

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.** If you are in any doubt as to the action you should take you are recommended to seek your own independent financial advice immediately from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000 if you are resident in the United Kingdom or, if not, another appropriately authorised independent financial adviser in your own jurisdiction.

If you have sold or otherwise transferred, or sell or transfer before 5.00 p.m. on 12 January 2010, all of your Existing Ordinary Shares, please forward this document together with the Form of Proxy and Election Form which accompany it as soon as possible to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for delivery to the purchaser or transferee. However, such documents should not be distributed, forwarded or transmitted in or into any jurisdiction in which such an act would constitute a breach of the relevant laws of such jurisdiction.

Application will be made for the New Ordinary Shares to be issued pursuant to the Proposals to be admitted to trading on AIM. It is expected that dealings in the Existing Ordinary Shares will continue until 4.30 p.m. on 12 January 2010 and that Admission will become effective and dealings in the New Ordinary Shares will commence on AIM at 8.00 a.m. on 13 January 2010. No application will be made to any investment exchange or trading platform for listing or admission to trading of the B Shares or C Shares.

**Part 8 contains the definition of terms used in this document. All times are London times.**



# Rugby Estates Plc

*(incorporated in England and Wales under number 2548935)*

## **Proposed Return of Cash to Shareholders of 45 pence per Existing Ordinary Share and Notice of General Meeting**

This document should be read as a whole. Your attention is drawn to the letter from the Chairman of Rugby Estates Plc, which is set out on pages 4 to 9 of this document and which recommends that you vote in favour of the Resolutions to be proposed at the General Meeting, the notice for which is set out in Part 9 of this document.

**A summary of the action to be taken by Shareholders is set out on page 8 of this document. If Shareholders have any queries in relation to the action to be taken they may call the Shareholder helpline on 0871 384 2050 (+44 121 415 0259 if calling from outside the United Kingdom) between 8.30 a.m. and 5.30 p.m. on any Business Day. Calls to these numbers are charged at 8 pence per minute from a BT landline. Other telephony costs may vary. Please note that the Shareholder helpline will not provide advice on the merits of the Alternatives or give any financial or tax advice.**

**You should note that the implementation of the Proposals is conditional upon the approval by Shareholders of Resolution 1 to be proposed at the General Meeting and Admission.**

None of the B Shares, C Shares nor the New Ordinary Shares have been or will be registered under the US Securities Act or the state securities laws of the United States and none of them may be offered or sold in the United States unless pursuant to a transaction that has been registered under the US Securities Act and the relevant state securities laws or that is not subject to the registration requirements of the US Securities Act or such laws, either due to an exemption therefrom or otherwise.

None of the B Shares, C Shares, New Ordinary Shares nor this document have been approved, disapproved or otherwise recommended by any US federal or state securities commission or other regulatory authority or any non-US securities commission or regulatory authority nor have such authorities confirmed the accuracy or determined the adequacy of this document. Any representation to the contrary is a criminal offence in the United States.

Fairfax I.S. PLC, which is authorised and regulated in the United Kingdom by the Financial Services Authority, is acting exclusively for Rugby Estates Plc and for no one else in connection with the matters referred to in this document and will not be responsible to anyone other than Rugby Estates Plc for providing the protections afforded to clients of Fairfax I.S. PLC or for providing advice in relation to the matters referred to in this document.

## VOTING ON THE RESOLUTIONS AND MAKING AN ELECTION

Whether or not you plan to attend the General Meeting in person, please:

1. complete and sign the enclosed Form of Proxy in accordance with the instructions printed on it and return it so as to be received by Equiniti by no later than 10.00 a.m. on 10 January 2010; or
2. if you hold Existing Ordinary Shares in CREST and wish to appoint a proxy by completing and transmitting a CREST Proxy Instruction, ensure it is received by Equiniti by no later than 10.00 a.m. on 10 January 2010.

The completion and return of the Form of Proxy or transmission of a CREST Proxy Instruction will not prevent you from attending the General Meeting and voting in person (in substitution for your proxy vote) if you so wish and are so entitled.

Under the Proposals, Shareholders will be able to choose between two Alternatives as to how they receive their proceeds from the Proposals. An Election Form for use by Shareholders (with the exception of Shareholders who hold their Existing Ordinary Shares in CREST) in connection with the Alternatives is enclosed with this document. Please complete and return the Election Form in the prepaid envelope provided so as to be received by Equiniti by no later than 11.00 a.m. on 12 January 2010. If Shareholders do not use the envelope provided, the Election Form should be sent by post to Equiniti, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA and postage will (where applicable) be payable or delivered by hand only (during normal business hours) to Equiniti, Holm Oak, Holm Oak Business Park, Woods Way, Goring-by-Sea, Worthing, West Sussex BN12 4FE. Full details on how to complete and return the Election Form are set out in Part 4 of this document. Replacement Election Forms may be obtained from Equiniti by calling the Shareholder helpline referred to below.

Shareholders who hold their Existing Ordinary Shares in CREST will not be sent Election Forms and may only elect in respect of the Alternatives through CREST by giving an appropriate TTE Instruction. Please refer to paragraph 2 of Part 4 of this document for further information.

A summary of the action to be taken by Shareholders is set out on page 8 of this document.

If Shareholders have any queries in relation to the Form of Proxy, transmission of electronic proxies, CREST Proxy Instructions, the Election Form or TTE Instructions, they may call the Shareholder helpline on 0871 384 2050 (+44 121 415 0259 if calling from outside the United Kingdom) between 8.30 a.m. and 5.30 p.m. on any Business Day. Calls to these numbers are charged at 8 pence per minute from a BT landline. Other telephony costs may vary. **Please note that the Shareholder helpline will not provide advice on the merits of the Alternatives or give any financial or tax advice.**

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## Part 1: Letter from the Chairman of Rugby Estates Plc



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London, W1J 5RD

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11 December 2009

### *Directors*

David Tweeddale-Tye (*Executive Chairman*)

Andrew Wilson (*Chief Executive*)

Stephen Jones (*Finance Director*)

Andrew Tyrie (*Non-executive*)

John Jackson (*Non-executive*)

*To Shareholders and, for information only, to participants in the Rugby Estates Share Schemes*

Dear Shareholder

### **Proposed Return of Cash to Shareholders**

#### **1. Introduction**

Earlier this year, and following a strategic review of its business, the Company returned 50 pence per share to Shareholders by way of a B and C Share scheme. As announced on 4 November 2009, the Company recently sold two industrial properties for an aggregate consideration of £5.01 million pursuant to the Company's strategy to concentrate on its asset management business and to return capital realised on the disposal of its property portfolio to Shareholders. Accordingly, the Company intends to make a further return of cash of 45 pence per share to Shareholders pursuant to the Proposals.

The Proposals involve the issue to Shareholders of B Shares and/or C Shares which is intended to give Shareholders, where eligible under their prevailing tax regime (such as in the UK), the flexibility to receive a return of cash from the Company as capital or income for tax purposes, or a combination of the two. The Directors believe the Proposals represent the most efficient and effective way to return cash to Shareholders.

The Proposals require the approval of Shareholders, which will be sought at a General Meeting to be held at 4 Farm Street, Mayfair, London W1J 5RD at 10.00 a.m. on 12 January 2010. The notice of the General Meeting is set out in Part 9 of this document.

It is intended that the market price of the Company's ordinary shares should remain approximately equal before and after the return of cash, subject to market movements, and consequently the Proposals (through the Share Capital Consolidation) will reduce the number of such ordinary shares in issue to reflect the return of cash to Shareholders. For every 6 Existing Ordinary Shares held at the Record Time (expected to be at 5.00 p.m. on 12 January 2010), Shareholders will receive 5 New Ordinary Shares. The New Ordinary Shares will be traded on AIM in the same way as Existing Ordinary Shares and will be equivalent in all material respects to the Existing Ordinary Shares, including as to their dividend and voting rights.

The purpose of this document is to explain, and seek Shareholder approval of, the Proposals and to explain the choices available to Shareholders and how to decide between them.

In addition, we will be seeking your approval at the General Meeting of resolutions, among other things, to renew the Company's authority to make market purchases of shares and to renew the Directors' authority to allot shares pursuant to section 551 of the 2006 Act and to disapply section 561 of the 2006 Act, in each case to take account of the Share Capital Consolidation.

Please read and rely on the whole of this document and not just the summarised information set out in this letter. Shareholders' attention is drawn to the further information set out in Parts 2 to 7 of this document, including an expected timetable of key events and some frequently asked questions with answers in respect of the Proposals set out in Parts 2 and 3 of this document.

## 2. Summary of the Proposals

The implementation of the Proposals involves a number of steps, which are all subject to approval of Shareholders at the General Meeting.

- Each Shareholder will be given the option to receive either a B Share or a C Share in respect of each Existing Ordinary Share held by them on the Record Date. The B Shares will entitle their holders to receive the Redemption Payment of 45 pence per B Share and the C Shares will entitle their holders to receive the Special Dividend of 45 pence per C Share.
- Shareholders will receive C Shares unless they elect for B Shares.
- Following the General Meeting and the issue of the B Shares and C Shares, the B Shares will be redeemed by the Company in return for payment of 45 pence per B Share to the holders of such B Shares and a special dividend of 45 pence per C Share will be paid to the holders of the C Shares.
- Following the Special Dividend becoming payable, the C Shares will be reclassified as Deferred Shares of negligible value which the Company will be entitled to repurchase for an aggregate consideration of one pence.
- Following the allotment of the B Shares and C Shares, the ordinary share capital will be subdivided and consolidated on the basis of 5 New Ordinary Shares for every 6 Existing Ordinary Shares held. Under the Share Capital Consolidation shareholders will, therefore, receive 5 New Ordinary Shares for every 6 Existing Ordinary Shares held by them at the Record Time. The Share Capital Consolidation is intended to maintain comparability of the Company's future and historic share price.
- New Ordinary Shares will be traded on AIM in the same way as Existing Ordinary Shares and will be equivalent in all other respects to the Existing Ordinary Shares, with the exception of the difference in nominal value and subject to the rights of the B Shares and the C Shares.

Further details of the steps required to implement the Proposals are set out in Part 5 of this document.

## 3. The Return of Cash

The Proposals will return 45 pence per Existing Ordinary Share to Shareholders. Under the Proposals, Shareholders will receive, in respect of their holding of Existing Ordinary Shares at the Record Time:

- **1 B Share or 1 C Share (as they may elect) for every 1 Existing Ordinary Share; and**
- **5 New Ordinary Shares for every 6 Existing Ordinary Shares.**

Shareholders will be able to elect between the following Alternatives as to how they receive their cash:

- the Capital Alternative in respect of the B Shares (cash expected to be sent on or around 22 January 2010); and/or
- the Dividend Alternative in respect of the C Shares (cash expected to be sent on or around 22 January 2010).

## 4. The Alternatives

The Alternatives available to Shareholders are summarised below and explained in further detail in Part 5 of this document. Shareholders may split the aggregate amount to be returned to them between the Alternatives.

**Shareholders who do not make a valid election will be deemed to have elected for the Dividend Alternative in respect of ALL of their Share Entitlement.**

The general guidance on the UK tax treatment included below is only a summary, is based on current UK law and practice as at the date of this document and applies only to Shareholders who are resident and, if they are individuals, ordinarily resident in the UK for tax purposes and who hold their Existing Ordinary Shares, B Shares and/or C Shares beneficially as investments and not on trading account. UK tax resident Shareholders should read Part 7 of this document as the Alternatives will have different UK tax consequences.

**Shareholders who are in any doubt as to their tax position, or are subject to tax in a jurisdiction other than the United Kingdom, should consult an appropriate professional adviser without delay.**

● ***Alternative 1 – Capital Alternative (B Shares)***

Shareholders who elect for the Capital Alternative in respect of some or all of their Share Entitlement will receive one B Share for each corresponding Existing Ordinary Share they hold at the Record Time.

It is expected that each B Share will subsequently be redeemed by the Company for 45 pence by 19 January 2010 and that the redemption proceeds will be sent to Shareholders on or around 22 January 2010.

The amounts received under the Capital Alternative should generally be taxed as capital for UK tax purposes. UK tax resident Shareholders should read Part 7 of this document for further information.

The attention of Non-United Kingdom Shareholders is drawn to paragraph 6 of Part 5 of this document.

● ***Alternative 2 – Dividend Alternative (C Shares)***

Shareholders who elect or are deemed to have elected for the Dividend Alternative in respect of some or all of their Share Entitlement will receive one C Share for each corresponding Existing Ordinary Share they hold at the Record Time. A Special Dividend of 45 pence will become payable on each such C Share by 19 January 2010 and we expect to send the Special Dividend to such Shareholders on or around 22 January 2010. Following declaration of the Special Dividend each C Share will be reclassified as a Deferred Share of negligible value and the Company will be entitled to purchase and then cancel such Deferred Shares for an aggregate consideration of one pence.

The amounts received under the Dividend Alternative should be taxed as income for UK tax purposes. UK tax resident Shareholders should read Part 7 of this document for further information.

The attention of Non-United Kingdom Shareholders is drawn to paragraph 6 of Part 5 of this document.

**Details of how to complete and return an Election Form are set out in Part 4 of this document. Shareholders electing through CREST should refer to paragraph 2 of Part 4 of this document for further information.**

**Shareholders wishing to receive the Special Dividend in respect of all of their Share Entitlement need NOT complete or return the Election Form or make an election through CREST as C Shares will be issued and the Special Dividend paid automatically in respect of all of the Share Entitlement in relation to which a Shareholder has not elected for either of the Alternatives.**

**5. The Share Capital Consolidation**

The return of cash proposed to be made pursuant to the Proposals represents approximately 17.31 per cent. of the Company's market capitalisation as at 10 December 2009, based on the Closing Price of 260 pence per Existing Ordinary Share on that date. The Share Capital Consolidation will reduce the number of the Company's ordinary shares in issue by approximately the same percentage as the return of cash bears to the market capitalisation of the Company.

For every 6 Existing Ordinary Shares held at the Record Time, Shareholders will receive 5 New Ordinary Shares. The intention is that, subject to market movements, the market price per New Ordinary Share immediately after Admission should be approximately equal to the market price per Existing Ordinary Share immediately prior to the Proposals whilst the market capitalisation will reflect the return of cash pursuant to the Proposals.

The New Ordinary Shares will be traded on the London Stock Exchange in the same way as the Existing Ordinary Shares and will be equivalent in all material respects to the Existing Ordinary Shares, including as to their dividend rights. Admission is expected to take effect at 8.00 a.m. on 13 January 2010. It is expected that share certificates representing the New Ordinary Shares will be sent to Shareholders who hold their Existing Ordinary Shares in certificated form on or around 26 January 2010. The CREST accounts of Shareholders who hold their Existing Ordinary Shares in CREST are expected to be credited with New Ordinary Shares at approximately 8.00 a.m. on 13 January 2010.

Further information on the Share Capital Consolidation, and any fractional entitlements to New Ordinary Shares that may result, is set out in paragraph 3 of Part 5 of this document.

#### **6. Rugby Estates Share Schemes**

Separate letters are being sent to participants in the Rugby Estates Share Schemes in respect of the Proposals.

The intention is broadly to preserve, subject to market fluctuations, the value of each option and award under the Rugby Estates Share Schemes through the Share Capital Consolidation. Therefore, the current intention is that no adjustments to share entitlements will be made under the Rugby Estates Share Schemes where holders of options and awards will not participate in the return of cash pursuant to the Proposals with respect to such entitlement. Accordingly, entitlements will relate to the same number of New Ordinary Shares as they currently do to Existing Ordinary Shares. Participants in the Rugby Estates Share Schemes will be able, subject to the terms of the Rugby Estates Share Schemes, to exercise options between the date of this letter and the Record Time.

The trustees of the All Employee Share Plan will send letters to participants in that plan asking them how they wish the trustees to act in relation to Existing Ordinary Shares held on their behalf under the plan in respect of the Proposals.

#### **7. Proposed amendments to the Articles of Association**

A number of amendments to the Articles of Association are required to implement the Proposals and require approval at the General Meeting. The proposed amendments relate to the rights and restrictions attaching to the B Shares, C Shares and Deferred Shares, certain consequential amendments to the Articles and certain other amendments as a consequence of the full implementation of the 2006 Act. The changes are summarised in paragraph 7 of Part 5 and Part 6 of this document.

#### **8. Further information**

Shareholders' attention is drawn to the further information set out in Parts 2 to 7 of this document.

**Shareholders should read and rely on the whole of this document and not just the summarised information set out in this letter.**

#### **9. Action to be taken**

**A Form of Proxy for use in connection with the General Meeting is enclosed. Whether or not Shareholders intend to be present at the General Meeting, they are requested to complete and sign the accompanying Form of Proxy and return it, in accordance with the instructions printed on it, by post or (during normal business hours) by hand to Equiniti, Aspect House, Spencer Road, Lancing, West Sussex BN99 6ZL to arrive as soon as possible and, in any event, by no later than 10.00 a.m. on 10 January 2010. Shareholders who hold their Existing Ordinary Shares in CREST may appoint a proxy by completing and transmitting**

a **CREST Proxy Instruction to Equiniti so that it is received by no later than 10.00 a.m. on 10 January 2010.** The return of a completed Form of Proxy or the transmission of an electronic proxy or CREST Proxy Instruction will not prevent a Shareholder from attending the General Meeting and voting in person (in substitution for their proxy vote) should they wish to do so and are so entitled.

**An Election Form for use by Shareholders (with the exception of Shareholders who hold their Existing Ordinary Shares in CREST) in connection with the Alternatives is enclosed with this document. To be valid, Election Forms must be validly completed and returned in the prepaid envelope provided so as to be received by Equiniti by no later than 11.00 a.m. on 12 January 2010. If Shareholders do not use the envelope provided, the Election Form should be sent by post to Equiniti, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA and postage will (where applicable) be payable or delivered by hand only (during normal business hours) to Equiniti, Holm Oak, Holm Oak Business Park, Woods Way, Goring-by-Sea, Worthing, West Sussex BN12 4FE. Full details on how to complete and return the Election Form are set out in Part 4 of this document.**

**Shareholders who hold their Existing Ordinary Shares in CREST will not be sent Election Forms and may only elect in respect of the Alternatives through CREST. Please see paragraph 2 of Part 4 of this document for further information.**

#### **10. Shareholder helpline**

If Shareholders have any queries in relation to the Form of Proxy, transmittal of electronic proxies, CREST Proxy Instructions, the Election Form or TTE Instructions, they may call the Shareholder helpline on 0871 384 2050 (+44 121 415 0259 if calling from outside the United Kingdom) between 8.30 a.m. and 5.30 p.m. on any Business Day. Calls to these numbers are charged at 8 pence per minute from a BT landline. Other telephony costs may vary. **Please note that the Shareholder helpline will not provide advice on the merits of the Alternatives or give any financial or tax advice.**

#### **11. Risk Factors**

Set out below are risk factors relating to the Group in connection with the Proposals and to the B and C Shares. Additional risks and uncertainties not presently known to the Directors, or that the Directors currently consider to be immaterial, may also have an adverse effect on the business, results or financial condition of the Group in connection with the Proposals. **Investors should carefully consider these risk factors, together with the other information contained in this document, before making any decisions in relation to the matters set out in this document.**

##### ***Liquidity***

The Group's cash balances will reduce significantly following the return of cash pursuant to the Proposals. This will reduce the Group's ability to meet unexpected cash outflows, or the effects of reduced cash inflows, from existing resources. In current market conditions, it is possible that the Group may not be able to borrow readily or on acceptable terms to meet such contingencies.

##### ***Creditworthiness***

As a result of the return of cash pursuant to the Proposals, the Group will have lower net assets than would otherwise have been the case. This may affect the quantity of debt which the Group is able to raise and the terms on which it is able to do so.

##### ***Profits***

The reduction in the Group's cash balances resulting from the implementation of the Proposals will reduce the interest earned on such balances which will reduce the profits generated by the Group.

##### ***Risks relating to the B and C Shares***

The general guide to United Kingdom taxation in relation to the Proposals set out in Part 7 of this document is based on current United Kingdom tax law and HM Revenue & Customs practice as at the date of this document. Current legislation and practice may change and any such change may affect

the taxation liabilities of Shareholders in relation to the Proposals. The attention of Shareholders is drawn to the paragraphs headed "Chapter 1, Part 13 ITA 2007" of Part 7 of this document.

## **12. Recommendation**

**The Board believes the Proposals to be in the best interests of Shareholders as a whole. Accordingly, the Board unanimously recommends that Shareholders vote in favour of the Resolutions, as the Directors intend to do in respect of their own beneficial holdings, amounting in aggregate to 1,865,359 Existing Ordinary Shares representing approximately 13.61 per cent. of the current issued share capital of Rugby Estates Plc. In addition, the executive Directors have been advised that Rugby Estates Plc Retirement Benefits Scheme will vote a minimum of 435,334 Existing Ordinary Shares, representing approximately 3.18 per cent. of the current issued share capital of Rugby Estates Plc, in favour of the Resolutions.**

A summary explanation of the Resolutions relating to the Proposals is set out in paragraph 10 of Part 5 of this document.

Yours sincerely

David Tweeddale-Tye  
*Executive Chairman*

## Part 2: Expected timetable of key events

Latest time and date for receipt of the Form of Proxy or CREST Proxy Instruction for the General Meeting	10.00 a.m. on 10 January 2010
General Meeting	10.00 a.m. on 12 January 2010
Latest time and date for receipt of Election Forms or TTE Instructions from CREST holders in relation to the Alternatives	11.00 a.m. on 12 January 2010
Latest time and date for dealings in Existing Ordinary Shares	4.30 p.m. on 12 January 2010
Record Time (for consolidation of Existing Ordinary Shares and entitlement to B Shares and/or C Shares), Existing Ordinary Share Register closed and Existing Ordinary Shares disabled in CREST	5.00 p.m. on 12 January 2010
Cancellation of trading of Existing Ordinary Shares	8.00 a.m. on 13 January 2010
New Ordinary Shares admitted to trading on AIM and dealings in the New Ordinary Shares commence	8.00 a.m. on 13 January 2010
CREST accounts credited with New Ordinary Shares	Approximately 8.00 a.m. on 13 January 2010
Redemption of B Shares under the Capital Alternative	By 19 January 2010
Special Dividend becomes payable and C Shares in respect of which the Special Dividend is payable automatically reclassify as Deferred Shares	By 19 January 2010
CREST accounts credited with or cheques despatched in respect of the Redemption Payment on the B Shares	On or around 22 January 2010
BACS payments made to mandated accounts or cheques despatched in respect of the Special Dividend on the C Shares	On or around 22 January 2010
Despatch of share certificates in respect of New Ordinary Shares	On or around 26 January 2010

*Notes:*

- References to times in this document are to London times. If any of the above times or dates should change, the revised times and/or dates will be notified to Shareholders by an announcement on a Regulatory Information Service.
- All events in the above timetable following the holding of the General Meeting are conditional on the passing of Resolution 1 and Admission.

### Part 3: Frequently asked questions

The following sets out some frequently asked questions and provides brief answers about the Proposals. **Shareholders should read and rely on the whole of this document and not just this Part 3.**

If Shareholders have any further questions, they may call the Shareholder helpline on 0871 384 2050 (+44 121 415 0259 if calling from outside the United Kingdom) between 8.30 a.m. and 5.30 p.m. on any Business Day. Calls to these numbers are charged at 8 pence per minute from a BT landline. Other telephony costs may vary. **Please note that the Shareholder helpline will not provide advice on the merits of the Alternatives or give any financial or tax advice.**

#### 1. Why are you returning cash to Shareholders?

The ongoing challenging market conditions have led the Company's board to review Rugby Estates' strategy and direction. The Directors believe that, with its small capital base, Rugby Estates will be better placed to enhance shareholder value by using the expertise of its highly focused management team to develop further its successful asset management business and reduce the capital employed in direct property holdings. Accordingly, the Group's key focus will be to grow its asset management business under the Rugby Estates Asset Management brand.

The Group's directly owned property portfolio will continue to be managed with a view to maximising net rental income and, in due course, capital receipts through disposals. The Directors do not intend to reinvest the portfolio realisation proceeds in the acquisition of new properties. Subject to retaining sufficient resources for the needs of the asset management business, surplus funds will be returned to Shareholders as and when significant realisations are made. As announced on 4 November 2009, the Company recently sold two industrial properties for an aggregate consideration of £5.01 million pursuant to the above strategy. Accordingly, the Company intends to make a return of cash of 45 pence per share pursuant to the Proposals.

#### 2. Why are you doing it in this way?

We have chosen a method which we believe represents the most efficient and effective way to return cash to Shareholders. The proposed return of cash by way of the Proposals is intended to give Shareholders, where eligible under their prevailing tax regime (such as in the UK), the flexibility to receive their cash as capital or income for tax purposes, or a combination of the two.

#### 3. What happens to my Existing Ordinary Shares?

The Proposals involve a Share Capital Consolidation where the Existing Ordinary Shares will be consolidated, reducing the number of ordinary shares that all Shareholders will hold. As a result of the Share Capital Consolidation, for every 6 Existing Ordinary Shares held at the Record Time, you will receive 5 New Ordinary Shares. Any fractional entitlements arising pursuant to the Share Capital Consolidation will not be allotted to Shareholders and will be aggregated into New Ordinary Shares and sold in the market for the benefit of the Company.

If the Share Capital Consolidation is not effected as part of the Proposals, the Company's ordinary share price would fall because the Company would no longer have the cash which is being returned to Shareholders. The intention of the Share Capital Consolidation is that, subject to market movements, the market price per New Ordinary Share immediately after Admission should be approximately equal to the market price per Existing Ordinary Share immediately prior to the implementation of the Proposals.

#### 4. What does this mean for me and am I being forced to sell my Existing Ordinary Shares?

Nobody is being forced to sell his or her Existing Ordinary Shares. Although you will hold fewer ordinary shares in the Company after the Share Capital Consolidation than you did before, you will continue to own the same percentage holding in the Company (subject to fractional entitlements to New Ordinary Shares). The New Ordinary Shares will be equivalent in all material respects to the Existing Ordinary Shares, including as to their dividend rights.

With no market movement, the total value of your New Ordinary Shares immediately after the Share Capital Consolidation, plus 45 pence per Existing Ordinary Share to be returned to you under the Proposals, should be equal to the value of your holding immediately before the Share Capital Consolidation (subject to fractional entitlements).

**5. Why are the Proposals so complicated?**

We appreciate that the Proposals can seem complicated. The structure is similar to that used by other public companies to return cash to shareholders and is similar to the B and C Share scheme undertaken by the Company earlier this year pursuant to which £8.6 million was returned to the Company's shareholders. They are intended to provide all Shareholders with an equal opportunity to participate in receiving the cash and to allow them to choose the Alternative(s) that best suits their own circumstances, including their own tax position.

**6. Do I need to vote at the General Meeting?**

Before they can be implemented, the Proposals need Shareholder approval of Resolution 1 at the General Meeting. The Directors recommend that you vote in favour of the Resolutions approving the Proposals. The notice of the General Meeting, which includes the Resolutions to be voted on at the General Meeting, is set out in Part 9 of this document.

Whether or not you intend to attend the General Meeting, you are requested to complete the Form of Proxy and return it to Equiniti as soon as possible but in any event so as to be received by no later than 10.00 a.m. on 10 January 2010. If you hold your Existing Ordinary Shares in CREST, you also have the option of transmitting a CREST Proxy Instruction by the same time and date. When completing and returning the Form of Proxy you will need to take into account the postal time necessary for your form to reach the registrars. If you do not vote at the General Meeting you should still make an election for the Alternatives except where you wish to receive the Special Dividend in respect of all of your Share Entitlement.

**7. How do I decide which Alternative to elect for?**

You can split your entitlement between one or both of the Alternatives. The most appropriate Alternative(s) for you depends on your own individual tax and other circumstances. If you are in any doubt as to what action to take, such as which Alternative(s) to elect for, you should seek your own professional advice without delay.

**8. What if I do not make my election in time or do nothing?**

Shareholders who do not validly complete and return their Election Form, or in the case of Shareholders who hold their Existing Ordinary Shares in CREST, do not send a valid TTE Instruction, to be received by 11.00 a.m. on 12 January 2010, will be deemed to have elected for the Dividend Alternative in respect of all of their Share Entitlement.

**9. When do I get my New Ordinary Share certificate? When will my CREST account be credited with New Ordinary Shares?**

It is expected that share certificates representing the New Ordinary Shares will be sent to Shareholders on or around 26 January 2010. Share certificates are sent to Shareholders at their own risk. Shareholders will be able to trade their New Ordinary Shares in the normal manner prior to receipt by them of their new share certificates.

It is expected that the CREST accounts of Shareholders who hold their Existing Ordinary Shares in CREST will be credited with New Ordinary Shares at approximately 8.00 a.m. on 13 January 2010 under the new ISIN GB00B54S2L92.

**10. Will I get a certificate for my B Shares and/or C Shares and can I sell them in the market?**

No, share certificates will not be issued in respect of the B Shares or C Shares. Whilst the B Shares and C Shares are technically transferable, they will not be listed or admitted to trading on AIM or any other investment exchange or trading platform and it is highly unlikely that an active market for them will develop or, if developed, be sustained. The B Shares will be redeemed and the C Shares will be reclassified as Deferred Shares of negligible value as part of the Proposals.

**11. What shall I do if I need a replacement Election Form?**

If you need a replacement Election Form, you should call the Shareholder helpline on 0871 384 2050 (+44 121 415 0259 if calling from outside the United Kingdom) between 8.30 a.m. and 5.30 p.m. on any Business Day. Calls to these numbers are charged at 8 pence per minute from a BT landline. Other telephony costs may vary. You will need to take into account the postal time necessary for a replacement Election Form to reach Equiniti by 11.00 a.m. on 12 January 2010.

## Part 4: Making your election

### 1. Completing your Election Form

**Shareholders wishing to receive the Special Dividend in respect of all of their Share Entitlement need NOT complete or return the Election Form or make an election through CREST. C Shares will be issued and the Special Dividend paid automatically in respect of all of the Share Entitlement in relation to which a Shareholder has not elected for either of the Alternatives.**

To make an election, Shareholders who hold their Existing Ordinary Shares in certificated form must complete and return the Election Form enclosed with this document. Shareholders who hold their Existing Ordinary Shares in CREST will not be sent Election Forms and instead should refer to paragraph 2 of Part 4 of this document for further information.

The following instructions describe what Shareholders should do when completing an Election Form. Any decisions reached by Shareholders as between the Alternatives should be based on the information contained in this document.

References to Boxes refer to the boxes indicated on the Election Form.

#### *Name(s) of Shareholder(s)*

The Election Form shows the name of the Shareholder, or names of joint Shareholders, of Existing Ordinary Shares for which an election can be made. When the Election Form is completed, the Shareholder, or all joint Shareholders, must sign the Election Form (in Box 3, as applicable) and the signatures of Shareholders who are individuals signing in Box 3A need to be witnessed (the witness must be over 18 years of age and cannot be the Shareholder or one of the joint Shareholders, or otherwise have any financial interest in the relevant shares or in the proceeds resulting from the execution of the Election Form, although one person could separately witness the signature of all joint Shareholders). If the Election Form is executed under a power of attorney, such power of attorney should be lodged with the Election Form.

#### *Number of Existing Ordinary Shares held*

Box A shows the number of Existing Ordinary Shares in the name(s) of Shareholder(s) at 5.00 p.m. on 9 December 2010 and is for information purposes only. If Shareholders do not purchase, sell or transfer any Existing Ordinary Shares registered in their name(s) between that date and the Record Time, then this number will also be the same as their Share Entitlement in respect of which they may make an election. If Shareholders do purchase, sell or transfer any Existing Ordinary Shares registered in their name(s), they should take care to ensure that their election is in respect of their Share Entitlement corresponding to the number of Existing Ordinary Shares that will be registered in their name(s) at the Record Time.

#### *How Shareholders may elect for one Alternative in respect of all of their Share Entitlement*

- To elect for the **Capital Alternative** in respect of all of their Share Entitlement, Shareholders should mark an "X" in Box 1.
- To elect for the **Dividend Alternative** in respect of all of their Share Entitlement, Shareholders should take no further action. Shareholders who do not return the Election Form will automatically receive only C Shares in respect of all of their Share Entitlement on which the Special Dividend will be paid.

#### *How Shareholders may split their Share Entitlement between both Alternatives*

To split their Share Entitlement between both Alternatives, a Shareholder should enter, in numbers, the number of their Share Entitlement they wish to elect for the Capital Alternative in Box 1 and, the number of shares within their Share Entitlement they wish to elect for the Dividend Alternative in Box 2.

***The default position where a Shareholder makes an election which in total exceeds their holding of Existing Ordinary Shares at the Record Time***

If Shareholders enter a number or numbers in Boxes 1 and/or 2 of the Election Form, which in total exceeds their holding of Existing Ordinary Shares at the Record Time or if they mark an “X” in one Box and enter a number in the other Box their election will be disregarded to the extent of such excess in the following order:

- first, their election (if any) in respect of the Capital Alternative; and
- second, their election (if any) in respect of the Dividend Alternative.

***The default position where a Shareholder makes an election which in total is less than their holding of Existing Ordinary Shares at the Record Time***

If Shareholders enter a number or numbers in Boxes 1 and/or 2 of the Election Form, which in total is less than their holding of Existing Ordinary Shares at the Record Time, they will be deemed to have elected for the Dividend Alternative in respect of the balance of their holding.

***Subsequent dematerialisation of Existing Ordinary Shares***

If the Existing Ordinary Shares to which any election made on the enclosed Election Form relates are currently held in certificated form and are subsequently dematerialised into uncertificated form before the Election Deadline, any election made by the submission of an Election Form will become invalid. Shareholders who subsequently hold their Existing Ordinary Shares in uncertificated form in CREST will need to give a valid TTE Instruction in place of the submitted Election Form by the Election Deadline.

***General***

The Company shall determine all questions as to the form and validity (including time and place of receipt) of any Election Form, in its absolute discretion, which determination shall be final and binding. The Company also reserves the absolute right to waive any defect or irregularity in relation to, or in relation to the receipt of, any Election Form completed by or on behalf of any Shareholder, and such determination will be binding on such Shareholder. Neither the Company nor any of its directors shall be liable to Shareholders for any loss arising from the determination of questions as to the form and validity (including time and place of receipt) of any Election Form or TTE Instruction, unless and to the extent attributable to its own wilful default, fraud or negligence and the Company shall not be under any duty to give notification of any defect or irregularity in any Election Form or incur any liability for failure to give any such notice.

After the end of the Election Period, any election made is irrevocable. If the Election Period is extended, withdrawal rights will also be extended (withdrawal rights are described more fully in paragraph 5 of Part 5 of this document). No authority conferred by or agreed to by the signing of an Election Form will be affected by, and all such authorities will survive, the death or incapacity of the Shareholder executing such form or giving such instruction. All obligations of such Shareholder will be binding upon the heirs, personal representatives, successors and assigns of such Shareholder.

***Final instructions on completing an Election Form***

Shareholders returning an Election Form must sign in Box 3A or 3B.

All Shareholders named on an Election Form must sign the Election Form. Once completed, signed and witnessed, this Election Form should be returned in the prepaid envelope provided. No stamps will be needed if posted in the United Kingdom. To be valid, Election Forms must be returned so as to be received by Equiniti by the Election Deadline (expected to be 11.00 a.m. on 12 January 2010). If Shareholders do not use the envelope provided, the Election Form should be sent by post to Equiniti, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA and postage will (where applicable) be payable or delivered by hand only (during normal business hours) to Equiniti, Holm Oak, Holm Oak Business Park, Woods Way, Goring-by-Sea, Worthing, West Sussex BN12 4FE.

**Shareholders who do not validly complete and return their Election Form or, in the case of Shareholders who hold their Existing Ordinary Shares in CREST, do not send a valid TTE instruction, will be deemed to have elected for the Dividend Alternative in respect of all of their Share Entitlement.**

**Shareholders who need assistance in completing the Election Form or have any queries relating to it should telephone the Shareholder helpline on 0871 384 2050 (+44 121 415 0259 if calling from outside the United Kingdom) between 8.30 a.m. and 5.30 p.m. on any Business Day. Calls to these numbers are charged at 8 pence per minute from a BT landline. Other telephony costs may vary. Please note that the Shareholder helpline will not provide advice on the merits of the Alternatives or give any financial or tax advice.**

## **2. Electing through CREST**

If Shareholders hold their Existing Ordinary Shares in CREST they will not be sent an Election Form with this document. Such Shareholders should take (or procure to be taken) the action set out below to transfer (by means of a TTE Instruction) the number of Existing Ordinary Shares held at the Record Time in respect of which they are making an election to an escrow balance, specifying Equiniti in its capacity as a CREST receiving agent (under its participant ID referred to below) as the escrow agent, as soon as possible and in any event so that the transfer to escrow settles not later than the Election Deadline. If Shareholders purchase, sell or transfer any Existing Ordinary Shares registered in their name(s) before the Record Time, they should take care to ensure that their election is in respect of the number of Existing Ordinary Shares that will be registered in their name(s) at the Record Time.

If Shareholders are CREST personal members, they should refer to their CREST sponsor before taking any action. CREST sponsors will be able to confirm details of Shareholders' participant ID and the member account ID under which their Existing Ordinary Shares are held. In addition, only CREST sponsors will be able to give the TTE Instruction to Euroclear by which Shareholders are making their election.

To make an election, Shareholders should give (or, if they are a CREST personal member, procure that their CREST sponsor gives) a TTE Instruction, which must be properly authenticated in accordance with Euroclear's specifications and must contain, in addition to the other information that is required for settlement in CREST, the following details:

- (a) the number of Existing Ordinary Shares to be transferred to the escrow account;
- (b) the participant ID;
- (c) the member account ID;
- (d) the corporate action ISIN, which is GB00B4Z6FY92;
- (e) the corporate action number of the Proposals. This is allocated by Euroclear and can be found by viewing the relevant corporate action details in CREST;
- (f) the intended settlement date for the transfer to escrow, which should be as soon as possible and in any event not later than the Election Deadline;
- (g) the standard delivery instruction priority of 80; and
- (h) the name and contact number inserted in the shared note field.

### ***How to elect for the Dividend Alternative***

Shareholders who hold their Existing Ordinary Shares in CREST and who wish to elect for the Dividend Alternative in respect of all of their Share Entitlement need take no action. Shareholders who do not give a TTE Instruction will automatically receive the Special Dividend in respect of all of their Share Entitlement. Shareholders who hold their Existing Ordinary Shares in CREST and who wish to make an election for the Dividend Alternative in respect of some of their Share Entitlement should give (or, if they are a CREST personal member, procure that their CREST sponsor gives) a TTE Instruction with the following information, in addition to the information listed above:

- the participant ID of Equiniti, which is 5RA69; and
- the member account ID of Equiniti, which for these purposes is RA001102.

***How to elect for the Capital Alternative***

Shareholders who hold their Existing Ordinary Shares in CREST and who wish to elect for the Capital Alternative in respect of some or all of their Share Entitlement should give (or, if they are a CREST personal member, procure that their CREST sponsor gives) a TTE Instruction with the following information, in addition to the information listed above:

- the participant ID of Equiniti, which is 5RA69; and
- the member account ID of Equiniti, which for these purposes is RA001101.

***The default position where a Shareholder makes an election which in total exceeds their holding of Existing Ordinary Shares at the Record Time***

If Shareholders send a TTE Instruction which details a number of Existing Ordinary Shares to be transferred to the escrow account which in total exceeds their holding of Existing Ordinary Shares at the Record Time, their election will be disregarded to the extent of such excess in the following order:

- first, their election (if any) in respect of the Capital Alternative; and
- second, their election (if any) in respect of the Dividend Alternative.

***The default position where a Shareholder makes an election which in total is less than their holding of Existing Ordinary Shares at the Record Time***

If Shareholders send a TTE Instruction which details a number of Existing Ordinary Shares to be transferred to the escrow account which in total is less than their holding of Existing Ordinary Shares at the Record Time, they will be deemed to have elected for the Dividend Alternative in respect of the balance of their holding.

***Subsequent rematerialisation of Existing Ordinary Shares***

If the Existing Ordinary Shares to which any TTE Instruction relates are currently held in uncertificated form in CREST and are subsequently rematerialised into certificated form before the Election Deadline, any TTE Instruction given will become invalid. Shareholders who subsequently hold their Existing Ordinary Shares in certificated form will need to submit a valid Election Form bearing details of the new shareholding account to be received by Equiniti by the Election Deadline. Election Forms can be obtained by telephoning the Shareholder helpline on 0871 384 2050 (+44 121 415 0259 if calling from outside the United Kingdom) between 8.30 a.m. and 5.30 p.m. on any Business Day. Calls to these numbers are charged at 8 pence per minute from a BT landline. Other telephony costs may vary.

***General***

The Company shall determine all questions as to the form and validity (including time and place of receipt) of any TTE Instruction, in its absolute discretion, which determination shall be final and binding. The Company also reserves the absolute right to waive any defect or irregularity in relation to, or in relation to the receipt of, any TTE Instruction completed by or on behalf of any Shareholder, and such determination will be binding on such Shareholder. Neither the Company nor any of its directors shall be liable to Shareholders for any loss arising from the determination of questions as to the form and validity (including time and place of receipt) of any Election Form or TTE Instruction, unless and to the extent attributable to its own wilful default, fraud or negligence and the Company shall not be under any duty to give notification of any defect or irregularity in any TTE Instruction or incur any liability for failure to give any such notice.

After the end of the Election Period, any election made is irrevocable. If the Election Period is extended, withdrawal rights will also be extended (withdrawal rights are described more fully in paragraph 5 of Part 5 of this document). No authority conferred by or agreed to by the giving of a TTE Instruction will be affected by, and all such authorities will survive, the death or incapacity of the Shareholder giving such instruction. All obligations of such Shareholder will be binding upon the heirs, personal representatives, successors and assigns of such Shareholder.

***Final instructions on sending a TTE Instruction***

In order for an election through CREST to be valid, the TTE Instruction must comply with the requirements as to authentication and contents set out above and must settle by the Election Deadline (expected to be 11.00 a.m. on 12 January 2010).

CREST members and (where applicable) their CREST sponsors should note that the last time at which a TTE Instruction may settle is the Election Deadline.

**Shareholders who do not send a valid TTE Instruction or, in the case of Shareholders who hold their Existing Ordinary Shares in certificated form, do not validly complete and return their Election Form, will be deemed to have elected for the Dividend Alternative in respect of all of their Share Entitlement.**

**Shareholders who need assistance in electing through CREST or have any queries relating to it should telephone the Shareholder helpline on 0871 384 2050 (+44 121 415 0259 if calling from outside the United Kingdom) between 8.30 a.m. and 5.30 p.m. on any Business Day. Please note that the Shareholder helpline will not provide advice on the merits of the Alternatives or give any financial or tax advice.**

## Part 5: Details of the Proposals

### 1. Proposals

The proposed return of cash pursuant to the Proposals consists of the Capital Reorganisation and the Alternatives (see paragraph 4 below).

### 2. Conditions to the implementation of the Proposals

The return of cash pursuant to the Proposals is conditional on:

- (a) the passing of Resolution 1 to be proposed at the General Meeting; and
- (b) Admission.

If these conditions are not satisfied by 8.00 a.m. on the Admission Date (or such later time and/or date as the Directors may in their absolute discretion determine), no New Ordinary Shares will be created, no B Shares or C Shares will be issued and the Proposals will not take effect.

### 3. Capital Reorganisation

The proposed Capital Reorganisation consists of the allotment and issue of the B Shares and/or C Shares together with the Share Capital Consolidation, each described in this paragraph 3 below.

#### *Allotment and issue of B Shares and C Shares*

It is proposed that the Company capitalises a sum not exceeding £6,169,497 standing to the credit of the Company's share premium account and to apply such sum in paying up in full up to a maximum of (i) 13,709,992 B Shares with a nominal value of 45 pence each, and (ii) 13,709,992 C Shares with a nominal value of 0.001 penny each.

The B Shares and the C Shares will be issued on the basis of one B Share or C Share for each Existing Ordinary Share held at the Record Time (expected to be 5.00 p.m. on 12 January 2010).

The exact number of B Shares and C Shares to be issued will depend on the elections made by each Shareholder between the Alternatives, but in total will be equal to the number of Existing Ordinary Shares held at the Record Time. As at 10 December 2009 (the latest practicable date prior to the publication of this document) there were 13,709,992 Existing Ordinary Shares in issue and currently exercisable options under the Rugby Estates Share Schemes giving rights to subscribe for a total of 48,580 Existing Ordinary Shares, which represents 0.35 per cent. of the issued share capital of the Company as at that date. The Company does not hold any Ordinary Shares in treasury.

The rights and restrictions to be attached to the B Shares and the C Shares are more fully set out in Part 6 of this document. No application has been, or will be, made for the B Shares or the C Shares to be listed or admitted to trading on AIM or any other investment exchange or trading platform.

The Company will announce the exact number of B Shares and C Shares issued under the proposed Capital Reorganisation on the Admission Date.

#### *Share Capital Consolidation*

Under the proposed Share Capital Consolidation and to reflect the effect of the return of 45 pence per Existing Ordinary Share to Shareholders, the Existing Ordinary Shares will be consolidated and divided on the basis of 5 New Ordinary Shares for every 6 Existing Ordinary Shares held at the Record Time. The nominal value of each New Ordinary Share will be 15 pence.

So, for example, a Shareholder who holds 100 Existing Ordinary Shares at the Record Time would, after the Share Capital Consolidation, be entitled to receive 83.33 New Ordinary Shares. No fractions of shares are being issued (see below) so the Shareholder would receive 83 whole New Ordinary Shares. The Shareholder would then also receive 100 new shares comprising B Shares or C Shares or a combination of both (depending on the elections made by the Shareholder between the Alternatives) as a result of the allotment and issue of the B Shares and C Shares.

The intention of the Share Capital Consolidation is that, subject to market movements, the market price per New Ordinary Share immediately after Admission should be approximately equal to the market price per Existing Ordinary Share immediately prior to the implementation of the Proposals.

Whilst the effect of the Capital Reorganisation will be to reduce the number of ordinary shares in issue to reflect the effect of the return of 45 pence per Existing Ordinary Share to Shareholders, Shareholders will own the same proportion of the Company as they did previously, subject to fractional entitlements.

The Share Capital Consolidation will take place immediately after the allotment and issue of B Shares and C Shares has occurred and the Company's register of members has been duly updated.

New Ordinary Shares will be traded on AIM in the same way as Existing Ordinary Shares and will be equivalent in all other respects to the Existing Ordinary Shares, with the exception of the difference in nominal value and subject to the rights of the B Shares and the C Shares.

Application will be made for the New Ordinary Shares to be admitted to trading on AIM, with dealings expected to commence at 8.00 a.m. on 13 January 2010. The Company will apply for the New Ordinary Shares to be admitted to CREST with effect from Admission so that general market transactions in the New Ordinary Shares may be settled within the CREST system.

Share certificates representing the New Ordinary Shares will be issued following the Capital Reorganisation and are expected to be sent to Shareholders on or around 26 January 2010. Shareholders who hold their Existing Ordinary Shares in CREST will automatically have their New Ordinary Shares credited to their CREST account. The relevant CREST accounts are expected to be credited at approximately 8.00 a.m. on 13 January 2010. The ISIN of the New Ordinary Shares will be GB00B54S2L92.

#### *Fractional entitlements to New Ordinary Shares*

Unless a holding of Existing Ordinary Shares is exactly divisible by six, a Shareholder will have a fractional entitlement to a New Ordinary Share following the Share Capital Consolidation. So for example, a Shareholder having 100 Existing Ordinary Shares would, after giving effect to the allotment and issue of B Shares and C Shares and the Share Capital Consolidation, be entitled to 83 New Ordinary Shares and a fractional entitlement to one third of a New Ordinary Share. By contrast, a Shareholder with 120 Existing Ordinary Shares would, after giving effect to the allotment and issue of B Shares and C Shares and the Share Capital Consolidation, be entitled to 100 New Ordinary Shares and no fractional entitlement. Any fractional entitlements will not be allotted to Shareholders and will be aggregated into New Ordinary Shares and sold in the market for the benefit of the Company.

#### **4. The Alternatives**

Shareholders may choose between the Alternatives (the Dividend Alternative and the Capital Alternative) or a combination of the Alternatives in respect of their Share Entitlement. Details of how to make an election are set out in Part 4 of this document and on the Election Form enclosed with this document. Shareholders who hold their Existing Ordinary Shares in CREST will not be sent Election Forms. Such Shareholders may only elect in respect of the Alternatives through CREST and should refer to paragraph 2 of Part 4 of this document for further information.

#### **Shareholders who do not make a valid election will be deemed to have elected for the Dividend Alternative in respect of ALL of their Share Entitlement.**

The general guidance on the UK tax treatment included below is only a summary, is based on current UK law and practice as at the date of this document and applies only to Shareholders who are resident and, if they are individuals, ordinarily resident in the UK for tax purposes and who hold their Existing Ordinary Shares, B Shares and/or C Shares beneficially as investments and not on trading account. UK tax resident Shareholders should read Part 7 of this document before electing for any of the Alternatives as the two Alternatives will have different UK tax consequences. **Shareholders who are in any doubt as to their tax position, or are subject to tax in a jurisdiction other than the United Kingdom, should consult an appropriate professional adviser without delay.**

● ***Alternative 1 – Capital Alternative***

Shareholders who elect for the Capital Alternative in respect of some or all of their Share Entitlement will receive one B Share for each corresponding Existing Ordinary Share they hold at the Record Time.

Each such B Share will be redeemed by the Company for 45 pence and will be cancelled on redemption.

Shareholders entitled to receive the Redemption Payment pursuant to the Capital Alternative will be sent cheques or receive a credit to their CREST accounts on or around 22 January 2010.

The proceeds received under the Capital Alternative should generally be taxed as capital for UK tax purposes. UK tax resident Shareholders should read Part 7 of this document for further information.

To elect for the Capital Alternative in respect of some or all of their Share Entitlement, Shareholders should follow the instructions in Part 4 of this document or, if they hold their Existing Ordinary Shares in CREST, Shareholders should refer to paragraph 2 of Part 4 of this document for further information.

The B Shares will not be listed or admitted to trading on AIM or any other investment exchange or trading platform and cannot be held in CREST. No share certificates will be issued in respect of the B Shares issued pursuant to the Capital Alternative.

The rights and restrictions to be attached to the B Shares are more fully set out in Part 6 of this document.

The attention of Non-United Kingdom Shareholders is drawn to paragraph 6 of Part 5 of this document.

● ***Alternative 2 – Dividend Alternative***

Shareholders who elect, or are deemed to have elected, for the Dividend Alternative in respect of some or all of their Share Entitlement will receive one C Share for each corresponding Existing Ordinary Share they hold at the Record Time. A special dividend of 45 pence will be payable on each such C Share. It is expected that Shareholders entitled to receive the Special Dividend will be sent cheques or, if mandate instructions are held, payments will be made by BACS to mandated accounts, on or around 22 January 2010.

The amounts received under the Dividend Alternative should be taxed as income for UK tax purposes. UK tax resident Shareholders should read Part 7 of this document for further information.

Shareholders who wish to elect for the Dividend Alternative in respect of all of their Share Entitlement need take no further action and need not return their Election Form or send a TTE Instruction. To elect for the Dividend Alternative in respect of some only of their Share Entitlement, Shareholders should follow the instructions in Part 4 of this document or, if they hold their Existing Ordinary Shares in CREST, Shareholders should refer to paragraph 2 of Part 4 of this document for further information.

Following the Special Dividend becoming payable, the C Shares will be automatically reclassified as Deferred Shares of negligible value with Shareholders receiving one Deferred Share for each such C Share. The Company will be entitled to purchase and then cancel the Deferred Shares for an aggregate consideration of one pence. In view of its negligible amount, entitlement to the aggregate consideration of one pence will not be sent to individual Shareholders.

The C Shares and the Deferred Shares will not be listed or admitted to trading on AIM or any other investment exchange or trading platform and cannot be held in CREST. No share certificates will be issued in respect of the C Shares or Deferred Shares.

The rights and restrictions to be attached to the C Shares and Deferred Shares are more fully set out in Part 6 of this document.

The attention of Non-United Kingdom Shareholders is drawn to paragraph 6 of Part 5 of this document.

## 5. Withdrawal rights

Shareholders should note that any election, whether made by the signing of an Election Form or the giving of a TTE Instruction, relating to the Alternatives may be withdrawn by Shareholders at any time prior to the end of the Election Period. If an election is validly withdrawn, the Shareholder may make a new election within the Election Period, but if a new valid election is not made by the end of the Election Period, the Shareholder will be deemed to have elected for the Dividend Alternative in respect of all of their Share Entitlement. After the end of the Election Period, any election made is irrevocable. If the Election Period is extended, withdrawal rights will also be extended.

Shareholders wishing to withdraw their election must inform the Shareholder helpline by calling 0871 384 2050 (+44 121 415 0259 if calling from outside the United Kingdom) between 8.30 a.m. and 5.30 p.m. on any Business Day. If such Shareholders wish to re-elect in respect of the Alternatives, they can request a replacement Election Form or receive instructions on how to re-elect through CREST from the Shareholder helpline. Shareholders will need to take into account the postal time necessary for a replacement Election Form to reach Equiniti by the Election Deadline.

For a withdrawal of any election to be effective, a written notice of withdrawal signed by the person(s) who signed the relevant Election Form or the person(s) who gave the relevant TTE Instruction must:

- (a) specify the name(s) and address(es) of the person(s) who is/are tendering the election to be withdrawn, the account number (which, for Shareholders who hold their Existing Ordinary Shares in certificated form, appears on the front page of the relevant Election Form) and the exact number of their Share Entitlement to be withdrawn; and
- (b) in the case of an election originally made by a TTE Instruction, be accompanied by a valid ESA Message given by the person(s) who gave the relevant TTE Instruction,

and be received by Equiniti one hour before the Election Deadline.

Each ESA message must, in order to be valid and settle, include the following details:

- the ISIN number for the Existing Ordinary Shares. This is GB00B4Z6FY92;
- the number of Existing Ordinary Shares to be withdrawn;
- the participant ID of the accepting Shareholder;
- the member account ID of the accepting Shareholder;
- the participant ID of the Escrow Agent. This is 5RA69;
- the member account ID of the Escrow Agent included in the relevant Electronic Acceptance. This is RA001102 for the Dividend Alternative and RA001101 for the Capital Alternative;
- the CREST transaction ID of the electronic acceptance to be withdrawn, to be inserted at the beginning of the shared note field;
- input with a standard delivery instruction priority of 80;
- the intended settlement date for the withdrawal; and
- the corporate action number of the Proposals. This is allocated by Euroclear and can be found by viewing the relevant corporate action details in CREST.

Any such withdrawal will be conditional upon Equiniti verifying that the withdrawal is validly made. Accordingly, Equiniti will, on behalf of the Company, reject or accept the withdrawal by transmitting in CREST a receiving agent reject (AEAD) or a receiving agent accept (AEAN) message, as the case may be.

Telex, facsimile, electronic mail or other electronic means of transmission or any form of copy of written notice will not constitute a written instruction of withdrawal.

Withdrawals may not be rescinded, but re-elections may be made at any time prior to the end of the Election Period. Withdrawals and any re-elections in respect of Share Entitlements that are received by Equiniti after the end of the Election Period will be deemed invalid for the purposes of the Alternatives. Any Shareholder who withdraws their election before the end of the Election Period and does not re-

elect their Share Entitlement will be deemed to have elected for the Dividend Alternative in respect of all of their Share Entitlement.

The Company shall determine all questions as to the form and validity (including time and place of receipt) of all notices of withdrawal, in their absolute discretion, which determination shall be final and binding. The Company also reserves the absolute right to waive any defect or irregularity in relation to, or in relation to the receipt of, any withdrawal by any Shareholder, and such determination will be binding on such Shareholder. None of the Company, Equiniti or any other person will be under any duty to give notification of any defect or irregularity in any notice of withdrawal or incur any liability for failure to give any such notification or for any reason with regard to withdrawal and re-election.

#### **6. Non-United Kingdom Shareholders**

Non-United Kingdom Shareholders should consult their professional advisers to ascertain whether the Proposals (including, as may be relevant in each case, the creation, holding or cancellation of the B Shares and/or the C Shares) will be subject to any restrictions or require compliance with any formalities imposed by the laws or regulations of, or any body or authority located in, the jurisdiction in which they are resident or to which they are subject. In particular, it is the responsibility of any Non-United Kingdom Shareholder to satisfy himself as to full observance of the laws of each relevant jurisdiction in connection with the Proposals, including the obtaining of any government, exchange control or other consents which may be required, or the compliance with other necessary formalities needing to be observed and the payment of any issue, transfer or other taxes or duties in such jurisdiction.

The distribution of this document in certain jurisdictions may be restricted by law. Persons into whose possession this document comes should inform themselves about and observe any such restrictions. Neither this document nor any other document issued or to be issued by or on behalf of the Company in connection with the Proposals constitutes an invitation, offer or other action on the part of the Company in any jurisdiction in which such invitation, offer or other action is unlawful.

Each Shareholder by whom, or on whose behalf, an Election Form is executed or TTE Instruction is given, irrevocably represents, warrants, undertakes and agrees to and with the Company that such Shareholder has observed the laws of all relevant territories, obtained any requisite governmental or other consents, complied with all requisite formalities and paid any issue, transfer or other taxes due from such Shareholder in connection with any election for either or both of the Alternatives in any territory and such Shareholder has not taken or omitted to take any action which may result in the Company or any other persons acting in breach of the legal or regulatory requirements of any territory in connection with the Proposals or such Shareholder's election for either or both of the Alternatives.

If the Company is advised that it would or might be in breach of legal or regulatory requirements in any jurisdiction, or that the Company would or might be required to make filings or take any other action in any jurisdiction as a result of an election made pursuant to an Election Form or TTE Instruction by a Non-United Kingdom Shareholder, such Non-United Kingdom Shareholder shall be deemed to have elected to receive the Dividend Alternative (unless the Directors otherwise determine in their absolute discretion).

The above provisions of this paragraph relating to Non-United Kingdom Shareholders may be waived, varied or modified as regards specific Shareholders or on a general basis by the Directors in their absolute discretion.

#### **7. Proposed amendments to the Articles of Association**

A number of amendments to the Articles of Association are required to implement the Proposals and require approval at the General Meeting. Such amendments include the insertion into the Articles of Association of the rights and restrictions attaching to the B Shares, C Shares and Deferred Shares. Such rights and restrictions are summarised in Part 6 of this document. In addition, the description of the share capital of the Company will be updated to reflect the effect of the Share Capital Consolidation and the creation of the B Shares, C Shares and Deferred Shares.

The rights and restrictions attaching to the B Shares, C Shares and Deferred Shares will be set out in the proposed New Articles to be adopted at the General Meeting in place of the current Articles.

The New Articles which will be identical to the current Articles save:

- (a) for the inclusion of rights and restrictions relating to the B Shares, C Shares and Deferred Shares;
- (b) that references to the Company's share capital will, where relevant, reflect the fact that the nominal value of each New Ordinary Share will be 15 pence as compared with 12.5 pence per Existing Ordinary Share. Apart from having a different nominal value, the New Ordinary Shares will have the same rights in all respects as those of the Existing Ordinary Shares, including as to dividends and voting; and
- (c) that the New Articles will also take into account changes in English company law brought about by the coming into force of the Shareholders' Rights Regulations and the implementation of the remainder of the 2006 Act which came into force on 1 October 2009.

The principal changes to the current Articles are explained below. Other minor changes, which are of a technical or clarifying nature, reflect changes made by the 2006 Act and the Shareholders' Rights Regulations or conform the language of the New Articles with that used in the model articles for public companies produced by the Department for Business, Innovation and Skills have not been noted below. The New Articles showing all the changes to the current Articles are available for inspection, as noted in note 6 of the Notice of General Meeting.

#### ***The Company's objects***

The 2006 Act significantly reduces the constitutional significance of the Company's Memorandum. The 2006 Act provides that a memorandum will record only the names of subscribers and the number of shares each subscriber has agreed to take in the company. Since 1 October 2009, under the 2006 Act, the objects clause and all other provisions which used to be contained in a company's memorandum of association, for existing companies at 1 October 2009, are now deemed to be contained in a company's articles of association but the company can remove these provisions by special resolution.

Further, the 2006 Act states that unless a company's articles provide otherwise, a company's objects are unrestricted. This abolishes the need for companies to have an objects clause. For this reason, the Company is proposing to remove its objects clause together with all other provisions of its Memorandum which, by virtue of the 2006 Act, are to be treated as forming part of the current Articles as of 1 October 2009. Paragraph 1(b) of Resolution 1 confirms the removal of these provisions for the Company. As the effect of this Resolution will be to remove the statement currently in the Memorandum regarding limited liability, the New Articles contain an express statement regarding the limited liability of the shareholders.

#### ***Authorised share capital and unissued shares***

The 2006 Act abolishes the requirement for a company to have an authorised share capital and the New Articles reflect this. The Directors will still be limited as to the number of shares they can at any time allot because allotment authorities continue to be required under the 2006 Act, except in respect of employee share schemes.

#### ***Redeemable shares***

If a company wishes to issue redeemable shares, the 2006 Act enables directors to determine the terms and manner of redemption provided they are so authorised by the articles. The New Articles contain such an authorisation. The Company presently has no plans to issue redeemable shares (other than pursuant to the Proposals) but if it did so the Directors would need Shareholders' authority to issue new shares in the usual way.

#### ***Authority to purchase own shares and reduce share capital***

Under the Companies Act 1985, a company required specific enabling provisions in its articles to purchase its own shares and to reduce its share capital or other undistributable reserves as well as shareholder authority to undertake the relevant action. The current Articles include these enabling provisions. Under the 2006 Act a company only requires shareholder authority to do any of these

things and it is no longer necessary for articles to contain enabling provisions. Accordingly, the relevant enabling provisions have been removed in the New Articles.

***Provision for employers on cessation of business***

The 2006 Act provides that the powers of the directors of a company to make provision for a person employed or formerly employed by the company or any of its subsidiaries in connection with the cessation or transfer to any person of the whole or part of the undertaking of the company or that subsidiary, may only be exercised by the directors if they are so authorised by the company's articles or by the company in general meeting. The New Articles provide that the Directors may exercise this power.

***Suspension of registration of share transfers***

The current Articles permit the Directors to suspend the registration of transfers. Under the 2006 Act share transfers must be registered as soon as practicable. The power in the current Articles to suspend the registration of transfers is inconsistent with this requirement. Accordingly, this power has been removed in the New Articles.

***Voting by proxies on a show of hands***

The Shareholders' Rights Regulations have amended the 2006 Act so that it now provides that each proxy appointed by a member has one vote on a show of hands unless the proxy is appointed by more than one member in which case the proxy has one vote for and one vote against if the proxy has been instructed by one or more members to vote for the resolution and by one or more members to vote against the resolution. The New Articles remove provisions in the current Articles dealing with proxy voting on the basis that these are dealt with in the 2006 Act and contain a provision clarifying how the provision of the 2006 Act giving a proxy a second vote on a show of hands should apply to discretionary authorities.

***Voting by corporate representatives***

The Shareholders' Rights Regulations have amended the 2006 Act in order to enable multiple representatives appointed by the same corporate member to vote in different ways on a show of hands and a poll. The New Articles contain provisions which reflect these amendments.

***Chairman's casting vote***

The New Articles remove the provision giving the chairman a casting vote in the event of an equality of votes as this is no longer permitted under the 2006 Act.

***General***

Generally the opportunity has been taken to bring clearer language into the New Articles and in some areas to conform the language of the New Articles with that used in the model articles for public companies produced by the Department for Business, Innovation and Skills.

**8. Rugby Estates Share Schemes**

Separate letters are being sent to participants in the Rugby Estates Share Schemes in respect of the Proposals.

The intention is broadly to preserve, subject to market fluctuations, the value of each option and award under the Rugby Estates Share Schemes through the Share Capital Consolidation. Therefore, the current intention is that no adjustments to share entitlements will be made under the Rugby Estates Share Schemes where holders of options and awards will not participate in the Proposals with respect to such entitlement. Further details are set out in paragraph 7 of Part 1 of this document.

The trustees of the All Employee Share Plan will send letters to participants in that plan asking them how they wish the trustees to act in relation to Existing Ordinary Shares held on their behalf under the plan in respect of the Proposals.

## **9. Dealings and despatch of documents**

The return of cash pursuant to the Proposals will be made by reference to holdings of Existing Ordinary Shares on the Company's register of members at the Record Time.

Dealings and settlement within the CREST system of the Existing Ordinary Shares will continue until the Election Deadline when, in the case of Existing Ordinary Shares held in certificated form, the register of members will be closed for transfers and no further transfers of Existing Ordinary Shares will be possible. The registration of uncertificated holdings in respect of the Existing Ordinary Shares will be 'disabled' in CREST at the Record Time.

The Company will apply for the New Ordinary Shares to be admitted to CREST with effect from the Admission Date. Accordingly, settlement of transactions in the New Ordinary Shares may take place within the CREST system in respect of general market transactions. The New Ordinary Shares, the B Shares, the C Shares and the Deferred Shares are not renounceable and will be in registered form.

Shareholders who hold their Existing Ordinary Shares in CREST are expected to have their CREST accounts credited with New Ordinary Shares at approximately 8.00 a.m. on 13 January 2010 under the new ISIN GB00B54S2L92.

From the Record Time, Existing Ordinary Share certificate(s) will no longer be valid. New Ordinary Share certificates will only be issued following the Share Capital Consolidation. It is therefore important that, if Shareholders hold certificates in respect of their Existing Ordinary Shares, they retain them until New Ordinary Share certificates are sent, which will be on or around 26 January 2010. Following this date, the certificates in respect of the Existing Ordinary Shares can be destroyed. Share certificates are sent to Shareholders at their own risk.

No share certificates will be issued by the Company in respect of B Shares, C Shares or Deferred Shares.

Shareholders holding New Ordinary Shares through the CREST system will not receive any share certificates.

Temporary documents of title will not be issued and, pending despatch of share certificates, transfers of New Ordinary Shares held in certificated form will be certified against the register held by Equiniti.

Shareholders entitled to receive the Special Dividend are expected to be sent cheques or, if mandate instructions are held, payments are expected to be made by BACS to mandated accounts on or around 22 January 2010.

Shareholders entitled to receive the Redemption Payment pursuant to the Capital Alternative are expected to be sent cheques or receive a credit to their CREST accounts on or around 22 January 2010.

All share certificates and cheques will be sent by post, at the risk of the Shareholder entitled to them, to the registered address of the relevant Shareholders (or, in the case of joint Shareholders, to the address of that joint Shareholder whose name stands first in the register in respect of such joint Shareholding).

Subject to any instructions to the contrary, share registration and dividend payment mandates in respect of holdings of Existing Ordinary Shares will continue to apply in respect of New Ordinary Shares.

## **10. General Meeting and explanation of Resolutions relating to the Proposals**

The Proposals require the approval of Resolution 1 by Shareholders at the General Meeting. Notice of the General Meeting is set out in Part 9 of this document. The General Meeting will be held at 4 Farm Street, Mayfair, London W1J 5RD at 10.00 a.m. on 12 January 2010.

Shareholders will find enclosed with this document a Form of Proxy for use in respect of the General Meeting.

**Whether or not Shareholders intend to be present at the General Meeting, they are requested to complete and sign the accompanying Form of Proxy and return it, in accordance with the instructions printed on it, by post or (during normal business hours) by hand to Equiniti, Aspect House, Spencer Road, Lancing, West Sussex BN99 6ZL to arrive as soon as possible and, in any event, by no later than 10.00 a.m. on 10 January 2010. Shareholders who hold their Existing Ordinary Shares in CREST may appoint a proxy by completing and transmitting a CREST Proxy Instruction to Equiniti so that it is received by no later than 10.00 a.m. on 10 January 2010.**

The return of a completed Form of Proxy or the transmittal of an electronic proxy or CREST Proxy Instruction will not prevent a Shareholder from attending the General Meeting and voting in person (in substitution for their proxy vote) should they wish to do so and are so entitled.

Resolutions 1, 2 and 4 will be proposed as special resolutions and will be passed if at least 75 per cent. of the votes cast (whether in person or by proxy) are in favour. Resolution 3 will be proposed as an ordinary resolution and will be passed if a simple majority of the votes cast (whether in person or by proxy) are in favour. Resolution 4 is conditional on Resolution 3 being passed and becoming effective.

Resolutions 2 and 3 are conditional upon the passing of Resolution 1. A summary of the paragraphs comprising the Resolutions relating to the Proposals follow below.

Resolution 1 is conditional on Admission becoming effective by 8.00 a.m. on the Admission Date (or such later time and/or date as the Directors may in their absolute discretion determine).

● **Resolution 1 – The Proposals**

Paragraph (a) authorises the Directors to:

- (i) capitalise a sum not exceeding £6,169,497 standing to the credit of the Company's share premium account to pay up in full the B Shares;
- (ii) capitalise a sum not exceeding £138 standing to the credit of the Company's share premium account to pay up in full the C Shares; and
- (iii) allot and issue the B Shares and C Shares on the basis of one B Share or one C Share for each Existing Ordinary Share which is held at the Record Time. The authority granted to the Directors will expire at the conclusion of the next annual general meeting of the Company or within 15 months from the date of the passing of the Resolution, whichever is earlier.

As the 2006 Act has abolished the need for companies to have objects clauses, paragraph (b) removes all the provisions of the Memorandum which, by virtue of the 2006 Act, are to be treated as forming part of the current Articles as of 1 October 2009.

Paragraph (c) amends the Articles of Association of the Company so that they incorporate the rights and restrictions to be attached to the B Shares, C Shares and Deferred Shares (each as summarised in Part 6 of this document), certain consequential amendments to the Articles of Association and certain other amendments as a consequence of the full enactment of the 2006 Act (as summarised in paragraph 7 of Part 5 of this document).

Paragraphs (d) to (g) set out the procedure for the consolidation and division of the Existing Ordinary Shares into New Ordinary Shares, including the purchase and cancellation of the default share resulting from the Share Capital Consolidation, and the purchase and cancellation of the Deferred Shares (if any) resulting from reclassification of the C Shares. All fractional entitlements which arise will be aggregated and sold for the benefit of the Company.

● **Resolution 2 – Authority to purchase New Ordinary Shares**

This resolution, which is conditional upon Resolution 1 being passed and becoming effective, will confer general authority for the market purchase by the Company of up to 1,712,606 New Ordinary Shares, representing just under 15 per cent. of the Company's issued ordinary share capital following the implementation of the Share Capital Consolidation.

The price paid for shares will not be less than the nominal value of 15 pence per New Ordinary Share nor more than five per cent. above the average of the Closing Price of the Company's ordinary shares as derived from the AIM Appendix to the London Stock Exchange Daily Official List for the five Business Days preceding the day on which the shares are purchased. The Directors have no present intention of exercising this authority.

This authority will expire at the conclusion of the annual general meeting of the Company to be held in 2010 and, if passed, will replace the existing authority relating to market purchases of ordinary shares by the Company passed on 15 June 2009.

● ***Resolutions 3 and 4 – Authority to allot unissued shares***

Resolution 3, which is conditional upon Resolution 1 being passed and becoming effective, will give the Directors authority to allot up to 3,770,247 New Ordinary Shares, representing approximately 33 per cent. of the issued ordinary share capital of the Company assuming implementation of the Share Capital Consolidation. In addition, Resolution 3 will give the Directors authority to allot up to a further 3,770,247 New Ordinary Shares, representing approximately 33 per cent. of the issued ordinary share capital of the Company assuming implementation of the Share Capital Consolidation, pursuant to a fully pre-emptive rights issue. This additional authority is consistent with the Association of British Insurer's guidance on share allotment authorities.

Resolution 4, which is conditional upon Resolution 3 being passed and becoming effective, will give the Directors authority to allot New Ordinary Shares for cash, free from the statutory pre-emption rights. This authority grants the Directors the power to allot shares for cash pursuant to Resolution 3(i) in connection with an open offer (or similar offering), (ii) in connection with a fully pre-emptive rights issue, and (iii) in connection with other allotments of up to 1,142,499 New Ordinary Shares, representing approximately 10 per cent. of the issued ordinary share capital of the Company (in each case assuming implementation of the Share Capital Consolidation).

These two resolutions, if passed, will replace the existing authorities relating to the allotment of shares in the capital of the Company passed on 15 June 2009.

## Part 6: Rights and restrictions attached to the B Shares, C Shares and Deferred Shares

The following summarises the proposed amendments to be reflected in the New Articles relating to the rights and restrictions attaching to the B Shares, C Shares and Deferred Shares:

### 163. RIGHTS AND RESTRICTIONS ATTACHED TO THE B SHARES

#### 163.1 Election Form

- 163.1.1 Together with a circular to all Shareholders dated 11 December 2009 (the “**Circular**”), Shareholders who held their Existing Ordinary Shares in certificated form were sent a form of election (“**Election Form**”) relating to the B Shares and C Shares proposed to be issued by the Company, as more fully described in the Circular. Pursuant to the Election Form or, where Shareholders held their Existing Ordinary Shares in uncertificated form, by following the instructions set out in the Circular, Shareholders could elect (an “**Election**”), among other things, to receive B Shares to be redeemed by the Company pursuant to the Proposals (as defined and described in the Circular) (the “**Capital Alternative**”).
- 163.1.2 Shareholders who do not validly complete and return their Election Form or, in the case of Shareholders who hold their Existing Ordinary Shares in uncertificated form, do not send a valid TTE instruction by 11.00 a.m. on 12 January 2010 (or such later time and/or date as the Directors may determine in their absolute discretion), will be deemed to have elected for the Dividend Alternative (as defined and described in the Circular) in respect of each Existing Ordinary Share held by them.
- 163.1.3 The Directors, in their absolute discretion, shall determine all questions as to the form and validity (including time and place of receipt) of any Election Form or TTE instruction, which determination shall be final and binding. The Directors also reserve the absolute right to waive any defect or irregularity in relation to, or in relation to the receipt of, any Election Form or TTE instruction completed by or on behalf of any Shareholder and such determination will be binding on such Shareholder.

#### 163.2 Income

The B Shares shall confer no right to participate in the profits of the Company save for the right to redemption under Article 163.6 below.

#### 163.3 Capital

- 163.3.1 Except as provided in Article 163.5, on a return of capital on winding-up (excluding any intra-group reorganisation on a solvent basis) the holders of B Shares shall be entitled, in priority to any payment to the holders of every other class of share in the capital of the Company (except the C Shares) but *pari passu* with any payment to the holders of C Shares, to 45 pence for each B Share held by them.
- 163.3.2 On a winding-up, the holders of the B Shares shall not be entitled to any further right of participation in the profits or assets of the Company in excess of that specified in Article 163.3.1 above. In the event that there is a winding-up to which Article 163.3.1 applies and the amounts available for payment are insufficient to pay the amounts due on all the B Shares in full, the holders of the B Shares shall be entitled to their pro-rata proportion of the amounts to which they would otherwise be entitled.
- 163.3.3 The aggregate entitlement of each holder of B Shares on a winding-up in respect of all of the B Shares held by him shall be rounded down to the nearest penny.
- 163.3.4 The holders of the B Shares shall not be entitled to any further right of participation in the assets of the Company.

#### 163.4 Voting and general meetings

The holders of B Shares shall not be entitled, in their capacity as holders of such shares, to receive notice of any general meeting of the Company nor to attend, speak or vote at any such general meeting.

#### 163.5 Class rights

163.5.1 The Company may from time to time create, allot and issue further shares, whether ranking *pari passu* with or in priority or subsequent to the B Shares. The creation, allotment or issue of any such further shares (whether or not ranking in any respect in priority to the B Shares) shall be treated as being in accordance with the rights attaching to the B Shares and shall not involve a variation of such rights for any purpose or require the consent of the holders of the B Shares.

163.5.2 A reduction by the Company of the capital paid up or credited as paid up on the B Shares and the cancellation of such shares shall be treated as being in accordance with the rights attaching to the B Shares and shall not involve a variation of such rights for any purpose or require the consent of the holders of the B Shares.

163.5.3 Without prejudice to the foregoing, the Company is authorised to reduce (or purchase shares in) its capital of any class or classes and such reduction (or purchase) shall not involve a variation of any rights attaching to the B Shares for any purpose or require the consent of the holders of the B Shares.

163.5.4 If at any time a currency other than sterling is accepted as legal tender in the United Kingdom in place of or in addition to sterling, the Directors shall be entitled, without the consent of holders of ordinary shares, B Shares or C Shares, to make such arrangements and adjustments in respect of the method of calculation and payment of any of the entitlements of holders of B Shares under these Articles as the Directors consider necessary, fair and reasonable in the circumstances to give effect to the rights of the B Shares. Any such arrangements and adjustments shall not involve a variation of rights attaching to the B Shares for any purpose.

#### 163.6 Redemption

Subject to the provisions of the 2006 Act and these Articles, the Company shall redeem, out of the profits available for distribution, the B Shares as follows:

163.6.1 the B Shares in respect of which a valid Election has been made in accordance with the terms described in the Circular and the Election Form shall be redeemed on such date as the Directors may in their absolute discretion decide (the "**Redemption Date**") being, in any event, a date not less than 2 days and not more than 30 days after the issue of such B Shares;

163.6.2 on redemption of a B Share on the Redemption Date, the Company will be liable to pay to a holder of B Shares 45 pence (the "**Redemption Amount**") for each B Share in respect of which a valid Election has been made in accordance with the terms described in the Circular and the Election Form. The Company's liability to pay to such holder the Redemption Amount for each such B Share shall be discharged by the Company by a payment to such holder within 21 days of the Redemption Date of the Redemption Amount for each such B Share;

163.6.3 neither the Company nor any of its Directors, officers or employees shall have any liability to any person for any loss or damage arising as a result of the choice of the Redemption Date in accordance with Article 163.6.1 above; and

163.6.4 all B Shares redeemed shall be cancelled and the Company shall not be entitled to re-issue them.

#### **164. DELETION OF ARTICLE 163 WHEN NO B SHARES IN EXISTENCE**

Article 163 shall remain in force until there are no longer any B Shares in existence notwithstanding any provision in the Articles to the contrary. Thereafter Article 163 shall be and shall be deemed to be of no effect (save to the extent that the provisions of Article 163 are referred to in other Articles) and shall be deleted and replaced with the wording 'Article 163 has been deleted', and the separate register for the holders of B Shares shall no longer be required to be maintained by the Company; but the validity of anything done under Article 163 before that date shall not otherwise be affected and any actions taken under Article 163 before that date shall be conclusive and shall not be open to challenge on any grounds whatsoever.

#### **165. RIGHTS AND RESTRICTIONS ATTACHED TO THE C SHARES**

##### **165.1 Election Form**

165.1.1 Together with the Circular, Shareholders who held their Existing Ordinary Shares in certificated form were sent an Election Form relating to the B Shares and C Shares proposed to be issued by the Company, as more fully described in the Circular. Pursuant to the Election Form or, where Shareholders held their Existing Ordinary Shares in uncertificated form, by following the instructions set out in the Circular, Shareholders could make an Election, among other things, to receive C Shares in respect of which the Special Dividend (as defined in Article 165.2.1 below) would be paid.

165.1.2 Shareholders who do not validly complete and return their Election Form or, in the case of Shareholders who hold their Existing Ordinary Shares in uncertificated form, do not send a valid TTE instruction by 11.00 a.m. on 12 January 2009 (or such later time and/or date as the Directors may determine in their absolute discretion), will be deemed to have elected for the Dividend Alternative (as defined and described in the Circular) in respect of each Existing Ordinary Share held by them.

165.1.3 The Directors, in their absolute discretion, shall determine all questions as to the form and validity (including time and place of receipt) of any Election Form or TTE instruction, which determination shall be final and binding. The Directors also reserve the absolute right to waive any defect or irregularity in relation to, or in relation to the receipt of, any Election Form or TTE instruction completed by or on behalf of any Shareholder and such determination will be binding on such Shareholder.

##### **165.2 Income**

165.2.1 Out of the profits available for distribution, a special dividend of 45 pence per C Share (the "**Special Dividend**") shall, subject to such conditions as the Directors may determine, become payable to the holders of C Shares in priority to any other classes of shares.

165.2.2 The Company's liability to pay the Special Dividend to such holder of C Shares shall be discharged by the Company by a payment to such holder within 21 days of the Redemption Date of the Special Dividend.

165.2.3 Each C Share in respect of which the Special Dividend becomes payable shall immediately thereupon (but without prejudice to the accrued right to receive such dividend) be reclassified as a Deferred Share with the rights and restrictions described in Article 167.

165.2.4 Neither the Company nor any of its Directors, officers or employees shall have any liability to any person for any loss or damage arising as a result of the choice of the Redemption Date in connection with Article 165.2.2 above.

165.2.5 Neither the Company nor any of its Directors, officers or employees shall have any liability to any person for any loss or damage arising as a result of the choice of the date on which the Special Dividend is declared or paid.

### **165.3 Capital**

The holders of the C Shares will not be entitled to be paid any amount on a return of capital on a winding-up or otherwise.

### **165.4 Voting and general meetings**

The holders of C Shares shall not be entitled, in their capacity as holders of such shares, to receive notice of any general meeting of the Company nor to attend, speak or vote at any such general meeting.

### **165.5 Class rights**

165.5.1 The Company may from time to time create, allot and issue further shares, whether ranking *pari passu* with or in priority or subsequent to the C Shares. The creation, allotment or issue of any such further shares (whether or not ranking in any respect in priority to the C Shares) shall be treated as being in accordance with the rights attaching to the C Shares and shall not involve a variation of such rights for any purpose or require the consent of the holders of the C Shares.

165.5.2 A reduction by the Company of the capital paid up or credited as paid up on the C Shares without the payment of any amount to holders of the C Shares and the cancellation of such shares shall be treated as being in accordance with the rights attaching to the C Shares and shall not involve a variation of such rights for any purpose or require the consent of the holders of the C Shares.

165.5.3 Without prejudice to the foregoing, the Company is authorised to reduce (or purchase shares in) its capital of any class or classes and such reduction (or purchase) shall not involve a variation of any rights attaching to the C Shares for any purpose or require the consent of the holders of the C Shares.

165.5.4 If at any time a currency other than sterling is accepted as legal tender in the United Kingdom in place of or in addition to sterling, the Directors shall be entitled, without the consent of holders of ordinary shares, B Shares or C Shares, to make such arrangements and adjustments in respect of the method of calculation and payment of any of the entitlements of holders of C Shares under these Articles as the Directors consider necessary, fair and reasonable in the circumstances to give effect to the rights of the C Shares. Any such arrangements and adjustments shall not involve a variation of rights attaching to the C Shares for any purpose.

## **166. DELETION OF ARTICLE 165 WHEN NO C SHARES IN EXISTENCE**

Article 165 shall remain in force until there are no longer any C Shares in existence notwithstanding any provision in the Articles to the contrary. Thereafter Article 165 shall be and shall be deemed to be of no effect (save to the extent that the provisions of Article 165 are referred to in other Articles) and shall be deleted and replaced with the wording 'Article 165 has been deleted', and the separate register for the holders of C Shares shall no longer be required to be maintained by the Company; but the validity of anything done under Article 165 before that date shall not otherwise be affected and any actions taken under Article 165 before that date shall be conclusive and shall not be open to challenge on any grounds whatsoever.

## **167. RIGHTS AND RESTRICTIONS ATTACHED TO THE DEFERRED SHARES**

### **167.1 Income**

The Deferred Shares shall confer no right to participate in the profits of the Company.

## **167.2 Capital**

On a return of capital on a winding-up (excluding any intra-group reorganisation on a solvent basis) there shall be paid to the holders of the Deferred Shares the nominal capital paid up or credited as paid up on such Deferred Shares after:

167.2.1 firstly, paying to the holders of the B Shares 45 pence per B Share held by them; and

167.2.2 secondly, paying to the holders of every other class of share in the capital of the Company (other than the B Shares, C Shares and the default share) the nominal capital paid up or credited as paid up on such shares held by them respectively, together with the sum of £100,000,000,000 to each holder of such shares.

The holders of the Deferred Shares shall not be entitled to any further right of participation in the assets of the Company.

## **167.3 Voting and general meetings**

The holders of the Deferred Shares shall not be entitled to receive notice of any general meeting of the Company or to attend, speak or vote at any such meeting.

## **167.4 Transferability**

The Deferred Shares shall not be transferable except in accordance with Article 167.5 below or with the written consent of the Directors.

## **167.5 Class rights**

167.5.1 The Company may from time to time create, allot and issue further shares, whether ranking *pari passu* with or in priority or subsequent to the Deferred Shares. The creation, allotment or issue of any such further shares (whether or not ranking in any respect in priority to the Deferred Shares) shall be treated as being in accordance with the rights attaching to the Deferred Shares and shall not involve a variation of such rights for any purpose or require the consent of the holders of the Deferred Shares.

167.5.2 A reduction by the Company of the capital paid up or credited as paid up on the Deferred Shares and the cancellation of such shares shall be treated as being in accordance with the rights attaching to the Deferred Shares and shall not involve a variation of such rights for any purpose or require the consent of the holders of the Deferred Shares.

167.5.3 Without prejudice to the foregoing, the Company is authorised to reduce (or purchase shares in) its capital of any class or classes and such reduction (or purchase) shall not involve a variation of any rights attaching to the Deferred Shares for any purpose or require the consent of the holders of the Deferred Shares.

## **167.6 Purchase**

167.6.1 The Company may at any time (and from time to time), subject to the provisions of the 2006 Act, without obtaining the sanction of the holder or holders of the Deferred Shares appoint any person to execute on behalf of any holder of Deferred Shares a transfer of all of the Deferred Shares or any part thereof (and/or an agreement to transfer the same) to the Company or to such person as the Directors may determine (whether or not an officer of the Company), and any such transfer shall be for not more than one penny for all the Deferred Shares then being purchased.

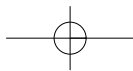
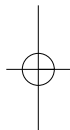
167.6.2 All Deferred Shares purchased by the Company shall be cancelled.

## **168. DELETION OF ARTICLE 167 WHEN NO DEFERRED SHARES IN EXISTENCE**

Article 167 shall remain in force until there are no longer any Deferred Shares in existence notwithstanding any provision in the Articles to the contrary. Thereafter Article 167 shall be



and shall be deemed to be of no effect (save to the extent that the provisions of Article 167 are referred to in other Articles) and shall be deleted and replaced with the wording 'Article 167 has been deleted', and the separate register for the holders of Deferred Shares shall no longer be required to be maintained by the Company; but the validity of anything done under Article 167 before that date shall not otherwise be affected and any actions taken under Article 167 before that date shall be conclusive and shall not be open to challenge on any grounds whatsoever.



## Part 7: Taxation in relation to the Proposals

*The comments below are intended only as a general guide to the current tax position under United Kingdom law and HM Revenue & Customs practice. These comments apply to Shareholders who, unless express reference is made to non-United Kingdom residents, are resident in or (in the case of individuals) ordinarily resident in the United Kingdom for tax purposes, are the beneficial owners of their Existing Ordinary Shares and hold such shares as investments and not on trading account. Some of these comments may not apply to a Shareholder who owns 10 per cent. or more of any class of shares in the Company. Shareholders who are in any doubt as to their tax position or who are subject to tax in a jurisdiction outside the United Kingdom should consult their independent professional adviser.*

### **Bonus Issue**

For the purposes of United Kingdom taxation of chargeable gains, the receipt of either B Shares or C Shares (as the case may be) should not constitute the receipt of an income distribution or a disposal or part disposal of a Shareholder's holding of Existing Ordinary Shares.

### **Redemption Payment on B Shares**

The Redemption Payment made to Shareholders on the redemption of each B Share should not be treated as an income distribution and therefore should not be subject to tax as income in the hands of Shareholders (subject to Chapter 1, Part 13 ITA 2007, see below) and accordingly will carry no tax credit.

The redemption of the B Shares will be regarded as a disposal of those shares for the purposes of the taxation of chargeable gains. This may give rise to a chargeable gain or an allowable loss, depending upon a Shareholder's circumstances, including the Shareholder's base cost in the Capital Shares. It is expected that the Shareholder's original base cost in the Existing Ordinary Shares will be apportioned between his New Ordinary Shares and his B Shares, by reference to their respective market values on the date of redemption of the B Shares. It is expected that the market value of each B Share on that date will be approximately 45 pence.

Any gains realised by individual Shareholders above their annual exemption (£10,100 for the tax year 2009/2010) would be subject to capital gains tax at 18 per cent. Gains realised by Shareholders who are subject to corporation tax would be subject to corporation tax on chargeable gains at up to 28 per cent.

### **Payment of Special Dividend on C Shares**

The payment of the Special Dividend in respect of each C Share should be treated as an income distribution. The payment of the Special Dividend in respect of each C Share will not be treated as giving rise to a disposal of the C Share for the purposes of the taxation of chargeable gains.

An individual Shareholder who is resident in the United Kingdom for tax purposes will be entitled to a tax credit in respect of the Special Dividend, currently equal to one-ninth of the cash dividend received or 10 per cent. of the aggregate of the cash dividend received and the related tax credit (the "gross dividend"). The related tax credit can be set against the individual Shareholder's total liability to income tax on the Special Dividend.

An individual Shareholder who is liable to income tax at no more than the basic rate will be subject to income tax at the rate of 10 per cent. on the gross dividend and so the tax credit will satisfy in full the individual Shareholder's liability to income tax on the dividend received.

An individual Shareholder who is liable to income tax at the higher rate will be subject to tax at the rate of 32.5 per cent. on the gross dividend to the extent that the gross dividend, when treated as the top slice of the Shareholder's income, falls above the threshold for higher rate income tax. The related tax credit will not fully satisfy the individual Shareholder's liability to income tax on the gross dividend and the Shareholder will have to account for additional tax equal to 22.5 per cent. of the gross dividend or 25 per cent. of the cash dividend received.

United Kingdom resident Shareholders who are not liable to United Kingdom tax on the Special Dividend will not be entitled to claim repayment of the tax credit attaching to the Special Dividend.

Subject to certain exceptions for traders in securities and to the application of certain anti-avoidance rules, a corporate Shareholder resident in the United Kingdom for tax purposes should not be subject to corporation tax on the Special Dividend. Shareholders should consult their professional adviser if they consider that such rules may apply to them.

A Shareholder who is not resident in the United Kingdom for tax purposes and who receives the Special Dividend will generally not be able to claim repayment from HM Revenue & Customs of any part of the tax credit attaching to the Special Dividend and any ability to do so will depend on the terms of any applicable double tax treaty between the United Kingdom and the country in which the Shareholder is resident.

#### **Repurchase of Deferred Shares**

The repurchase of the Deferred Shares (into which the C Shares have converted) will be regarded as a disposal of those shares for the purposes of the taxation of chargeable gains. However, it is expected that no chargeable gain should be realised by a Shareholder upon that disposal as the Record Time will have passed for the Special Dividend by the time that such a Shareholder disposes of the Deferred Shares. It is expected that the New Ordinary Shares held by a Shareholder who opts entirely for C Shares will carry a base cost broadly equal to his original base cost in the Existing Ordinary Shares.

#### **Chapter 1, Part 13 ITA 2007**

If Chapter 1, Part 13 ITA 2007 applied in respect of the redemption of the B Shares, Shareholders who are United Kingdom resident income taxpayers might be liable to taxation as if they had received an income distribution equal to the amount received. This legislation is particularly difficult to interpret in these circumstances.

The Company has not applied for a clearance under section 701 ITA 2007. However, having consulted with leading tax counsel, the Company considers that there is only a low risk that any of the payment made on the redemption of B Shares could be recharacterised as an income distribution. In addition, such a recharacterisation would only affect a portion of the payment. Nonetheless, leading tax counsel has confirmed that Shareholders who have opted for B Shares may complete their tax returns treating the payment received for their B Shares as a capital payment and not as an income distribution.

#### **Share Capital Consolidation**

For the purposes of the United Kingdom taxation of chargeable gains, the receipt of the New Ordinary Shares will not constitute a disposal or part disposal of a Shareholder's holding of Existing Ordinary Shares. In respect of a Shareholder who receives B Shares, his base cost in the New Ordinary Shares will be determined as outlined in the section headed "Redemption Payment on B Shares" above. As stated above, it is expected that the New Ordinary Shares held by holders of C Shares who opt entirely for C Shares will carry a base cost broadly equal to the Shareholder's original base cost in the Existing Ordinary Shares.

#### **Stamp duty and stamp duty reserve tax**

Except in relation to depositary receipt arrangements or clearance services, where special rules apply:

- (a) no stamp duty or stamp duty reserve tax ("SDRT") will be payable on the creation or issue of the B Shares or C Shares or on the creation of the New Ordinary Shares pursuant to the Share Capital Consolidation; and
- (b) an unconditional agreement to sell B Shares, C Shares or New Ordinary Shares will normally give rise to a liability on the purchaser to SDRT, at a rate of 0.5 per cent. of the actual consideration paid. The conveyance or transfer on sale of B Shares, C Shares or New Ordinary Shares outside the CREST system will generally be subject to stamp duty on the system of transfer at the same rate of 0.5 per cent. of the actual consideration paid (rounded up to the nearest £5). If the relevant

instrument of transfer is executed and duly stamped within six years of the date of the agreement, the SDRT charge will be cancelled and any SDRT already paid will be refunded.

Under the CREST system for paperless share transfers, deposits of shares into CREST will generally not be subject to stamp duty or SDRT unless such a transfer is made for a consideration in money or money's worth, in which case a liability to SDRT will arise usually at the rate of 0.5 per cent. of the amount of value of the consideration. Paperless transfers of shares within CREST are generally liable to SDRT, rather than stamp duty, at the rate of 0.5 per cent. of the amount of value of the consideration. CREST is obliged to collect SDRT from the purchaser of the shares on relevant transactions settled within the system.

## Part 8: Definitions

The following definitions apply throughout this document and the accompanying documents including the Form of Proxy and the Election Form, unless the context otherwise requires:

“2006 Act”	the Companies Act 2006, as amended
“Admission”	admission of the New Ordinary Shares to trading on AIM becoming effective in accordance with the AIM Rules
“Admission Date”	13 January 2010 (or such later date as the Directors may determine)
“AIM”	a market operated by the London Stock Exchange
“AIM Rules”	the AIM rules for companies issued by the London Stock Exchange, as amended from time to time
“Alternatives”	the Dividend Alternative and the Capital Alternative, or either of them as the context may require
“Articles” or “Articles of Association”	the articles of association of the Company from time to time
“B Shares”	the redeemable preference shares of 45 pence each in the capital of the Company carrying the rights and restrictions summarised in Part 6 of this document
“BACS”	the Bankers Automated Clearing System
“Board” or “Directors”	the board of directors of the Company or a duly appointed committee of the board
“Business Day”	a day (other than a Saturday, Sunday or public holiday) on which sterling deposits may be dealt in on the London inter-bank market and commercial banks are open for general business in London
“C Shares”	the non-cumulative irredeemable preference shares of 0.001 pence each in the capital of the Company carrying the rights and restrictions summarised in Part 6 of this document
“Capital Alternative”	the election for B Shares to be redeemed pursuant to the Proposals and conferring a right to the Redemption Payment as more fully described in Parts 1 and 5 of this document
“Capital Reorganisation”	the reorganisation of the Company’s share capital comprising the Share Capital Consolidation and the allotment and issue of B Shares and/or C Shares
“Closing Price”	the closing middle-market quotations as derived from the Daily Official List on a particular day
“Company” or “Rugby Estates Plc”	Rugby Estates Plc, incorporated in England and Wales with company number 2548935
“CREST”	the relevant system (as defined in the Uncertificated Securities Regulations 2001) in respect of which Euroclear is the Operator (as defined in such regulations)

“CREST Proxy Instruction”	a properly authenticated CREST message appointing and instructing a proxy to attend and vote in place of a Shareholder at the General Meeting and containing the information required to be contained in the manual published by Euroclear
“Daily Official List”	the daily record setting out the prices of all trades in shares and other securities conducted on the London Stock Exchange
“Deferred Shares”	the deferred shares of 0.001 pence each in the capital of the Company carrying the rights and restrictions summarised in Part 6 of this document
“Directors”	the directors of the Company from time to time
“Dividend Alternative”	the election (or deemed election) for C Shares conferring a right to a special dividend as more fully described in Parts 1 and 5 of this document
“Election Deadline”	11.00 a.m. on 12 January 2010 (or such later time and/or date as the Directors in their absolute discretion may determine)
“Election Form”	the election form enclosed with this document, where this document is sent to Shareholders who hold their Existing Ordinary Shares in certificated form
“Election Period”	the period from the date of this document until the Election Deadline during which time Shareholders may make elections for one or more of the Alternatives
“Equiniti”	the Company’s registrars, Equiniti Financial Services Limited and Equiniti Limited (together or separately “Equiniti”) of Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA
“ESA Message”	a message through CREST to Equiniti in its capacity as escrow agent requesting a withdrawal of Existing Ordinary Shares from the escrow balance
“Euroclear”	Euroclear UK & Ireland Limited, the operator of CREST (formerly known as CRESTCo Limited)
“Existing Ordinary Shares”	the existing ordinary shares of 12.5 pence each in the capital of the Company
“Form of Proxy”	the form of proxy enclosed with this document for use by Shareholders in connection with the General Meeting
“FSA”	Financial Services Authority
“FSMA”	Financial Services and Markets Act 2000, as amended
“General Meeting”	the General Meeting of the Company (or any adjournment thereof) to be held at 4 Farm Street, Mayfair, London W1J 5RD at 10.00 a.m. on 12 January 2010
“Group”	the Company and its subsidiaries from time to time
“HM Revenue and Customs”	Her Majesty’s Revenue and Customs
“ITA 2007”	the Income Tax Act 2007

“London Stock Exchange”	London Stock Exchange plc
“Memorandum”	the memorandum of association of the Company from time to time
“New Ordinary Shares”	following the Capital Reorganisation, the new ordinary shares of 15 pence each in the capital of the Company
“Non-United Kingdom Shareholder”	a Shareholder who is not resident in the United Kingdom or who is a citizen, resident or national of a country other than the United Kingdom. For the avoidance of doubt, a Shareholder who is not resident in the United Kingdom includes a Shareholder who is resident in the Channel Islands or the Isle of Man
“Rugby Estates Share Schemes”	the 1994 Approved Executive Scheme, the All Employee Share Ownership Plan and the Long Term Incentive Plan, in each case of the Company
“Proposals”	the Redemption Payment, the Special Dividend and the Capital Reorganisation
“Record Time”	5.00 p.m. on 12 January 2010 (or such later time and/or date as the Directors in their absolute discretion may determine)
“Redemption Payment”	the payment of 45 pence per B Share to be paid on redemption of the B Shares
“Regulatory Information Service”	a Regulatory Information Service on the list of Regulatory Information Services maintained by the FSA
“Resolutions”	the resolutions set out in the notice of the General Meeting contained in Part 9 of this document to (i) implement the Proposals and (ii) in order to take account of the Share Capital Consolidation comprised in the Proposals, to renew the Company’s authority to make market purchases of shares and to renew the Directors’ authority to allot shares pursuant to section 551 of the 2006 Act and to disapply section 561 of the 2006 Act
“SDRT”	stamp duty reserve tax
“Share Capital Consolidation”	the consolidation and division of the Existing Ordinary Shares in the manner set out in Resolution 1
“Share Entitlement”	the entitlement of each Shareholder to be allotted one B Share or one C Share for each Existing Ordinary Share held at the Record Time
“Shareholders”	holders of Existing Ordinary Shares, New Ordinary Shares, B Shares, C Shares or Deferred Shares, as the context may require
“Shareholders’ Rights Regulations”	the Companies (Shareholders’ Rights) Regulations 2009, as amended
“Special Dividend”	a special dividend of 45 pence per C Share to be declared and paid in accordance with the Dividend Alternative
“TTE Instruction”	transfer to escrow instruction
“United Kingdom” or “UK”	the United Kingdom of Great Britain and Northern Ireland

“United States” or “US”

the United States of America, its territories, possessions, any State of the United States of America and the District of Columbia

“US Securities Act”

the United States Securities Act of 1933 (as amended) and the rules and regulations promulgated thereunder

## Part 9: Notice of General Meeting

# Rugby Estates Plc

(the "Company")

(incorporated in England and Wales with company number 2548935)

Notice is hereby given that a General Meeting of Rugby Estates Plc will be held at 4 Farm Street, Mayfair, London W1J 5RD on 12 January 2010 at 10.00 a.m. for the purpose of considering and, if thought fit, passing the following resolutions which will be proposed, in the case of Resolutions 1, 2 and 4 as special resolutions and, in the case of Resolution 3, as an ordinary resolution:

### Special Resolutions

1. THAT, conditional on Admission of the New Ordinary Shares becoming effective by 8.00 a.m. on 13 January 2010 (or such later time and/or date as the directors may in their absolute discretion determine):
  - (a) the directors of the Company be and are hereby generally and unconditionally authorised to:
    - (i) capitalise a sum not exceeding £6,169,497 standing to the credit of the share premium account of the Company and to apply such amount in paying up in full at par up to a maximum of 13,709,992 B Shares;
    - (ii) capitalise a sum not exceeding £138 standing to the credit of the share premium account of the Company and to apply such amount in paying up in full at par up to a maximum of 13,709,992 C Shares; and
    - (iii) pursuant to section 551 of the Companies Act 2006 (as amended) (the "Act"), exercise all the powers of the Company to allot and issue up to 13,709,992 B Shares and 13,709,992 C Shares each credited as fully paid up to the holders of the Existing Ordinary Shares, provided that the authority hereby conferred shall expire at the conclusion of the next annual general meeting of the Company or within 15 months from the date of the passing of this Resolution whichever is earlier;
  - (b) the articles of association of the Company be amended by deleting all the provisions of the Company's memorandum of association which, by virtue of section 28 of the Act, are to be treated as provision of the Company's articles of association;
  - (c) the articles of association of the Company set out in the printed document produced to the meeting and initialled for the purposes of identification by the Chairman be adopted as the articles of association in substitution for and to the exclusion of the existing articles of association of the Company;
  - (d) each Existing Ordinary Share be sub-divided into 5 shares of 2.5 pence each and immediately upon such sub-division every 6 shares of 2.5 pence each resulting from such sub-division shall be consolidated into 1 New Ordinary Share provided that fractions of a share of 15 pence arising out of such sub-division and consolidation shall be consolidated into as many New Ordinary Shares of 15 pence as possible and one default share (having the rights and restrictions set out in the articles of association of the Company proposed to be adopted pursuant to paragraph (c) of this Resolution) of such nominal value as shall be necessary to ensure that the aggregate nominal value of the then issued share capital of the Company remains constant;
  - (e) the directors of the Company be authorised to do all such things as they consider necessary or expedient:
    - (i) to sell the number of New Ordinary Shares arising from the consolidation of fractional entitlements referred to in paragraph (d) of this Resolution in the market for the benefit of the Company;
    - (ii) to transfer the default share arising out of the sub-division and consolidation of the shares referred to in paragraph (d) of this Resolution to Fairfax I.S. PLC; and

- (iii) to transfer the Deferred Shares (if any) arising on reclassification of the C Shares in accordance with the articles of association proposed to be adopted pursuant to paragraph (c) of this Resolution to Fairfax I.S. PLC;
  - (f) the Company be irrevocably authorised (such authority to expire on the date falling 18 months after the date on which this Resolution is passed) so far as it is lawfully able to purchase: (i) the default share arising under paragraph (d) of this Resolution in consideration of the payment to Fairfax I.S. PLC of one penny; and (ii) the Deferred Shares (if any) arising on reclassification of the C Shares in accordance with the articles of association proposed to be adopted pursuant to paragraph (c) of this Resolution in consideration of the payment to Fairfax I.S. PLC of one penny in each case pursuant to a contract for the sale to the Company of the default share and the Deferred Shares, a copy of which has been produced to the meeting and initialled for the purpose of identification by the Chairman (the terms of which are hereby approved), and the default share and the Deferred Shares so purchased shall be cancelled, and the share capital shall, with effect from such cancellation, be reduced by an amount equal to the nominal value of the default share and the Deferred Shares so cancelled; and
  - (g) for the purposes of this Resolution and Resolution 2:
    - (i) “**Admission**” means admission to trading on AIM, a market operated by the London Stock Exchange plc;
    - (ii) “**B Share**” means a redeemable preference share of 45 pence in the capital of the Company having the rights and subject to the restrictions set out in the articles of association of the Company as proposed to be adopted pursuant to paragraph (c) of this Resolution;
    - (iii) “**C Share**” means a non-cumulative irredeemable preference share of 0.001 pence in the capital of the Company having the rights and subject to the restrictions set out in the articles of association of the Company as proposed to be adopted pursuant to paragraph (c) of this Resolution;
    - (iv) “**Deferred Shares**” means deferred shares of 0.001 pence each in the capital of the Company having the rights and subject to the restrictions set out in the articles of association of the Company proposed to be adopted pursuant to paragraph (c) of this Resolution;
    - (v) “**Existing Ordinary Share**” means an existing ordinary share of 12.5 pence in the capital of the Company; and
    - (vi) “**New Ordinary Share**” means a new ordinary share of 15 pence in the capital of the Company having the rights and subject to the restrictions set out in the articles of association of the Company as proposed to be adopted pursuant to paragraph (c) of this Resolution.
2. THAT, conditional on Resolution 1 being passed and becoming effective and in substitution for all existing authorities, the Company be and is hereby generally and unconditionally authorised, in accordance with section 701 of the Act, to make market purchases (within the meaning of section 693 of the Act) of New Ordinary Shares on such terms and in such manner as the directors may from time to time determine provided that:
- (a) the maximum aggregate number of New Ordinary Shares authorised to be purchased is 1,712,606 (representing 14.99 per cent. of the Company’s issued share capital);
  - (b) the minimum price which may be paid for a New Ordinary Share is 15 pence (exclusive of expenses payable by the Company);
  - (c) the maximum price which may be paid for New Ordinary Share (exclusive of expenses payable by the Company) cannot be more than 105 per cent. of the average market value of a New Ordinary Share for the five business days prior to the day on which the New Ordinary Share is to be purchased; and

- (d) the authority conferred shall expire at the conclusion of the annual general meeting of the Company to be held in 2010 or, if no such meeting takes place in 2010, on the date which is 15 months after the passing of this Resolution, except that the Company may before such expiry make a contract to purchase its own shares which will or may be completed or executed wholly or partly after such expiry.

#### **Ordinary Resolution**

3. THAT, conditional on Resolution 1 above being passed and becoming effective and in substitution for all existing authorities, the directors be and are hereby authorised pursuant to and in accordance with section 551 of the Act:
- (a) to exercise all powers of the Company to allot shares and to make offers or agreements to allot shares in the Company or grant rights to subscribe for or to convert any securities into shares in the Company (together "**Relevant Securities**") up to an aggregate nominal value of £565,500; and
- (b) to exercise all the powers of the Company to allot equity securities (as defined in section 560 of the Act) up to an additional aggregate nominal amount of £565,500 provided that this authority may only be used in connection with a rights issue in favour of holders of ordinary shares and other persons entitled to participate therein where the equity securities respectively attributable to the interests of all those persons at such record dates as the directors may determine are proportionate (as nearly as may be) to the respective numbers of equity securities held (or deemed to be held) by them or are otherwise allotted in accordance with the rights attaching to such equity securities subject to such exclusions or other arrangements as the directors may consider necessary or expedient to deal with fractional entitlements or legal difficulties under the laws of any territory or the requirements of a regulatory body or stock exchange or by virtue of shares being represented by depositary receipts or any other matter whatsoever,

provided that the authorities in paragraphs 3(a) and (b) above shall expire at the conclusion of the annual general meeting of the Company to be held in 2010 or if no such meeting takes place in 2010 on the date which is 15 months after the passing of this Resolution, except that the Company may before such expiry make an offer or agreement which would or might require Relevant Securities or equity securities (as the case may be) to be allotted after such expiry and the directors may allot Relevant Securities or equity securities in pursuance of such offer or agreement as if the authority conferred hereby had not expired.

#### **Special Resolution**

4. THAT, conditional on the passing of Resolution 3 above and the same becoming effective and in substitution for all such existing authorities, the directors be and are hereby empowered to allot equity securities (as defined in section 560 of the Act) for cash pursuant to the authority conferred by Resolution 3 or by way of a sale of treasury shares as if section 561(1) of the Act did not apply to any such allotment provided that this power shall be limited to:
- (a) the allotment of equity securities in connection with a rights issue or other pro-rata offer (but, in the case of the authority granted under paragraph (b) of Resolution 3, by way of a rights issue only) in favour of holders of ordinary shares and other persons entitled to participate therein where the equity securities respectively attributable to the interests of all those persons at such record dates as the directors may determine are proportionate (as nearly as may be) to the respective numbers of equity securities held or deemed to be held by them or are otherwise allotted in accordance with the rights attaching to such equity securities subject in each case to such exclusions or other arrangements as the directors may consider necessary or expedient to deal with fractional entitlements or legal difficulties under the laws of any territory or the requirements of a regulatory body or stock exchange or by virtue of shares being represented by depositary receipts or any other matter whatsoever; and
- (b) the allotment (otherwise than pursuant to subparagraph (a) above) of equity securities up to an aggregate nominal amount of £171,300,

and shall expire upon the expiry of the authority conferred by Resolution 3 above, save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted and/or shares held by the Company in treasury to be sold or transferred after such expiry and the directors may allot equity securities and/or sell or transfer shares held by the Company in treasury in pursuance of such offer or agreement as if the power conferred hereby had not expired.

By Order of the Board

Stephen Jones  
*Company Secretary*

11 December 2009

*Registered Office:*  
4 Farm Street  
London  
W1J 5RD

*Notes*

1. A shareholder entitled to attend and vote at the general meeting is entitled to appoint one or more proxies to exercise all or any of his rights to attend, speak and vote at the meeting instead of him. A member can appoint more than one proxy in relation to the meeting provided that each proxy is appointed to exercise the rights attaching to different shares held by the member. Such proxy or proxies need not be a member or members of the Company. A Form of Proxy is enclosed with this document.
2. To be valid, completed Forms of Proxy, must be received (together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power or authority) by Equiniti at Aspect House, Spencer Road, Lancing, West Sussex BN99 6ZL so as to be received by no later than 10.00 a.m. on 10 January 2010. The completion and return of a Form of Proxy will not preclude shareholders entitled to attend and vote at the general meeting from doing so in person if they so wish.
3. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the general meeting 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 CREST Proxy Instruction must be properly authenticated in accordance with Euroclear's specifications and must contain the information required for such instructions, as described in the CREST Manual ([www.euroclear.com/CREST](http://www.euroclear.com/CREST)). 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 Equiniti by, Issuer's Agent ID RA19, no later than 10.00 a.m. on 10 January 2010. 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 Equiniti 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 Euroclear 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.

4. The Company specifies, pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, that only those Shareholders whose names are entered in the register of members of the Company at 6.00 p.m. on 10 January 2010 shall be entitled to attend or vote at the general meeting in respect of the number of shares registered in their names at that time. Changes to entries on the relevant register of securities after 6.00 p.m. on 10 January 2010 shall be disregarded in determining the rights of any person to attend and/or vote at the general meeting.
5. Shareholders may not use any electronic address provided either in this notice of general meeting or any related documents (including the Form of Proxy) to communicate with the Company for any purposes other than those expressly stated.
6. Copies of the following documents will be available for inspection during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) at the offices of Nabarro LLP at Lacon House, 84 Theobald's Road, London WC1X 8RW and at the registered office of the Company from the date of this document up to and until the conclusion of the general meeting and will also be available for inspection for at least 15 minutes before and during the general meeting:
  - (a) the current articles of association;
  - (b) the articles of association as proposed to be adopted together with a copy marked to show the differences between the existing articles of association and those proposed to be adopted pursuant to Resolution 1;
  - (c) the contract for the sale of the default share and the Deferred Shares (if any) referred to in paragraph (f) of Resolution 1; and
  - (d) the circular.

