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**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.** If you are in any doubt about the action you should take, you should immediately consult your independent financial adviser authorised under the Financial Services and Markets Act 2000 (as amended). If you have sold or otherwise transferred all your shares in Hammerson plc, please hand this document and the accompanying form of proxy to the purchaser or transferee, or to the bank, stockbroker or other agent through whom the sale or transfer was effected, for transmission to the purchaser or transferee. If you have sold or otherwise transferred only part of your holding of existing shares in Hammerson plc please consult the bank, stockbroker or other agent through whom the sale or transfer was effected.

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## **HAMMERSON plc**

*(Incorporated and registered in England & Wales under registration number 360632)*

# **Amendment to Articles of Association and Notice of Extraordinary General Meeting**

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Your attention is drawn to the letter from the Chairman of the Company which is set out on pages 2 to 3 of this document and which recommends you to vote in favour of the Resolution to be proposed at the Extraordinary General Meeting. Your attention is also drawn to the section entitled "Action to be taken" on page 3 of this document.

Notice of an Extraordinary General Meeting of the Company to be held at 10 Grosvenor Street, London W1K 4BJ at 3.00 p.m. on 13 December 2006 is set out at the end of this document. Shareholders will find enclosed with this document a form of proxy for use in connection with the Extraordinary General Meeting. To be valid, the form of proxy should be completed, signed and returned in accordance with the instructions printed thereon, as soon as possible and, in any event, so as to reach the Company's registrars, Capita Registrars, PO Box 25, Beckenham, Kent BR3 4BR by no later than 3.00 p.m. on 11 December 2006.

Completion and return of a form of proxy will not preclude shareholders from attending and voting at the Extraordinary General Meeting should they choose to do so. Further instructions relating to the form of proxy are set out in the Notice at the end of this document.

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# Part 1

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**HAMMERSON plc**  
10 Grosvenor Street,  
London W1K 4BJ

To the ordinary shareholders  
20 November 2006

## **EXTRAORDINARY GENERAL MEETING – 13 DECEMBER 2006**

Dear Shareholder,

### **Proposals to amend Hammerson plc's Articles of Association in connection with the Company's election for tax treatment as a Real Estate Investment Trust ("REIT")**

I am pleased to be writing to you shortly before the introduction of REITs in the UK. At the Annual General Meeting earlier this year I said that Hammerson plc (the "**Company**") intended to elect for REIT status at the earliest opportunity. Since then, Parliament has passed the necessary law to allow the Company to give notice to become a REIT on 1 January 2007 and the related regulations have been laid before Parliament. However, to avoid a tax exposure as a REIT, an amendment to the Company's Articles of Association ("**Articles**") is needed. The proposed amendment is explained in this document, which is necessarily technical in nature. The Board believes that the Company will benefit from becoming a REIT and remains confident about the Company's future prospects.

Set out at the end of this document is a Notice convening the Extraordinary General Meeting (the "**EGM**"), which will be held at 10 Grosvenor Street, London W1K 4BJ on 13 December 2006 at 3.00 p.m. for the purpose of considering the proposed amendment to the Company's Articles. There is also enclosed a form of proxy to enable you to vote on the Resolution should you be unable to attend the EGM.

The Board is proposing that the Company elect for REIT status with effect from 1 January 2007 in order to benefit from the provisions contained in Part 4 of the Finance Act 2006 and the related regulations (the "**REIT regime**"). The amendment proposed to be made to the Company's Articles is required for the Company to be confident that it will not become subject to certain additional tax charges provided under the REIT regime. If the amendment is not approved by shareholders, the Board will not elect for REIT status.

By electing for REIT status, the Company and its subsidiaries (the "**Group**") will no longer pay UK direct tax on the profits and gains from their qualifying property rental businesses in the UK provided that they meet certain conditions. Non-qualifying profits and gains of the Group will continue to be subject to corporation tax as normal.

On entering the REIT regime, each company in the Group that carries on a qualifying property rental business in the UK will be subject to an entry tax charge approximately equal to 2 per cent. of the aggregate market value of the properties and other assets involved in that business immediately prior to entry into the REIT regime.

A REIT will be required to distribute to shareholders (by way of dividend), within 12 months of the end of the accounting period in question, at least 90 per cent. of the income profits (broadly, calculated using normal tax rules) of the members of the Group in respect of their Tax-Exempt Business.

Under the REIT regime, a tax charge may be levied on the Company if the Company makes a distribution to a company which is beneficially entitled (directly or indirectly) to 10 per cent. or more of the shares or dividends of the Company or controls (directly or indirectly) 10 per cent. or more of the voting rights of the Company unless the Company has taken reasonable steps to avoid such a distribution being paid. The amendment proposed to be made to the Company's Articles is intended to give the Board the powers it needs to demonstrate to HM Revenue and Customs ("**HMRC**") that such "reasonable steps" have been taken by the Company. This proposal is consistent with the draft guidance published by HMRC.

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Part 2 contains a general overview of the REIT regime.

Shareholders should note that the Company's election for REIT status will affect their tax position. Part 3 contains a summary of the UK tax treatment of shareholders after the Company's entry into the REIT regime.

Part 4 contains a description of the proposed amendment to the Company's Articles of Association.

#### **IMPLICATIONS OF REIT STATUS FOR THE COMPANY**

The Board intends that the Company will elect for REIT status with effect from 1 January 2007. Accordingly the financial statements for 2006 will show the conversion charge, equivalent to 2 per cent. of UK property values, and the write back of almost all deferred tax relating to UK capital gains and capital allowances. Actual amounts will depend on the 31 December 2006 property values but, based on the 30 June 2006 unaudited balance sheet, the conversion charge would be approximately £96 million and around £410 million of the deferred tax provision would be released.

The Board is satisfied that, on election, the Company will comply with the conditions set out in the Finance Act 2006. The principal conditions are outlined on page 5 of this document.

The Board expects that the first Property Income Distribution or PID (each as defined on page 4) made by the Company will be the 2007 interim dividend payable in October 2007. For the Company, the minimum amount of the PID payable by the Company will depend on the profits arising from the UK tax exempt business. Non-qualifying profits and gains of the Group, including the profits of the Company's French operations, are not taken into account in determining the minimum PID payable. The Board anticipates that, initially, the total dividends paid by the Company will exceed the minimum PID obligation.

The Board believes that the key elements of the Company's strategy, including an emphasis on development activity, investment in France and the recycling of capital will not be affected by election for REIT status. Indeed, the Board believes that this strategy within a REIT regime should continue to be attractive to shareholders.

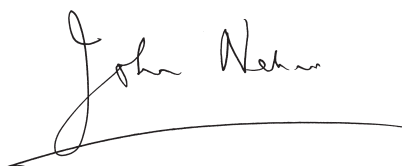
#### **RECOMMENDATION**

Your Board considers that the Resolution to be proposed at the Extraordinary General Meeting is in the best interests of shareholders as a whole and unanimously recommends shareholders to vote in favour of the Resolution, as the Directors intend to do in respect of their own beneficial shareholdings which amount in aggregate to 268,057 shares, representing approximately 0.09 per cent. of the issued share capital of the Company (as at 16 November 2006, being the latest practicable date before the publication of this document).

#### **ACTION TO BE TAKEN**

The Extraordinary General Meeting will be held at 10 Grosvenor Street, London W1K 4BJ on 13 December 2006 at 3.00 p.m. Holders of ordinary shares are alone entitled to attend and vote at the Extraordinary General Meeting. A form of proxy for use by holders of ordinary shares is enclosed. You are requested to complete the form in accordance with the instructions thereon and return it to the Company's registrars, Capita Registrars, PO Box 25, Beckenham, Kent BR3 4BR as soon as possible but, in any event, so that it arrives no later than 48 hours before the time appointed for the holding of the Meeting. If you complete and return the form of proxy, you can still attend and vote at the Meeting if you wish.

Yours faithfully,



John Nelson  
Chairman

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# Part 2

## THE REIT REGIME

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The following paragraphs are intended as a general guide only and constitute a high-level summary of the Company's understanding of current UK law and HMRC practice, each of which are subject to change, possibly with retrospective effect. They are not advice. As at the date of this document, the detailed guidance to be published by HMRC has not yet been finalised and this could change the position described below.

### OVERVIEW

The REIT regime introduced in the Finance Act 2006 is intended to encourage greater investment in the UK property market and follows the recent introduction of similar legislation in other European countries, as well as the long-established regimes in the United States, Australia and the Netherlands.

In this Part, "**Group**" means a body corporate and all of its "75 per cent. subsidiaries" and any of their 75 per cent. subsidiaries and so on, provided that the principal company in the Group is beneficially entitled to more than 50 per cent. of the subsidiary's profits which are available for distribution to equity holders of the subsidiary, and more than 50 per cent. of any assets of the subsidiary available for distribution to its equity holders on a winding-up. A body corporate is a "**75 per cent. subsidiary**" of another if the other is the beneficial owner (directly or indirectly) of at least 75 per cent. of its ordinary share capital.

Currently, investing in property through a corporate investment vehicle (such as the Company) has the disadvantage that, in comparison to a direct investment in property assets, some categories of shareholder (but not UK companies) effectively suffer tax twice on the same income – first, indirectly, when members of the Group pay UK direct tax on their profits, and secondly, directly (but with the benefit of a tax credit) when the shareholder receives a dividend. Non-tax paying entities, such as UK pension funds, suffer tax indirectly when investing through a corporate vehicle that is not a REIT in a manner they do not suffer if they were to invest directly in the property assets. As a REIT, UK resident Group members and non-UK resident Group members with a UK qualifying property rental business would no longer pay UK direct taxes on their income and capital gains from their qualifying property rental business in the UK and elsewhere (the "**Tax-Exempt Business**"), provided that certain conditions are satisfied. Instead, distributions in respect of the Tax-Exempt Business will be treated for UK tax purposes as property income in the hands of shareholders (Part 3 contains further detail on the United Kingdom tax treatment of shareholders after the Group's entry into the REIT regime). However, corporation tax will still be payable in the normal way in respect of income and gains from the Group's business (generally including any property trading business) not included in the Tax-Exempt Business (the "**Residual Business**").

In this Part, "**property rental business**" means a Schedule A business within the meaning of Section 832(1) of the Income and Corporation Taxes Act 1988 ("**ICTA**") or an overseas property business within the meaning of Section 70A(4) ICTA, but, in each case, excluding certain specified types of business. A "**qualifying property rental business**" means a property rental business fulfilling the conditions in Section 107 of the Finance Act 2006.

While within the REIT regime, the Tax-Exempt Business will be treated as a separate business for corporation tax purposes to the Residual Business and a loss incurred by the Tax-Exempt Business cannot be set off against profits of the Residual Business (and vice versa).

A REIT will be required to distribute to shareholders (by way of dividend), on or before the filing date for the REIT's tax return for the accounting period in question, at least 90 per cent. of the income profits (broadly, calculated using normal tax rules) of the UK resident members of the Group in respect of their Tax-Exempt Business and of the non-UK resident members of the Group insofar as they derive from their UK qualifying property rental business arising in each accounting period. Failure to meet this requirement will result in a tax charge calculated by reference to the extent of the failure, although this charge can be avoided if an additional dividend is paid within a specified period which brings the amount of profits distributed up to the required level.

In this document, references to a company's accounting period are to its accounting period for tax purposes. This period can differ from a company's accounting period for other purposes.

A dividend received by a shareholder of a REIT in respect of profits and gains of the Tax-Exempt Business of the UK resident members of the Group or in respect of the profits or gains of a non-UK resident member of the Group insofar as they derive from their UK qualifying property rental business is referred to in this document as a "**Property Income Distribution**" or "**PID**". Any other dividend received by a shareholder of the Company will be referred to herein as a "**Non-PID Dividend**".

The treatment of a dividend paid by the principal company in the Group in the first year after it becomes a REIT should depend on whether it is paid out of profits that existed before or after the Group became a REIT. For example, if a company converting into a REIT on 1 January 2007 that has before that date announced an intention to pay an interim dividend for payment after that date, that dividend would be paid entirely out of profits earned before the Group became a REIT and should therefore be a Non-PID Dividend. A dividend announced or declared later in 2007 may be paid partly out of profits earned prior to the Group becoming a REIT and partly out of profits earned subsequently and would therefore comprise partly a PID and partly a Non-PID Dividend. The Company will provide shareholders with a certificate setting out how much of their dividend is a PID and how much is a Non-PID Dividend.

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Subject to certain exceptions, Property Income Distributions will be subject to withholding tax at the basic rate of income tax (currently 22 per cent.). Further details of the UK tax treatment of shareholders after entry into the REIT regime are contained in Part 3.

#### **QUALIFICATION AS A REIT**

A Group becomes a REIT by the principal company in the Group serving notice on HMRC before the beginning of the first accounting period for which it wishes the Group members to become a REIT. In order to qualify as a REIT, the principal company and the REIT Group must satisfy certain conditions set out in the Finance Act 2006. A non-exhaustive summary of the material conditions is set out below. Broadly, the principal company must satisfy the conditions set out in paragraphs (A), (B) and (C) below and the Group members must satisfy the conditions set out in paragraph (D).

##### **(A) Company Conditions**

The principal company must be a solely UK resident, close-ended company whose ordinary shares are listed on a recognised stock exchange, such as the London Stock Exchange. The principal company must also not (apart from in one exceptional circumstance) be a "close company" (as defined in Section 414 of ICTA as amended by Section 106(6) of the Finance Act 2006 (the "**close company condition**")). In summary, the close company condition amounts to a requirement that not less than 35 per cent. of the principal company's shares are beneficially held by the public and for this purpose the 'public' excludes directors of the principal company and certain of their associates, and shareholders who, alone or together with certain associates, control more than 5 per cent. of the principal company's share capital.

##### **(B) Share Capital Restrictions**

The principal company must have only one class of ordinary shares in issue and the only other shares it may issue are non-voting fixed rate preference shares.

##### **(C) Interest Restrictions**

The principal company must not be party to any loan in respect of which the lender is entitled to interest which exceeds a reasonable commercial return on the consideration lent or where the interest depends to any extent on the results of any of its business or on the value of any of its assets. In addition, the amount repayable must either not exceed the amount lent or must be reasonably comparable with the amount generally repayable (in respect of an equal amount lent) under the terms of issue of securities listed on a recognised stock exchange.

##### **(D) Conditions for the Tax-Exempt Business**

The Tax-Exempt Business must satisfy the conditions summarised below in respect of each accounting period during which it is to be treated as a REIT:

- (i) the Tax-Exempt Business must throughout the accounting period involve at least three properties;
- (ii) throughout the accounting period no one property may represent more than 40 per cent. of the total value of all the properties involved in the Tax-Exempt Business. Assets must be valued in accordance with International Accounting Standards ("**IAS**") and at fair value when IAS offers a choice between a cost basis and a fair value basis;
- (iii) treating all members of the Group as a single company, the Tax-Exempt Business must not include any property which is classified as owner-occupied in accordance with generally accepted accounting practice;
- (iv) at least 90 per cent. of the amounts shown in the financial statements of the Group members as income profits (broadly, calculated using normal tax rules) of the UK resident members of the Group arising in respect of their Tax-Exempt Business in the accounting period, and the income profits of the non-UK resident members of the Group insofar as they arise in respect of such members' UK qualifying property rental business in the accounting period, must be distributed to shareholders of the REIT in the form of a dividend (a PID) on or before the filing date for the REIT's tax return for the accounting period (the "**90 per cent. distribution test**"). For the purpose of satisfying the 90 per cent. distribution test, any dividend withheld in order to comply with the 10 per cent. rule (as described in (C) below (the "**10 per cent. rule**")) will be treated as having been paid;
- (v) the income profits arising from the qualifying property rental business must represent at least 75 per cent. of the Group's total profits for the accounting period (the "**75 per cent. profits test**"). Profits for this purpose means profits before deduction of tax and excludes realised and unrealised gains and losses (for example gains and losses on the disposal of property and gains and losses on the revaluation of properties) calculated in accordance with IAS; and
- (vi) at the beginning of the accounting period the value of the assets in the qualifying property rental business must represent at least 75 per cent. of the total value of assets held by the Group (the "**75 per cent. assets test**"). Assets must be valued in accordance with IAS and at fair value where IAS offers a choice of valuation between cost basis and fair value and in applying this test no account is to be taken of liabilities secured against or otherwise relating to assets (whether generally or specifically).

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# Part 2

## THE REIT REGIME (CONTINUED)

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### **EFFECT OF BECOMING A REIT**

#### **(A) Entry Charge**

Each UK resident member of the Group that carries on a qualifying property rental business in the UK or overseas and any non-UK resident member of the Group that carries on a qualifying property rental business in the UK will be liable to pay an entry charge broadly equal to 2 per cent. of the aggregate market value of the properties and other assets involved in that business. This will be paid by the Company at the same time as corporation tax is payable in respect of the first accounting period following entry into the REIT regime.

There is no equivalent entry charge if a member of the Group buys a property following its entry into the REIT regime. However, if the Group were to acquire a company that is not a REIT, a similar entry charge will apply in respect of the property owned by the acquired company. See also (J) (Acquisitions and Takeovers) below.

#### **(B) Tax Savings**

As a REIT, the Group will not pay UK direct tax on profits and gains from the Tax-Exempt Business.

UK corporation tax will still apply in the normal way in respect of the Residual Business and taxable items may include interest receivable, fee income, trading income, dividends received from France, surpluses on disposals of properties sold within three years of development and capital gains on disposals of subsidiaries. However, interest payable, administrative costs and tax losses brought forward will be deductible and therefore the Group may not have tax payable in respect of its Residual Business.

The Group would also continue to pay indirect taxes such as VAT, stamp duty land tax, stamp duty and payroll taxes (such as national insurance) in the normal way.

#### **(C) The “10 per cent. Rule”**

A REIT may become subject to an additional tax charge if it pays a dividend to, or in respect of, a company beneficially entitled, directly or indirectly, to 10 per cent. or more of the REIT’s dividends or share capital or that controls, directly or indirectly, 10 per cent. or more of the voting rights in the REIT. Shareholders should note that this restriction only applies to shareholders that are bodies corporate and to certain entities which are deemed to be bodies corporate for the purposes of overseas jurisdictions with which the UK has a double taxation agreement or for the purposes of such double tax agreements. It does not apply to nominees.

This tax charge will not be incurred if the REIT has taken reasonable steps to avoid paying dividends to such a shareholder. HMRC guidance describes certain actions that a REIT may take to show it has taken such “reasonable steps”. One of these actions is to include restrictive provisions in the REIT’s articles of association to address this requirement. The proposed amendment to the Articles of Association set out in the Notice is consistent with the provisions described in the HMRC guidance.

#### **(D) Dividends**

When a REIT pays a dividend, that dividend will be a PID to the extent necessary to satisfy the 90 per cent. distribution test. If the dividend exceeds the amount required to satisfy that test or if the REIT makes a distribution that is not a dividend, the REIT may determine that all or part of the balance is a Non-PID Dividend paid out of the profits of the activities of the Residual Business. Any remaining balance of the dividend (or other distribution) will be deemed to be a PID, first in respect of the income profits out of which a PID can be paid and have been distributed in full and then a PID paid out of certain capital gains which are exempt from tax by virtue of the REIT regime. Any remaining balance will be attributed to other distributions.

#### **(E) Interest Cover Ratio**

A tax charge will arise if, in respect of any accounting period, the ratio of the income profits (before capital allowances) of the UK resident members of the Group plus the UK income profits of any non-UK resident member of the Group, in each case, in respect of its Tax-Exempt Business plus the financing costs incurred in respect of the Tax-Exempt Business of the Group, to the financing costs incurred in respect of the Tax-Exempt Business of the Group, excluding certain intra-group financing costs, is less than 1.25. This ratio is calculated by apportioning costs relating partly to the Tax-Exempt Business and partly to the Residual Business reasonably. The amount (if any) by which the financing costs exceeds the amount of those costs which would cause that ratio to equal 1.25 is chargeable to corporation tax.

#### **(F) Property Development and Property Trading by a REIT**

A property development by a UK resident member of the Group can be within the Tax-Exempt Business provided certain conditions are met. However, if the costs of the development exceed 30 per cent. of the fair value of the asset at the later of (a) the date on which the relevant company becomes a REIT, and (b) the date of the acquisition of the development property, and the REIT sells the development property within three years of completion, the surplus on disposal will be treated as taxable income in the Residual Business.

If a UK resident member of the Group disposes of a property (whether or not a development property) in the course of a trade, the property will be treated as never having been within the Tax-Exempt Business.

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### **(G) Certain Tax Avoidance Arrangements**

If HMRC believes that a member of the Group has been involved in certain tax avoidance arrangements, it may cancel the tax advantage obtained and, in addition, impose a tax charge equal to the amount of the tax advantage. These rules apply to both the Residual Business and the Tax-Exempt Business.

### **(H) Movement of Assets In and Out of Tax-Exempt Business**

In general, where an asset owned by a UK resident member of the Group and used for the Tax-Exempt Business begins to be used for the Residual Business, there will be a capital gain tax-free step up in the base cost of the property. Where an asset owned by a UK resident member of the Group and used for the Residual Business begins to be used for the Tax-Exempt Business, this will generally constitute a taxable market value disposal of the asset, except for capital allowances purposes. Special rules apply to disposals by way of a trade and to development property.

### **(I) Joint Ventures**

All of the Company's major UK joint ventures are in the form of partnerships or trusts where the Company's share of the underlying income and gains will automatically fall within the REIT tax exemption.

The REIT rules also make certain provisions for corporate joint ventures. If one or more members of the Group are beneficially entitled, in the aggregate, to at least 40 per cent. of the profits available for distribution to equity holders in a joint venture company and at least 40 per cent. of the assets of the joint venture company available to equity holders in the event of a winding-up, that joint venture company is carrying on a qualifying property rental business which satisfies the 75 per cent. profits test and the 75 per cent. assets test (the "JV company") and certain other conditions are satisfied, the REIT may, by giving notice to HMRC, elect for the assets and income of the JV company to be included in the Tax-Exempt Business for tax purposes. In such circumstances, the income and assets of the JV company will count towards the 90 per cent. distribution test, the 75 per cent. profits test and the 75 per cent. assets test to the extent of the Group's interest in the JV company.

### **(J) Acquisitions and Takeovers**

If a member of the Group acquires another REIT, no entry charge will be payable. However, if a company which is not a REIT joins the Group, the entry charge will be payable on the qualifying property rental business of the target company.

If a REIT is taken over by another REIT, the acquired REIT does not necessarily cease to be a REIT and will, provided the conditions are met, continue to enjoy tax exemptions in respect of the profits of its Tax-Exempt Business and capital gains on disposal of properties in the Tax-Exempt Business. There is no entry charge as a result of the acquired REIT joining the acquiror's group and the properties of the acquired REIT are not treated as having been sold and reacquired at market value.

The position is different where a REIT is taken over by an acquiror which is not a REIT. In these circumstances, the acquired REIT is likely in most cases to fail to meet the requirements for being a REIT and will therefore be treated as leaving the REIT regime at the end of its accounting period preceding the takeover and ceasing from the end of that accounting period to benefit from tax exemptions on the profits of its Tax-Exempt Business and capital gains on disposal of property forming part of its Tax-Exempt Business. The properties in the Tax-Exempt Business are treated as having been sold and reacquired at market value for the purposes of corporation tax on chargeable gains immediately before the end of the preceding accounting period. These disposals should be tax free as they are deemed to have been made at a time when the Company was still in the REIT regime and future capital gains on the relevant assets will therefore be calculated by reference to a base cost equivalent to this market value. If the Company ends its accounting period immediately prior to the takeover becoming unconditional in all respects, dividends paid as PIDs before that date should not be recharacterised retrospectively as normal dividends.

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# Part 2

## THE REIT REGIME (CONTINUED)

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### EXIT FROM THE REIT REGIME

The Company can give notice to HMRC that it wants to leave the REIT regime at any time. The Board retains the right to decide that the Company should exit the REIT regime at any time in the future without shareholder consent if it considers this to be in the best interests of the Company.

If the Company voluntarily leaves the REIT regime within ten years of joining and disposes of any property or other asset that was involved in its qualifying property rental business in the UK within two years of leaving, any uplift in the base cost of the property as a result of the deemed disposal on entry into the REIT regime is disregarded in calculating the gain or loss on the disposal. However, there is no repayment of the entry charge in these circumstances.

It is important to note that the Company cannot guarantee continued compliance with all of the REIT conditions and that the REIT regime may cease to apply in some circumstances. HMRC may require the Company to exit the REIT regime if:

- > it regards a breach of the conditions, failure to satisfy the conditions relating to the Tax-Exempt Business, or an attempt by the Group to avoid tax, as sufficiently serious;
- > the Company has committed a certain number of minor or inadvertent breaches of the conditions in a specified period; or
- > HMRC has given the Company two or more notices in relation to the avoidance of tax within a ten year period of the first notice having been given.

In addition, if the conditions for REIT status relating to the share capital of the Company and the prohibition on entering into loans with abnormal returns are breached or the Company ceases to be UK resident, becomes dual resident or an open-ended company, ceases to be listed or (in certain circumstances) ceases to fulfil the close company condition (as described above), the Company will automatically lose REIT status. Where the Company is required by HMRC to leave the REIT regime within ten years of joining, HMRC has wide powers to direct how it is to be taxed, including in relation to the date on which the Company is treated as exiting the REIT regime.

Shareholders should note that it is possible that the Company could lose its status as a REIT as a result of actions by third parties (for example, in the event of a successful takeover by a company that is not a REIT) or other circumstances outside the Company's control.



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# Part 3

## UNITED KINGDOM TAX TREATMENT OF SHAREHOLDERS AFTER THE COMPANY'S ENTRY INTO THE REIT REGIME

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### INTRODUCTION

The following paragraphs are intended as a general guide only and are based on the Company's understanding of current UK tax law and HMRC practice, each of which is subject to change, possibly with retrospective effect. They are not advice. As at the date of this document, the detailed guidance to be published by HMRC has not yet been finalised and could change the position described below.

The following paragraphs relate only to certain limited aspects of the UK taxation treatment of PIDs and Non-PID Dividends paid by the Company, and to disposals of shares in the Company, in each case after the Company becomes a REIT. Except where otherwise indicated, they apply only to shareholders who are both resident and ordinarily resident for tax purposes solely in the United Kingdom. They apply only to shareholders who are the absolute beneficial owners of both their PIDs and their shares in the Company and who hold their shares as investments.

They do not apply to Substantial Shareholders, as defined in Part 4. They do not apply to certain categories of shareholders, such as dealers in securities or distributions, persons who have or are deemed to have acquired their shares by reason of their or another's employment, persons who hold their shares as part of hedging or conversion transactions, or persons who hold their shares in connection with a UK branch, agency or permanent establishment. Except where otherwise indicated at paragraphs B(iii) and B(iv) below, they do not apply to persons holding shares in the Company by virtue of an interest in any partnerships, insurance companies, life insurance companies, mutual companies, collective investment schemes, charities, trustees, local authorities or pension scheme administrators.

Shareholders who are in any doubt about their tax position, or who are subject to tax in a jurisdiction other than the United Kingdom, should consult their own appropriate independent professional adviser without delay, particularly concerning their tax liabilities on PIDs, whether they are entitled to claim any repayment of tax, and, if so, the procedure for doing so.

### (A) UK Taxation of Non-PID Dividends

Non-PID Dividends paid by the Company will be taxed in the same way as dividends paid by the Company prior to entry into the REIT regime, whether in the hands of individual or corporate shareholders and regardless of whether the shareholder is resident for tax purposes in the United Kingdom.

### (B) UK Taxation of PIDS

#### (i) UK Taxation of Shareholders who are Individuals

Subject to certain exceptions, a PID will generally be treated in the hands of shareholders who are individuals as the profit of a single UK property business (as defined in Section 264 of the Income Tax (Trading and Other Income) Act 2005). A PID is, together with any property income distribution from any other company to which Part 4 of the Finance Act 2006 applies, treated as a separate UK property business from any other UK property business (a "**different UK property business**") carried on by the relevant shareholder. This means that surplus expenses from a shareholder's different UK property business cannot be off-set against a PID as part of a single calculation of the profits of the shareholder's UK property business.

Please see also paragraph B(iv) (Withholding tax), below.

#### (ii) UK Taxation of Corporate Shareholders

Subject to certain exceptions, a PID will generally be treated in the hands of shareholders who are within the charge to corporation tax as profit of a Schedule A business (as defined in Section 15 of the Income and Corporation Taxes Act 1988). This means that, subject to the availability of any exemptions or reliefs, such shareholders should be liable to corporation tax on income on the entire amount of their PID. A PID is, together with any property income distribution from any other company to which Part 4 of the Finance Act 2006 applies, treated as a separate Schedule A business from any other Schedule A business (a "**different Schedule A business**") carried on by the relevant shareholder. This means that any surplus expenses from a shareholder's different Schedule A business cannot be off-set against a PID as part of a single calculation of the shareholder's Schedule A profits.

Please see also paragraph B(iv) (Withholding tax) below.

#### (iii) UK Taxation of Shareholders who are not Resident for Tax Purposes in the UK

Where a shareholder who is resident outside the UK receives a PID, the PID will generally be chargeable to UK income tax as profit of a UK property business and this tax will generally be collected by way of a withholding.

Please see also paragraph B(iv) (Withholding tax) below.

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# Part 3

## UNITED KINGDOM TAX TREATMENT OF SHAREHOLDERS AFTER THE COMPANY'S ENTRY INTO THE REIT REGIME (CONTINUED)

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### (iv) Withholding Tax

#### *(a) General*

Subject to certain exceptions summarised at paragraph B(iv)(d), below, the Company is required to withhold income tax at source at the basic rate (currently 22 per cent.) from its PIDs. The Company must on request provide shareholders with a certificate setting out the amount of tax withheld.

#### *(b) Shareholders Solely Resident and Ordinarily Resident in the UK*

Where income tax has been withheld at source, shareholders who are individuals may, depending on their individual circumstances, either be liable to further tax on their PID at their applicable marginal rate, or be entitled to claim repayment of some or all of the tax withheld on their PID. Shareholders who are corporates may, depending on their individual circumstances, be liable to pay corporation tax on their PID but they should note that, where income tax is withheld at source, the tax withheld can be set against the shareholder's liability to corporation tax in the accounting period in which the PID is received.

#### *(c) Shareholders who are not Resident for Tax Purposes in the UK*

It is not possible for a shareholder to make a claim under a double taxation treaty for a PID to be paid by the Company gross or at a reduced rate. The right of a shareholder to claim repayment of any part of the tax withheld from a PID will depend on the existence and terms of any double tax convention between the UK and the country in which the shareholder is resident.

#### *(d) Exceptions to Requirement to Withhold Income Tax*

Shareholders should note that in certain circumstances the Company may not withhold income tax at source from a PID. These include where the Company reasonably believes that the person beneficially entitled to the PID is: a company resident for tax purposes in the UK, a charity, a body mentioned in Section 507(1) ICTA which is allowed the same exemption from tax as charities, the scheme administrator of a registered pension scheme, the sub-scheme administrator of a pension sub-scheme or a person entitled to receive the income of a fund entitled to exemption under Section 614(3) ICTA.

The Company will also not be required to withhold income tax at source from a PID where the Company reasonably believes that the body beneficially entitled to the PID is a partnership each member of which is a body described in the paragraph above.

In order to pay a PID without withholding tax, the Company will need to be satisfied that the shareholder concerned is entitled to that treatment. For that purpose the Company will require such shareholders to submit a valid claim form (copies of which may in due course be obtained on request from the Company's registrars, Capita Registrars).

### **(C) UK Taxation of Chargeable Gains, Stamp Duty and Stamp Duty Reserve Tax in Respect of Shares in the Company**

Subject to the paragraph headed "Introduction", above, the following comments apply to both individual and corporate shareholders, regardless of whether or not such shareholders are resident for tax purposes in the UK.

#### **(i) UK Taxation of Chargeable Gains**

Chargeable gains arising on the disposal of shares in the Company following entry into the REIT regime should be taxed in the same way as chargeable gains arising on the disposal of shares in the Company prior to entry into the REIT regime. The entry of the Group into the REIT regime will not constitute a disposal of shares in the Company by shareholders for UK chargeable gains purposes.

#### **(ii) UK Stamp Duty and UK Stamp Duty Reserve Tax ("SDRT")**

A conveyance or transfer on sale or other disposal of shares in the Company following entry into the REIT regime will be subject to UK stamp duty or SDRT in the same way as it would have been prior to entry into the REIT regime.

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# Part 4

## DESCRIPTION OF THE PROPOSED AMENDMENT TO THE ARTICLES OF ASSOCIATION

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As explained in the letter from the Chairman, it is proposed that the Articles should be amended in order to enable the Company to demonstrate to HMRC that it has taken reasonable steps to avoid paying a dividend (or making any other distribution) to a Substantial Shareholder. For these purposes a “**Substantial Shareholder**” is a corporate shareholder that:

- > is beneficially entitled, directly or indirectly, to 10 per cent. or more of the Company’s dividends;
- > is beneficially entitled, directly or indirectly, to 10 per cent. or more of the Company’s share capital; or
- > controls, directly or indirectly, 10 per cent. or more of the voting rights of the Company.

For these purposes “**corporate shareholder**” includes any body corporate and certain entities which are deemed to be bodies corporate for the purposes of overseas jurisdictions with which the UK has a double taxation agreement or for the purposes of such double tax agreements. If a distribution is paid to a Substantial Shareholder and the Company has not taken reasonable steps to avoid doing so, the Company would become subject to a tax charge.

The proposed amendment to the Articles involves the insertion of a new Article (the “**new Article**”). The text of the new Article is set out in the Notice convening the EGM which is set out at the end of this Circular.

The new Article:

- (A) provides directors with powers to identify Substantial Shareholders;
- (B) prohibits the payment of dividends on shares that form part of a Substantial Shareholding, unless certain conditions are met;
- (C) allows dividends to be paid on shares that form part of a Substantial Shareholding where the Substantial Shareholder has disposed of its rights to dividends on its shares; and
- (D) seeks to ensure that if a dividend is paid on shares that form part of a Substantial Shareholding and arrangements of the kind referred to in (C) are not met, the Substantial Shareholder concerned does not become beneficially entitled to that dividend.

References in this Part to a “**Substantial Shareholding**” are to the shares in respect of which a Substantial Shareholder is entitled to dividends, directly or indirectly, and/or to which a Substantial Shareholder is beneficially entitled, directly or indirectly; and/or the votes attached to which are controlled, directly or indirectly, by the Substantial Shareholder. References in this Part to dividends include other distributions.

The effect of the new Article is explained in more detail below:

### **(A) Identification of Substantial Shareholders**

The share register of the Company records the legal owner and the number of shares they own in the Company but does not identify the persons who are beneficial owners of the shares or are entitled to control the voting rights attached to the shares or are beneficially entitled to dividends. While the requirements for the notification of interests in shares provided in Part VI of the Companies Act 1985 (the “**Act**”) and the Board’s rights to require disclosure of such interests (pursuant to Section 212 of the Act and Article 47 of the Articles) should assist in the identification of Substantial Shareholders, those provisions are not on their own sufficient.

Accordingly, the new Article would require a Substantial Shareholder and any registered shareholder holding shares on behalf of a Substantial Shareholder to notify the Company if such shareholder’s shares form part of a Substantial Shareholding. Such a notice must be given within two business days. If a person is a Substantial Shareholder at the date the new Article is adopted, that Substantial Shareholder (and any registered shareholder holding shares on its behalf) must give such a notice within two business days after the date the new Article is adopted. The new Article gives the Board the right to require any person to provide information in relation to any shares in order to determine whether the shares form part of a Substantial Shareholding. If the required information is not provided within the time specified (which would be seven days after a request is made or such other period as the Board may decide), the Board would be entitled to impose sanctions, including withholding dividends (as described in paragraph (B) below) and/or requiring the transfer of the shares to another person who is not, and does not thereby become, a Substantial Shareholder (as described in paragraph (E) below).

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# Part 4

## DESCRIPTION OF THE PROPOSED AMENDMENT TO THE ARTICLES OF ASSOCIATION (CONTINUED)

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### **(B) Preventing Payment of a Dividend to a Substantial Shareholder**

The new Article provides that a dividend will not be paid on any shares that the Board believes may form part of a Substantial Shareholding unless the Board is satisfied that the Substantial Shareholder is not beneficially entitled to the dividend.

If in these circumstances payment of a dividend is withheld, the dividend will be paid subsequently if the Board is satisfied that:

- > the Substantial Shareholder concerned is not beneficially entitled to the dividends (see also (C) below);
- > the shareholding is not part of a Substantial Shareholding;
- > all or some of the shares and the right to the dividend have been transferred to a person who is not, and does not thereby become, a Substantial Shareholder (in which case the dividends would be paid to the transferee); or
- > sufficient shares have been transferred (together with the right to the dividends) such that the shares retained are no longer part of a Substantial Shareholding (in which case the dividends would be paid on the retained shares).

For this purpose references to the “**transfer**” of a share include the disposal (by any means) of beneficial ownership of, control of voting rights in respect of and beneficial entitlement to dividends in respect of, that share.

### **(C) Payment of a Dividend Where Rights to it Have Been Transferred**

The new Article provides that dividends may be paid on shares that form part of a Substantial Shareholding if the Board is satisfied that the right to the dividend has been transferred to a person who is not, and does not thereby become, a Substantial Shareholder and the Board may be satisfied that the right to the dividend has been transferred if it receives a certificate containing appropriate confirmations and assurances from the Substantial Shareholder. Such a certificate may apply to a particular dividend or to all future dividends in respect of shares forming part of a specified Substantial Shareholding, until notice rescinding the certificate is received by the Company. A certificate that deals with future dividends will include undertakings by the person providing the certificate:

- (a) to ensure that the entitlement to future dividends will be disposed of; and
- (b) to inform the Company immediately of any circumstances which would render the certificate no longer accurate.

The Directors may require that any such certificate is copied or provided to such persons as they may determine, including HMRC.

If the Board believes a certificate given in these circumstances is or has become inaccurate, then it will be able to withhold payment of future dividends (as described in paragraph (B) above). In addition, the Board may require a Substantial Shareholder to pay to the Company the amount of any tax payable (and other costs incurred) as a result of a dividend having been paid to a Substantial Shareholder in reliance on the inaccurate certificate (as described in paragraph (E) below). The Board may require a sale of the relevant shares and retain the amount claimed from the proceeds.

Certificates provided in the circumstances described above will be of importance to the Company in determining whether dividends can be paid. If the Company suffers loss as a result of any misrepresentation or breach of undertaking given in such a certificate, it may seek to recover damages directly from the person who has provided it. Any such tax may also be recovered out of dividends to which the Substantial Shareholder concerned may become entitled in the future.

The effect of these provisions is that there is no restriction on a person becoming or remaining a Substantial Shareholder provided that the person who does so makes appropriate arrangements to divest itself of the entitlement to dividends.

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#### **(D) Trust Arrangements Where Rights to Dividends Have Not Been Disposed of by a Substantial Shareholder**

The new Article provides that if a dividend is in fact paid on shares forming part of a Substantial Shareholding (which might occur, for example, if a Substantial Shareholding is held by more than one nominee and is not notified to the Company prior to a dividend payment date) the dividends so paid are to be held on trust by the recipient for any person (who is not a Substantial Shareholder) nominated by the Substantial Shareholder concerned. The person nominated as the beneficiary could be the purchaser of the shares if the Substantial Shareholder is in the process of selling down their shareholding so as not to cause the Company to breach the Substantial Shareholder rule. If the Substantial Shareholder does not nominate anyone within 12 years, the dividend concerned will be held on trust for any person nominated by the Board.

If the recipient of the dividend passes it on to another without being aware that the shares in respect of which the dividend was paid were part of a Substantial Shareholding, the recipient will have no liability as a result. However, the Substantial Shareholder who receives the dividend should do so subject to the terms of the trust and as a result may not claim to be beneficially entitled to those dividends.

#### **(E) Mandatory Sale of Substantial Shareholdings**

The new Article also allows the Board to require the disposal of shares forming part of a Substantial Shareholding if:

- > a Substantial Shareholder has been identified and a dividend has been announced or declared and the Board has not been satisfied that the Substantial Shareholder has transferred the right to the dividend (or otherwise is not beneficially entitled to it);
- > there has been a failure to provide information requested by the Board; or
- > any information provided by any person proves materially inaccurate or misleading.

In these circumstances, if the Company incurs a charge to tax as a result of one of these events, the Board may, instead of requiring the shareholder to dispose of the shares, arrange for the sale of the relevant shares and for the Company to retain from the sale proceeds an amount equal to any tax so payable.

The new Article has been discussed with HMRC which has confirmed that they constitute "reasonable steps" to avoid paying a dividend to a Substantial Shareholder for the purposes of the legislation.

#### **(F) Takeovers**

The new Article does not prevent a person from acquiring control of the Company through a takeover or otherwise, although as explained above, such an event may cause the Group to cease to qualify as a REIT.

#### **(G) Other**

The new Article also gives the Company power to require any shareholder who applies to be paid dividends without any tax withheld to provide such certificate as the Board may require to establish the shareholder's entitlement to that treatment.

The Articles may be amended by Special Resolution passed by the shareholders in the future, including to give powers to the Board to ensure that the Company can comply with the close company condition described in sub paragraph (A) on page 5 of this document, which powers may include the ability to arrange for the sale of shares on behalf of shareholders.

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# Part 5

## NOTICE OF EXTRAORDINARY GENERAL MEETING

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### NOTICE OF EXTRAORDINARY GENERAL MEETING

Notice is hereby given that an Extraordinary General Meeting of Hammerson plc will be held at 10 Grosvenor Street, London W1K 4BJ on 13 December 2006 at 3.00 p.m. for the purpose of considering and, if thought fit, to passing the following resolution as a Special Resolution:

THAT, with effect from (and including) the first day of the first accounting period following the date of this resolution in respect of which the Company has given a valid notice under Section 109 of the Finance Act 2006, the Articles of Association be and they are hereby amended by the insertion of the following as a new Article 144A following Article 144:

#### **"REAL ESTATE INVESTMENT TRUST**

##### **Cardinal Principle**

- 144A.
- (1) It is a cardinal principle that, for so long as the Company is the principal company in a real estate investment trust ("REIT") for the purposes of Part 4 of the Finance Act 2006, as such Part may be modified, supplemented or replaced from time to time,
    - (a) no member of the Group should be liable to pay tax under Regulation 10 of the Real Estate Investment Trusts (Breach of Conditions) Regulations 2006 (as such regulations may be modified, supplemented or replaced from time to time) on or in connection with the making of a Distribution; and
    - (b) the Company should be able to satisfy Condition 4 of Section 106 of the Finance Act 2006 (as such section may be modified, supplemented or replaced from time to time) which relates to close company status.
  - (2) This Article supports this principle by, among other things, imposing restrictions and obligations on the shareholders of the Company and, indirectly, certain other Persons who may have an interest in the Company, and shall be construed accordingly so as to give effect to such cardinal principle.

#### **Definitions and Interpretation**

- (3) For the purposes of this Article, the following words and expressions shall bear the following meanings:
  - > **"business day"** means a day (not being a Saturday or Sunday) on which banks are normally open for business in London;
  - > **"Close Company Person"** means any Person whose interest in the Company, legal or beneficial, direct or indirect, however arising, and whether alone or together with interests of any other Person who may acquire or have acquired such an interest, makes the Company unable to satisfy Condition 4 of Section 106 of the Finance Act 2006 (as such section may be modified, supplemented or replaced from time to time);
  - > **"Distribution"** means any dividend or other distribution on or in respect of the shares of the Company and references to a Distribution being paid include a distribution not involving a cash payment being made;
  - > **"Distribution Transfer"** means a disposal or transfer (however effected) by a Person of his rights to a Distribution from the Company such that he is not beneficially entitled (directly or indirectly) to such a Distribution and no Person who is so entitled subsequent to such disposal or transfer (whether the immediate transferee or not) is (whether as a result of the transfer or not) a Substantial Shareholder;
  - > **"Distribution Transfer Certificate"** means a certificate in such form as the Directors may specify from time to time to the effect that the relevant Person has made a Distribution Transfer, which certificate may be required by the Directors to satisfy them that a Substantial Shareholder is not beneficially entitled (directly or indirectly) to a Distribution;
  - > **"Excess Charge"** means, in relation to a Distribution which is paid or payable to a Person, all tax or other amounts which the Directors consider may become payable by the Company or any other member of the Group under Regulation 10 of the Real Estate Investment Trusts (Breach of Conditions) Regulations 2006 (as such regulations may be modified, supplemented or replaced from time to time) and any interest, penalties, fines or surcharges attributable to such tax as a result of such Distribution being paid to or in respect of that Person;
  - > **"Group"** means the Company and the other companies in its group for the purposes of Sections 134 to 136 of the Finance Act 2006 (as such sections may be modified, supplemented or replaced from time to time);
  - > **"HMRC"** means HM Revenue & Customs;
  - > **"interest in the Company"** includes, without limitation, an interest in a Distribution made or to be made by the Company;
  - > **"Person"** includes a body of Persons, corporate or unincorporated, wherever domiciled;
  - > **"Relevant Registered Shareholder"** means a shareholder who holds all or some of the shares in the Company that comprise a Substantial Shareholding (whether or not a Substantial Shareholder);

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- > **“Reporting Obligation”** means any obligation from time to time of the Company to provide information or reports to HMRC as a result of or in connection with the Company’s status as a REIT;
  - > **“Substantial Shareholding”** means the shares in the Company in relation to which or by virtue of which (in whole or in part) a Person is a Substantial Shareholder;
  - > **“Substantial Shareholder”** means any person whose interest in the Company, whether legal or beneficial, direct or indirect, and/or entitlement to a Distribution may cause any member of the Group to be liable to pay tax under Regulation 10 of the Real Estate Investment Trusts (Breach of Conditions) Regulations 2006 (as such regulations may be modified, supplemented or replaced from time to time) on or in connection with the making of a Distribution to or in respect of such Person including, at the date of adoption of this Article any Person who for the purposes of Section 114(1) of the Finance Act 2006 (as such section may be modified, supplemented or replaced from time to time):
    - (a) is beneficially entitled (directly or indirectly) to 10 per cent. or more of the dividends paid by the Company;
    - (b) is beneficially entitled (directly or indirectly) to 10 per cent. or more of the Company’s share capital; or
    - (c) controls (directly or indirectly) 10 per cent. or more of the voting rights in the Company.
- (4) Where under this Article any certificate or declaration may be or is required to be provided by any Person (including, without limitation, a Distribution Transfer Certificate), such certificate or declaration may be required by the Directors (without limitation):
- > to be addressed to the Company, the Directors or such other Persons as the Directors may determine (including HMRC);
  - > to include such information as the Directors consider is required for the Company to comply with any Reporting Obligation;
  - > to contain such legally binding representations and obligations as the Directors may determine;
  - > to include an undertaking to notify the Company if the information in the certificate or declaration becomes incorrect, including prior to such change;
  - > to be copied or provided to such Persons as the Directors may determine (including HMRC); and
  - > to be executed in such form (including as a deed or deed poll) as the Directors may determine.
- (5) This Article shall apply notwithstanding any provisions to the contrary in any other Article (including, without limitation, Articles 134 to 144 inclusive (Dividends)).

#### **Notification of Substantial Shareholder and Other Status**

- (6) Each shareholder and any other relevant Person shall serve notice in writing on the Company at the Office on:
- (a) becoming a Substantial Shareholder or being a Substantial Shareholder on the date this Article comes into effect (together with the percentage of voting rights, share capital or dividends controlled or beneficially entitled to, details of the identity of the shareholder(s) who hold(s) the relevant Substantial Shareholding and such other information, certificates or declarations as the Directors may require from time to time);
  - (b) becoming a Relevant Registered Shareholder or being a Relevant Registered Shareholder on the date this Article comes into effect (together with such details of the relevant Substantial Shareholder and such other information, certificates or declarations as the Directors may require from time to time); and
  - (c) any change to the particulars contained in any such notice, including on the relevant Person ceasing to be a Substantial Shareholder or a Relevant Registered Shareholder.

Any such notice shall be delivered by the end of the second business day after the day on which the Person becomes a Substantial Shareholder or a Relevant Registered Shareholder (or the date this Article comes into effect, as the case may be) or the change in relevant particulars or within such shorter or longer period as the Directors may specify from time to time.

- (7) The Directors may at any time give notice in writing to any Person requiring, within such period as may be specified in the notice (being seven days from the date of service of the notice or such shorter or longer period as the Directors may specify in the notice), such person to deliver to the Company at the Office such information, certificates and declarations as the Directors may require to establish whether or not such person is a Substantial Shareholder or a Relevant Registered Shareholder or to comply with any Reporting Obligation. Each such Person shall deliver such information, certificates and declarations within the period specified in such notice.

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# Part 5

## NOTICE OF EXTRAORDINARY GENERAL MEETING (CONTINUED)

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### Distributions in Respect of Substantial Shareholdings

- (8) In respect of any Distribution, the Directors may, if the Directors determine that the condition set out in paragraph (9) of this Article is satisfied in relation to any shares in the Company, withhold payment of such Distribution on or in respect of such Shares. Any Distribution so withheld shall be paid as provided in paragraph (10) of this Article and until such payment the Persons who would otherwise be entitled to the Distribution shall have no right to the Distribution or its payment.
- (9) The condition referred to in paragraph (8) of this Article is that, in relation to any shares in the Company, and Distribution to be paid or made on and in respect of such shares:
- (a) the Directors believe that such shares comprise all or part of a Substantial Shareholding of a Substantial Shareholder; and
  - (b) the Directors are not satisfied that such Substantial Shareholder would not be beneficially entitled to the Distribution if it was paid,
- and, for the avoidance of doubt, if the shares comprise all or part of a Substantial Shareholding in respect of more than one Substantial Shareholder this condition is not satisfied unless it is satisfied in respect of all such Substantial Shareholders.
- (10) If a Distribution has been withheld on or in respect of any shares in the Company in accordance with paragraph (8) of this Article it shall be paid as follows:
- (a) if it is established to the satisfaction of the Directors that the condition in paragraph (9) of this Article is not satisfied in relation to such shares, in which case the whole amount of the Distribution withheld shall be paid; and
  - (b) if the Directors are satisfied that sufficient interests in all or some of the shares concerned have been transferred to a third party so that such shares no longer form part of the Substantial Shareholding, in which case the Distribution attributable to such shares shall be paid (provided the Directors are satisfied that following disposal the shares concerned do not form part of a Substantial Shareholding); and
  - (c) if the Directors are satisfied that as a result of a transfer of interests in shares referred to in (b) of this paragraph (10) above the remaining shares no longer form part of a Substantial Shareholding, in which case the Distribution attributable to such shares shall be paid.

In this paragraph (10), references to the “**transfer**” of a share include the disposal (by any means) of beneficial ownership of, control of voting rights in respect of and beneficial entitlement to dividends in respect of, that share.

- (11) A Substantial Shareholder may satisfy the Directors that he is not beneficially entitled to a Distribution by providing a Distribution Transfer Certificate. The Directors shall be entitled to (but shall not be bound to) accept a Distribution Transfer Certificate as evidence of the matters therein stated and the Directors shall be entitled to require such other information, certifications or declarations as they think fit.
- (12) The Directors may withhold payment of a Distribution on or in respect of any shares in the Company if any notice given by the Directors pursuant to paragraph (7) of this Article in relation to such shares shall not have been complied with to the satisfaction of the Directors within the period specified in such notice. Any Distribution so withheld will be paid when the notice is complied with to the satisfaction of the Directors unless the Directors withhold payment pursuant to paragraph (8) of this Article.
- (13) If the Directors decide that payment of a Distribution should be withheld, they shall within five business days give notice in writing of that decision to the Relevant Registered Shareholder.
- (14) If any Distribution shall be paid on a Substantial Shareholding and an Excess Charge becomes payable, the Substantial Shareholder shall pay the amount of such Excess Charge and all costs and expenses incurred by the Company in connection with the recovery of such amount to the Company on demand by the Company. Without prejudice to the right of the Company to claim such amount from the Substantial Shareholder, such recovery may be made out of the proceeds of any disposal pursuant to paragraph (21) of this Article or out of any subsequent Distribution in respect of the shares to such Person or to the shareholders of all shares in relation to or by virtue of which the Directors believe that Person has an interest in the Company (whether that Person is at that time a Substantial Shareholder or not).



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### **Distribution Trust**

- (15) If a Distribution is paid on or in respect of a Substantial Shareholding (except where the Distribution is paid in circumstances where the Substantial Shareholder is not beneficially entitled to the Distribution), the Distribution and any income arising from it shall be held by the payee or other recipient to whom the Distribution is transferred by the payee on trust absolutely for the Persons nominated by the Relevant Substantial Shareholder under paragraph (16) of this Article in such proportions as the Relevant Substantial Shareholder shall in the nomination direct or, subject to and in default of such nomination being validly made within 12 years after the date the Distribution is made, for such Person as may be nominated by the Directors from time to time.
- (16) The Relevant Registered Shareholder of shares of the Company in respect of which a Distribution is paid shall be entitled to nominate in writing any two or more Persons (not being Substantial Shareholders) to be the beneficiaries of the trust on which the Distribution is held under paragraph (15) of this Article and the Substantial Shareholder may in any such nomination state the proportions in which the Distribution is to be held on trust for the nominated Persons, failing which the Distribution shall be held on trust for the nominated Persons in equal proportions. No Person may be nominated under this Article who is or would, on becoming a beneficiary in accordance with the nomination, become a Substantial Shareholder. If the Substantial Shareholder making the nomination is not by virtue of paragraph (15) of this Article the trustee of the trust, the nomination shall not take effect until it is delivered to the Person who is the trustee.
- (17) Any income arising from a Distribution which is held on trust under paragraph (15) of this Article shall until the earlier of (i) the making of a valid nomination under paragraph (16) of this Article and (ii) the expiry of the period of 12 years from the date when the Distribution is paid be accumulated as an accretion to the Distribution. Income shall be treated as arising when payable, so that no apportionment shall take place.
- (18) No Person who by virtue of paragraph (15) of this Article holds a Distribution on trust shall be under any obligation to invest the Distribution or to deposit it in an interest-bearing account.
- (19) No Person who by virtue of paragraph (15) of this Article holds a Distribution on trust shall be liable for any breach of trust unless due to his own fraud or wilful wrongdoing or, in the case of an incorporated Person, the fraud or wilful wrongdoing of its directors, officers or employees.

### **Obligation to Dispose**

- (20) If at any time, the Directors believe that:
- (a) in respect of any Distribution declared or announced, the condition set out in paragraph (9) of this Article is satisfied in respect of any shares in the Company in relation to that Distribution;
  - (b) a notice given by the Directors pursuant to paragraph (7) of this Article in relation to any shares in the Company has not been complied with to the satisfaction of the Directors within the period specified in such notice; or
  - (c) any information, certificate or declaration provided by a Person in relation to any shares in the Company for the purposes of this Article was materially inaccurate or misleading,

the Directors may give notice in writing (a "**Disposal Notice**") to any Persons they believe are Relevant Registered Shareholders in respect of the relevant shares requiring such Relevant Registered Shareholders within 21 days of the date of service of the notice (or such longer or shorter time as the Directors consider to be appropriate in the circumstances) to dispose of such number of shares the Directors may in such notice specify or to take such other steps as will cause the condition set out in paragraph (9) of this Article no longer to be satisfied. The Directors may, if they think fit, withdraw a Disposal Notice.

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# Part 5

## NOTICE OF EXTRAORDINARY GENERAL MEETING (CONTINUED)

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(21) If:

- (a) the requirements of a Disposal Notice are not complied with to the satisfaction of the Directors within the period specified in the relevant notice and the relevant Disposal Notice is not withdrawn; or
- (b) a Distribution is paid on a Substantial Shareholding and an Excess Charge becomes payable;

the Directors may arrange for the Company to sell all or some of the shares to which the Disposal Notice relates or, as the case may be, that form part of the Substantial Shareholding concerned. For this purpose, the Directors may make such arrangements as they deem appropriate. In particular, without limitation, they may authorise any officer or employee of the Company to execute any transfer or other document on behalf of the holder or holders of the relevant share and, in the case of a share in uncertificated form, may make such arrangements as they think fit on behalf of the relevant holder or holders to transfer title to the relevant share through a relevant system.


- (22) Any sale pursuant to paragraph (21) of this Article above shall be at the price which the Directors consider is the best price reasonably obtainable and the Directors shall not be liable to the holder or holders of the relevant share for any alleged deficiency in the amount of the sale proceeds or any other matter relating to the sale.
- (23) The net proceeds of the sale of any share pursuant to paragraph (21) of this Article (less any amount to be retained pursuant to paragraph (14) of this Article and the expenses of sale) shall be paid over by the Company to the former holder or holders of the relevant share upon surrender of any certificate or other evidence of title relating to it, without interest. The receipt of the Company shall be a good discharge for the purchase money.
- (24) The title of any transferee of shares shall not be affected by an irregularity or invalidity of any actions purportedly taken pursuant to this Article.

### **General**

- (25) The Directors shall be entitled to presume without enquiry, unless any Director has reason to believe otherwise, that a Person is not a Substantial Shareholder or a Relevant Registered Shareholder or a Close Company Person.
- (26) The Directors shall not be required to give any reasons for any decision or determination (including any decision or determination not to take action in respect of a particular Person) pursuant to this Article and any such determination or decision shall be final and binding on all Persons unless and until it is revoked or changed by the Directors. Any disposal or transfer made or other thing done by or on behalf of the Board or any Director pursuant to this Article shall be binding on all Persons and shall not be open to challenge on any ground whatsoever.
- (27) Without limiting their liability to the Company, the Directors shall be under no liability to any other Person, and the Company shall be under no liability to any shareholder or any other Person, for identifying or failing to identify any Person as a Substantial Shareholder or a Relevant Registered Shareholder or a Close Company Person.
- (28) The Directors shall not be obliged to serve any notice required under this Article upon any Person if they do not know either his identity or his address. The absence of service of such a notice in such circumstances or any accidental error in or failure to give any notice to any Person upon whom notice is required to be served under this Article shall not prevent the implementation of or invalidate any procedure under this Article.
- (29) The provisions of Articles 155 to 165 shall apply to the service upon any Person of any notice required by this Article. Any notice required by this Article to be served upon a Person who is not a shareholder or upon a Person who is a shareholder but whose address is not within the United Kingdom and who has failed to supply to the Company an address within the United Kingdom or other relevant country pursuant to Article 158, shall be deemed validly served if such notice is sent through the post in a pre-paid cover addressed to that Person or shareholder at the address if any, at which the Directors believe him to be resident or carrying on business or, in the case of a holder of depository receipts or similar securities, to the address, if any, in the register of holders of the relevant securities. Service shall, in such a case, be deemed to be effected on the day of posting and it shall be sufficient proof of service if that notice was properly addressed, stamped and posted.

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- (30) Any notice required or permitted to be given pursuant to this Article may relate to more than one share and shall specify the share or shares to which it relates.
- (31) The Directors may from time to time require any Person who is or claims to be a Person to whom a Distribution may be paid without deduction of tax under Regulation 7 of the Real Estate Investment Trusts (Assessment and Recovery of Tax) Regulations 2006 to provide such information, certificates or declarations as the Directors may require to establish whether such Person is so entitled.
- (32) This Article may be amended by Special Resolution from time to time, including to give powers to the Directors to take such steps as they may require in order to ensure that the Company can satisfy Condition 4 of Section 106 of the Finance Act 2006 (as such section may be modified, supplemented or replaced from time to time) which relates to close company status, which powers may include the ability to arrange for the sale of shares on behalf of shareholders."

By Order of the Board,



Stuart Haydon  
Company Secretary  
20 November 2006

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# Part 5

## NOTICE OF EXTRAORDINARY GENERAL MEETING (CONTINUED)

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### Notes

- (1) A member entitled to attend and vote at the meeting is also entitled to appoint one or more proxies to attend and, on a poll, vote in his place. A proxy need not be a member of the Company.
- (2) A form of proxy is enclosed which, to be effective, must be completed and deposited (together with any authority under which it is executed) with the Company's registrars, Capita Registrars, PO Box 25, Beckenham, Kent BR3 4BR not later than 48 hours before the time fixed for holding of the meeting or any adjournment of it. Completion and return of the form of proxy does not preclude a member from attending and voting in person.
- (3) CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so by utilising the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf. In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with CRESTCo's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID number –RA10) by the latest time(s) for receipt of proxy appointments specified in the notice of meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
- (4) Only persons entered on the register of members of the Company at 6.00pm on the date which is two days prior to the meeting or any adjournment of it shall be entitled to attend and vote at the meeting or adjourned meeting. Changes to entries on the register of members after this time shall be disregarded in determining the rights of any person to attend or vote (and the number of votes they may cast) at the meeting or adjourned meeting.