

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to the action you should take, you are recommended to consult your stockbroker, solicitor, accountant or other appropriate independent financial adviser duly authorised, if you are resident in the United Kingdom, under the Financial Services and Markets Act 2000 or, if you are not so resident, under relevant applicable local law.

If you have sold or otherwise transferred all of your registered holding of 7.5 per cent dollar notes 2017 issued by R.E.A. Holdings plc, please send this document and the accompanying prospectus (comprised of a registration document and a securities note) relating to the new 7.5 per cent dollar notes 2022 proposed to be created by R.E.A. Holdings plc to the purchaser or other transferee, or to the stockbroker or other agent through whom the sale or transfer was effected for delivery to the purchaser or transferee. However, these documents should not be forwarded or transmitted into Australia, Canada, Japan, the United States or any other jurisdiction where the making of the offer set out in this document in, or where the forwarding or transmission of these documents into, such jurisdiction would constitute a violation of the law of such jurisdiction.

Applications will be made to each of the Financial Conduct Authority and the London Stock Exchange for the new 7.5 per cent dollar notes 2022 proposed to be issued by R.E.A. Holdings plc pursuant to the offer and the proposed placing with R.E.A. Services Limited, details of both of which are set out in this document, to be admitted to, respectively, the Official List and trading on the Regulated Market of the London Stock Exchange. It is expected that such admissions will become effective, and that dealings in the new dollar notes issued will commence, on 24 November 2016.

This document should be read in conjunction with the accompanying form of acceptance (if any) and prospectus.

Offer by

R.E.A. Holdings plc

(Incorporated in England and Wales under the Companies Act 2006 with registered number 671099)

to acquire all of the outstanding 7.5 per cent dollar notes 2017 issued by R.E.A. Holdings plc in exchange for new 7.5 per cent dollar notes 2022 to be issued by
R.E.A. Holdings plc

The offer contained in this document will remain open for acceptance until 21 November 2016. To be valid, forms of acceptance must be completed in accordance with the instructions printed thereon, signed and returned to Capita Asset Services, Corporate Actions at The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU as soon as possible and in any event so as to arrive by no later than 11.00 a.m. on 21 November 2016. TTE instructions in connection with the offer, and, if applicable, the payment due on exercise of the top-up option (as defined herein) must also be received by 11.00 a.m. on 21 November 2016.

The offer to holders of the 7.5 per cent dollar notes 2017 issued by R.E.A. Holdings plc (the "existing dollar notes") contained in this document has not been formulated or approved by The Law Debenture Trust Corporation p.l.c. as trustee for the holders of the existing dollar notes (the "trustee"). In accordance with normal practice, the trustee expresses no view as to the purpose or merits (or otherwise) of such offer or whether holders of the existing dollar notes should accept or reject the offer and nothing in this document should be construed as a recommendation from the trustee to holders of the existing dollar notes to accept or reject the offer. The trustee has not verified the information included herein, nor has it assumed any responsibility for doing so. The trustee is not responsible for the accuracy, completeness, validity or correctness of the statements made, documents referred to or opinions expressed in this document, nor for any omissions from this document. Holders of the existing dollar notes should take their own advice on the merits and / or the consequences of accepting or rejecting the offer including any tax consequences.

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EXPECTED TIMETABLE

Latest time and date for receipt of completed forms of acceptance and TTE instructions in connection with the offer, and, if applicable, the payment due on exercise of the top-up option	11.00 a.m. on 21 November 2016
Admission of new dollar notes issued pursuant to the offer to the Official List and to trading on the London Stock Exchange effective, and offer unconditional	8.00 a.m. on 24 November 2016
CREST accounts credited in respect of new dollar notes issued pursuant to the offer	24 November 2016
Definitive certificates despatched in respect of new dollar notes issued pursuant to the offer and balance certificates, if applicable, despatched in respect of existing dollar notes	8 December 2016
CREST accounts credited and cheques despatched in respect of the cash element of the consideration payable pursuant to the offer	8 December 2016

DEFINITIONS

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

"board"	the board of directors of R.E.A. Holdings plc
"Capita Asset Services"	a trading name of Capita Registrars Limited
"company"	R.E.A. Holdings plc
"CREST"	the computerised settlement system operated by Euroclear to facilitate the transfer of title to securities held in uncertificated form
"CREST Manual"	the manual published by Euroclear
"directors"	the directors of R.E.A. Holdings plc
"dollar notes"	the existing dollar notes and/or the new dollar notes, as the context may require
"electronic acceptance"	the inputting and settling of a TTE instruction which constitutes or is deemed to constitute an acceptance of the offer on the terms set out in this document
"Escrow Agent"	Capita Asset Services in its capacity as a CREST receiving agent
"Euroclear"	Euroclear UK & Ireland Limited
"existing dollar notes"	the 7.5 per cent dollar notes 2017 constituted pursuant to a trust deed dated 16 November 2012 made between the company as issuer and The Law Debenture Trust Corporation p.l.c., \$34,011,003 nominal of which notes are outstanding
"form of acceptance"	the form of acceptance and transfer for use in connection with the offer by those holders of the existing dollar notes who hold their existing dollar notes in certificated form (that is, not in CREST), a copy of which form accompanies copies of this document sent to those holders of the existing dollar notes who hold their existing dollar notes in certificated form
"group"	the company and its subsidiaries
"London Stock Exchange"	London Stock Exchange plc
"new dollar notes"	the \$37,500,000 nominal of new 7.5 per cent dollar notes 2022 proposed to be

	created by the company
"offer"	the offer by the company to acquire all of the outstanding existing dollar notes in exchange for new dollar notes, as set out in this document and in the accompanying form of acceptance (if any); and references to the offer include, where the context so admits, the top-up option
"Official List"	the list maintained by the Financial Conduct Authority in accordance with section 74(1) of the Financial Services and Markets Act 2000
"prospectus"	the prospectus published by the company in relation to the new dollar notes comprised of a registration document and a securities note both dated 7 November 2016, copies of which documents accompany this document
"REA Kaltim"	PT REA Kaltim Plantations, a subsidiary of the company incorporated in Indonesia and engaged in the cultivation of oil palms and/or the processing of oil palm fruit, being the holding company for all of the agricultural operations of the group
"REA Services"	R.E.A. Services Limited, a subsidiary of the company incorporated in England and Wales and principally engaged in the provision of secretarial services and financing to the group
"restricted jurisdiction"	any jurisdiction where the making of the offer in such jurisdiction would constitute a violation of the law of such jurisdiction
"top-up option"	the option being offered by the company to those holders of existing dollar notes whose registered holding of existing dollar notes, as at 5.00 p.m. on 4 November 2016 (being the latest practicable date prior to the printing of this document), was less than \$120,000 nominal of existing dollar notes and who wish to accept the offer in respect of the whole of their holding, being an option to top-up, by means of a cash payment, that element of the subscription price of \$120,000 nominal of new dollar notes that would not be met by acceptance of the offer, as set out in this document
"TTE instruction"	a transfer to escrow instruction

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

R.E.A. Holdings plc

(Registered in England and Wales no 671099)

Registered office:

First Floor
32-36 Great Portland Street
London W1W 8QX

7 November 2016

To the holders of 7.5 per cent dollar notes 2017 issued by R.E.A. Holdings plc

Dear Sir or Madam

Introduction

The purpose of this letter is to set out an offer by the company to acquire all of the \$34,011,003 nominal of outstanding 7.5 per cent dollar notes 2017 issued by the company in exchange for new 7.5 per cent dollar notes 2022 to be created and issued by the company. The new dollar notes would have, in commercial terms, terms and conditions substantially the same as those attaching to the existing dollar notes save as regards the redemption date and save that the new dollar notes would be issued and transferable in minimum denominations of \$120,000 and integral multiples of \$1 in excess thereof.

The offer includes a top-up option exercisable by those holders of existing dollar notes whose registered holding of existing dollar notes, as at 5.00 p.m. on 4 November 2016 (being the latest practicable date prior to the printing of this document), was less than \$120,000 nominal of existing dollar notes and who wish to accept the offer in respect of the whole of their respective holdings, being an option to top-up, by means of a cash payment, that element of the subscription price of \$120,000 nominal of new dollar notes that would not be met by acceptance of the offer. The purpose of this option is to enable all holders of existing dollar notes to accept the offer, should they wish to do so.

So as to ensure that all elections to exercise the top-up option could be met in full, the company is proposing to create \$37,500,000 nominal of new dollar notes (the maximum amount of new dollar notes that would be required were the offer to be accepted in full and the top-up option to be exercised by all persons entitled so to do being **\$37,446,883**).

Enclosed with this document is a copy of the prospectus published by the company in relation to the new dollar notes (comprised of a registration document and a securities note both dated 7 November 2016).

Reasons for the offer

The group currently holds land titles or land allocations in respect of 108,215 hectares of land in the East Kalimantan province of Indonesia. Of this, 37,097 hectares had been planted with oil palms at 31 December 2015. The group estimates that, taking into account sustainability constraints and an Indonesian requirement that any extension planting by the group is accompanied by development of land for local cooperatives, this

established oil palm hectareage should be extendible by a further 23,000 hectares to take the group's total planted oil palm hectareage to close to 60,000 hectares. Extension planting is currently going well and the group expects to meet its target of planting a further 6,000 hectares during 2016. The rate at which it will be able to plant thereafter will be dependent upon the speed at which necessary permitting and land compensation obligations can be processed and settled but the group's aim is to complete extension planting within its existing land bank by the end of 2020.

Every hectare planted brings with it a requirement for investment in additional estate buildings, vehicles and equipment. Attainment of the targeted 60,000 hectares will also require the construction of two further oil mills. Implementation of the group's planned development programme will therefore mean continuing capital expenditure at a high level until 2020. Thereafter there should be a steady reduction to lower levels as the extension planting programme is concluded and the concomitant requirement for buildings, plant, equipment and processing facilities met. As capital expenditure levels decline, so crops from the much expanded planted areas should increase and this increase can be expected to bring increasing cash flows subject to the normal cyclicity of prices within the vegetable oil complex.

Against this background, the group would prefer to defer debt repayments until after the extension planting programme has been completed and, in the interim, to rely on the additional equity that should be generated by such planting to keep the group's leverage within acceptable bounds. As capital expenditure levels decline into the 2020s and the group's operations mature, the progressively higher cash flows can be utilised to repay debt.

Accordingly the group wishes to refinance the two principal components of its debt that mature during 2017, namely the \$34,011,003 nominal of existing dollar notes which fall due for repayment on 30 June 2017 and the £8,324,000 nominal of 9.5 per cent sterling notes 2015/17 which fall due for repayment on 31 December 2017. To this end, the group has for several months been in discussion with an international development institution and local Indonesian banks with a view to securing the necessary finance. The discussions are proceeding well with the group currently focusing on obtaining additional mezzanine funding of \$30 million from the development institution and additional bank funding from the Indonesian banks for current and planned extension planting.

The group, however, recognises that the existing dollar notes have been a useful and flexible source of funding for the group. Many existing holders of the existing dollar notes have been longstanding supporters of the group's debt securities and the group would welcome a continuing relationship with such holders. Moreover several holders have indicated informally that they would be willing to roll over at least a part of their holdings of existing dollar notes for an extended period. The offer is proposed to provide an opportunity for them to do so.

The offer will, in effect, give holders of existing dollar notes the opportunity themselves to refinance their notes. To the extent that they do so, the group will scale back the funding that it has been seeking from the financial institutions with whom it is currently in discussions.

The offer

The company offers to acquire existing dollar notes in exchange for new dollar notes on the following basis:

for each \$120,000 nominal of existing dollar notes	\$120,000 nominal of new dollar notes
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plus

\$300

plus

an amount in cash equal to the interest accrued but unpaid on \$120,000 nominal of existing dollar notes as at the date on which the offer becomes unconditional

and so in proportion for any greater or lesser amount of existing dollar notes held provided that acceptances in respect of less than \$120,000 nominal of existing dollar notes will only be valid where (a) the acceptance is in respect of the whole of a holder's holding of existing dollar notes and (b) the accepting noteholder makes a cash top-up payment as described in more detail under "Top-up option" below; if the necessary top-up payment is not received, the acceptance will be invalid.

Subject as provided above as regards acceptances in respect of holdings of less than \$120,000 nominal of existing dollar notes, the offer can be accepted in respect of all or any part of your holding of existing dollar notes. Holders of existing dollar notes who do not wish to accept the offer, whether in whole or in part, may retain all or any of their existing dollar notes. The company will continue to comply with the terms and conditions attaching to such notes.

Existing dollar notes acquired by the company pursuant to the offer will be cancelled and will not be available for re-issue or sale by the company.

The cash element of the consideration will be paid in dollars unless the accepting noteholder has already elected, in accordance with the terms and conditions attaching to the existing dollar notes, to receive interest in respect of the existing dollar notes in sterling, in which event the cash element of the consideration will be paid to that noteholder in sterling, with each dollar otherwise payable by the company being translated into sterling at the rate actually achieved by the company for the sale of dollars for sterling at or around 11.00 a.m. on the business day following the date on which the offer becomes unconditional. The company will not be responsible to any noteholder for any loss or alleged loss arising from any such sale of dollars for sterling.

Top-up option

Changes to regulatory requirements as regards the admission of debt securities to trading on the Regulated Market of the London Stock Exchange have increased the documentation required and thus the costs incurred in obtaining admission to trading on that market of retail securities, being debt securities issued in amounts and integral multiples of less than €100,000. In view of such changes and the fact that as at 5.00 p.m. on 4 November 2016 (being the latest practicable date prior to the printing of this document) less than **three** per cent of the outstanding existing dollar notes were held by holders holding less than \$120,000 in nominal amount, it is proposed that the new dollar notes will be issued in minimum denominations of \$120,000 (and integral multiples of \$1 in excess thereof), rather than in amounts and integral multiples of \$1 as is the case with the existing dollar notes. Accordingly, in the absence of other arrangements, those holders holding less than \$120,000 nominal of existing dollar notes would be unable to accept the offer.

So as to enable qualifying holders to accept the offer, if they should wish to do so, the company is offering qualifying holders who accept the offer in respect of the whole of their respective holdings the option to top-up the shortfall by means of a cash payment to the

company. For this purpose, a "qualifying holder" is a holder of existing dollar notes whose registered holding of existing dollar notes was, as at 5.00 pm on 4 November 2016 (being the latest practicable date prior to the printing of this document), less than \$120,000 nominal of existing dollar notes and "shortfall" means the amount by which the nominal amount of a qualifying holder's registered holding of existing dollar notes falls short of \$120,000.

The amount payable on exercise of this top-up option is \$1 per \$1 of the shortfall, to be paid in cash in dollars on exercise of the option.

If a qualifying holder makes the requisite cash top-up payment, he will receive, pursuant to his acceptance of the offer (and assuming that the offer becomes unconditional), \$120,000 nominal of new dollar notes plus the cash premium element of the consideration (namely \$300) and the payment in lieu of accrued interest in respect of his holding of existing dollar notes (but not in respect of the shortfall).

The benefit of the top-up option is personal to those holders of existing dollar notes whose registered holding of existing dollar notes was, as at 5.00 p.m. on 4 November 2016 (being the latest practicable date prior to the printing of this document), less than \$120,000 nominal of existing dollar notes and is not transferable.

Your attention is drawn to part III of this document, which includes further terms applicable to the top-up option.

If all holders of existing dollar notes were to accept the offer (and accordingly all qualifying holders were to exercise the top up in full), the maximum nominal amount of new dollar notes issued pursuant to the offer would be **\$37,446,883** (an increase of **\$3,435,880** over the \$34,011,003 nominal of existing dollar notes in issue).

Taxation

Your attention is drawn to paragraph 2 of part IV of this document, which includes comments of a general nature relating to the tax consequences of acceptance of the offer (including exercise of the top-up option) in relation to holders of existing dollar notes who are resident and (if individuals) domiciled in the UK for tax purposes. Holders of existing dollar notes who are in any doubt as to their taxation position or who may be subject to tax in a jurisdiction other than the UK should consult their own professional adviser.

Proposed placing with REA Services

To the extent that \$34,011,003 nominal of new dollar notes are not taken up by holders of the existing dollar notes pursuant to the offer, the company proposes to place up to \$10,000,000 nominal of the new dollar notes comprised in such shortfall (or, if less, all of the new dollar notes so comprised) with its wholly owned subsidiary, REA Services, with the intention that any notes so subscribed by REA Services would then be sold, over time, as third party purchasers are found.

Such placing would be at par, with the subscription monies payable by REA Services funded by way of an interest free loan from the company to REA Services. REA Services would apply the proceeds of sale of any new dollar notes that it so subscribes in or towards repayment of such loan.

The directors intend that all cash proceeds from the sale by REA Services of new dollar notes subscribed by it would either be applied by the company in purchasing or redeeming existing dollar notes or otherwise in reducing group indebtedness. Pending such application, such cash proceeds would be applied, on a short-term basis, in augmenting the group's working capital resources.

Group indebtedness

The exercise by holders of existing dollar notes of the top-up option will increase group indebtedness in respect of dollar notes by the aggregate nominal amount of the new dollar notes subscribed for cash (being up to a maximum of **\$3,435,880**).

In addition, the sale by REA Services of new dollar notes subscribed by it, if effected prior to the maturity of the existing dollar notes on 30 June 2017, will increase group indebtedness in respect of dollar notes by the nominal amount of the new dollar notes sold but such increase will remain outstanding only until redemption of the existing dollar notes on 30 June 2017 and will, in any event, not exceed \$10 million.

The directors are comfortable that the group can support any such additions to its current indebtedness.

Balance of the unissued new dollar notes

To the extent that the full \$37,500,000 nominal of new dollar notes are not issued pursuant to the offer and/or to REA Services, the balance will remain available for issue in the future, subject always to compliance with all relevant formalities and, amongst other things, all borrowing restrictions and other covenants included in the terms and conditions attaching to the dollar notes and to the sterling notes issued by the company's subsidiary, REA Finance B.V.

Summary of the terms and conditions attaching to the new dollar notes

The commercial terms and conditions attaching to the new dollar notes will be substantially the same as those currently attaching to the existing dollar notes save that, to the extent not previously purchased by the company and cancelled, the new dollar notes will be redeemed at par in one instalment on 30 June 2022 (rather than 30 June 2017). In addition, for the reasons explained under "Top-up option" above, the new dollar notes will be issued in minimum denominations of \$120,000 and integral multiples of \$1 in excess thereof and accordingly will only be transferable in minimum amounts of \$120,000 nominal and integral multiples of \$1 in excess thereof provided that, where the transfer is in respect of part only of a holding, the transferor must retain a minimum holding of \$120,000 nominal of new dollar notes.

Interest will accrue on the new dollar notes issued pursuant to the offer from (but excluding) the date on which the offer becomes unconditional.

Any elections to receive interest and redemption monies in sterling made in respect of the existing dollar notes will automatically apply as regards the new dollar notes issued as consideration under the exchange offer or pursuant to exercises of the top-up option.

The full terms and conditions attaching to the new dollar notes are set out in the accompanying securities note, forming part of the prospectus.

Conditions

The offer is conditional upon acceptances being received by not later than 11.00 a.m. on 21 November 2016 (or such later time(s) and/or date(s) as the company may decide, being not later than 11.00 a.m. on 29 December 2016) in respect of not less than \$10,000,000 nominal of existing dollar notes (or such lesser amount as the company may decide provided that this condition will not be satisfied unless the company will have in issue, at the time that the offer becomes unconditional, at least \$15,000,000 nominal of new dollar notes (whether issued pursuant to the offer or the offer in conjunction with the subscription by REA Services of new dollar notes as referred to under "Proposed placing with REA Services" above).

The placing with REA Services is conditional upon there being in issue, at the time that the placing becomes unconditional, at least \$15,000,000 in nominal amount of new dollar notes (including those issued pursuant to the offer).

Both the offer and the placing with REA Services are also conditional upon the admission of the new dollar notes to the Official List and to trading on the Regulated Market of the London Stock Exchange ("**admission**"). The company will announce the results of the offer and placing with REA Services by notification to the Regulatory News Service of the London Stock Exchange. It is expected that such announcement will be made on 21 November 2016 and that dealings in the fully paid new dollar notes issued pursuant to the offer and the placing with REA Services, for normal settlement, will commence on 24 November 2016.

If admission has not occurred by 9.00 a.m. on 30 December 2016, the exchange offer and the placing with REA Services will lapse.

Overseas holders of existing dollar notes

The making of the offer to persons who are citizens, residents or nationals of countries other than the United Kingdom may be affected by the laws of those other countries. Holders of existing dollar notes not resident in the United Kingdom should inform themselves about and observe all applicable legal requirements. Holders of existing dollar notes wishing to accept the offer must satisfy themselves as to the full observance of the laws of any relevant jurisdiction.

This document does not constitute an offer to sell or an invitation to subscribe for, or the solicitation of an offer to sell or subscribe for, the new dollar notes in any jurisdiction where such an offer or solicitation is unlawful.

The new dollar notes have not been, and will not be, registered under the US Securities Act or any relevant securities laws of any state, district or other jurisdiction of Australia, Canada, Japan or the United States or any other restricted jurisdiction and no regulatory clearances in respect of the new dollar notes have been, or will be, applied for in any jurisdiction other than the United Kingdom. Accordingly, save to the extent that an exemption under the relevant securities laws is applicable, the offer is not being made, and the new dollar notes may not be acquired by or subsequently offered, sold, resold, delivered or distributed, directly or indirectly, in or into Australia, Canada, Japan, the United States or any other restricted jurisdiction or to, or for the account or benefit of, any person resident in Australia, Canada, Japan, the United States or any other restricted jurisdiction.

If you are a citizen, resident or national of a country other than the United Kingdom and you are in any doubt about your position, you should consult an appropriate adviser.

Commission

The company has appointed Guy Butler Limited ("**Guy Butler**") to provide general assistance to the company in connection with the offer. In consideration of such services, the company has agreed to pay Guy Butler a commission equal to 1.5 per cent of the nominal value of the existing dollar notes in respect of which valid acceptances of the offer are received, subject to the offer becoming unconditional.

Procedure for acceptance of the offer

This section should be read in conjunction with Parts II and III of this document and with the notes on the form of acceptance which are deemed to form part of the terms of the offer.

Holders of existing dollar notes in **certificated form** (that is, not in CREST) may only accept the offer in respect of such notes by completing, signing and returning a form of acceptance in accordance with the procedure set out in paragraph (a) below.

Holders of existing dollar notes in **uncertificated form** (that is, in CREST) may only accept the offer in respect of such notes by TTE instruction in accordance with the procedure set out in paragraph (b) below. If you hold existing dollar notes in uncertificated form under different member account IDs, you should send, or procure to be sent, a separate TTE instruction for each member account ID.

You should note that if you hold existing dollar notes in both certificated and uncertificated form, you should complete a form of acceptance for the notes held in certificated form in accordance with paragraph (a) below and the notes held in uncertificated form should be dealt with in accordance with paragraph (b) below.

If your existing dollar notes are in the course of being converted from uncertificated to certificated form, or from certificated to uncertificated form, you are urged to ensure that the conversion procedures are implemented in sufficient time to enable acceptance of the offer to be effected in accordance with the appropriate procedures set out below.

If you have any questions as regards the procedure for acceptance of the offer, please contact Capita Asset Services on +44 (0)371 664 0321. Calls from within the UK are charged at the standard geographic rate and will vary by provider. Calls from outside the UK will be charged at the applicable international rate. The helpline is open between 9.00 a.m. and 5.30 p.m., Monday to Friday excluding public holidays in England and Wales. Please note that Capita Asset Services will not provide any financial, legal or tax advice. Calls may be recorded and monitored for security and training purposes.

(a) Existing dollar notes in certificated form (that is, not in CREST)

You will find enclosed with this document a personalised form of acceptance for use in connection with the offer. To accept the offer, you should complete boxes 2 and 3 on page 3 of the form of acceptance and, if applicable, boxes 6 and/or 7. You must also sign box 5. In the case of joint registered holders, all joint registered holders must sign.

If you hold less than \$120,000 nominal of existing dollar notes and wish to accept the offer in respect of the whole of your holding, and accordingly wish to avail yourself of the top-up option, you must also complete Box 4.

The completed form of acceptance should be returned to Capita Asset Services Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU as soon as possible and in any event so as to arrive by no later than 11.00 a.m. on 21 November 2016. A first class reply-paid envelope is enclosed for your convenience for documents lodged by post from within the United Kingdom.

The form of acceptance should be accompanied by the certificate(s) for the existing dollar notes in respect of which you are accepting the offer and, if you have completed Box 4, a dollar cheque or banker's draft payable to "Capita Registrars Limited – REA Acceptance A/C" and crossed "A/C Payee only" in the amount specified in Box 4. If you have lost the certificate in respect of any of the existing dollar notes in respect of which you are accepting the offer, the form of acceptance should be accompanied by a letter from you stating this and you should also apply to Capita Asset Services for a duplicate certificate. You may be required to give an appropriate indemnity before the company will provide you with a duplicate certificate. On receipt of the duplicate certificate, it should be forwarded to Capita Asset Services Corporate Actions at the address given above as soon as possible.

No acknowledgement of receipt of documents will be given.

All documents sent by holders of existing dollar notes or their appointed agents will be sent at the risk of the relevant holder.

(b) Existing dollar notes in uncertificated form (that is, in CREST)

To accept the offer, you should send (or if you are a CREST sponsored member, procure that your CREST sponsor sends) a TTE instruction to Euroclear which must be properly authenticated in accordance with Euroclear's specifications and which must contain, in addition to the other information that is required for a TTE instruction to settle in CREST, the following details:

- the nominal amount of the existing dollar notes in respect of which you wish to accept the offer and which are to be transferred to an escrow balance;
- your member account ID;
- your participant ID;
- the participant ID of the Escrow Agent, namely Capita Asset Services in its capacity as a CREST receiving agent - this is RA10;
- the member account ID of the Escrow Agent for the offer in its basic form - this is 28972REA;
- the intended settlement date - this should be as soon as possible and in any event no later than 11.00 a.m. on 21 November 2016;
- the corporate action number for the offer - this is allocated by Euroclear and can be found by viewing the relevant existing dollar notes corporate action details in CREST;
- the ISIN number for the existing dollar notes - this is GB00B83RJC83;
- input with standard delivery priority of 80; and
- contact name and telephone number inserted in the shared note field.

If you hold less than \$120,000 nominal of existing dollar notes and wish to accept the offer in respect of the whole of your holding of existing dollar notes, and accordingly wish to avail yourself of the top-up option, you should also send (or, if you are a CREST sponsored member, procure that your CREST sponsor sends) an USE instruction to Euroclear which, on its settlement, will create a CREST payment, in accordance with the CREST payment arrangements in favour of the payment bank of Capita Asset Services, as receiving agent, in respect of the amount specified in the USE Instruction which must be the amount payable by you on exercise of the top-up option. The USE instruction must be properly authenticated in accordance with Euroclear's specifications and must contain, in addition to the other information that is required for settlement in CREST, the following details:

- the nominal amount of the new dollar notes in respect of which you are making a cash payment – this is amount by which the nominal amount of your holding of existing dollar notes (in respect of which you have accepted the offer) falls short of \$120,000;
- the amount payable by you by means of a CREST payment on settlement of the USE Instruction – this is the amount payable by you on exercise of the top-up option;
- your participant ID;

- the participant ID of Capita Asset Services in its capacity as receiving agent - this is RA06;
- the member account ID of Capita Asset Services in its capacity as receiving agent - this is 28972TOP;
- the intended settlement date - this should be as soon as possible and in any event no later than 11.00 a.m. on 21 November 2016;
- the corporate action number for the top-up option - this is allocated by Euroclear and can be found by viewing the relevant existing dollar notes corporate action details in CREST;
- the ISIN number for the top-up option - this is [GB00BD2ZLL18](#);
- input with standard delivery priority of 80; and
- contact name and telephone number together with the TTE reference number inserted in the shared note field.

If you are a CREST sponsored member, you should refer to your CREST sponsor. Only your CREST sponsor will be able to send the TTE instruction / USE instruction as referred to above to Euroclear in relation to your acceptance of the offer and, as applicable, exercise of the top-up option.

Application has been made for the top-up option in respect of new dollar notes to be admitted to CREST on 8 November 2016. Entitlements for qualifying holders will be enabled for settlement in CREST until 11.00 a.m. on 21 November 2016. The latest time and date for receipt of CREST top-up applications and payment in respect of the top-up option is 11.00 a.m. on 21 November 2016.

The input and settlement of a TTE instruction in accordance with this paragraph (b) will constitute an acceptance of the offer in respect of the number of existing dollar notes so transferred to escrow. The input and settlement of a USE instruction in accordance with this paragraph (b) will constitute an exercise of the top-up option and accordingly an application to make up that element of the subscription price of \$120,000 nominal of new dollar notes that would not be met by acceptance of the offer by means of a cash payment.

You should note that Euroclear does not make available special procedures in CREST for any particular corporate action. Normal system timings and limitations will therefore apply in connection with a TTE instruction and a USE instruction and their respective settlements. You should therefore ensure that all necessary action is taken by you (or by your CREST sponsor) to enable a TTE instruction relating to your existing dollar notes and, if applicable, a USE instruction in respect of your exercise of the top-up option, to settle prior to 11.00 a.m. on 21 November 2016. In particular, you should note that settlement cannot take place on weekends or bank holidays (or other times at which the CREST system is non-operational). You should therefore ensure that you time the input of any TTE instructions and USE instructions accordingly.

You are recommended to refer to the CREST Manual for further information on the CREST Procedures outlined above.

A form of acceptance which is received in respect of existing dollar notes held in uncertificated form will not constitute a valid acceptance and will be disregarded.

Settlement and dealings

The company will announce the results of the offer by notification to the Regulatory News Service of the London Stock Exchange; it is expected that such announcement will be made on 21 November 2016.

It is also expected that the issue of the new dollar notes to holders of existing dollar notes who accept the offer and from whom valid acceptances are received, complete in all respects, by 11.00 a.m. on 21 November 2016, will become unconditional, and that dealings in the new dollar notes so issued, for normal settlement, will commence on 24 November 2016.

The new dollar notes will be transferable by written instrument in any usual or common form.

The new dollar notes will be issued in registered form and may be held in certificated or uncertificated form. New dollar notes may be delivered in uncertificated form to member CREST accounts where the holders of existing dollar notes to whom the new dollar notes have been allotted are CREST participants. However, notwithstanding any other provision set out in this document, the company reserves the right in its absolute discretion to issue new dollar notes to any such holder of existing dollar notes 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 Capita Asset Services in connection with CREST.

It is expected that CREST accounts will be credited in respect of new dollar notes on 24 November 2016 and that certificates in respect of the new dollar notes to be held in certificated form (and, to the extent applicable, balance certificates in respect of existing dollar notes held in certificated form) will be despatched by first class post on 8 December 2016. Pending despatch of certificates in respect of the new dollar notes to be held in certificated form, transfers will be certified against the register of holders of the new dollar notes. No temporary documents of title will be issued and rights to the new dollar notes issued pursuant to the offer will not be renounceable.

Holders of existing dollar notes who are CREST sponsored members should note that they will not be sent any written communication by the company confirming the issue of new dollar notes pursuant to the offer.

It is further expected that the cash element of the consideration due under the offer will be credited to CREST accounts on 8 December 2016 or paid by cheque drawn on an account of a branch of a United Kingdom clearing bank despatched on 8 December 2016, provided that the acceptances to which such entitlements relate are then complete in all respects. Cheques will be sent by post, crossed "account payee only" and drawn in favour of the relevant holder of existing dollars notes (or in the case of joint holders, the first named thereof).

Certificates in respect of new dollar notes and cheques in respect of the cash element of the consideration payable pursuant to the offer will be sent to the persons entitled thereto at the risk of such persons.

Recommendation

The directors are of the opinion that the proposals detailed above are in the best interests of the company, its shareholders and the holders of the group's debt securities (including the existing dollar notes) as a whole.

However, the directors do not consider it appropriate to make a recommendation to holders of existing dollar notes as to whether or not they should accept the offer. A decision as to whether or not to accept the offer will depend on the personal circumstances

of each holder of existing dollar notes. As stated on the cover of this document, holders of existing dollar notes who are in any doubt as to whether or not they should accept the offer are recommended to consult their appropriate independent financial adviser duly authorised, if the holder is resident in the United Kingdom, under the Financial Services and Markets Act 2000 or, if the holder is not so resident, under relevant applicable local law.

Informal indications as regards intentions

The company has received informal and non-binding indications that holders of existing dollar notes are likely to accept the offer in respect of holdings of existing dollar notes amounting, in aggregate nominal amount, to not less than \$12,000,000 (representing in excess of 35 per cent of the outstanding existing dollar notes).

Documents on display

A copy of this document and of the following documents will be available for inspection during normal business hours at the offices of Ashurst LLP, Broadwalk House, 5 Appold Street, London EC2A 2HA until 21 November 2016:

- (a) the trust deed dated 16 November 2012 executed by the company (as issuer) and The Law Debenture Trust Corporation p.l.c. (as trustee), constituting the existing dollar notes;
- (b) a draft of the trust deed proposed to be executed by the company (as issuer) and The Law Debenture Trust Corporation p.l.c. (as trustee), constituting the new dollar notes; and
- (c) the prospectus published by the company in relation to the new dollar notes, dated 7 November 2016.

The Law Debenture Trust Corporation p.l.c.

The Law Debenture Trust Corporation p.l.c., as trustee for the holders of the existing dollar notes, has not been involved in the formulation of, nor approved, the offer contained in this document. In accordance with normal practice, the trustee expresses no opinion as to the purpose or the merits (or otherwise) of the offer and nothing in this document should be construed as a recommendation from the trustee to holders of the existing dollar notes to accept or reject the offer. The trustee has not verified the information contained herein, nor has it assumed any responsibility for doing so. The trustee is not responsible for the accuracy, completeness, validity or correctness of the statements made, documents referred to or opinions expressed in this document, nor for any omissions therefrom.

EACH PERSON RECEIVING THIS DOCUMENT ACKNOWLEDGES THAT, IN CONNECTION WITH ITS DECISION ON WHETHER TO ACCEPT THE OFFER, IT HAS NOT RELIED ON THE TRUSTEE. EACH PERSON RECEIVING THIS DOCUMENT MUST MAKE ITS OWN ANALYSIS AND INVESTIGATION REGARDING THE OFFER AND MAKE ITS OWN DECISION, WITH PARTICULAR REFERENCE TO ITS OWN INVESTMENT OBJECTIVES AND EXPERIENCE AND ANY OTHER FACTORS WHICH MAY BE RELEVANT TO IT IN CONNECTION WITH SUCH DECISION.

NOTEHOLDERS SHOULD TAKE THEIR OWN ADVICE ON THE MERITS AND/OR THE CONSEQUENCES OF ACCEPTING OR REJECTING THE OFFER, INCLUDING ANY TAX CONSEQUENCES.

The Law Debenture Trust Corporation p.l.c has, however, authorised it to be stated that, on the basis of the information contained in this document, it has given consent to the issue of

this document and has no objection to the contents thereof being presented to holders of the existing dollar notes for their consideration.

Further information

Your attention is drawn to the further information contained in Parts II, III and IV of this document and in the accompanying form of acceptance and prospectus.

In particular, the prospectus sets out in full the terms and conditions attaching to the new dollar notes and includes further information relating to the group.

Yours faithfully

David Blackett
Chairman

PART II – FURTHER TERMS OF THE OFFER

1. Acceptance period

- 1.1 The offer is open for acceptance until 11.00 a.m. on 21 November 2016.
- 1.2 The company reserves the right to extend the offer beyond such time and/or date, provided that the offer will not be extended beyond 11.00 a.m. on 29 December 2016. Holders of existing dollar notes will be notified of any extension(s) to the offer in any such manner as the company may deem appropriate. The notification will state the next expiry time and date or may instead state that the offer will remain open until further notice.
- 1.3 All references in this document and in the form of acceptance to 21 November 2016 shall (except where the context otherwise requires) be deemed, if the expiry date of the offer is extended, to refer to the expiry date of the offer as so extended.

2. Acceptances to be irrevocable

Acceptances of the offer (including of the top-up option) are irrevocable.

3. Representations, warranties, confirmations and acknowledgements

Each holder of existing dollar notes by whom, or on whose behalf, the offer is accepted, by his acceptance of the offer:

- (a) represents and warrants that, if the laws of any territory outside the United Kingdom are relevant to his acceptance of the offer, he has complied with all such laws, obtained all governmental and other consents which may be required, complied with all requisite formalities and paid any issue, transfer or other taxes due under such laws and that he has not taken any action or omitted to take any action which will or may result in the company or Capita Asset Services or any of their respective officers, agents or employees acting in breach of the regulatory or legal requirements of any territory outside the United Kingdom in connection with the offer or the company's acceptance of his exercise of the top-up option (if applicable);
- (b) further represents and warrants that the existing dollar notes in respect of which the offer is accepted or deemed to be accepted are sold free from all liens, charges, equitable rights and encumbrances and agrees that such dollar notes are sold together with all rights now or hereafter attaching thereto, including the right to receive and retain all interest payable in respect of the interest period commencing 1 July 2016;
- (c) confirms that, in accepting the offer, he is not relying on any information or representation in relation to the group other than such as are contained in this document or in the accompanying prospectus (and any supplementary prospectus issued hereafter, should such be the case) and acknowledges that no person is authorised in connection with the offer to give any information or make any representation other than as contained in this document or in the accompanying prospectus (and any such supplementary prospectus);
- (d) acknowledges that the company reserves the right to treat any acceptance of the offer (including any exercise of the top-up option) not complying strictly with the terms and conditions of the offer as nevertheless valid; and

- (e) further confirms that in relation to all matters arising out of the offer, he submits to the jurisdiction of the courts of England.

EACH HOLDER OF EXISTING DOLLAR NOTES ACKNOWLEDGES THAT, IN CONNECTION WITH ITS DECISION ON WHETHER TO ACCEPT THE OFFER, IT HAS NOT RELIED ON THE LAW DEBENTURE TRUST CORPORATION P.L.C., AS TRUSTEE FOR THE HOLDERS OF THE EXISTING DOLLAR NOTES.

4. **General**

- 4.1 The terms contained in or deemed to be incorporated in the form of acceptance constitute part of the terms of the offer. The provisions of this Part II shall be deemed to be incorporated and form part of the form of acceptance and all electronic acceptances.
- 4.2 Any omission to despatch this document, the form of acceptance or the prospectus, or any other notice required to be given under the terms of the offer to, or any failure to receive the same by, any person to whom the offer is made or should be made shall not invalidate the offer in any way. The offer extends to any persons to whom this document is addressed but to whom the same or the prospectus or the form of acceptance are not despatched and such persons may obtain copies of those documents from the company secretary at the company's registered office at First Floor, 32-36 Great Portland Street, London W1W 8QX.
- 4.3 Notwithstanding any other provision of this document or the form of acceptance, the company reserves the right to treat as valid in whole or in part any acceptance of the offer received by Capita Asset Services or otherwise on behalf of the company which is not entirely in order or in correct form or which is not accompanied by (as applicable) the relevant certificate(s) and/or other relevant document(s) and/or payment (in the case of an exercise of the top-up option) or is received at any place or in any form or manner determined by the company otherwise than as set out in this document or in the form of acceptance. However, no settlement of the consideration under the offer will be made until after the acceptance is entirely in order and, in the case of existing dollar notes held in certificated form, the relevant certificate(s) or indemnities satisfactory to the company have been received by Capita Asset Services.
- 4.4 By your acceptance of the offer, you irrevocably authorise the company and Capita Asset Services, as receiving agent, to do all things necessary to effect registration into your name(s) (or those of any of the persons specified in Box 6 of the form of acceptance) of the new dollar notes issued to you as consideration under the offer (and your exercise of the top-up option, if applicable).
- 4.5 If the offer does not become unconditional:
- (a) in respect of existing dollar notes held in certificated form:
- (i) certificate(s) will be returned by post (or such other method as the company may determine) within 14 days of the offer lapsing, to the person or agent whose name and address is set out in Box 1 or, if applicable, in Box 6 and/or Box 7 of the form of acceptance or, if none is set out, to the first named holder at his or her registered address; and
- (ii) any monies paid by you on exercise of the top-up option will be returned (without interest) by dollar cheque crossed "Account Payee" drawn by Capita Asset Services as receiving agent, on behalf of the company, in favour of the person or agent whose name and

address is set out in Box 1 or, if applicable, in Box 6 and/or Box 7 of the form of acceptance or, if none is set out, to the first named holder by post (or such other method as the company may determine) within 14 days of the offer lapsing at his or her registered address at the risk of the person entitled thereto ; and

- (b) in respect of existing dollar notes held in uncertificated form:
 - (i) the Escrow Agent will immediately upon the lapsing of the offer (or within such longer period, not exceeding 14 days after the offer lapsing, as the company may determine), give TTE instructions to Euroclear to transfer all relevant existing dollar notes held in escrow balances and in relation to which it is the Escrow Agent for the purposes of the offer, to the original available balances of the original holders of the relevant existing dollar notes; and
 - (ii) any monies paid by you on exercise of the top-up option by way of a CREST payment will be returned (without interest) by Capita Asset Services as receiving agent as soon as practicable thereafter.

5. **Forms of acceptance**

Each holder of existing dollar notes by whom, or on whose behalf, the form of acceptance is executed, irrevocably undertakes, warrants and agrees to and with the company (so as to bind the holder, his personal representatives, heirs, successors and assigns) that:

- (a) the execution of the form of acceptance constitutes an acceptance of the offer in respect of the nominal amount of existing dollar notes inserted or deemed to be inserted in box 3 of the form of acceptance on and subject to the terms and conditions set out or referred to in this document and the form of acceptance and that each such acceptance shall be irrevocable (unless and until the offer lapses); and
- (b) the execution of the form of acceptance also constitutes a transfer to the company of the nominal amount of existing dollar notes inserted or deemed to be inserted in box 3 of the form of acceptance, conditional only as provided under "Conditions" in Part I of this document.

6. **Electronic acceptance**

Each holder of existing dollar notes by whom, or on whose behalf, the electronic acceptance is made, irrevocably undertakes, warrants and agrees to and with the company (so as to bind the holder, his personal representatives, heirs, successors and assigns) that:

- (a) the electronic acceptance constitutes an acceptance of the offer in respect of the nominal amount of existing dollar notes the subject of the electronic acceptance on and subject to the terms and conditions set out or referred to in this document and that each such acceptance shall be irrevocable (unless and until the offer lapses);
- (b) the electronic acceptance also constitutes a transfer to the Escrow Agent of the nominal amount of existing dollar notes the subject of the electronic acceptance, conditional only as provided under "Conditions" in Part I of this document.

7. **Governing law**

The offer and all acceptances thereof and elections made pursuant thereto (and any dispute, controversy, proceedings or claim of whatsoever nature arising out of or in any way relating to the offer or the formation of the contract effected by acceptance of the offer and/or any election made thereunder) shall be governed by and construed in accordance with English law.

PART III – FURTHER TERMS APPLICABLE TO THE TOP-UP OPTION

1. By completing and delivering a form of acceptance, you (and, if signing on behalf of another person or corporation, that person or corporation):
 - (a) elect to top-up the amount by which the nominal amount of your holding of existing dollar notes falls short of \$120,000 (the "shortfall") by means of a cash payment to the company in an amount equal to \$1 per \$1 of the shortfall; and
 - (b) undertake to pay the amount due by you on exercise of the top-up option in dollars and represent and warrant that your remittance will be honoured on first presentation, failing which you will not be entitled to receive a certificate, nor to enjoy or receive any rights or distributions in respect of, the new dollar notes otherwise to be issued to you, unless and until you make the due payment in cleared funds;
2. The company reserves the right to deem invalid any exercise of the top-up option in relation to which:
 - (a) the relative form of acceptance is not properly completed in all respects in accordance with the instructions thereon or otherwise provided in this document; or
 - (b) the cheque or banker's draft for the due sum is not cleared on first presentation.
3. If your cheque or banker's draft is not cleared on first presentation the company may require you to pay interest or other resulting costs (or both).
4. Pending the offer becoming unconditional (or, if the offer does not become unconditional, pending the return of the monies paid by you) the monies paid by you pursuant to your exercise of the top-up option will be retained by Capita Asset Services, as receiving agent, in an account designated for the purposes of the top-up option and any interest accrued on the monies shall be retained by, and for the benefit of, the company.
5. It is a term of the top-up option that to ensure compliance with the Money Laundering Regulations 2007 (the "**Money Laundering Regulations**"), Capita Asset Services, as receiving agent, may require to verify the identity of the person by whom or on whose behalf the top-up option is exercised (the "**applicant**") (which requirements are referred to below as the "**verification of identity requirements**").

Capita Asset Services, as receiving agent, having (where time allows) consulted with the company and having taken into account its comments and requests, determines that the verification of identity requirements apply to any applicant, and the verification of identity requirements have not been satisfied by 11.00 a.m. on 21 November 2016 (which Capita Asset Services, as receiving agent shall in its absolute discretion determine), the company may, in its absolute discretion, and without prejudice to any other rights it may have, treat the exercise of the top-up option as invalid or may confirm the allotment of the relevant new dollar notes to the applicant but (notwithstanding any other term of the offer) the relevant new dollar notes will not be issued to the applicant unless and until the verification of identity requirements have been satisfied in respect of the exercise of the top-up

option (which Capita Asset Services, as receiving agent, shall in its absolute discretion determine).

If the exercise of the top-up option is not treated as invalid and the verification of identity requirements are not satisfied within such period, being not less than seven days after a request for evidence of identity is despatched to the applicant, the company will be entitled to make arrangements (in its absolute discretion as to manner, timing and terms) to sell the new dollar note paid up in part by the cash top-up payment (and for that purpose the company is authorised to act as agent of the applicant). Any proceeds of sale (net of expenses) of the relevant new dollar notes which shall be issued to and registered in the name of the purchaser, will be held by the company on trust for the applicant, subject to the requirements of the Money Laundering Regulations. Capita Asset Services, as receiving agent is entitled, in its absolute discretion, to determine whether the verification of identity requirements apply to any applicant or application and whether such requirements have been satisfied. Neither the company nor Capita Asset Services, as receiving agent, will be liable to any person for any loss or damage suffered or incurred (or alleged), directly or indirectly, as a result of the exercise of any such discretion or as a result of any sale of relevant new dollar note.

Submission of a form of acceptance with the appropriate remittance due on exercise of the top-up option will constitute a warranty from the applicant that the Money Laundering Regulations will not be breached by application of such remittance.

If the verification of identity requirements apply, failure to provide the necessary evidence of identity within a reasonable time may result in your application being treated as invalid or in delays in the despatch of certificates or in crediting CREST stock accounts.

PART IV – ADDITIONAL INFORMATION

1. **Responsibility**

The company accepts responsibility for the information contained in this document. To the best of the knowledge and belief of the company (which has taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. **Taxation**

2.1 General

The comments below are of a general nature and are based upon the company's understanding of current UK tax laws and the practice of Her Majesty's Revenue and Customs ("**HMRC**") as of the date of this document. They do not purport to be a complete analysis of all tax considerations, relate only to the position of persons who hold existing dollar notes as an investment and are the absolute beneficial owners of existing dollar notes and may not apply to certain classes of persons such as dealers, persons who have acquired their existing dollar notes by reason of their employment or persons connected with the company for relevant tax purposes. Save as specifically mentioned, the comments apply only to holders of existing dollar notes who are resident and (if individuals) ordinarily resident in the UK for tax purposes. Holders of existing dollar notes who are in any doubt as to their taxation position or who may be subject to tax in a jurisdiction other than the UK should consult their own professional adviser.

Your attention is also drawn to the accompanying securities note, which sets out the UK tax treatment applicable to holders of the new dollar notes.

2.2 UK individuals and other holders not within the charge to UK corporation tax

Receipt of new dollar notes

On the basis that the existing dollar notes and the new dollar notes are not denominated in sterling, they do not fall within the definition of qualifying corporate bond in section 117(1) of the Taxation and Chargeable Gains Act 1992 ("**TCGA**") and therefore are and will be non-qualifying corporate bonds. Accordingly, on the basis that the new dollar notes are offered in proportion to holdings of existing dollar notes, holders of the existing dollar notes who accept the offer (whether in respect of part or all of their holdings of existing dollar notes) and exchange their existing dollar notes for new dollar notes should be treated as having effected a conversion of securities within section 132 of the TCGA. Acceptance of the offer (whether in respect of part or all of a holding of existing dollar notes) should therefore be a reorganisation for the purposes of section 126 of the TCGA. Accordingly no disposal of existing dollar notes should arise on the exchange for the purposes of capital gains tax as imposed by the TCGA ("**capital gains tax**"). Instead, the new dollar notes will be treated as the same asset acquired at the same time and for the same value as the existing dollar notes for the purposes of capital gains tax and the base cost for the purposes of capital gains tax in the new dollar notes should be the same as that in the existing dollar notes.

Receipt of cash premium

The \$300 in cash receivable in relation to each \$120,000 nominal of existing dollar notes exchanged should be treated as a receipt of a capital sum for tax purposes. If the amount is treated by HMRC as a "small" premium within the meaning of section 133 of TCGA (on the basis that, in accordance with HMRC's current published interpretation of the meaning of "small" in this context, it is less than five per cent of the value of the converted securities immediately before the conversion), receipt of the premium will not represent a part disposal of existing dollar notes. Instead, it will be subtracted from the base cost in the new dollar notes and, as and when a holder of new dollar notes received pursuant to the offer disposes of new dollar notes, will be taken into account in calculating the noteholder's gain or loss for the purposes of capital gains tax on that disposal. If the premium is not treated as "small", noteholders will be treated as making a part disposal of their existing dollar notes and the gain or loss arising on that part disposal will be calculated by apportioning the noteholder's allowable expenditure between that part of the existing dollar notes disposed of for the purposes of capital gains tax and the new dollar notes retained, such apportionment to be calculated by the formula:

$$\frac{A}{A + B}$$

where A is the total premium received and B is the market value of the new dollar notes retained. The remainder of the noteholder's allowable expenditure will be attributed to the new dollar notes retained.

Receipt of cash in lieu of accrued interest

The payment of cash in lieu of accrued interest on the existing dollar notes should give rise to a charge to UK tax on income in the same manner as interest paid on the existing dollar notes in accordance with their terms.

2.3 UK corporation tax payers

Holders of existing dollar notes falling within the charge to UK corporation tax should be taxed in accordance with the provisions contained in part 5 of the Corporation Tax Act 2009 relating to the taxation of loan relationships. The effect of these provisions is that any profits and gains (including interest, premium and gains on the exchange of existing dollar notes for new dollar notes) in the hands of such holders will generally be charged to tax as income in the accounting period current as at the date of the exchange on a basis reflecting the treatment in the noteholders' statutory accounts. However, the loan relationship provisions apply to authorised unit trusts, open ended investment companies, investment trusts or venture capital trusts in modified form. In particular, profits of a capital nature are generally excluded in relation to such entities. Any capital profit arising to such entities in relation to the offer (including, for example, the payment of the premium) may therefore, according to the relevant accounting treatment, not be taxable in such taxpayers' hands.

2.4 The top-up option

UK individuals and other holders not within the charge to UK corporation tax

Where a noteholder must pay a shortfall in order to participate in the offer, the tax analysis at 2.2 and 2.3 above remains applicable to the acceptance of the offer in respect of the whole of that noteholder's holding of existing dollar notes

and the new dollar notes and cash received in respect of those existing dollar notes.

It is expected that the cash amount payable in respect of the shortfall should be treated as a subscription for new dollar notes.

UK corporation tax payers

The tax analysis at 2.3 applies equally to the acceptance of the offer in respect of the whole of that noteholder's holding of existing dollar notes and to the subscription for new dollar notes by way of payment of a cash amount in respect of the shortfall.

2.5 UK stamp duty and stamp duty reserve tax

No UK stamp duty or stamp duty reserve tax should be payable on the exchange of existing dollar notes for the new dollar notes on the basis that both the existing dollar notes and the new dollar notes constitute loan capital within the meaning of section 78 of the Finance Act 1986.