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 McKay Securities 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 sell or have sold or otherwise transferred only part of your holding of existing Shares please consult the bank, stockbroker or other agent through whom the sale or transfer was effected.

McKay Securities PLC

(incorporated and registered in England & Wales with registered number 00421479)

Amendments to Articles of Association and Notice of Extraordinary General Meeting in connection with the proposed conversion to a Real Estate Investment Trust

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Your attention is drawn to the letter from the Chairman of the Company which is set out on pages 3 to 6 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 paragraph entitled "Action to be taken" on page 6 of this document.

Notice of an Extraordinary General Meeting of the Company to be held at 9.30 a.m. on 28 February 2007 at the Royal Thames Yacht Club, 60 Knightsbridge, London SW1X 7LF, 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, Lloyds TSB Registrars, The Causeway, Worthing, West Sussex BN99 6ZL, by no later than 9.30 a.m. on 26 February 2007. 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 Extraordinary General Meeting notice at the end of this document.

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PART 1: LETTER FROM THE CHAIRMAN OF McKAY SECURITIES PLC

McKay Securities PLC

(incorporated in England and Wales with registered number 00421479)

Directors:
Eric Lloyd, F.C.A. *(Chairman)*
Simon Perkins, B.Sc.(Hons.), M.R.I.C.S. *(Managing Director)*
Alan Childs
Steven Mew, Dip Prop Inv., M.R.I.C.S.
Steven Morrice, M.Sc., M.R.I.C.S.
Michael Hawkes, F.R.I.C.S.*
Andrew Gulliford, F.R.I.C.S.*
David Thomas, F.C.A.*
Nigel Aslin, F.R.I.C.S.*
Viscount Lifford, F.I.A.*

Registered Office:
20 Greyfriars Road
Reading
Berkshire RG1 1NL

(* Denotes a non-executive Director)

5 February 2007

To the Ordinary Shareholders

Extraordinary General Meeting – 28 February 2007

Dear Shareholder,

Proposals to amend the Articles of Association of McKay Securities PLC (the "Company") to enable the Company and its subsidiaries (the "Group") to convert into a Real Estate Investment Trust ("REIT")

I am writing to explain the background to proposed amendments to the Articles of Association (the "**Articles**") of the Company which are being submitted for approval at an Extraordinary General Meeting (the "**EGM**") of the Company and why the Board thinks that they are in the best interests of Shareholders as a whole. Set out at the end of this Circular is a notice (the "**Notice**") convening the EGM, which will be held at 9.30 a.m. on 28 February 2007 at the Royal Thames Yacht Club, 60 Knightsbridge, London SW1X 7LF. There is enclosed a Form of Proxy to enable you to vote on the resolution should you be unable to attend the meeting. Save for the resolution to amend the Articles, no other business is proposed to be transacted at the EGM.

As reported in my recent statements, we have been monitoring closely the Government's progress in respect of the introduction of REITs within the UK. Legislation was introduced in the Finance Act 2006 enabling companies to elect for REIT status with effect from 1 January 2007. Having considered the legislation and related material, the Board is of the opinion that an election for REIT status is in the best interests of Shareholders and is intending to convert the Group into a REIT with effect from 1 April 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 amendments proposed to be made to the Articles are required for the Company to be confident that it will not become subject to certain additional tax charges that can arise under the REIT regime. If these amendments are not approved by Shareholders, the Board will not elect for REIT status.

Companies which convert to REIT status will no longer pay UK direct tax on the profits and gains from their qualifying property rental businesses in the UK and elsewhere provided that they meet certain conditions. Non-qualifying profits and gains will continue to be subject to corporation tax as normal.

On entering the REIT regime, each company that carries on a qualifying property rental business will be subject to an entry tax charge broadly 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) at least 90 per cent. of the income profits arising in each accounting period in respect of its qualifying property rental business. The distribution must be made on or before the filing date for the REIT's tax return for the accounting period in question. Income profits for these purposes are to be calculated, broadly, in accordance with normal tax rules.

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

Part 2 of this Circular contains a general overview of the REIT regime.

Shareholders should note that conversion of the Group into a REIT will affect their tax position. Part 3 contains a summary of the UK tax treatment of shareholders in a REIT.

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

Implications of REIT status for the Group

The principal implications for the Group of conversion into a REIT are as follows:

- The Group will be liable to pay an entry charge of 2 per cent. of the market value of qualifying property rental assets at the date of conversion.

- The Group will no longer have to pay tax on profits and gains in respect of its qualifying property rental business, removing the need to provide for deferred tax on valuation surpluses, thereby increasing shareholders' funds.

- The Company will be required to distribute by way of a property income distribution (a "**PID**"), as described further in Part 2 of this Circular, at least 90 per cent. of its income profits arising from its qualifying property rental business. Certain Shareholders will be subject to a withholding tax at the basic rate of income tax (currently 22 per cent.) as further described in Part 3 of this Circular.

- Continued compliance with the specified conditions of the REIT regime will be required in order to maintain the tax benefits of REIT status.

The Board intends that the Group will elect for REIT status at the end of the current tax year, with effect from 1 April 2007. The actual entry charge will depend on the market value of qualifying property rental assets at the date of conversion, which will be established by the year end valuation, as at 31 March 2007. For illustrative purposes (and on an unaudited basis), had the Group converted into a REIT on 30 September 2006, based on the 31 March 2006 valuation (adjusted for subsequent acquisitions, disposals and capital expenditure), the entry charge of £5.72 million and the deferred tax write-back of £24.98 million would have increased shareholders' funds by a net £19.26 million, equivalent to 41 pence per ordinary share.

The Board intends to maintain its progressive dividend policy after conversion of the Group to REIT status and it is anticipated that the first PID to be paid will be the interim dividend in December 2007. Following conversion, the level of dividend payable by the Company is expected to increase by approximately 30 per cent., reflecting the tax savings on income profits, and is likely at the outset to exceed the minimum obligation of a 90 per cent. distribution of income profits arising from its qualifying property rental business.

The Board is satisfied that on the date of election the Group will comply with the conditions of the REIT regime, as set out in more detail in Part 2 of this Circular. These conditions are not expected to affect the Group's strategy of maintaining an active development programme and retaining completed projects for investment purposes.

The Company has been notified that Farringdon Property Trust Limited ("**Farringdon**") has a Substantial Shareholding in the Company and that it is in the process of reviewing its options in respect of its shareholding. Farringdon has confirmed to the Company that it intends to vote in favour of the resolution to be proposed at the EGM. This is the only Substantial Shareholding of which the Company is aware.

Exit from the REIT regime

The Company can give notice to HMRC that it wants the Group to leave the REIT regime at any time. The Board retains the right to decide to 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 and the Group. There is no repayment of the entry charge in these circumstances.

If the Group 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 within two years of leaving, any uplift in the base cost of the property as a result of a deemed disposal on entry into the REIT regime is disregarded in calculating the gain or loss on the disposal.

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 Group 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 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.

In addition, in the following cases, the Group will automatically lose REIT status: if the conditions for REIT status relating to the share capital of the Company or the prohibition on entering into loans with abnormal returns are breached; if the Company ceases to be resident solely in the UK for tax purposes; if the Company becomes an open-ended company; if the Company ceases to be listed; or, in certain circumstances, if the Company ceases to fulfil the close company condition (which is described in section 2 of Part 2). Where the Group is required 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 Group is treated as exiting the REIT regime.

Shareholders should note that the Group could lose its status as a REIT as a result of the actions of third parties, for example, in the event of a successful takeover by a company that is not a REIT, or due to a breach of the close company condition (described in section 2 of Part 2) if it is unable to remedy that breach within a specified period.

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 shareholdings. These amount in aggregate to shares representing approximately 2.1 per cent. of the issued share capital of the Company (as at 2 February 2007, being the last business day before the date of printing of this document).

Action to be taken

The EGM will be held at 9.30 a.m. on 28 February 2007 at the Royal Thames Yacht Club, 60 Knightsbridge, London SW1X 7LF. Only holders of Ordinary Shares are entitled to attend and vote at the EGM. A Form of Proxy for use by holders of Ordinary Shares is enclosed. You are requested to complete and sign the form in accordance with the instructions thereon and return it to the Company's registrars, Lloyds TSB Registrars, The Causeway, Worthing, West Sussex BN99 6ZL, 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 EGM. If you complete and return the Form of Proxy, you can still attend and vote at the EGM if you wish.

Yours faithfully,

E.S.G. Lloyd
Chairman

PART 2: THE REIT REGIME

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 is subject to change, possibly with retrospective effect. These paragraphs are not advice. Shareholders should consult their own advisers, as appropriate.

1. OVERVIEW

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

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, and excluding insurance companies as defined in section 431(2) of the Income and Corporation Taxes Act 1988 ("**ICTA**") and their subsidiaries. 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 typical UK corporate investment vehicle (such as the Company) has the disadvantage that, in comparison to a direct investment in property assets, some categories of shareholder effectively suffer tax twice on the same income - first, indirectly, when members of the Group pay UK tax on their profits and, secondly, directly (although with the benefit of a tax credit) when the shareholder receives a dividend. Non-taxpaying entities, such as UK pension funds, suffer tax indirectly when investing through a corporate vehicle that is not a REIT.

As part of a REIT, UK resident Group members (and where applicable non-UK resident Group members with a UK qualifying property rental business) would no longer pay UK direct taxes on profits and gains from their qualifying property rental businesses 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 UK property income in the hands of shareholders (Part 3 contains further detail on the UK tax treatment of shareholders in a REIT). However, corporation tax will still be payable in the normal way in respect of profits and gains from any part of the Group's business (generally including any property trading business) which is 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) 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 a company is within the REIT regime, its Tax-Exempt Business will be treated as a separate business for corporation tax purposes from its Residual Business and a loss incurred in its Tax-Exempt Business cannot be set off against profits of its Residual Business (and vice versa).

The principal company of a REIT will be required to distribute to shareholders (by way of dividend) at least 90 per cent. of the income profits arising in each accounting period of the UK-resident members of the Group in respect of their Tax-Exempt Business (and of any non-UK resident members of the Group in respect of their UK qualifying property rental business). The distribution must be made on or before the filing date for the REIT's tax return for the accounting period in question. Income profits for these purposes are to be calculated, broadly, in accordance

with normal tax rules. 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 in some circumstances differ from a company's accounting period for other purposes.

A dividend paid by the Company in respect of profits or gains of the Tax-Exempt Business of the UK resident members of the Group, arising at a time when the Group is a REIT (or in respect of the profits or gains of any non-UK resident member of the Group arising at a time when the Group is a REIT, insofar as they derive from its UK qualifying property rental business), is referred to in this Circular as a "**Property Income Distribution**" or "**PID**". Any other dividend paid by the Company will be referred to 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 arose before or after the Group became a REIT. 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.

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 certain categories of Shareholder while the Group is in the REIT regime are contained in Part 3.

2. 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 its 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), (C), (D) and (E) below and the Group must satisfy the conditions set out in paragraph (F).

(A) Company Conditions

The principal company must be solely resident in the UK for tax purposes, be close-ended and have its ordinary shares listed on a recognised stock exchange, such as the London Stock Exchange.

(B) Close Company Condition

The principal company must not (apart from in one exceptional circumstance) be a "close company" (as defined in sections 414 and 415 of ICTA as adapted 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 ordinary shares are listed on a recognised stock exchange and beneficially held by the public; for this purpose the "public" excludes directors and certain of their associates, and shareholders (other than UK pension funds) who, alone or together with certain associates, possess more than 5 per cent. of the voting power in the principal company.

The Group would automatically lose REIT status if the company became a close company (apart from in one exceptional circumstance). Loss of REIT status would have a material impact on the Group because of the loss of tax benefits conferred by the REIT regime.

Although the Board does not expect the close company condition to be breached, there is a risk that the Company may fail to meet this condition for reasons beyond its control.

In such circumstances, the REIT regime would allow the Company until the end of the following accounting period to become compliant with the close company condition. The Board recognises that, as the REIT regime matures, further amendments to the Articles may be required, in particular to provide the Directors with sufficient powers to enable the Company to remedy a breach of the close company condition (including possibly the power for the Directors to require Shareholders to dispose of Ordinary Shares in order to achieve compliance with the close company condition).

(C) 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.

(D) 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 all or part of the principal company's 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.

(E) Financial Statements

The principal company must prepare financial statements ("**Financial Statements**") in accordance with statutory requirements and submit these to HMRC. The Financial Statements must set out the information about the Tax-Exempt Business and the Residual Business separately. The REIT regime specifies the information to be included and the basis of preparation of the Financial Statements.

(F) Conditions for the Tax-Exempt Business

The Tax-Exempt Business must satisfy the conditions summarised below in respect of each accounting period during which the Group 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 any 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 (to the extent permitted by law) be distributed to shareholders of the principal company of the REIT in the form of a dividend (a PID) on or before the filing date for the principal company'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 paragraph 3(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 calculated in accordance with IAS, before deduction of tax and excluding, broadly, gains and losses on the disposal of property and gains and losses on the revaluation of properties, and certain exceptional items; 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).

3. 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.

The entry charge is payable in line with the normal date or dates for payment of corporation tax in respect of the accounting period that begins on REIT conversion, but with an option to pay in instalments over a four year period. There is no equivalent entry charge if a member of the Group buys a property following entry into the REIT regime. However, if the Group were to acquire a company that is not a REIT, a similar entry charge would apply in respect of the property owned by the acquired company. See also (L) (Acquisitions and Takeovers) below.

(B) Tax Savings

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

Corporation tax will still apply in the normal way in respect of its Residual Business; this can include certain trading activities, incidental letting in relation to property trades, intra-group letting of property, letting of administrative property which is temporarily surplus to requirements and certain income such as dividends from interests in other REITs. Corporation tax could also be payable were a member of the Group to be sold (as opposed to property involved in the UK qualifying property rental business).

The Group will continue to pay taxes such as VAT, stamp duty land tax, stamp duty and national insurance in the normal way.

(C) The "10 per cent. Rule"

The principal company of a REIT may become subject to an additional tax charge if it makes a distribution to, or in respect of, a person beneficially entitled, directly or indirectly, to 10 per cent. or more of the principal company's dividends or share capital or that

controls, directly or indirectly, 10 per cent. or more of the voting rights in the principal company. Shareholders should note that this tax charge only applies where a dividend is paid to persons that are companies for the purposes of section 832(1) of ICTA or 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. Where a dividend is paid to a corporate nominee, the fact that the nominee may hold legal title to 10 per cent. or more of the principal company's share capital will not of itself trigger the charge.

This tax charge will not be incurred if the principal company has taken reasonable steps to avoid paying dividends to such a person. HMRC guidance describes certain actions that might be taken to show it has taken such "reasonable steps". One of these actions is to include restrictive provisions in the principal company's Articles to address this requirement. The proposed amendments to the Articles are consistent with the provisions described in the HMRC guidance.

(D) Dividends

Subject as mentioned with regard to dividends paid in the first year of being a REIT, in the section headed "Overview" at the beginning of this Part 2, when the principal company of 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, 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 its Residual Business. Any remaining balance of the dividend (or other distribution) will generally be deemed to be a PID, first in respect of the income profits for the current year or previous years out of which a PID can be paid and, after these have been distributed in full, in respect of certain capital gains which are exempt from tax by virtue of the REIT regime. Any remaining balance will be attributed to other distributions.

If the Group ceases to be a REIT, dividends paid by the principal company may nevertheless be PIDs for a transitional period.

(E) Financial Statements

As mentioned above, a REIT will be required to submit Financial Statements to HMRC.

(F) Interest Cover Ratio

A tax charge will arise if, in respect of any accounting period, the ratio of (i) 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 respect of their Tax-Exempt Business, plus the financing costs incurred in respect of their Tax-Exempt Business, to (ii) the financing costs incurred in respect of their Tax-Exempt Business, excluding certain intra-group financing costs, is less than 1.25. This ratio is calculated by reference to the Financial Statements, 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.

(G) Property Development and Property Trading by a REIT

A property developed by a member of the Group for investment 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 development property at the later of (i) the date on which the relevant company becomes a member of a REIT and (ii) the date of the acquisition of the development property, and the REIT sells the property within three years of completing the development, the property will be treated as never having been within the Tax-Exempt Business.

If a 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.

(H) 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.

(I) 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 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 certain capital allowances purposes. Special rules apply to disposals by way of a trade and to development property.

(J) Funds Awaiting Reinvestment

Where an asset used exclusively in the Tax-Exempt Business is sold, the legislation provides for the sale proceeds to be treated as assets of the Tax-Exempt Business for the purposes of the 75 per cent. assets test for two years following the disposal, provided that they are held as cash or cash equivalents. However, any interest earned on that cash is treated as part of the Residual Business and therefore taxable.

(K) Joint Ventures

If (i) one or more members of the Group were to become beneficially entitled, in aggregate, to at least 40 per cent. of the profits available for distribution to equity holders of a joint venture company and to at least 40 per cent. of the assets of the joint venture company available to equity holders in the event of a winding up, (ii) that joint venture company (the "**JV company**") were carrying on a qualifying property rental business which satisfied the 75 per cent. profits test and the 75 per cent. assets test and (iii) certain other conditions were satisfied, the REIT could, by giving notice to HMRC, elect for the assets and income of the JV company to be included in the Tax-Exempt Business. In such circumstances, the income of the JV company would count towards the 90 per cent. distribution test and the 75 per cent. profits test and its assets would count towards the 75 per cent. assets test and, insofar as they form part of its qualifying property rental business, give rise to an entry charge, in each case to the extent of the Group's interest in the JV company.

The regulations relating to joint ventures and REITs currently envisage joint ventures in the form of a single company, although it is hoped that the REIT regime will be expanded to cover JV companies that have subsidiaries.

(L) 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 by reference to the assets in the qualifying property rental business of that 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 any chargeable 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. If so, it will 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 the REIT regime's tax exemptions. 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 acquired REIT was still in the REIT regime and future chargeable gains on the relevant assets will therefore be calculated by reference to a base cost equivalent to this market value. If the acquired REIT 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.

PART 3: UK TAX TREATMENT OF SHAREHOLDERS IN A REIT

1. INTRODUCTION

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

They do not apply to Substantial Shareholders, as defined in Part 4. Nor do they 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 by virtue of an interest in any partnership, collective investment schemes, insurance companies, life assurance companies, mutual companies, or Lloyds members. They apply to charities, trustees, pension scheme administrators or persons who hold their shares in connection with a UK branch, agency or permanent establishment only where indicated at paragraph 3(D)(iv) below.

These 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. **Shareholders who are in any doubt about their tax position, or who are subject to tax in a jurisdiction other than the UK, 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.**

2. 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 UK.

3. TAXATION OF PIDS

(A) 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 the profit of a business separate from any other property business carried on by the relevant shareholder. This means that any surplus expenses from any such other business cannot be offset against a PID as part of a single calculation of profits.

No tax credit will be available in respect of PIDs; please see also paragraph (D) (Withholding Tax) below.

(B) 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 the profit of a Schedule A business (as defined in section 15 of ICTA). 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 the profit of a business separate from any other property business carried on by the relevant

shareholder. This means that any surplus expenses from any such other business cannot be offset against a PID as part of a single calculation of profits.

Please see also paragraph (D) (Withholding Tax) below.

(C) Shareholders who are not resident for tax purposes in the UK

Where a shareholder who is resident for tax purposes 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 (D) (Withholding Tax) below.

(D) Withholding Tax

(i) General

Subject to certain exceptions summarised at paragraph 3(D)(iv) below, the Company is required to withhold tax at source at the basic rate (currently 22 per cent.) from its PIDs. The Company will provide Shareholders with a certificate setting out the gross amount of the PID, the amount of tax withheld, and the net amount of the PID.

(ii) Shareholders solely resident and ordinarily resident in the UK

Where tax has been withheld at source, Shareholders who are individuals may, depending on their particular 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 will generally, be liable to pay corporation tax on their PID (see paragraph (B) above) and if (exceptionally) income tax is withheld at source, the tax withheld can be set against their liability to corporation tax or any income tax which they are required to withhold in the accounting period in which the PID is received.

(iii) 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 such treaty between the UK and the country in which the Shareholder is resident.

(iv) Exceptions to requirement to withhold Income Tax

Shareholders should note that in certain circumstances the Company must 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 company resident for tax purposes outside the UK with a permanent establishment in the UK which is required to bring the PID into account in computing its chargeable profits or a charity. They also include where the Company reasonably believes that the PID is paid to the scheme administrator of a registered pension scheme, the account manager of an Individual Savings Account (ISA), the plan manager of a Personal Equity Plan (PEP) or the account provider for a child trust fund, in each case provided the Company reasonably believes that the PID will be applied for the purposes of the relevant fund, scheme, account or plan.

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 be obtained on request from the Company's registrars, Lloyds TSB Registrars, The Causeway, Worthing, West Sussex BN99 6ZL). Shareholders should note that the Company may seek recovery from Shareholders if the statements made

in their claim form are incorrect and the Company suffers tax as a result. The Company will, in some circumstances, suffer tax if its reasonable belief as to the status of the Shareholder turns out to have been mistaken.

4. DISPOSAL OR ACQUISITION OF SHARES IN THE COMPANY

(A) Taxation of chargeable gains

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

(B) Stamp Duty and Stamp Duty Reserve Tax ("SDRT")

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

PART 4: DESCRIPTION OF THE PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

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 company 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 in the Company.

For the purposes of the above definition, "**company**" 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 amendments to the Articles involve the insertion of a new Article (the "**New Article**"). The text of the New Article is set out in the Notice.

The New Article has been discussed with HMRC which has confirmed that a company that adopts provisions in this form and follows them using reasonable diligence will be regarded as having taken "reasonable steps" to avoid paying a dividend to a Substantial Shareholder for the purposes of the legislation.

The New Article:

- provides the Directors with powers to identify Substantial Shareholders;
- prohibits the payment of dividends on shares that form part of a Substantial Shareholding, unless certain conditions are met;
- allows dividends to be paid on shares that form part of a Substantial Shareholding where the Shareholder has disposed of its rights to dividends on its shares; and
- 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 paragraph (C) below are not in place, 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 it owns 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 the Disclosure and Transparency Rules enacted under the Financial Services and Markets Act 2000 and the Board's rights to require disclosure of such interests (pursuant to Part 22 of the Companies Act 2006) 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 its 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).

(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 dividend (see also paragraph (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 dividend would be paid to the transferee); or
- sufficient shares have been transferred (together with the right to the dividend) such that the shares retained are no longer part of a Substantial Shareholding (in which case the dividend 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:

- to ensure that the entitlement to future dividends will be disposed of; and
- 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. The Board may (as described in paragraph (E) below) arrange for the sale of the relevant shares and retain any such amount from the proceeds. Any such amount may also be recovered out of dividends to which the Substantial Shareholder concerned may become entitled in the future.

Certificates provided in the circumstances described above will be of considerable 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 that has provided it.

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

(D) Trust arrangements where rights to dividends have not been disposed of by 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 split among a number of nominees 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 its holding 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 the Company.

If the recipient of the dividend passes it on to another person 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.

If a disposal of shares required by the Board is not completed within the timeframe specified by the Board or the Company incurs a charge to tax as a result of a dividend having been paid on a Substantial Shareholding, the Board may arrange for the sale of the relevant shares and for the Company to retain from the proceeds of sale an amount equal to any tax so payable.

(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.

As a matter of company law, the Articles may be amended by Special Resolution passed by the Shareholders in the future. However, Shareholders should note that there has been specifically included in the new Article reference to the possibility of a change to the Articles to give powers to the Board to ensure that the Company can comply with the close company condition described in paragraph 2(B) of Part 2 of this Circular, which powers may include the ability to arrange for the sale of shares on behalf of the Shareholders.

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notice is hereby given that an Extraordinary General Meeting of McKay Securities PLC will be held at the Royal Thames Yacht Club, 60 Knightsbridge, London SW1X 7LF on 28 February 2007 at 9.30 a.m. for the purpose of considering and, if thought fit, passing the following resolution as a Special Resolution:

THAT, with effect from (and including) the first day of the first specified 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 136A following article 136:

"136A. Real Estate Investment Trust

Cardinal principle

136A.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, 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 the Company should be able to satisfy Condition 4 in 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.

136A.2 This article supports such cardinal 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

136A.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 the interests of any other Person who may acquire or have acquired such an interest, makes the Company unable to satisfy Condition 4 in 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 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 surcharge 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 section 134 of the Finance Act 2006 (as such section 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);

"**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, 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 holder of excessive rights as defined in the Real Estate Investment Trusts (Breach of Conditions) Regulations 2006;

136A.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):

(A) to be addressed to the Company, the directors or such other Persons as the directors may determine (including HMRC);

(B) to include such information as the directors consider is required for the Company to comply with any Reporting Obligation;

(C) to contain such legally binding representations and obligations as the directors may determine;

(D) to include an undertaking to notify the Company if the information in the certificate or declaration becomes or will become incorrect;

(E) to be copied or provided to such Persons as the directors may determine (including HMRC); and

(F) to be executed in such form (including as a deed or deed poll) as the directors may determine.

136A.5 This article shall apply notwithstanding any provisions to the contrary in any other article (including, without limitation, articles 126 to 136 (Dividends and Capitalisation)).

Notification of Substantial Shareholder and other status

136A.6 Each shareholder and any other relevant Person shall serve notice in writing on the Company at the office on:

(A) him becoming a Substantial Shareholder or him being a Substantial Shareholder on the date this article comes into effect (together with the percentage of voting rights, share capital or dividends he controls or is 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) him 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.

136A.7 The directors may at any time give notice in writing to any Person requiring him, 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), to deliver to the Company at the office such information, certificates and declarations as the directors may require to establish whether or not he 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.

Distributions in respect of Substantial Shareholdings

136A.8 In respect of any Distribution, the directors may, if the directors determine that the condition set out in article 136A.9 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 article 136A.10 and until such payment the Persons who would otherwise be entitled to the Distribution shall have no right to the Distribution or its payment.

136A.9 The condition referred to in article 136A.8 is that, in relation to any shares in the Company and any 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.

136A.10 If a Distribution has been withheld on or in respect of any shares in the Company in accordance with article 136A.8, it shall be paid as follows:

(A) if it is established to the satisfaction of the directors that the condition in article 136A.9 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 transferred 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 such transfer such 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) 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 article 136A.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.

136A.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.

136A.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 article 136A.7 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 article 136A.8 and until such payment the Persons who would otherwise be entitled to the Distribution shall have no right to the Distribution or its payment.

136A.13 If the directors decide that payment of a Distribution should be withheld under articles 136A.8 or 136A.12, they shall within five business days give notice in writing of that decision to the Relevant Registered Shareholder.

136A.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 article 136A.21 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).

Distribution Trust

136A.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 article 136A.16 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 the Company.

136A.16 The relevant Substantial 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 article 136A.15 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 136A 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 article 136A.15 the trustee of the trust, the nomination shall not take effect until it is delivered to the Person who is the trustee.

136A.17 Any income arising from a Distribution which is held on trust under article 136A.15 shall until the earlier of (i) the making of a valid nomination under article 136A.16 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.

136A.18 No Person who by virtue of article 136A.15 holds a Distribution on trust shall be under any obligation to invest the Distribution or to deposit it in an interest-bearing account.

136A.19 No Person who by virtue of article 136A.15 holds a Distribution on trust shall be liable for any breach of trust unless due to his own wilful fraud or wrongdoing or, in the case of an incorporated Person, the fraud or wilful wrongdoing of its directors, officers or employees.

Obligation to dispose

136A.20 If at any time, the directors believe that:

(A) in respect of any Distribution declared or announced, the condition set out in article 136A.9 is satisfied in respect of any shares in the Company in relation to that Distribution;

(B) a notice given by the directors pursuant to article 136A.7 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 the preceding provisions of this article 136A 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 as the directors may in such notice specify or to take such other steps as will cause the condition set out in article 136A.9 no longer to be satisfied. The directors may, if they think fit, withdraw a Disposal Notice.

136A.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.

136A.22 Any sale pursuant to article 136A.21 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.

136A.23 The net proceeds of the sale of any share under article 136A.21 (less any amount to be retained pursuant to article 136A.14 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.

136A.24 The title of any transferee of shares shall not be affected by any irregularity or invalidity of an action purportedly taken pursuant to this article 136A.

General

136A.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, a Relevant Registered Shareholder or a Close Company Person.

136A.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 136A 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 136A shall be binding on all Persons and shall not be open to challenge on any ground whatsoever.

136A.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, a Relevant Registered Shareholder or a Close Company Person.

136A.28 The directors shall not be obliged to serve any notice required under this article 136A 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 136A shall not prevent the implementation of or invalidate any procedure under this article 136A.

136A.29 The provisions of articles 144 to 149 shall apply to the service upon any Person of any notice required by this article. Any notice required by this article 136A 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 UK and who has failed to supply to the company an address within the UK pursuant to article 146, 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 following posting and it shall be sufficient proof of service if that notice was properly addressed, stamped and posted.

136A.30 Any notice required or permitted to be given pursuant to this article 136A may relate to more than one share and shall specify the share or shares to which it relates.

136A.31 The directors may require from time to time 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, Collection and Recovery of Tax) Regulations 2006 to provide such certificates or declarations as they may require from time to time.

136A.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 in 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,
A.S. Childs
Secretary

Registered Office:
20 Greyfriars Road
Reading
Berkshire RG1 1NL

5 February 2007

Notes:

1. A Shareholder entitled to attend and vote at the meeting is also entitled to appoint one or more proxies to attend and, on a poll, vote instead of him. A proxy need not be a Shareholder of the Company.

2. A Form of Proxy is enclosed which, to be effective, must be completed, signed and deposited with the Company's registrars, Lloyds TSB Registrars, The Causeway, Worthing, West Sussex BN99 6ZL at least 48 hours before the time appointed for holding the meeting. Completion and return of the Form of Proxy does not preclude aShareholder from attending and voting in person.

3. To be entitled to attend and vote at the meeting (and for the purposes of the determination by the Company of the votes they may cast) Shareholders must be entered on the register of members of the Company by 6 p.m. on 26 February 2007. Changes to entries on the register of Shareholders after 6 p.m. on 26 February 2007 shall be disregarded in determining the rights of any person to attend or vote at the meeting.

FOR CREST MEMBERS ONLY:

CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the Extraordinary General Meeting to be held on 28 February 2007 and any adjournment(s) thereof by using 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 or instruction made using the CREST service 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 7RA01) 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. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

CREST members and, where applicable, their CREST sponsors or voting service providers should note that CRESTCo does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

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.