of the Scheme, the date on which the Scheme becomes effective pursuant to its terms, or, if the Acquisition is implemented by way of a Takeover Offer, the Takeover Offer having been declared or become unconditional in all respects in accordance with the requirements of the Code
<b>Enlarged Custodian</b>	Custodian following completion of the Acquisition
<b>Excess</b>	shall have the meaning given to it where used in the body of this Announcement
<b>Exchange Ratio</b>	the exchange ratio set out in paragraph 2 of this Announcement
<b>Existing Custodian Shareholders</b>	holders of Custodian Shares immediately prior to the Effective Date
<b>General Meeting</b>	the General Meeting of the Drum Shareholders to be convened for the purpose of considering, and if thought fit, approving the Resolution necessary to enable Drum to implement the Acquisition, notice of which will be contained in the Scheme Document
<b>Irrevocable Undertakings</b>	the irrevocable undertakings to vote or procure votes in favour of the Scheme at the Court Meeting and all resolutions necessary to be passed at the General Meeting in order to implement the Scheme, as detailed in Appendix III to this Announcement
<b>LBTT</b>	Scotland's Land and Buildings Transaction Tax
<b>London Stock Exchange</b>	the London Stock Exchange plc
<b>Long Stop Date</b>	31 December 2021, or such later date (if any) as Drum and Custodian may agree, with the consent of the Panel, and (if required) the Court may allow;
<b>Meetings</b>	the Court Meeting and the General Meeting
<b>New Custodian Shares</b>	the new Custodian Shares to be issued to Drum Shareholders in accordance with the terms of the Acquisition

<b>Net Asset Value NAV</b>	or the net asset value of Drum or Custodian, as the context requires, in total or (as the context requires) per Drum Share or Custodian Share calculated in accordance with the relevant companies valuation policy
<b>Numis</b>	Numis Securities Limited a limited company incorporated in England and Wales with registered number 2285918 and with a registered office at 45 Gresham Street, London, EC2V 7BF
<b>Offer Period</b>	as defined in the City Code
<b>Ongoing Charges Ratio</b>	annual expenses (excluding operating expenses of rental property rechargeable to tenants) divided by average quarterly NAV
<b>Opening Position Disclosure</b>	an announcement containing details of interests or short positions in, or rights to subscribe for, any relevant securities of a party to the offer if the person concerned has such a position, as defined in Rule 8 of the Code
<b>Overseas Shareholders</b>	means Drum Shareholders who have a registered address in a jurisdiction outside of the UK
<b>Panel</b>	the UK Panel on Takeovers and Acquisitions
<b>Possible Offer Announcement</b>	the announcement released by Drum pursuant to Rule 2.4 of the Code on 4 August 2021
<b>Relevant Authority</b>	any central bank, ministry, governmental, quasigovernmental, supranational (including the European Union), statutory, regulatory or investigative body, authority or tribunal (including any national or supranational antitrust, competition or merger control authority, any sectoral ministry or regulator and any foreign investment review body), national, state, municipal or local government (including any subdivision, court, tribunal, administrative agency or commission or other authority thereof), any entity owned or controlled by them, any private body exercising any regulatory, taxing, importing or other authority, trade agency, association, institution or professional or environmental body in any jurisdiction
<b>Resolution</b>	the special resolution to be proposed by Drum at the General Meeting in connection with, among other things, the approval of the Scheme and the alteration of the Drum Articles
<b>Restricted Jurisdictions</b>	any jurisdictions where local laws or regulations may result in a significant risk of civil, regulatory or criminal exposure if information concerning the Acquisition is sent or made available to Drum Shareholders in that jurisdiction
<b>Sanction Hearing</b>	the hearing by the Court to sanction the Scheme and, if such hearing is adjourned, references to the commencement of any such hearing shall

mean the commencement of the final adjournment thereof;

<b>Scheme</b>	means a Court sanctioned scheme of arrangement in accordance with Part 26 of the Companies Act
<b>Scheme Document</b>	the document to be sent to Drum Shareholders, including amongst other things, the Scheme, an explanatory statement and the notices convening the Meetings
<b>Scheme Record Time</b>	6.00 p.m. on the Business Day immediately following the date of the Sanction Hearing
<b>SDLT</b>	UK Stamp Duty Land Tax
<b>Takeover Offer</b>	if the Acquisition is to be implemented by way of a takeover offer, the offer to be made by Custodian
<b>Third Party</b>	any relevant government or governmental, quasi-governmental, supranational, statutory, regulatory, administrative, environmental, professional or investigative body, court, trade agency, association, institution, any entity owned or controlled by any relevant government or state, or any other body or person whatsoever in any jurisdiction
<b>Voting Record Time</b>	6.00 p.m. on the day which is two Business Days before the date of the Court Meeting or, if the Court Meeting is adjourned, 6.00 p.m. on the day which is two Business Days before the date set for the adjourned Court Meeting (as the case may be)