

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to the action you should take, you should immediately consult an independent financial adviser authorised under the Financial Services and Markets Act 2000 if you are resident in the United Kingdom or, if you are not so resident, another appropriately authorised independent adviser.**

If you have sold or otherwise transferred all your ordinary shares in R.E.A. Holdings plc, please send this document and the accompanying form of proxy and form of election to the purchaser or transferee, or the stockbroker, bank or other agent through whom the sale or transfer was effected, for transmission to the purchaser or transferee. If you have recently sold or transferred part of your holding of ordinary shares, you should as soon as possible consult the stockbroker, bank or other agent through whom the sale or transfer was effected as the right to elect to retain new preference shares arising under the proposed capitalisation issue that may otherwise be sold by the company on your behalf may represent a benefit that can be claimed by purchasers or transferees under the rules of the London Stock Exchange.

Applications will be made to each of the Financial Services Authority and London Stock Exchange plc for the 1,302,954 new 9 per cent cumulative preference shares of £1 each in the capital of R.E.A. Holdings plc proposed to be issued pursuant to the capitalisation issue referred to in this document to be admitted to, respectively, the Official List and trading on the London Stock Exchange's market for listed securities. It is expected that such admissions will become effective, and that dealings in the new preference shares will commence, on 25 September 2008.

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## R.E.A. Holdings plc

### Proposals for

a capitalisation issue of one new 9 per cent cumulative preference share of £1, credited as fully paid, for every 25 ordinary shares held, the sale by the company, on behalf of the relative allottees, of allotments of 1,000 or fewer preference shares made pursuant to the capitalisation issue

and

the adoption of new articles of association

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A notice convening an extraordinary general meeting of R.E.A. Holdings plc to be held on 24 September 2008 is set out at the end of this document. A form of proxy for use in connection with that meeting is enclosed with copies of this document sent to ordinary shareholders. All ordinary shareholders are urged to complete such form of proxy and to return the same to the company's secretaries, R.E.A. Services Limited, of First Floor, 32-36 Great Portland Street, London W1W 8QX, as soon as possible but in any event so as to arrive by not later than 11.00 a.m. on 22 September 2008.

The latest time for receipt of forms of election (in respect of elections to retain new preference shares arising under the capitalisation issue that may otherwise be sold by the company on behalf of the relative allottees pursuant to the proposals relating to sales of allotments of 1,000 or fewer new preference shares) is 3.00 p.m. on 24 September 2008.

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## EXPECTED TIMETABLE

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Latest time and date for receipt of proxies for use in connection with the extraordinary general meeting	11.00 a.m. on 22 September 2008
Extraordinary general meeting	11.00 a.m. on 24 September 2008
Latest time and date for receipt of forms of election	3.00 p.m. on 24 September 2008
Record date for the capitalisation issue	24 September 2008
Admission of new preference shares to the Official List and to trading on the London Stock Exchange effective and capitalisation issue unconditional	8.00 a.m. on 25 September 2008
CREST accounts credited in respect of new preference shares	25 September 2008
Definitive share certificates despatched in respect of new preference shares	9 October 2008
Cheques (representing net proceeds of sale of new preference shares sold pursuant to the sale arrangement) despatched	9 October 2008

## DEFINITIONS

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Unless the context otherwise requires, the following definitions apply throughout this document:

"1985 Act"	the Companies Act 1985, as amended
"2006 Act"	the Companies Act 2006
"board"	the board of directors of the company
"Capita Registrars"	a trading name of Capita Registrars Limited
"capitalisation issue"	the proposed capitalisation issue of 1,302,954 new preference shares to be allotted to holders of ordinary shares, credited as fully paid by way of capitalisation of share premium account, on the basis of one new preference share for every 25 ordinary shares held at 6.00 p.m. on 24 September 2008
"company"	R.E.A. Holdings plc
"CPO"	crude palm oil
"CREST"	the computerised settlement system operated by Euroclear UK & Ireland Limited to facilitate the transfer of title to securities held in uncertificated form
"directors"	the directors of the company
"existing preference shares"	the preference shares currently in issue
"form of election"	the form upon which a holder (or joint holders) of ordinary shares who is/are (a) prospective allottee(s) of 1,000 or fewer new preference shares pursuant to the capitalisation issue may elect (in whole or in part) not to participate in the sale arrangement
"group"	the company and its subsidiaries
"London Stock Exchange"	London Stock Exchange plc
"new preference shares"	the preference shares proposed to be issued pursuant to the capitalisation issue
"Official List"	the list maintained by the Financial Services Authority in accordance with section 74(1) of the Financial Services and Markets Act 2000
"ordinary shares"	ordinary shares of 25p each in the capital of the company

"preference shares"	9 per cent cumulative preference shares of £1 each in the capital of the company
"proposals"	the proposals, details of which are set out in this document, for the capitalisation issue, the sale arrangement and the adoption by the company of new articles of association
"sale arrangement"	the arrangement whereby the company will (except to the extent that allottees otherwise elect) aggregate all new preference shares comprised in allotments of 1,000 or fewer new preference shares pursuant to the capitalisation issue and arrange for the resultant aggregated holding to be placed by Guy Butler Limited with one or a small number of professional investors (subject to achievement of the minimum price referred to under "Sale arrangement" in Part I below)
"shareholders"	holders of ordinary shares and/or preference shares

References to "dollars" or to "\$" are to the lawful currency of the United States of America. References to "sterling" or to "£" are to the lawful currency of the United Kingdom.

## **PART I - LETTER FROM THE CHAIRMAN OF R.E.A. HOLDINGS PLC**

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### **R.E.A. Holdings plc**

*(Registered in England and Wales no 671099)*

*Registered office:*  
First floor  
32-36 Great Portland  
Street  
London W1W 8QX

29 August 2008

*To the holders of ordinary shares and, for information only, to the holders of preference shares*

Dear Sir or Madam

#### **Introduction**

The purpose of this document is to provide you with information regarding two matters: a proposed capitalisation issue by the company and the proposed adoption by the company of new articles of association.

Pursuant to the capitalisation issue, it is proposed that ordinary shareholders will be allotted new preference shares on the basis of one new preference share for every 25 ordinary shares held at 6.00 p.m. on 24 September 2008. The new preference shares will be issued credited as fully paid by way of capitalisation of share premium account.

To avoid an allottee of 1,000 or fewer new preference shares being forced either to retain what that allottee may regard as a relatively small allotment or to incur disproportionately high selling costs in realising the allotment, it is further proposed that the company will (except to the extent that allottees otherwise elect) aggregate all new preference shares comprised in allotments of 1,000 or fewer new preference shares and sell the resultant aggregated holding on behalf of the relative allottees (subject to achievement of a minimum gross price of 100p per new preference share as specified below).

As a separate matter, the directors consider it desirable that the company's articles of association be changed to reflect certain provisions of the Companies Act 2006 that are now in force or will shortly come into force. As the changes will affect a number of the articles of the existing articles of association, and as there have been numerous other changes in company law and practice, including to the rules of the UK Listing Authority, since the company's existing articles of association were adopted in 1988, the directors believe that the changes can most conveniently be effected by replacing the existing articles of association in their entirety. The directors are therefore proposing that the company should adopt new articles of association.

Implementation of the capitalisation issue and the sale arrangement requires shareholder approval. The proposed adoption of new articles of association also requires shareholder approval. Accordingly, a notice is set out at the end of this document convening an extraordinary general meeting of the company, to be held on 24 September 2008, for the purposes of considering and, if thought fit, passing the resolutions necessary to implement the proposals.

## **Background to the capitalisation issue**

As shareholders will be aware, the group has ambitious plans for continued extension planting of oil palms. Such planting will involve substantial investment by the group. The need to fund this investment currently constrains the rate at which the directors feel that they can prudently declare, or recommend the payment of, dividends on ordinary shares.

The directors appreciate that many shareholders invest not only for capital growth but also for income and that therefore the payment of dividends is important. A dividend of 1p per ordinary share was paid in respect of 2006, dividends totalling 2p per ordinary share were paid in respect of 2007 and the directors have indicated in the half yearly report of the company for the six months ended 30 June 2008 (published on 28 August 2008) that they expect to declare dividends totalling 3p per ordinary share in respect of 2008 (comprising an interim dividend of 1.5p per ordinary share which has been declared for payment on 26 September 2008 and a second interim dividend (in lieu of a final dividend) of 1.5p per ordinary share which the directors expect to declare for payment in early 2009).

With the prospect of increasing crops for several years to come, the directors believe that, notwithstanding the constraints of the development programme, the group should be able to support progressive increases in ordinary dividends from the level now established. However, they also believe that the rate of progression should be steady rather than dramatic. The directors intend that any new level of dividends paid on the ordinary shares in respect of any given year should be sustainable in subsequent years.

The directors recognise that there may be years in which the group's performance might be considered to justify a greater return to ordinary shareholders than a dividend at the levels that the directors believe that the company can prudently afford, having regard to the need to conserve cash resources. This was the case in 2007 when the group was benefiting from CPO prices that were relatively high by comparison with the CPO price levels of the immediately preceding years and in acknowledgement of this the company made a capitalisation issue to ordinary shareholders of 1,085,795 new preference shares on the basis of one new preference share for every 30 ordinary shares held.

With CPO prices continuing into 2008 at levels that are highly remunerative for the group, the directors believe that it is again appropriate to provide some additional return to shareholders in respect of 2008 beyond the cash dividends that the directors have declared or intend to declare. The capitalisation issue is proposed with this aim.

## **Capitalisation issue**

Upon and subject to the terms and conditions described below, it is proposed that holders of ordinary shares on the register of members at 6.00 p.m. on 24 September 2008 be allotted 1,302,954 new preference shares credited as fully paid at par by way of capitalisation of £1,302,954 standing to the credit of the company's share premium account, on the following basis:

**1 new preference share                      for every 25 ordinary shares**

held at 6.00 p.m. on 24 September 2008 (and so in proportion for any greater or lesser number of ordinary shares held) provided that fractional entitlements to new preference shares will be aggregated and sold on terms that the company will be entitled to retain the proceeds of sale.

The 1,302,954 new preference shares proposed to be issued pursuant to the capitalisation issue would represent 9.6 per cent of the 13,600,000 preference shares currently in issue.

## Sale arrangement

The directors have been concerned that an ordinary shareholder receiving a small allotment of new preference shares pursuant to the capitalisation issue might find it unsatisfactory to be faced with a choice between retaining what he may regard as a relatively small investment or incurring disproportionately high selling costs in realising his allotment. Equally, the company would prefer not to add a large number of small holdings of preference shares to the company's register of members as the future costs to the company of doing so would, in the opinion of the directors, be disproportionate to the benefits to the company and the members concerned.

Accordingly, under the sale arrangement, it is proposed that where an ordinary shareholder is allotted 1,000 or fewer new preference shares pursuant to the capitalisation issue and such shareholder does not elect to retain the new preference shares in question, the company will, subject as provided below, arrange for those preference shares to be aggregated with preference shares allotted to other ordinary shareholders with similar allotments and placed by Guy Butler Limited with one or a small number of professional investors. The proceeds of sale (net of dealing costs of ½ per cent as referred to below) will then be distributed to the original allottees of the shares so sold *pro rata* to the numbers of shares sold on their behalf.

Whilst it is impossible to predict the price at which the holdings of participants in the sale arrangement will be sold, the company will endeavour to obtain the highest price reasonably realisable at the time of sale. As an indication to prospective participants, the average of the closing mid market quotations for an existing preference share as derived from the Daily Official List of the London Stock Exchange on and for the four dealing days immediately prior to 28 August 2008 (the latest practicable date before the publication of this document) was 107.5p.

The company will not sell new preference shares the subject of the sale arrangement at a price of less than 100p per share. If, as a result, no sale of such new preference shares has been made on or before the close of business on 2 October 2008, the sale arrangement will be abandoned and prospective participants in the sale arrangement will retain the new preference shares allotted to them.

The company has agreed with Guy Butler Limited a dealing commission of ½ per cent of the gross proceeds of shares sold pursuant to the sale arrangement for the services of Guy Butler Limited in connection with the sale arrangement, such commission to be borne by the participants in the arrangement.

On the basis of the composition of the company's register of ordinary shareholders as at 28 August 2008 (the latest practicable date before the publication of this document), 800 ordinary shareholders would be allotted 1,000 or fewer new preference shares pursuant to the capitalisation issue representing in aggregate 58,293 new preference shares (being some 4.47 per cent of the new preference shares proposed to be issued pursuant to the capitalisation issue).

The directors recognise that the restriction of the sale arrangement to ordinary shareholders who are allottees of 1,000 or fewer new preference shares pursuant to the capitalisation issue will mean that the treatment of those shareholders pursuant to the capitalisation issue will differ from that of other ordinary shareholders. The directors consider that this different treatment is reasonable due to the cost implications for the company of adding a large number of small holdings to its register of members.

Elections to retain new preference shares that would otherwise be subject to the sale arrangement will be irrevocable and may only be made pursuant to the forms of election that are enclosed with this document. Further forms of election, if required as a result of any as yet unregistered sale or other transfer of ordinary shares or any sale or other transfer following the date of this document, are available on request from the company's registrars, Capita Registrars, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU (telephone: 0871 664 0321 or, if telephoning from outside the UK, +44 20 8639 3399). Calls to the Capita Registrars 0871 664 0321 number are charged at 10p per minute (including VAT) plus any extra costs charged by the

relevant service provider. Calls to the Capita Registrars +44 20 8639 3399 number from outside the UK are charged at applicable international rates. Different charges may apply to calls made from mobile telephones. Calls may be recorded and monitored randomly for security and training purposes. Capita Registrars will not provide advice on the merits of the capitalisation issue or sale arrangement, nor give any financial, legal or tax advice in relation thereto.

Ordinary shareholders holding ordinary shares for a number of beneficial owners, one or more of whom will be beneficially entitled to 1,000 or fewer new preference shares pursuant to the capitalisation issue and who wish to avail themselves of the sale arrangement, should act immediately to transfer the relevant ordinary shares into (a) separate account(s).

### **Further terms of the capitalisation issue**

The new preference shares to be issued pursuant to the capitalisation issue will upon issue rank *pari passu* in all respects with the existing preference shares and, in particular, will rank for dividend on 31 December 2008 as if their dividend entitlement on that date had accrued (at the rate of 9 per cent per annum) with effect from and including 1 July 2008. The existing preference shares are already admitted to trading on the London Stock Exchange's market for listed securities.

No expenses of or incidental to the capitalisation issue will be charged to allottees of new preference shares and the new preference shares will be registered by the company in the names of the allottees thereof free of stamp duty and stamp duty reserve tax. New preference shares the subject of the sale arrangement will be sold on terms that stamp duty or stamp duty reserve tax payable on transfer of those shares will be borne by the purchaser(s) of the shares and not the participants in the sale arrangement. However, the dealing commission of ½ per cent referred to above, payable in connection with the sale arrangement, will be deducted in calculating the net proceeds of sale of new preference shares sold pursuant to the arrangement.

No premium will be payable upon issue of any of the new preference shares.

### **Risk factors applicable to the capitalisation issue**

The capitalisation issue will result in holders of ordinary shares receiving new preference shares. The risks attaching to an investment in the preference shares differ in some respects from those attached to an investment in the ordinary shares.

The existing market capitalisation of the preference share capital of the company is substantially less than that of the ordinary share capital and this may be expected to remain the case for the foreseeable future. An investment in the preference shares may therefore be more illiquid than an investment in the ordinary shares.

The value of an investment in any shares of the company may be affected by many factors including general economic conditions, levels of interest rates, political events and trends, tax laws, rates of inflation and changes or perceived changes in the group's performance and prospects. Because the preference shares are fixed income securities, the impact of such factors on the value of the preference shares may differ from its impact on the ordinary shares.

### **Adoption of new articles of association**

During the last twelve months a number of sections of the Companies Act 2006 have come into force which affect the constitutional documents of UK listed public companies and it is proposed that further changes will occur with effect from 1 October 2008.

The directors consider it desirable that the company's articles of association be changed to reflect certain of those provisions of the Companies Act 2006 that are now in force or will shortly come into force. As the changes will affect a number of the articles of the existing articles of association and as there have been numerous other changes in company law and practice, including to the rules of the UK Listing Authority, since the company's existing articles of association were adopted



some 20 years ago, the directors believe that the changes can most conveniently be effected by replacing the existing articles of association in their entirety. The directors are therefore proposing that the company should adopt new articles of association to reflect these changes and to bring the articles of association of the company into line with current practice.

The principal changes reflected in the proposed new articles of association are summarised at Part II of this document. Minor or technical changes have not been separately noted in the summary but are reflected in the full text of the proposed new articles of association which will be available for inspection at the London offices of the company's solicitors, Ashurst LLP, 5 Appold Street, London EC2A 2HA from the date of this document until the close of the extraordinary general meeting convened for 24 September 2008 and also at the place of the meeting for at least fifteen minutes prior to and during the meeting.

Due to the phased nature of implementation of the Companies Act 2006, it is likely that the directors will, in due course, propose further changes to the company's articles of association, to keep the articles of association consistent with company law.

### **Conditions**

The capitalisation issue and the sale arrangement are conditional upon:

- the passing of the first resolution set out in the notice of the extraordinary general meeting of the company convened for 24 September 2008.
- admission of the new preference shares to the Official List and to trading on the London Stock Exchange's market for listed securities and such admissions becoming effective on or before 5.00 p.m. on 31 October 2008.

The sale arrangement is further conditional upon the passing of the second resolution set out in the notice of the extraordinary general meeting of the company convened for 24 September 2008.

The adoption by the company of the proposed new articles of association is conditional upon the passing of the third resolution set out in the notice of the extraordinary general meeting of the company convened for 24 September 2008.

### **Meetings**

As noted above, implementation of the capitalisation issue and the sale arrangement requires shareholder approval and the proposed adoption of new articles of association also requires shareholder approval. Accordingly, an extraordinary general meeting of the company has been convened for 11.00 a.m. on 24 September 2008, to be held at the London office of the company's solicitors, Ashurst LLP, at Broadwalk House, 5 Appold Street, London EC2A 2HA. Three resolutions are set out in the notice of the meeting. Of these, the first resolution will be proposed as an ordinary resolution and the second and third resolutions as special resolutions.

The first resolution provides authority pursuant to article 154 of the company's articles of association for the directors to implement the capitalisation issue.

The second resolution provides authority to the directors to effect the proposed sale arrangement and, if the proposed new articles of association are not adopted pursuant to the third resolution set out in the notice of meeting, also amends article 156 of the existing articles of association of the company (which was inserted in October last year at the time of the capitalisation issue effected then, to permit the sale arrangement linked to the 2007 capitalisation issue) to delete the reference to 5 September 2007 (being the date of the notice of extraordinary general meeting of the company convened in connection with the 2006 capitalisation issue) and to replace it with a reference to 29 August 2008 (being the date of the notice of extraordinary general meeting of the company set out at the end of this document).

The third resolution adopts the proposed new articles of association as the articles of association of the company, which include, *inter alia*, the new provision explained at paragraph B.23 of Part II of this document permitting (subject to the receipt by the directors of shareholder authorisation) arrangements such as the sale arrangement.

### **Action to be taken**

Ordinary shareholders will find enclosed with this document a reply paid form of proxy for use in connection with the extraordinary general meeting convened for 24 September 2008. All ordinary shareholders, whether or not they propose to attend the meeting, are urged to complete such form of proxy in accordance with the instructions printed thereon and to return the same by post to R.E.A. Services Limited at First Floor, 32-36 Great Portland Street, London W1W 8QX so as to arrive as soon as possible but in any event by no later than 48 hours before the time fixed for the meeting. The return of a form of proxy will not prevent an ordinary shareholder from attending the meeting and voting in person if he should so wish.

Ordinary shareholders will also find enclosed an form of election for use in connection with the sale arrangement. Any prospective allottee of 1,000 or fewer new preference shares who wishes to retain some or all of the new preference shares to be allotted to him under the capitalisation issue must complete and return the form of election in accordance with the instructions contained therein and in any event so as to be received by Capita Registrars, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU by no later than 3.00 p.m. on 24 September 2008. A reply paid envelope is enclosed for this purpose. Forms of election will be sent by potential participants in the sale arrangement at the risk of such persons.

### **Settlement and dealings**

It is expected that the issue of the new preference shares will become unconditional, and dealings in the new preference shares, for normal settlement, will commence, on 25 September 2008. The new preference shares will be transferable by written instrument in any usual or common form.

The new preference shares will be issued in registered form and may be held in uncertificated form. New preference shares may be delivered in uncertificated form to member CREST accounts where the holders of ordinary shares to whom the shares have been allotted are CREST participants and, where applicable, have not elected not to participate in the sale arrangement. However, notwithstanding any other provision set out in this document, the company reserves the right in its absolute discretion to issue new preference shares to any such shareholders in certificated form. In normal circumstances, this right is only likely to be exercised in the event of any interruption, failure or breakdown of CREST (or any part of CREST) or any part of the facilities under/or systems operated by the company's registrars in connection with CREST.

It is expected that CREST accounts will be credited in respect of new preference shares on 25 September 2008 and that share certificates in respect of new preference shares will be despatched by first class post on 9 October 2008. Pending despatch of share certificates in respect of the new preference shares to be held in certificated form, transfers will be certified against the register of members of the company. No temporary documents of title will be issued and rights to the new preference shares issued pursuant to the capitalisation issue will not be renounceable.

It is further expected that cheques in respect of cash proceeds arising from the sale of new preference shares pursuant to the sale arrangement will be sent by post to the ordinary shareholders entitled thereto on or before 9 October 2008. Cheques will be crossed "account payee only" and will be drawn in favour of the relevant ordinary shareholders (or in the case of joint holders, the first named thereof).

Holders of ordinary shares who are CREST sponsored members should note that they will not be sent any written communication by the company in respect of the issue of new preference shares pursuant to the capitalisation issue. Holders of ordinary shares who are CREST sponsored

members should refer to their CREST sponsors regarding the action to be taken in connection with this document and the proposals.

Certificates in respect of new preference shares and cheques in respect of cash proceeds arising from sales of new preference shares pursuant to the sale arrangement will be sent to the persons entitled thereto at the risk of such persons.

### **Recommendation**

The board considers that each of the capitalisation issue, the sale arrangement and proposed amendment of the existing articles of association of the company to authorise that arrangement, and the adoption by the company of new articles of association is in the best interests of the company and its shareholders as a whole.

Accordingly, the board recommends that all ordinary shareholders vote in favour of the three resolutions set out in the notice of extraordinary general meeting of the company convened for 24 September 2008 as the directors (and persons connected with them as defined in section 96B(2) of the Financial Services and Markets Act 2000) intend to do in respect of their own holdings comprising 10,868,061 ordinary shares (representing 33.4 per cent of the issued ordinary share capital of the company).

### **Further information**

Attention is drawn to the further information set out in Parts II and III of this document.

Yours faithfully

**Richard Robinow**  
*Chairman*

## **PART II - SUMMARY OF THE PRINCIPAL PROPOSED CHANGES TO THE ARTICLES OF ASSOCIATION**

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### **A. Principal amendments resulting from the Companies Act 2006**

Details of the principal changes which the directors recommend be made to the company's existing articles of association to reflect the 2006 Act are set out below:

1. The 2006 Act has in some areas widened the scope of the powers of a company to indemnify directors and to fund expenditure incurred in connection with certain actions against directors. In particular, the existing exemption allowing a company to provide money for the purpose of funding a director's defence in court proceedings now expressly covers regulatory proceedings and applies to associated companies. Changes are proposed to the article relating to indemnities provided to directors and officers and funding of expenses incurred to reflect these changes.
2. Under provisions of the 2006 Act scheduled to come into force on 1 October 2008, a director must avoid a situation where they have, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the company's interests. The requirement is very broad and could apply, for example, if a director becomes a director of another company or a trustee of another organisation. The 2006 Act allows directors of public companies to authorise conflicts and potential conflicts where the company's articles of association contain a provision to this effect and also provides that articles of association may contain other provisions for dealing with directors' conflicts of interest to avoid a breach of duty. The proposed new articles of association give the directors authority to approve such situations and also include other provisions to allow conflicts of interest to be dealt with in a similar way to the current position. There are safeguards which will apply when directors decide whether to authorise a conflict or potential conflict. In particular, first, only independent directors (that is, those who have no interest in the matter being considered) will be able to take the relevant decision, and secondly, in taking the decision, the directors must act in a way they consider, in good faith, to be most likely to promote the company's success. The directors will be able to impose limits or conditions when giving authorisation (or subsequently) if they think this is appropriate. The proposed new articles of association also include provisions relating to confidential information, attendance at board meetings and availability of board papers to protect a director being in breach of duty if a conflict of interest or potential conflict of interest arises. These provisions will only apply where the position giving rise to the potential conflict has been previously authorised by the independent directors.
3. The 2006 Act provides for enhanced rights for proxies to speak at meetings and vote on a show of hands as well as on a poll. In addition, multiple proxies and corporate representatives may now be appointed by the same shareholder. The proposed new articles contain provisions reflecting these rights. In particular, the existing article 75 would be amended to provide that proxies may vote on a show of hands as well as on a poll. However, the new article would go further than the 2006 Act, in that it would provide that on a vote on a resolution taken on a show of hands at a meeting:
  - (a) every member present in person has one vote; and
  - (b) each person present as a duly appointed proxy of a member has one vote for each member he is representing as proxy

whereas the 2006 Act would seem to provide that each person present as a duly appointed proxy of a member has just one vote (leading to practical difficulties where, for example, the chairman is appointed as proxy for numerous shareholders who may have given conflicting voting instructions).

4. Provisions of the 2006 Act which came into force in January 2007 enable companies to communicate with shareholders by electronic and/or website communications. The proposed new articles of association allow communications to shareholders in electronic form and, in addition, they also permit the company to take advantage of the new provisions relating to website communications. Before the company can communicate with a shareholder by means of website communication, the relevant shareholder must be asked individually by the company to agree that the company may send or supply documents or information to him by means of a website, and the company must either have received a positive response or have received no response within the period of 28 days beginning with the date on which the request was sent. The company will notify the shareholder (either in writing, or by other permitted means) when a relevant document or information is placed on the website and a shareholder can always request a hard copy version of the document or information.
5. Minimum notice periods for meetings were reduced by the 2006 Act. The 2006 Act provides that 21 days notice must be given for an annual general meeting but only 14 days notice is needed for other general meetings (including meetings at which a special resolution is considered). This is reflected in the proposed new articles of association.
6. The concept of an 'extraordinary resolution' has not been retained by the 2006 Act and therefore, has also been removed in the proposed new articles of association.
7. Under the 2006 Act, public companies can no longer pass a shareholder resolution by way of written resolution. This is reflected in the proposed new articles of association.
8. Under the 2006 Act, a public company is required to hold its annual general meeting within six months of its year end (rather than, as was previously required, within 15 months of the previous annual general meeting). This is reflected in the proposed new articles of association.
9. In order to facilitate the flow of information between the company and joint shareholders, the proposed new articles of association provide that where there are joint shareholders, anything agreed or specified with the company by any one joint shareholder will have been deemed to have been agreed or specified with the company by all the joint shareholders

## **B. Other principal amendments**

Details of the principal changes which the directors recommend be made to the company's existing articles of association to reflect other changes in company law and practice, including to the rules of the UK Listing Authority, since the company's existing articles of association were adopted some 20 years ago are set out below:

1. Provisions would be inserted to provide for the issue and transfer of, and other dealings with regard to, uncertificated shares as well as electronic communications from shareholders (which are in addition to the provisions regarding electronic communication to shareholders which are referred to above).
2. Provisions would also be inserted to deal with treasury shares.
3. The restrictions on the purchase of redeemable shares which are contained in article 5(ii) of the company's existing articles of association would be removed. Subject to the requirements of the 1985 Act and the 2006 Act, and to the rules of the UK Listing Authority, the company would, with the appropriate authorities from shareholders, in the future be able to purchase redeemable shares for whatever price and by whatever means the directors see fit.

4. New article 39 would make it clear that the directors must not exercise their discretion to refuse to register any transfer of any share which is not a fully-paid share in a way which the Financial Services Authority or the London Stock Exchange regards as preventing dealings in the shares of the relevant class or classes from taking place on an open and proper basis.
5. Existing article 43, which enables the directors to suspend transfers of shares for up to 30 days per year, would be removed.
6. A new provision would provide that if two consecutive notices of meeting have been posted to a member at his registered address but returned undelivered, such member shall not be entitled to receive further notices from the company until he provides a new address for service. This is consistent with the similar provision regarding payment of dividends and other monies contained in the company's existing articles of association.
7. A new provision would be inserted to enable the directors to postpone a general meeting of the company if they consider that it is impractical or unreasonable to hold the general meeting on the date or at the time or place specified in the notice calling the meeting. Where a meeting is postponed, notice of the time and place of the new meeting must be published in at least two national newspapers in the United Kingdom.
8. The provisions providing for what constitutes ordinary business at an annual general meeting would be expanded to include all business generally regarded as "ordinary", namely:
  - (a) receiving of the company's annual report (including the annual accounts and the reports of the directors and auditors on those accounts);
  - (b) approving the directors' remuneration report and any other reports habitually forming part of the company's annual report;
  - (c) the appointment of directors;
  - (d) the appointment of the auditors (when special notice of the resolution for such appointment is not required by law);
  - (e) fixing the remuneration of the auditors or authorising the directors so to do;
  - (f) authorising the directors in accordance with section 80 of the 1985 Act to exercise the powers of the company to allot relevant securities (as defined in sub-section (2) of section 80 of the 1985 Act);
  - (g) empowering the directors in accordance with section 95 of the 1985 Act to allot equity securities (as defined in sub-section (2) of section 94 of the 1985 Act); and
  - (h) authorising the directors for the purposes of section 166 of the 1985 Act to make market purchases (as defined in sub-section (3) of section 163 of the 1985 Act) of shares in the capital of the company.
9. New provisions would provide for the conduct of general meetings. Among other things, the new provisions would allow for meetings to be held in multiple locations, for the directors to implement appropriate security arrangements and for meetings to be adjourned where necessary for orderly conduct.
10. A new provision would specifically provide that directors may attend and speak at any general meeting of the company or any class meeting of shareholders and also that the chairman may invite any other person with knowledge and experience of the company's business to assist in deliberations at such meetings.

11. Existing article 73, which gives the chairman a casting vote on either a show of hands or a poll at a general meeting, would be removed.
12. New provisions would deal with proxies sent in electronic form and with appointments of proxies within CREST.
13. The existing provision which provides for the payment of fees to directors for their services as directors would be amended to allow for payment of up to £20,000 per annum to each director. Currently, the company is able to pay fees to the directors for their services as directors of up to £100,000 (in aggregate) per annum.
14. The existing provision as to the company's borrowing powers would be amended to provide that, in calculating the amount that the company may borrow, amounts included in the company's balance sheet in respect of any deficit in pensions and other post retirement/employment benefits would be added back.
15. The existing provision setting out the matters in relation to which directors are able to vote despite having an interest in the outcome of the resolution would be amended with the effect that a director would not in the future be able to vote on a resolution concerning any contract, arrangement or transaction for the benefit of employees under which he may also benefit but would be able to vote on a resolution approving an indemnity or the provision of funds in the situations contemplated by the 2006 Act.
16. The existing provisions dealing with when the office of a director is vacated would be amended to include where all other directors sign a notice requesting his resignation.
17. The existing provisions setting out the requirements for retirement of directors would be amended so that all directors (including the managing director and any other executive directors) would be required to retire every three years (as opposed to one third of non-executive directors being required to retire every year as is the case under the existing articles of association).
18. The existing provisions regarding the giving of notice to directors of board meetings would be amended so that a director who is not in the United Kingdom will be entitled to receive notice of meetings by email (if he has notified the company of his email address).
19. The existing provisions governing committees formed and delegated to by the board of directors would be amended to remove the limits on the appointment of and voting rights given to persons who are not directors but are co-opted to such committees
20. A new provision would state expressly that where the directors pay an interim dividend on shares which do not have preferred rights (and act in good faith in doing so), they will not incur any liability to the holders of shares conferring preferred rights for any loss such holders may suffer in consequence.
21. An historic provision relating to capitalisation issues to the holders of ordinary shares arising on conversion of the 4 per cent convertible loan stock 2012 of the company would be removed, as such convertible loan stock has now all been converted and the provision is no longer needed.
22. A new provision would state expressly that funds of the company which are not otherwise available for distribution (including the company's share premium account and capital redemption reserve) may be applied in the paying up of unissued shares to be allotted to shareholders credited as fully paid up.
23. The article permitting sale arrangements such as that currently proposed as part of the proposals would be simplified to delete the reference to a specific sale arrangement (so that the article would permit all such sale arrangements, subject to the same being authorised by the company in general meeting).

24. To make it easier for the company to take advantage of new law concerning electronic communications and the provision of abbreviated accounting information, the specific requirements included in the existing articles of association, that the directors provide members with a full hard copy of the company's annual accounts, auditors' report and directors' report and lay these documents before the company's annual general meeting , would be deleted. This deletion would not affect the statutory rights of members to receive similar information which are conferred by the 1985 Act or the 2006 Act.



## PART III – ADDITIONAL INFORMATION

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### 1. Share capital

(A) The existing authorised and issued share capitals of the company are as follows:

	<i>Authorised</i>		<i>Issued and fully paid</i>	
	<i>Number</i>	<i>Amount £</i>	<i>Number</i>	<i>Amount £</i>
Preference shares	17,500,000	17,500,000	13,600,000	13,600,000
Ordinary shares	41,000,000	10,250,000	32,573,856	8,143,464

(B) Implementation of the capitalisation issue would result in the authorised and issued share capitals of the company becoming as follows:

	<i>Authorised</i>		<i>Issued and fully paid</i>	
	<i>Number</i>	<i>Amount £</i>	<i>Number</i>	<i>Amount £</i>
Preference shares	17,500,000	17,500,000	14,902,954	14,902,954
Ordinary shares	41,000,000	10,250,000	32,573,856	8,143,464

(C) No shares are, or following the capitalisation issue are proposed to be, held by the company in treasury or beneficially owned by the company or any subsidiary of the company.

(D) As an executive incentive, in May 2002 the company granted an option to Mr J C Oakley whereunder Mr Oakley remains entitled to subscribe up to 833,534 ordinary shares at a price of 44.1286p per share. To the extent not exercised by 21 May 2012, such option will lapse. The number of ordinary shares the subject of the option and/or the exercise price may be adjusted following any variation in the issued share capital of the company in such manner as the directors may determine to be fair and reasonable. An adjustment will be made to the number of ordinary shares the subject of the option and/or the exercise price as a result of the capitalisation issue.

(E) The provisions of section 89(1) of 1985 Act (to the extent not disapplied pursuant to section 95 of 1985 Act) confer on holders of ordinary shares rights of pre-emption in respect of the allotment of equity securities (as defined in section 94(2) of 1985 Act) which are to be paid up in cash. There are no rights of pre-emption attaching to the preference shares.

(F) By resolutions passed on 6 June 2008:

- (i) the directors were generally and unconditionally authorised to exercise all the powers of the company to allot relevant securities (as defined in 1985 Act) other than preference shares up to an aggregate nominal amount of £2,106,536, such authority to expire on the date of the annual general meeting of the company to be held in 2009 and also conferring on the directors the power to make an offer or agreement which would or might require relevant securities to be allotted after the relevant authority had expired;
- (ii) the directors were generally and unconditionally authorised to exercise all the powers of the company to allot preference shares up to an aggregate nominal amount of £3,900,000, such authority to expire on the date of the annual general meeting of the company to be held in 2009 and also conferring on the directors the power to make an offer or agreement which would or might require preference shares to be allotted after the relevant authority had expired; and

- (iii) the directors were empowered pursuant to section 95 of 1985 Act to allot equity securities for cash pursuant to the authority referred to at (i) above as if section 89(1) of 1985 Act did not apply to the allotment, this power to expire on the date of the annual general meeting of the company to be held in 2009 and to be limited to the allotment of equity securities in connection with a rights issue or open offer in favour of the holders of ordinary shares and the allotment (otherwise than in connection with such a rights issue or open offer) of equity securities up to an aggregate nominal value of £407,173, such power including the power to make an offer or agreement which would or might require equity securities to be allotted after the power has expired.

(G) The new preference shares have already been created under the laws of England and Wales. They will be issued by resolutions of the board pursuant to the authority referred to at (ii) in sub-paragraph (F) above and the further authority provided by the first resolution set out in the notice of the extraordinary general meeting of the company convened for 24 September 2008.

## 2. **Memorandum and existing articles of association**

(A) The principal objects of the company are set out in clause 4 of its memorandum of association and are to act as and perform the functions of an investment or holding company.

(B) The articles of association of the company as currently in force and as augmented by the Companies Act 2006 (the "articles") include provisions to the following effect:

### (i) *Voting rights*

(a) Save as provided in sub-paragraph (i)(c) below, at any general meeting, a holder of ordinary shares present in person or by proxy is entitled on a show of hands to one vote (or, where represented by more than one proxy, to one vote for each proxy present) and, on a poll to one vote for each ordinary share held by him.

(b) At any general meeting on the date of the notice of which the dividend on the preference shares is more than six months in arrears and upon any resolution proposed at a general meeting for the winding up of the company or directly and adversely affecting any of the rights or privileges attaching to the preference shares, a holder of preference shares is entitled to vote in like manner to a holder of ordinary shares, but such holder is not otherwise entitled to vote at any general meeting.

(c) No shareholder is entitled to vote at any general meeting if any call or other sum presently payable by him in respect of shares remains unpaid or if he has been served by the directors with a restriction notice in the manner described in sub-paragraph (vi) below.

### (ii) *Dividends*

(a) Out of the profits available for distribution and resolved to be distributed, holders of preference shares are entitled to a fixed cumulative preferential dividend at the rate of 9 per cent per annum on the nominal amount for the time being paid up on the preference shares held by them, payable by two equal half yearly instalments on 30 June and 31 December in respect of the half years ended on those dates.

(b) Subject to the rights of the holders of the preference shares, holders of ordinary shares are entitled to share equally with the other holders of issued ordinary shares (but as between them proportionately to the amount paid up on their respective holdings) in any dividend paid on the issued ordinary share capital of the company.

(c) The company in general meeting may declare dividends, but no dividend shall exceed the amount recommended by the directors. Subject to the provisions of 1985 Act, the directors may pay such interim dividends as appear to them to be justified by the profits of the company and may pay the fixed dividends payable on any shares of the company

half-yearly or otherwise on fixed dates. No dividend or interim dividend shall be paid otherwise than in accordance with the provisions of 1985 Act.

(d) The directors may, with the sanction of an ordinary resolution of the company in general meeting, offer the holders of ordinary shares the right to elect to receive new ordinary shares credited as fully paid instead of cash in respect of the whole or part of any dividend.

(e) Any dividend unclaimed after a period of 12 years from the date of declaration of such dividend shall be forfeited and shall revert to the company.

(iii) *Distribution of assets*

(a) On a winding up of the company or other return of assets, the holders of preference shares are entitled, out of the assets of the company available for distribution among the members of the company, to repayment of the amount paid up on their shares and to payment of any arrears of the preferential dividend thereon (but as between them proportionately to the amounts paid up on their respective holdings) in priority to any repayment of the amounts paid up on any other issued shares of the company.

(b) Subject to the rights attached to the preference shares and to any rights which may be attached to any other class of shares, any surplus assets of the company available for distribution among members on a return of assets on a winding up shall be applied in repaying to the holders of the ordinary shares the amounts paid up on such ordinary shares and, subject thereto, shall belong to and be distributed among such holders rateably according to the number of such ordinary shares held by them respectively.

(c) On a liquidation, the liquidator may, with the sanction of an extraordinary resolution of the company and any other sanction required by 1985 Act, divide amongst the members in specie or in kind the whole or any part of the assets of the company and may, for such purpose, set such value as he deems fair upon any property to be so divided and may determine how such division shall be carried out.

(iv) *Alteration of capital and variation of rights*

(a) When the share capital of the company is divided into different classes of shares, the rights attached to any class of shares may, subject to the provisions of 1985 Act, be modified, abrogated or varied either with the consent in writing of the holders of three-fourths of the issued shares of that class or with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of sections 369, 370, 376 and 377 of 1985 Act and the provisions of the articles relating to general meetings shall apply, *mutatis mutandis*, but so that the necessary quorum at any such meeting other than an adjourned meeting shall be two persons holding or representing by proxy at least one-third in nominal value of the issued shares of the relevant class and at an adjourned meeting one person holding shares of the class or his proxy. Any holder of shares of the relevant class present in person or by proxy at the separate class meeting may demand a poll.

(b) The company may increase its share capital and may consolidate or sub-divide its shares by ordinary resolution. Without prejudice to any rights previously conferred on the holders of any existing shares or class of shares, any shares may be issued with such rights or restrictions, whether in regard to dividend, return of capital, voting or otherwise, as the company may by ordinary resolution determine (or, in the absence of any such determination, as the directors may determine).

(c) Subject to the provisions of 1985 Act and the articles, all unissued shares of the company are at the disposal of the directors. Subject to the provisions of 1985 Act, any shares may be issued on terms that they are redeemed or liable to be redeemed at the

option of the company or the shareholders on the terms and in the manner provided for by the articles.

(d) Subject to the provisions of 1985 Act, the company may by special resolution reduce its share capital, any capital redemption reserve and any share premium account in any way and, provided that such purchase is sanctioned by an extraordinary resolution passed at a separate general meeting of each class of holders of outstanding shares of the company (if any) which are capable of being converted into equity share capital of the Company, may purchase its own shares (including any redeemable shares).

*(v) Transfer of shares*

The ordinary shares and preference shares may be transferred either through the CREST system where held in uncertificated form, or by instrument of transfer in any usual or common form duly executed and stamped. The directors may, in their absolute discretion and without assigning any reason therefore, refuse to register any transfer of any share which is not a fully paid share, provided that, where the share in question is listed, such discretion shall not be exercised in such a way as to prevent dealings in the shares from taking place on an open and proper basis. The directors may likewise refuse to register any transfer of a share, whether fully paid or not, in favour of more than four persons jointly. The directors may also decline to recognise any instrument of transfer unless (a) the instrument of transfer is left at the registered office of the company or at the office of the registrars of the company, accompanied by the certificate(s) of the shares to which it relates, if any, and such other evidence as the directors may reasonably require to show the right of the transferor to make the transfer (and, if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do) and (b) the instrument of transfer is in respect of only one class of shares.

*(vi) Restrictions on voting, dividend and transfer rights*

If a member (or any person appearing to be interested in shares in the company held by such member) has been duly served with a notice pursuant to section 212 of 1985 Act and is in default in supplying to the company the information thereby required within 14 days from the date of service of such notice the company may, at the discretion of the directors, serve on such member (or on such person) a notice ("a restriction notice") in respect of the shares in relation to which the default occurred ("default shares") and any other shares held at the date of the restriction notice directing that the member shall not be entitled to be present or to vote at any general meeting or class meeting of the company. Where the default shares represent at least 0.25 per cent of the issued shares of the company of the same class, the restriction notice may in addition direct, *inter alia*, that any dividend or other money which would otherwise be payable on the default shares shall be retained by the company without liability to pay interest and no transfer of any of the shares held by the member shall be registered unless the member is not himself in default in supplying the information requested and the transfer is part only of the member's holding and is accompanied by a certificate given by the member in a form satisfactory to the directors to the effect that after due and careful enquiry the member is satisfied that no person in default is interested in any shares subject to the transfer.

*(vii) Untraced shareholders*

(a) The company may sell at the best price reasonably obtainable any share of a member or person entitled thereto by transmission if, during a period of twelve years, at least three dividends in respect of the share in question have become payable and no cheque or warrant sent by the company in respect of that share has been encashed and no communication has been received by the company from such member or person. The company shall be obliged to account to the former member or other person for the net proceeds of sale but no trust shall be created and the company shall treat the member or other person as a creditor in respect of such proceeds.

(b) If on two consecutive occasions, cheques or warrants in payment of dividends or other moneys payable in respect of any share have been sent through the post in accordance with the provisions of the articles and have been returned undelivered or left uncashed during the periods for which the same are valid and reasonable enquiries have failed to establish any new address of the member or person entitled thereto then, until the member or other person entitled thereto shall have supplied a new address, the company need not despatch further cheques or warrants in payment of dividends or other monies payable in respect of the shares in question and such member or person may be treated for the purposes of the articles and 1985 Act as a person of whose address the company is unaware.

*(viii) General meetings*

(a) The company shall in each year hold a general meeting as its annual general meeting. Not more than fifteen months shall elapse between the date of one annual general meeting of the company and that of the next. The annual general meeting shall be held at such time and place as the directors shall appoint. The directors may, whenever they think fit, convene an extraordinary general meeting, and extraordinary general meetings shall also be convened on such requisition as is provided by 1985 Act.

(b) An annual general meeting and a meeting called for the passing of a special resolution shall be called by not less than twenty-one clear days' notice in writing, and a meeting of the company other than an annual general meeting or a meeting for the passing of a special resolution shall be called by not less than fourteen clear days' notice in writing. The notice shall specify the place, the day and the time of meeting and, in case of special business, the general nature of that business. The notice shall also be given to the directors and the auditors.

(c) No business shall be transacted at any general meeting unless a quorum is present. Except as provided in the articles, two members present in person or by proxy and entitled to vote shall be a quorum. If within half an hour (or such shorter (being not less than five minutes) or longer time as the chairman may decide) from the time appointed for the meeting a quorum is not present, the meeting, if convened by or upon the requisition of members, shall be dissolved. In any other case it shall stand adjourned to such time (being not less than fourteen days nor more than twenty-eight days later) and place as the chairman shall appoint. If at such adjourned meeting a quorum is not present within five minutes from the time appointed therefor, the member or members present in person or by proxy and entitled to vote shall have power to decide upon all matters which could properly have been disposed of at the meeting from which the adjournment took place. The company shall give not less than seven clear days' notice of any meeting adjourned for want of a quorum.

(C) There are no restrictions in the memorandum or articles of association of the company on the rights of non UK resident shareholders to hold, exercise voting rights attaching to or receive dividends and distributions in respect of shares in the company. However, under the articles of association, no shareholder is entitled to receive notices from the company, including notices of general meetings, unless he has given an address in the UK to the company to which such notices may be sent.

### 3. **UK taxation**

(A) General

**The following paragraphs are intended only as a general guide to current UK tax legislation and to what is understood to be the current practice of Her Majesty's Revenue and Customs ("HMRC"). They may not apply to certain categories of holders of ordinary shares, such as dealers in securities. Any person who is in any doubt as to his tax position is strongly recommended to consult his professional advisers immediately.**

(B) UK capital gains implications of the capitalisation issue

For the purposes of UK taxation of capital gains (or for corporate shareholders corporation tax on chargeable gains), the issue of new preference shares pursuant to the capitalisation issue should constitute a reorganisation of the ordinary shares. Accordingly, new preference shares issued to an ordinary shareholder pursuant to the capitalisation issue should normally constitute an addition to that holder's then holding of ordinary shares so that the resultant holdings of new preference shares and ordinary shares should be treated as the same asset (the "new holding") acquired on the same date or dates as the date or dates upon which the holder's holding of ordinary shares was acquired or deemed acquired (save that, where a non-corporate shareholder's holding of ordinary shares is treated as consisting of more than one holding for tax purposes, the new preference shares acquired will be attributed pro rata to those holdings).

For the purposes of computing the gain (or loss) on the subsequent disposal of the new holding or any part of it, the base cost of the new holding will be treated as equal to the base cost of the ordinary shares held by the relative holder of ordinary shares and will be apportioned between the ordinary shares and new preference shares comprised in the new holding by reference to their respective market values on the first day following the capitalisation issue on which a market value per share is quoted for each type of shares.

Indexation allowance is now only available for the purposes of corporation tax.

(C) UK tax implications of the sale arrangement

**The sale of new preference shares pursuant to the sale arrangement will constitute a disposal of part of the new holding (as defined in sub-paragraph (B) above) which may, depending on the individual circumstances of the relative holder of ordinary shares, give rise to a chargeable gain or allowable loss.**

(D) Taxation of dividends

*(i) Taxation of dividends paid to shareholders resident in the UK*

Under current UK tax legislation, no tax should be withheld at source from dividend payments by the company.

Non-corporate shareholders resident in the UK who receive a dividend paid by the company should generally be entitled to a tax credit in respect of the dividend which they may offset against their total income tax liability. The rate of the tax credit is equal to 10 per cent of the sum of the dividend and the tax credit. Basic rate taxpayers should be subject to tax on the sum of the dividend plus the tax credit at the dividend lower rate which is currently 10 per cent. Accordingly, basic rate taxpayers should have no further liability to tax on dividends received. Higher rate tax payers should be liable to tax on the sum of the dividend plus the tax credit at the dividend upper rate (currently 32.5 per cent) against which liability they can offset the 10 per cent tax credit resulting in an effective rate of 25 per cent of the net dividend received.

A corporate shareholder resident in the UK (other than a person who is regarded as a dealer in securities) should not be liable to UK corporation tax on any dividend received from the company.

*(ii) Taxation of dividends paid to shareholders resident outside the UK*

Shareholders resident outside the UK may be entitled to claim payment from HMRC in respect of part of the tax credit attached to the dividends to which they become entitled, depending on the provisions of any relevant double taxation convention or agreement. The amount paid will not normally be more than 1 per cent of the dividend to which the applicable tax credit relates. Such shareholders should consult their own tax advisers as to entitlement and procedures as well as to taxation in their own jurisdiction.

(E) Stamp duty and stamp duty reserve tax

*(i) New preference shares*

The issue of new preference shares pursuant to the capitalisation issue should not give rise to a liability to stamp duty or stamp duty reserve tax.

*(ii) Transfer of new preference shares in certificated form*

An agreement to transfer new preference shares held in certificated form will normally give rise to a liability to stamp duty reserve tax ("SDRT"), generally at the rate of ½ per cent of the amount or value of the consideration given, although if the agreement to transfer such new preference shares is completed by a duly stamped transfer to the transferee the stamp duty payable in respect of such transfer (generally at the rate of 50p per £100 (or part thereof) of the consideration given rounded up to the nearest £5, save that no stamp duty is payable where the amount or value of the consideration is £1,000 or under and the instrument of transfer is certified at £1,000) will extinguish the liability to SDRT and permit a refund of any SDRT already paid to be claimed. Stamp duty and SDRT are customarily paid by a purchaser of new preference shares, although where a purchase is effected through a stockbroker or other financial intermediary, that person should normally account for the liability to SDRT and should indicate that this has been done in any contract note issued to a purchaser.

*(iii) Transfer of new preference shares into or out of CREST without change in beneficial ownership*

Where new preference shares are transferred into CREST without change in beneficial ownership or by a member of CREST to the beneficial owner (on whose behalf it has held them as nominee) no stamp duty or SDRT will normally be payable.

*(iv) Transfer of new preference shares within CREST or on dematerialisation with change of beneficial ownership*

Where a change in the beneficial ownership of new preference shares held in, or being transferred into, uncertificated form occurs and such change is for a consideration in money or money's worth (whether the transferee will hold such new preference shares in certificated or uncertificated form) a liability to SDRT at the rate of ½ per cent of the amount or value of the consideration will arise. This will generally be met by the new beneficial owner.

## NOTICE OF EXTRAORDINARY GENERAL MEETING

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# R.E.A. Holdings plc

(Registered in England and Wales number 671099)

Notice is hereby given that an extraordinary general meeting of the company will be held at the London office of Ashurst LLP at Broadwalk House, 5 Appold Street, London EC2A 2HA on 24 September 2008 at 11.00 a.m. for the purpose of considering and, if thought fit, passing the following three resolutions, of which the first will be proposed as an ordinary resolution and the second and third will be proposed as special resolutions.

### Ordinary resolution

1. THAT, it being desirable to capitalise the sum of £1,302,954, being part of the amount standing to the credit of the share premium account of the company, conditional upon the new preference shares (as defined below) being admitted by the Financial Services Authority to the Official List and by London Stock Exchange plc to trading on the London Stock Exchange's market for listed securities and such admissions becoming effective on or before 5.00 p.m. on 31 October 2008, the directors be and are hereby authorised and directed:
  - (a) to appropriate (conditional as aforesaid) that sum from the share premium account of the company to the holders of ordinary shares of 25p each in the capital of the company as shown in the register of members of the company at 6.00 p.m. on 24 September 2008, in proportion to the respective numbers of ordinary shares then held by such holders;
  - (b) to apply (conditional as aforesaid) that sum on behalf of such shareholders in paying up in full at par 1,302,954 9 per cent cumulative preference shares of £1 each in the capital of the company ranking *pari passu* in all respects with the existing 9 per cent cumulative preference shares of £1 each in the capital of the company (and in particular ranking for dividend on 31 December 2008 as if their entitlement to dividend on that date accrued (at the rate of 9 per cent per annum) with effect from and including 1 July 2008) ("**new preference shares**"); and
  - (c) to allot (conditional as aforesaid) the new preference shares, credited as fully paid, to and amongst such shareholders on the basis of one new preference share for every 25 ordinary shares held at 6.00 p.m. on 24 September 2008

provided that the directors be and are hereby authorised to aggregate fractional entitlements and to sell the same on terms that the company be entitled to retain the proceeds of sale, and any one of the directors and the company secretary be and is hereby severally authorised to sign on behalf of such shareholders instruments of transfer in respect of the new preference shares so sold.

### Special resolution

2. THAT subject to (A) the passing of the first resolution set out in the notice of extraordinary general meeting of the company dated 29 August 2008 and (B) a gross sale price of not less than 100p per new preference share being achieved, the directors be and are hereby authorised to aggregate holdings of new preference shares comprised in allotments made pursuant to the capitalisation issue effected pursuant to such first resolution to allottees of 1,000 or fewer new preference shares who do not elect otherwise in accordance with the procedures set out in the circular from the company to ordinary shareholders dated 29 August 2008, to arrange for the aggregated total of such holdings to be placed by Guy Butler Limited with one or a small number of professional investors



by no later than 2 October 2008 and to remit the sale proceeds thereof, net of dealing costs, to the shareholders entitled thereto, *pro rata* to the numbers of shares sold on their behalf and any one of the directors and the company secretary be and is hereby severally authorised to sign on behalf of such shareholders instruments of transfer in respect of the new preference shares so sold and for this purpose, if (and only if) the third resolution set out in the notice of extraordinary general meeting of the company dated 29 August 2008 is not passed at such extraordinary general meeting, article 156(b) of the existing articles of association of the company be amended by the deletion of the reference therein to 5 September 2007 and by the substitution therefore of a reference to 29 August 2008.

### **Special resolution**

3. THAT the regulations in the form produced to the meeting and signed by the chairman of the meeting for the purposes of identification be and they are hereby adopted as the new articles of association of the company in substitution for the existing articles of association of the company.

By order of the board  
**R.E.A. Services Limited**  
Secretaries

*Registered office*  
First floor  
32-36 Great Portland Street  
London W1W 8QX

29 August 2008

### *Notes*

- 1 *A member of the company entitled to attend and vote at the meeting may appoint one or more proxies to exercise all or any of his or her rights to attend, speak and vote at the meeting provided that each proxy is appointed to exercise the rights attaching to (a) different share(s) held by the member. A proxy need not be a member of the company. To appoint more than one proxy please photocopy the form of proxy provided. The instrument appointing a proxy must be deposited at the registered office of the company not less than forty-eight hours before the time appointed for holding the meeting. The appointment of a proxy will not prevent a member from attending and voting at the meeting should he or she wish to do so.*
- 2 *The right to appoint a proxy does not apply to persons whose shares are held on their behalf by another person and who have been nominated to receive communications from the company in accordance with section 146 of the Companies Act 2006 ("nominated persons"). Nominated persons may have a right under an agreement with the registered shareholder who holds the shares on their behalf to be appointed (or to have someone else appointed) as a proxy. Alternatively, if nominated persons do not have such a right, or do not wish to exercise it, they may have the right under such an agreement to give instructions to the person holding the shares as to the exercise of voting rights.*
3. *In order to facilitate voting by corporate representatives at the meeting, arrangements will be put in place at the meeting so that (i) if a corporate shareholder has appointed the chairman of the meeting as its corporate representative with instructions to vote on a poll in accordance with the directions of all of the other corporate representatives for that shareholder at the meeting, then on a poll those corporate representatives will give voting directions to the chairman and the chairman will vote (or withhold a vote) as corporate representative in accordance with those directions; and (ii) if more than one corporate representative for the same corporate shareholder attends the meeting but the corporate shareholder has not appointed the chairman of the meeting as its corporate representative, a designated corporate*

*representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative.*

- 4. The company, pursuant to regulation 41(1) of the Uncertificated Securities Regulations 2001, specifies that in relation to securities held in dematerialised form only those holders of shares registered in the register of members of the company at 6.00 p.m. on 22 September 2008 shall be entitled to attend or vote at the meeting in respect of the number of shares registered in their name at that time. Changes to entries on the register of members after 6.00 p.m. on 22 September 2008 shall be disregarded in determining the rights of any person to attend or vote at the meeting.*
- 5. As at the date of this notice, the issued share capital of the company comprises 32,573,861 ordinary shares and 13,600,000 9 per cent cumulative preference shares. Only holders of ordinary shares (and their proxies) are entitled to attend and vote at the meeting. Accordingly, the voting rights attaching to shares of the company exercisable in respect of each of the resolutions to be proposed at the meeting total 32,573,861 as at the date of this notice.*