

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document or the action to be taken, you should consult an independent financial adviser authorised under the Financial Services and Markets Act 2000 immediately.**

This document comprises a prospectus relating to REO Securities Limited (the “Company”) prepared in accordance with the Prospectus Rules made under section 73A of the Financial Services and Markets Act 2000. This document has been approved by and filed with the Financial Services Authority in accordance with the Prospectus Rules.

Real Estate Opportunities Limited (“REO”) and the Company, whose registered office appears on page 13, and the Directors, whose names also appear on page 13, accept responsibility for the information contained in this document. To the best of the knowledge of REO and the Company and the Directors (each of whom has taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and contains no omission likely to affect the import of such information.

No ZDP Shares have been marketed to, nor are any available for purchase by, the public in the United Kingdom or elsewhere in connection with the introduction of the ZDP Shares to the Official List. This document does not constitute an offer or invitation to any person to subscribe for or purchase any securities in REO Securities Limited.

Application has been made to the UK Listing Authority for all the ZDP Shares to be admitted to the Official List and to the London Stock Exchange for all such ZDP Shares to be admitted to trading on the London Stock Exchange’s main market for listed securities. It is expected that Admission will become effective and that dealings on the London Stock Exchange in the ZDP Shares will commence on 15 February 2008, subject to the Court sanctioning the Scheme and the Scheme Conditions being met.

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# **REO Securities Limited**

*(Incorporated and registered in Jersey under the Companies (Jersey) Law 1991 with registered number 97292)*

## **INTRODUCTION**

**of**

**57,755,782 zero dividend preference shares of 0.001p each**

**in connection with a recommended scheme of arrangement under**

**Article 125 of the Companies (Jersey) Law 1991 of Real Estate Opportunities Limited**

**Sponsored by**

**LANDSBANKI SECURITIES (UK) LIMITED**

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This document has been prepared in connection with a scheme of arrangement pursuant to Article 125 of the Companies (Jersey) Law 1991 to introduce a new subsidiary company, REO Securities Limited, to the Group. The full details of the Scheme are set out in Part II of this document.

Landsbanki Securities (UK) Limited, which is authorised and regulated by the Financial Services Authority, is acting exclusively for the Company and REO in connection with the matters set out in this Prospectus and will not be responsible to anyone other than the Company and REO for providing the protections afforded to customers of Landsbanki Securities (UK) Limited or for providing advice in connection with any matter referred to herein.

The distribution of this document in jurisdictions other than the United Kingdom may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe such restrictions. Any failure to comply with the restrictions may constitute a violation of the securities of any such jurisdiction. This document does not constitute an offer to sell or issue, or the solicitation of an offer to buy or subscribe, shares in any jurisdiction.

**The whole text of this document should be read. Attention is drawn in particular to the section entitled “Risk Factors”.**

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## SUMMARY

This summary section should be read as an introduction to the Prospectus which comprises the whole of this document. Any decision to invest in the ZDP Shares should be based on a consideration of the Prospectus as a whole by the investor. Where a claim relating to the information contained in a prospectus is brought before a court, an investor might, under national legislation of the European Economic Area member states, have to bear the costs of translating the prospectus before the legal proceedings are initiated. Civil liability attaches to those persons who are responsible for this summary, including any translation of the summary, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the Prospectus.

### **REO Securities Limited**

- REO Securities Limited is a newly incorporated company which is a wholly owned subsidiary of REO.
- The Company has a fixed life and will be wound up on the Repayment Date, 31 May 2011, in accordance with its Articles and the ZDP Shareholders will be entitled to their final capital entitlement of 235.51p per ZDP Share.

### **REO**

- REO is the holding company for a group of property investment and development companies which aims to meet its banking obligations and satisfy its obligations to its loan stockholders, satisfy the entitlement of the REO ZDP Shareholders and provide REO Ordinary Shareholders with capital growth and income.
- Treasury Holdings acts as investment adviser for all of the Group's property assets, pursuant to two investment advisory and management agreements and holds 66.5 per cent. of the ordinary share capital of REO.
- As at 30 June 2007, the Group had fixed assets of £1.362 billion made up predominantly of investment and development properties. Most of these properties are located in Ireland, the main exception being the Battersea Power Station site in London. As at that date, the Group's net assets were £0.371 billion, equivalent to 146.7p basic and 133.3p diluted per REO Ordinary Share.

### **The Scheme of Arrangement**

- Subject to the approval by the Court of the Scheme, the Company will issue ZDP Shares on a one for one basis credited as fully paid to the holders of REO's ZDP Shares as at 6.00 p.m. on the Scheme Record Date. The ZDP Shares will be issued in exchange for cancellation of the REO ZDP Shares.
- The rights of the ZDP Shares are substantially similar to the rights of the REO ZDP Shares and, in particular, provide for the repayment of the ZDP Shares on the Repayment Date at 235.51p per ZDP Share in cash, being the same repayment date and amount as the REO ZDP Shares.

### **Risk Factors**

#### *General risks*

- An investment in the ZDP Shares is suitable only for financially sophisticated investors capable of evaluating the risks and merits of such investment and who have sufficient resources to bear any loss (including total loss) which may result from the investment. Prospective investors should, therefore, consult an independent financial adviser authorised under the FSMA before investing.
- Changes in economic conditions including, for example, interest rates, rates of inflation, industry conditions, competition, political and diplomatic events and trends, tax laws and other factors can

substantially and adversely affect property investments, and accordingly, the ability of REO to meet its obligations to the Company.

### *ZDP Shares*

- The market value of the ZDP Shares can fluctuate and may not always reflect their underlying net asset value. ZDP Shareholders may not get back their full capital entitlement on a winding up of the Company.
- Although the ZDP Shares are entitled to a pre-determined capital repayment on the Repayment Date, this is not guaranteed.
- The obligations of REO to the Company are subordinated to the claims of REO's other creditors on a winding-up. If at the Repayment Date REO has insufficient assets, then its obligations to the Company may be satisfied only in part or not at all.
- The ZDP Shares rank for capital behind any creditors of the Company and REO.
- Should the Company be wound-up prior to the Repayment Date, holders of ZDP Shares would be entitled to receive only their accrued entitlement to the date of the winding up. This amount, which would be calculated in accordance with the terms of the Articles, would be less than the final capital entitlement of the ZDP Shares and would be subject to REO having sufficient net assets.

## RISK FACTORS

**This discussion of certain risk factors relating to the Company and the ZDP Shares should be read in conjunction with the full text of this document.**

**The Directors believe that implementation of the Scheme does not give rise to any additional risk factors for REO ZDP Shareholders and that the risks associated with the ZDP Shares are the same as the risks associated with the REO ZDP Shares. The Directors consider the following risk factors to be the material risks for ZDP Shareholders, but the risks listed do not necessarily comprise all those associated with an investment in the ZDP Shares.**

### Risks of investing in ZDP Shares

#### *General Risks*

An investment in ZDP Shares is suitable only for financially sophisticated investors capable of evaluating the risks and merits of such investment and who have sufficient resources to bear any loss (including total loss) which may result from the investment. Prospective investors should, therefore, consult an independent financial adviser authorised under the FSMA before investing.

Changes in economic conditions including, for example, interest rates, rates of inflation, industry conditions, competition, political and diplomatic events and trends, tax laws and other factors can substantially and adversely affect property investments and, accordingly, the ability of REO to meet its obligations to the Company.

#### *Entitlements of ZDP Shares*

The market value of ZDP Shares can fluctuate and may not always reflect their underlying net asset value. ZDP Shareholders may not get back their full capital entitlement on the winding up of the Company.

Although ZDP Shares are entitled to a pre-determined capital repayment on the Repayment Date, this is not guaranteed.

The obligations of REO to discharge its obligations pursuant to the Undertaking Agreement, as described in paragraph 6.1 of Part V, will be subordinated to the claims of REO's other creditors on a winding-up. If at the Repayment Date (or any earlier redemption or repurchase of the ZDP Shares or winding up of the Company) REO has insufficient assets, then its obligations to make payment under the Undertaking Agreement may be satisfied only in part or not at all. Accordingly, the Company may have insufficient assets to satisfy the then current or final capital entitlement of the ZDP Shares.

Should the Company be wound-up prior to the Repayment Date, holders of ZDP Shares would be entitled to receive only their accrued entitlement to the date of the winding-up. This amount, which would be calculated in accordance with the terms of the Articles, would be less than the final capital entitlement of the ZDP Shares and would be subject to REO having sufficient net assets.

Prospective investors should be aware that the ZDP Shares rank for capital behind any creditors of the Company and REO.

There can be no guarantees that any appreciation in the values of the Group's investments will occur or that the investment objectives of the Company and/or other members of the Group will be met.

The market value of the ZDP Shares will be affected by changes in general interest rates, with upward movements in interest rates likely to lead to reductions in the market value. The market value of the ZDP Shares also takes into account, amongst other things, supply and demand for the ZDP Shares, market conditions and general investor sentiment.

An investment in the ZDP Shares may be relatively illiquid. There may be a limited number of ZDP Shareholders and this fact may contribute to infrequent trading and volatile share price movements.

### ***Borrowings***

The articles of association of each company in the Group allow the directors of each company to exercise borrowing powers.

Any borrowings of the Group will rank ahead of the entitlement of the ZDP Shares and will be repaid first out of the assets of the relevant member of the Group on any winding-up of such member.

The use of any borrowings by the Group may increase the volatility of the net assets of the Group. Similarly, the use of borrowings by other companies in which the Group invests will increase the volatility of the Group's investment in such companies and thereby further increase the volatility of the net assets of the Group.

A breach of any terms entered into with a bank may entitle such bank to require repayment, which may require the Group to realise some or all of its investments at values that REO regards as less than favourable.

### ***Costs of the Proposals***

The actual costs of effecting the Proposals may be greater than the estimated figure of approximately £795,000.

### ***Taxation***

Statements in this document concerning the taxation of Shareholders are based upon current law and practice. These are, in principle, subject to change and prospective investors should be aware that such changes may affect the Group's ability to generate returns to Shareholders and/or the taxation of any such returns to Shareholders.

### ***Accounting policies***

Representations in this document concerning returns to Shareholders are based on accounting policies and practices currently applicable to the Group. Prospective investors should be aware that any changes in such accounting policies and practices may affect the Group's ability to provide returns to Shareholders as envisaged in this document.

## **Risk factors affecting the Group**

### ***General***

The market value of and income derived from the Company's and REO's shares will vary to reflect supply and demand in the market which will, at least in part, be influenced by the net asset value of REO. The market value of the REO Ordinary Shares and the ZDP Shares may not reflect their underlying net asset value or capital entitlement. Investments in REO will be subject to the general and specific risks connected with investment in real estate and high yielding securities. There can be no guarantee that REO's investment objectives will be achieved.

The income and capital return for REO Ordinary Shareholders are expressed and will be reported in Sterling. As a large proportion of REO's assets, liabilities and income are denominated in Euros, returns to the REO Ordinary Shareholders will be influenced by the exchange rate movement between the Euro and Sterling.

The use of gearing is likely to increase volatility in REO's net asset value in that a relatively small movement in the value of REO's investments will result in a greater relative movement (upwards or downwards) in net asset value per REO Ordinary Share.

### ***Battersea Power Station***

In December 2006 REO completed the purchase of the site and building of Battersea Power Station in London.

(a) *Site risk*

The site is a high profile site in London and the UK real estate market. The Power Station building ceased operations in 1982. Since then, there have been several attempts to agree the future use of, and to develop, the site. These proposals have reached various stages of development, but none has been successfully implemented, such that the site has attracted publicity as being a problematic site to develop. Any future attempts to develop the site could therefore, be ultimately frustrated by the nature of the site and the history of previous planning applications whilst also involving considerable expenditure. Given the high profile nature of the site and public interest in the future use and development of the site, REO may be subject to an increased level of public scrutiny and this in turn may increase the expectations on REO to implement and deliver a successful development of the site. In addition, Battersea Power Station is the only substantial acquisition and development by REO of a site located in the UK.

(b) *Location risk*

REO aims to create a new designation location within the London property market. At present the site is not an established location for retail, leisure, hospitality or office use. While there is residential property adjacent or close to the site, its pricing level within the London residential market does not necessarily establish the location. The projected rents and capital values are dependent on the successful establishment of the site as a location.

(c) *Planning*

Although it is likely that REO will seek planning permission for a revised scheme, the site does benefit from an outline planning permission for a scheme dated 21 January 2005. This is subject to certain conditions including Wandsworth Borough Council approving pre-commencement conditions and these remain to be discharged. The scheme is subject to certain planning restrictions. Obligations under section 206 of the Town and Country Planning Act 1990 relating to the scheme impose a restriction on occupation to the effect that the Power Station must be practically completed before any part of the development can be occupied or open to the public. This requirement is qualified by reference to a schedule of works, so that if the works as outlined in the schedule are completed, other parts of the development may be occupied. The section 206 agreement also contains a limitation in terms of the retail offer that may be provided on the site (being no more than 33 per cent. of the gross floor area) and requires that retail use must compliment the leisure and entertainment complex. If REO were to implement the current scheme, such restrictions may impact the ability of REO to complete the scheme in the most profitable and efficient manner.

(d) *Development risk*

The development on the site will require substantial capital expenditure and will take a considerable amount of time before completion. REO will therefore need to raise additional capital either by way of further debt or by issuing equity or other forms of shareholder investments. There is no certainty that REO will be able to raise, either through debt financing or equity, the level of funds required to develop the site. Certain general risks will possibly affect the development and refurbishment activities on the site, including risks relating to completion (with the possibility of construction or restructuring and overruns, both in terms of time and budget), the risk of not obtaining, or delays in obtaining, necessary administrative permits, necessary third party consents, the risk of not finding any tenants at the desired rent levels, and risks relating to the financing of the development. Any of these could increase the cost or delay or prevent completion of the development on the site and could result in a loss of revenues or in capital invested.

Consequently, there can be no assurance that the development or sale of properties on the site will not have an adverse effect on REO's results of operations or financial condition.

(e) *Completion risk*

In common with all development projects the return made is substantially dependent on the completion of the development materially within the timescale and costs projected. The ability to complete any development on the site will be dependent on a wide range of interrelated factors including, *inter alia*, the quality of the project management process, the credit of the various

contractors, the financing arrangements for the development, the successful and timely supply of materials and components, and the absence of accidents. Delays to and disruption of the development may have a material impact on its projected profitability.

(f) *Cost risks*

The profitability and, in extremis, the completion of the development is dependent on the accuracy of the estimates of costs made and included within the project model. REO will seek to minimise this risk by basing its cost estimates on the result of extensive and detailed research undertaken by costs consultants but there is a risk that the total development costs will exceed these estimates.

(g) *Taxation risk*

The effectiveness of the structure within which the site is held has certain tax assumptions concerning its treatment. If any of these assumptions prove to be incorrect it may reduce the return on the development profitability of the scheme. The site acquisition has been structured to take advantage of the tax treatment of offshore companies in the United Kingdom. It is possible that legislation may be passed which would change the tax treatment of the site acquisition in the United Kingdom thus affecting the tax liability of the entities acquired.

(h) *Terminal value risk*

The profit derived from the development on the site is dependent on the value of the development at the point of realisation. This is dependent on the level of income capable of being generated by the development, market views as to its prospects and the relationship between income and capital values at the time.

***Key personnel***

REO's success depends in part, upon the continued service and performance of the Directors, and of the senior management team of Treasury Holdings and certain other key personnel. These individuals may leave the employment of REO and/or Treasury Holdings (as applicable) in the future and may also seek to compete with REO. The loss of any of these individuals could have a material adverse effect on REO's business and financial conditions and results of operation.

***Geographic concentration of properties***

REO owns a concentration of Irish properties. Consequently, any downturn in the Irish property market or the Irish economy generally or regulatory changes in Ireland could affect REO's results of operations and financial condition.

**Risk factors affecting the Group's industry**

***General risks relating to property***

REO's net asset value will be subject to the general risks connected with investment in real estate. In particular, as the weighting of the Property Portfolio is biased towards Ireland and the UK, investments made by REO in property will be subject to the risks of such ownership, development and management in Ireland and the UK.

Despite the significant increase in property values in Ireland and in the UK, there can be no assurance that such increases will continue. Any future property market recession could materially adversely affect the value of REO's properties.

Returns from an investment in property depend largely upon the amount of rental income generated from the property and the expenses incurred in the construction or redevelopment and management of the property, as well as upon changes in its market value.

Rental income and the market value of properties are generally affected by overall conditions in the local economy, such as growth in gross domestic product, employment trends, inflation and changes in interest rates. Changes in gross domestic product may also impact employment levels, which in turn

may impact the demand for premises, especially for office space for commercial enterprises in the service sector. Furthermore, movements in interest rates may also affect the cost of financing for real estate companies.

Both rental income and property values may also be affected by other factors specific to the real estate market, such as competition from other property owners, the perceptions of prospective tenants of the attractiveness, convenience and safety of properties, the inability to collect rents because of the bankruptcy or insolvency of tenants or otherwise, the periodic need to renovate, repair and release space and the costs thereof, the costs of maintenance and insurance, and increased operating costs.

In addition, certain significant expenditures, including operating expenses, must be met by the owner even when the property is vacant.

### ***Planning regulations***

Changes in the legal framework concerning planning rules in Ireland or the UK may negatively influence the values of properties, making them unattractive for both leaseholders and potential purchasers. Accordingly, such changes may have an adverse impact on REO's business.

### ***Development of property***

Development projects require substantial capital expenditure for land acquisition and construction and it usually takes a considerable amount of time before the projects are completed and begin to generate cash flows. Certain general risks affect development and refurbishment activities, including risks relating to completion (with the possibility of construction or restructuring and overruns, both in terms of time and budget), the risk of not obtaining, or delays in obtaining, necessary administrative permits, the risk of not finding any tenants at the desired rent levels, and risks relating to the financing of the development. Any of these could increase the cost or delay or prevent completion of a project and could result in a loss of revenues or in capital invested.

In addition, and despite insurance coverage, the development and sale of premises may also give rise to actions being brought against companies in which REO may own an interest, in connection with defects in the property.

Consequently, there can be no assurance that the existing or future development or sale of properties will not have an adverse effect on REO's results of operations or financial condition.

### ***Liquidity***

Investments in property are relatively illiquid and more difficult to realise than equities or bonds.

### ***Factors affecting the Irish and UK markets***

In addition to the general economic factors mentioned above, rental income and the value of properties may be adversely affected by the cyclical nature of the property industry.

### ***Debt financing and leverage***

The property investment and development sector tends to be highly capital intensive. The Group has a significant level of debt in order to finance its property acquisition and development activities. Although REO hedges a substantial portion of its exposure to interest rate fluctuations, an increase in interest rates might adversely affect REO's results of operations as its cost of financing increases.

In addition, the ability of REO to raise funds for development activity on favourable terms depends on a number of factors including general economic, political and capital market conditions and credit availability from commercial banks. If REO were to be confronted with a liquidity crisis in the longer term future, whether for macroeconomic reasons or for reasons specific to REO, it could significantly increase REO's cost of funding or lead to serious difficulties for REO in refinancing its debt. REO could also be forced to sell assets, which may not be under the best conditions, in order not to default on its payment obligations.

### ***Acquisition of property***

In accordance with its strategy, REO will continue to acquire property assets. Such acquisitions involve a number of risks inherent in assessing the values, strengths, weaknesses and profitability of properties including adverse short-term effects on REO's operating results, diversion of management's attention, and risks associated with unanticipated problems and latent liabilities or contingencies such as the existence of hazardous substances, for example asbestos, or other environmental liabilities. Additional risks inherent in acquisitions include risks that the acquired properties will not achieve anticipated rental rates or occupancy levels, and that judgements with respect to improvements to increase the financial returns of acquired properties will prove to have been inaccurate.

### ***Considerations relating to market value and appraisals***

Property and property related assets are inherently difficult to value due to the lack of marketability. As a result, valuations are subject to substantial uncertainty.

### ***Competition***

REO may face significant competition from UK, Irish, European or other foreign property companies. Competition in the property market may lead either to an over-supply of premises through over-development or to prices for existing properties or land for development being driven up through competing bids by potential purchasers. Accordingly, the existence of such competition may have a material adverse impact on REO's ability to secure tenants for its properties at satisfactory rental rates and on a timely basis and to acquire properties or develop land at satisfactory prices.

### ***Amenities and transportation infrastructure***

The proximity of amenities and transportation infrastructure such as train stations and bus interchanges to property assets may change over time. There is no assurance that the amenities and transportation infrastructure and shuttle services will not be closed, relocated or terminated in the future. Such closure, relocation or termination may adversely affect the accessibility of the property assets. This may then have an adverse effect on the demand for and the rental rates in respect of the Group's property assets and adversely affect the financial position of the Group.

### ***Uninsured risks***

Although REO will attempt to ensure that all its properties are adequately insured, changes in the cost and availability of insurance may expose REO to uninsured losses. Should a property incur a loss that is not fully covered, the value of REO's assets will be reduced accordingly.

### ***Inability to sell a property***

Many different factors affect the property market, including investor and/or buyer supply and demand. REO cannot predict whether it will be able to sell a property for the desired price and/or on its desired terms, nor the length of time which will be needed to exchange and complete any sale.

Although REO recognises it may have to correct defects and make improvements to a property before it can sold, there is no assurance REO will have funds available to undertake such work at the relevant time.

When purchasing a property, REO may agree to restrictions that prohibit or limit the sale of the property. Such provisions may restrict the Group's ability to sell the property.

### ***Tenancies***

The Group may opt to let some of the property it acquires. Although the Group will attempt to ensure that its tenants are of good financial standing, a decline in the financial stability of tenants may result in rent payment default which would cause a reduction in the Group's profits. Furthermore, the Group may experience delay in enforcing its rights as a landlord and incur substantial costs.

If a lease is terminated, there is no assurance the property can be re-let immediately or for the rent previously received. The Group may have to expend funds on new tenant improvements in the vacated space of provide financial inducements to the new tenant. Although the Group intends to manage its

cash position to allow for such additional costs, the Group cannot be certain that adequate funding will be available as and when the need arises.

### ***Environmental***

If the Group fails to comply with environmental laws and regulations or faces environmental litigation, its costs may increase.

### **General investment risks**

#### ***Share price volatility and liquidity***

A number of factors outside the control of REO may impact on its performance and the price of the REO Ordinary Shares and the ZDP Shares, including investor sentiment, currency fluctuations and local and international stock market conditions. The price of the REO Ordinary Shares and/or the ZDP Shares may fall as well as rise.

#### ***Taxation***

Any change in REO or the Company's tax status or in taxation legislation, including rates of taxation, could affect the value of the investments held by REO and the Company, affect REO and the Company's results and its ability to provide returns to REO Ordinary Shareholders or ZDP Shareholders, or alter the post tax returns to REO Ordinary Shareholders or ZDP Shareholders.

#### ***Controlling shareholder***

Treasury Holdings (in its own name and through its subsidiaries Brossbar Limited, IREO Irish Real Estate Opportunities Fund PLC and M1 Development Company Limited) hold REO Ordinary Shares representing more than 50 per cent. of the issued ordinary share capital of REO. Treasury Holdings is therefore in a position to increase its aggregate shareholding in REO without incurring an obligation under Rule 9 of the City Code to make a general offer to REO Ordinary Shareholders. Treasury Holdings is also, by virtue of its holding of REO Ordinary Shares, able to exert a very significant degree of control over the conduct of REO. In particular, Treasury Holdings has the power, subject to the Substantial Shareholder Agreement details of which are set out in paragraph 6.13 of Part V of this document, to appoint or remove directors and, subject to the provisions in the articles of association of REO, to control REO's dividend policy.

## EXPECTED TIMETABLE

ZDP Court Meeting	11.15 a.m. on 18 January 2008
ZDP Class Meeting	11.25 a.m. on 18 January 2008
Ordinary Class Meeting	11.35 a.m. on 18 January 2008
REO EGM	11.45 a.m. on 18 January 2008
CULS Holders Meeting	11.55 a.m. on 18 January 2008
Court Hearing	10.00 a.m. on 14 February 2008
Announcement of result of Court Hearing	14 February 2008
Date on which the Scheme becomes effective	15 February 2008 <sup>(1)</sup>
Dealings commence in ZDP Shares and CREST accounts credited and dealings in REO ZDP Shares suspended	15 February 2008 <sup>(1)</sup>
Certificates despatched where appropriate	Week commencing 25 February 2008 <sup>(1)</sup>

- (1) This date is indicative only and will depend upon when the Court sanctions the Scheme and on when the Scheme Conditions are met.

## DIRECTORS AND ADVISERS

<b>Directors of REO and the Company:</b>	Raymond Yeoman Frederick Horney ( <i>Chairman</i> ) Richard Joseph Barrett Keith Anthony Jenkins John Philip Jenkinson Guy William Leech Garth Peter Denis Milne Martin Willaume Richardson  All non-executive directors and all whose business address is:  Whiteley Chambers Don Street St. Helier Jersey JE4 9WG
<b>Secretary, Administrator and Registered Office:</b>	Ogier Fund Administration (Jersey) Limited Whiteley Chambers Don Street St. Helier Jersey JE4 9WG
<b>Property Investment Manager of the Group:</b>	Treasury Holdings Connaught House 1 Burlington Road Dublin 4 Ireland
<b>Income Portfolio Manager of the Group:</b>	INVESCO Asset Management Limited 30 Finsbury Square London EC2A 1AG
<b>Sponsor and Stockbroker:</b>	Landsbanki Securities (UK) Limited Beaufort House 15 St. Botolph Street London EC3A 7QR
<b>Auditors to REO and the Company:</b>	KPMG Chartered Accountants 1 Stokes Place St Stephen's Green Dublin 2 Ireland
<b>Jersey Lawyers to the Company:</b>	Mourant du Feu & Jeune 22 Grenville Street St Helier Jersey JE4 8PX
<b>English Solicitors to the Company:</b>	Stephenson Harwood One St Paul's Churchyard London EC4M 8SH
<b>Registrar:</b>	Capita Registrars (Jersey) Limited 12 Castle Street St Helier Jersey JE2 3RT

**PART I**  
**INFORMATION ON THE COMPANY**

**1. Introduction**

REO Securities Limited is a newly incorporated company which is a wholly owned subsidiary of REO. REO was launched in 2001 and was established with a planned winding up date in May 2011. The stated intention at that time was to put proposals to REO Shareholders ahead of the planned winding up date to effect a scheme of reconstruction giving both REO Ordinary and REO ZDP Shareholders the option of a full cash exit, or the option to extend the investment beyond the planned winding up date. The intention was that REO would therefore not be required to realise or, thereby, to crystallise capital gains tax liabilities. The REO Articles require either that REO be wound up on the Repayment Date or that reconstruction proposals (as defined in the REO Articles) be proposed at that time which provide for the REO ZDP Shareholders to receive their final capital entitlement of 235.51p in cash on the Repayment Date.

The Scheme is designed to enable the REO ZDP Shareholders to be repaid in full in 2011 without REO itself being wound up. Subject to the approval by the Court of the Scheme, the Company will issue zero dividend preference shares (“**ZDP Shares**”) on a one for one basis credited as fully paid to the holders of REO’s zero dividend preference shares (“**REO ZDP Shares**”) as at 6.00 p.m. on the Scheme Record Date.

The ZDP Shares will be issued in exchange for cancellation of the REO ZDP Shares. The rights of the ZDP Shares are substantially similar to the rights of the REO ZDP Shares and, in particular, provide for the repayment of the ZDP Shares on the Repayment Date at 235.51p per ZDP Share in cash, being the same repayment date and amount as the REO ZDP Shares. The REO ZDP Shares were issued at a placing price of 100p per REO ZDP Share and were designed to provide predetermined capital growth per final capital entitlement of 235.51p on the Repayment Date, which is equivalent to a redemption yield, calculated from 22 June 2001 to the Repayment Date, of 9.0 per cent. per annum.

The objective of the Company is to repay the ZDP Shares their final entitlement of 235.51p on the Repayment Date.

The Scheme has been proposed in order that REO can continue with an indefinite life. The full terms of the Scheme are set out in Part II of this document.

**2. The Group**

REO is the parent company of the Group. The Group is a property holding company which aims to meet its banking obligations and satisfy its obligations to its CULS Holders, satisfy the entitlement of ZDP Shareholders and provide REO Ordinary Shareholders with capital growth and income.

**3. Capital structure of the Company**

The authorised share capital of the Company consists of 60,000,000 ZDP Shares and 1,000 Ordinary Shares. The ZDP Shares will be listed on the Official List and admitted to trading on the London Stock Exchange’s market for listed securities and will be issued to the holders of the REO ZDP Shares on a one for one basis. The Ordinary Shares will be unlisted. Two Ordinary Shares have been issued as at the date of this document, both of which are beneficially held by REO. Accordingly, REO Securities Limited is a wholly owned subsidiary of REO.

The Company has a fixed life and will be wound-up on the Repayment Date subject to the provisions of its Articles.

**4. ZDP Shares**

The ZDP Shares are designed to provide the same pre-determined level of capital return as the REO ZDP Shares on the Repayment Date, the date on which the Company is due to be wound up in accordance with the Articles.

The Company proposes the issue of 57,755,782 million ZDP Shares of 0.001p per share conditional, *inter alia*, upon admission of the ZDP Shares to the Official List and to trading on the London Stock Exchange's market for listed securities becoming effective. The ZDP Shares will be issued by the Company, a wholly owned subsidiary of REO, which has been formed for this purpose.

The ZDP Shares are designed to provide a pre-determined level of capital return on 31 May 2011, the date on which the Company is due to be wound up under the Articles. The ZDP Shares will rank behind REO's other creditors, including the CULS holders, but in priority to REO's Ordinary Shareholders. However, this capital entitlement is not guaranteed and, as set out in the section headed "Risk Factors", the Company may at any time have insufficient assets to satisfy the then current or final capital entitlement of the ZDP Shares.

The ZDP Shares do not carry any entitlement to receive income.

ZDP Shareholders will not be entitled to attend or vote at general meetings of the Company. However their approval as a separate class is required for certain actions which would affect their rights. Further details of the rights attaching to the ZDP Shares are set out in paragraph 3 of Part V below.

The exchange of REO ZDP Shares for ZDP Shares will not generally constitute a disposal by the REO ZDP Shareholders for capital gains tax purposes and, under current legislation, the increase from the base cost of the REO ZDP Shares to the final capital entitlement of 235.51p per ZDP Share will generally be treated as a capital gain and, therefore, not subject to income tax. Your attention is drawn to the general guide to the UK tax position of the Group and ZDP Shareholders which is set out in paragraph 8 of Part V of this document.

## **5. The relationship between REO and the Company**

In order for the Company to have sufficient assets to repay the ZDP Shares, REO and the Company have entered into arrangements pursuant to the Undertaking Agreement whereby, conditional upon the Scheme becoming effective, the net assets of REO will effectively be made available to meet the repayment entitlement of the ZDP Shares on the Repayment Date.

Pursuant to the Undertaking Agreement, REO agrees to contribute to the Company (by way of gift, capital contribution or otherwise) such amount as will result in the Company having sufficient assets to satisfy the then current or, as the case maybe, final capital entitlement of the ZDP Shares on the Repayment Date or any earlier winding up of the Company. These obligations of REO, shall, in the event of a winding up of REO, be subordinated to the claims of other unsecured creditors of REO. The Undertaking Agreement contains protections for ZDP Shareholders, including restrictions on REO entering into any transaction which, if was entered into by the Company, would require the consent of the ZDP Shareholders. The Undertaking Agreement also contains an obligation on REO to have due regard to the interests of ZDP Shareholders.

The arrangements outlined above will result in all the Group's net assets effectively being available to meet the repayment entitlement of the ZDP Shares. ZDP Shareholders will therefore participate in the assets of the Group in much the same way as at present, where the REO ZDP Shares have been issued by REO. Similarly, the repayment entitlement of the ZDP Shares will effectively rank in priority to the capital entitlement of the REO Ordinary Shares, although it will be subordinated to REO's bank borrowings and other creditors from time to time.

The terms of the Undertaking Agreement referred to above are summarised in paragraph 6.1 of Part V of this document.

## **6. Conditions to implementation of the Scheme**

The implementation of the Scheme is conditional upon the following having occurred:

- a) the Scheme being approved by a majority in number, representing three-fourths in value, of those REO ZDP Shareholders present and voting, either in person or by proxy, at the ZDP Court Meeting;

- b) special resolution number 1 to approve matters in connection with the Scheme being duly passed at the REO EGM by a majority of not less than two-thirds of the votes cast;
- c) extraordinary resolution number 1 being duly passed at the ZDP Class Meeting by a majority of not less than three quarters of the votes cast;
- d) extraordinary resolution number 1 being duly passed at the Ordinary Class Meeting by a majority of not less than three quarters of the votes cast;
- e) the extraordinary resolution to be proposed to the CULS Holders at the CULS Holders Meeting being duly passed by a majority of not less than three quarters of the votes cast;
- f) the Scheme being sanctioned by the Court at the Court Hearing;
- g) the Act of the Court sanctioning the Scheme under Article 125 of the Law being delivered to the Jersey Registrar of Companies for registration and the Act of Court and the minute confirming the reduction of capital in relation to the Scheme being registered by the Jersey Registrar of Companies; and
- h) permission being granted by the UK Listing Authority to admit the ZDP Shares to the Official List and to trading on the London Stock Exchange's market for listed securities.

## **7. Timetable**

The ZDP Court Meeting has been convened for 11.15 a.m. on 18 January 2008 pursuant to an order of the Court giving REO leave to convene that meeting, at which meeting, or at any adjournment thereof, REO ZDP Shareholders will consider and, if thought fit, approve the Scheme.

The ZDP Class Meeting has been convened for 11.25 a.m. on 18 January 2008 (or, if later, immediately following the conclusion or adjournment of the ZDP Court Meeting) and the Ordinary Class Meeting has been convened for 11.35 a.m. on 18 January 2008 (or, if later, immediately following the conclusion or adjournment of the ZDP Class Meeting). The REO EGM has been convened for 11.45 a.m. on 18 January 2008 (or, if later, immediately following the conclusion or adjournment of the Ordinary Class Meeting). The CULS Holders Meeting has been convened for 11.55 a.m. on 18 January 2008 (or, if later, immediately following the conclusion or adjournment of the REO EGM). At the ZDP Class Meeting, the Ordinary Class Meeting, the REO EGM and the CULS Holders Meeting or at any adjournment thereof, Shareholders and CULS Holders will consider and, if thought fit, pass resolutions covering various matters in connection with the Proposals.

Any changes to the proposed timetable will be announced by a Regulatory Information Service.

The Court Hearing is expected to be held on 14 February 2008. REO ZDP Shareholders will have the right to attend the Court Hearing and, if lodging a response to the application to the Court to sanction the Scheme, to appear in person or be represented by counsel to apply to support or oppose the sanction of the Scheme. The Court Hearing will be held at the Royal Court of Jersey, Royal Court House, Royal Square, St. Helier, Jersey, JE1 1JG, Channel Islands.

The Scheme contains a provision for REO and the Company jointly to consent, on behalf of all persons concerned, to any modification of or addition to the Scheme, or to any condition that the Court may think fit to approve or impose. The Court would be unlikely to approve or impose any modification of, or addition or condition to, the Scheme which might be material to the interests of REO ZDP Shareholders unless REO ZDP Shareholders were informed of any such modification, addition or condition. In such event it would be for the Court to decide, in its discretion, whether or not the consent of REO ZDP Shareholders should be sought at a further meeting. Similarly, if a modification, addition or condition is put forward which, in the opinion of the REO Directors, is of such a nature or importance as to require the consent of the REO ZDP Shareholders at a further meeting, the REO Directors will not take the necessary steps to enable the Scheme to become effective unless and until such consent is obtained.

If the Scheme is sanctioned at the Court Hearing and the other conditions to the Scheme have been satisfied or waived, the Scheme is expected to become effective, and dealings in ZDP Shares are expected to commence, on 15 February 2008. If the Scheme has not become effective by 30 June 2008 (or such later date as REO and the Company may agree and the Court may allow), it will lapse, in which event the REO ZDP Shares will not be cancelled and will continue to be listed on the Official List of the UK Listing Authority, the Channel Islands Stock Exchange and the Irish Stock Exchange and no ZDP Shares will be issued.

## **8. Listings, dealings, share certificates and settlement**

Application has been made to the UK Listing Authority for the admission of 57,755,782 ZDP Shares to the Official List and to trading on the London Stock Exchange's market for listed securities. It is expected that Admission will become effective and the dealings in the ZDP Shares will commence on 15 February 2008. Dealings in REO ZDP Shares are expected to be suspended on 15 February 2008 and their listing is expected to be cancelled 20 business days thereafter.

These dates may be deferred if it is necessary to adjourn any meeting required to approve the arrangements described in this document or if there is any delay in obtaining the Court's sanction of the Scheme. In the event of a delay, the application for the REO ZDP Shares to be delisted will be deferred.

**With effect from (and including) the Effective Date, all share certificates representing the REO ZDP Shares will cease to be valid and binding in respect of such holdings and should be destroyed.**

The Articles permit the holding of ZDP Shares under the CREST system. The Company has applied for the ZDP Shares to be admitted to CREST with effect from Admission. Accordingly, settlement of transactions in the ZDP Shares following Admission may take place within the CREST system if any Scheme Share Owner so wishes. CREST is a voluntary system and holders of ZDP Shares who wish to receive and retain share certificates will be able to do so. Scheme Share Owners may, however, elect to receive ZDP Shares in uncertificated form if they are a system-shareholder (as defined in the CREST Regulations) in relation to CREST.

For Scheme Share Owners who have their REO ZDP Shares in a CREST account at the Scheme Record Time, ZDP Shares are expected to be credited to the relevant CREST member account on 15 February 2008, the Effective Date. For those holding shares in certificated form at the Scheme Record Time, definitive share certificates for the ZDP Shares are expected to be despatched within 10 business days after the Effective Date. In the case of joint holders, certificates will be despatched to the joint holder whose name appears first in the register. All certificates will be sent by pre-paid first class post at the risk of the person entitled to them. Pending the despatch of certificates for ZDP Shares, transfers of ZDP Shares will be certified against the register of members of the Company. Temporary documents of title will not be issued in ZDP Shares.

REO ZDP Shares held in uncertificated form will be disabled in CREST on the Effective Date. The Company reserves the right to issue ZDP Shares to any and all Scheme Share Owners in certificated form if, for any reason, it wishes to do so. All instructions given relating to notices and other communications at the Scheme Record Time relating to REO ZDP Shares will, unless and until varied or revoked, be treated, from the Effective Date, as being valid effective instructions to the Company in relation to the corresponding holding of ZDP Shares.

All documents, certificates, cheques or other communications sent by or to Scheme Share Owners, or such persons shall direct, will be sent at their own risk and may be sent by post.

## **9. Overseas Share Owners**

The implications of the Scheme for persons resident in, or citizens or nationals of, jurisdictions outside the United Kingdom and Jersey ("**Overseas Share Owners**") may be affected by the laws of the relevant jurisdictions. Such Overseas Share Owners should inform themselves about and observe all applicable legal requirements.

It is the responsibility of any person into whose possession this document comes to satisfy themselves as to their full observance of the laws of the relevant jurisdiction in connection with the Scheme,

including the obtaining of any government, exchange control or other consents which may be required and/or compliance with other necessary formalities which are required to be observed and the payment of any issue, transfer or other taxes due in such jurisdictions.

If, in respect of any Overseas Share Owners, the Company is advised that the allotment and issue of ZDP Shares would or might infringe the laws of any jurisdiction outside the United Kingdom or Jersey, or would or might require the Company to obtain any governmental or other consent or effect any registration, filing or other formality with which, in the opinion of the Company, it would be unable to comply or which it regards as unduly onerous, the Scheme provides that the Company may determine either (a) that the Overseas Share Owner's entitlement to ZDP Shares shall be issued to a nominee for such Overseas Share Owner appointed by the Company and then sold, with the net proceeds being remitted to the Overseas Share Owner concerned; or (b) that the Overseas Share Owner's entitlement to ZDP Shares pursuant to the Scheme shall be issued to such Overseas Share Owner and then sold on his behalf as soon as reasonably practicable at the best price which can be reasonably obtained at the time of sale, with the net proceeds of sale being remitted to the Overseas Share Owner. Any remittance of the net proceeds of sale referred to in this paragraph shall be at the risk of the relevant Overseas Share Owner.

**Overseas Share Owners should consult their own legal and tax advisers with respect to the legal and tax consequences of the Scheme in their particular circumstances.**

**PART II**  
**SCHEME OF ARRANGEMENT**  
**IN THE ROYAL COURT OF JERSEY**

**No. PL 2007/135**

**IN THE MATTER OF REAL ESTATE OPPORTUNITIES LIMITED**  
**and**  
**IN THE MATTER OF PART 18A OF THE COMPANIES (JERSEY) LAW 1991, AS**  
**AMENDED**  
**SCHEME OF ARRANGEMENT**  
**(under Article 125 Companies (Jersey) Law 1991, as amended)**  
**between**  
**REAL ESTATE OPPORTUNITIES LIMITED**  
**and**  
**THE HOLDERS OF THE SCHEME SHARES**  
**(as hereinafter defined)**  
**PRELIMINARY**

(A) In this Scheme of Arrangement, unless the context otherwise requires, the following expressions shall bear the following meanings:

<b><i>business day</i></b>	a day (excluding Saturday or Sunday) on which banks generally are open for business in the City of London for the transaction of normal banking business
<b><i>Clause</i></b>	a clause of this Scheme
<b><i>Court</i></b>	the Royal Court of Jersey
<b><i>Court Hearing</i></b>	the hearing by the Court of the application to sanction the Scheme and to confirm the reduction of share capital of REO pursuant to the Scheme under Article 61 of the Law
<b><i>Court Meeting</i></b>	the meeting of the holders of ZDP Shares convened by order of the Court pursuant to Article 125 of the Law to consider and, if thought fit, approve this Scheme, and any adjournment thereof
<b><i>CREST</i></b>	the system for the paperless settlement of trades in listed securities operated by Euroclear
<b><i>Euroclear</i></b>	Euroclear UK & Ireland Limited
<b><i>CREST Regulations</i></b>	the Uncertificated Securities Regulations 2001 and the Companies (Uncertificated Securities) (Jersey) Order 1999, as amended
<b><i>Effective Date</i></b>	the date on which this Scheme becomes effective in accordance with Clause 7

<i>Law</i>	the Companies (Jersey) Law 1991, as amended
<i>New ZDP Shares</i>	zero dividend preference shares of 0.001 pence each in the capital of REO Securities to be issued credited as fully paid pursuant to the Scheme
<i>pence or £</i>	the lawful currency of the United Kingdom
<i>REO</i>	Real Estate Opportunities Limited a company incorporated and registered with limited liability in Jersey as a public company with registered number 79679
<i>REO Securities</i>	REO Securities Limited, a company incorporated and registered with limited liability in Jersey as a public company with registered number 97292
<i>Scheme or Scheme of Arrangement</i>	this scheme of arrangement proposed to be made under Article 125 of the Law with or subject to any modification, addition or condition approved or imposed by the Court
<i>Scheme Record Time</i>	6.00 p.m. (London time) on the later of 14 February 2008 and the business day immediately preceding the Effective Date
<i>Scheme Share Owner</i>	a holder of Scheme Shares as appearing in the register of members of REO at the Scheme Record Time
<i>Scheme Shares</i>	all the ZDP Shares in issue at the Scheme Record Time
<i>share owner</i>	a registered holder of ZDP Shares or New ZDP Shares (as the case may be) and includes any person(s) entitled by transmission
<i>uncertificated or in uncertificated form</i>	in relation to a share or other security, a share or other security title to which is recorded on the relevant register of the share or security concerned as being held in uncertificated form in CREST and title to which, by virtue of the CREST Regulations, may be transferred by means of CREST
<i>Undertaking Agreement</i>	the undertaking agreement between REO and REO Securities dated 17 December 2007
<i>United Kingdom or UK</i>	the United Kingdom of Great Britain and Northern Ireland
<i>ZDP Shares</i>	zero dividend preference shares of 1p each in the capital of REO

- (B) The authorised share capital of REO at the date of this Scheme is £9,000,000. The authorised share capital is divided into 600,000,000 ordinary shares of 1 pence each (of which 333,791,487 are in issue and 300,000,000 ZDP Shares (of which 57,755,782 are in issue). All of the issued shares are fully paid.
- (C) REO Securities was incorporated and registered with limited liability in Jersey as a public company on 27 April 2007, with registered number 97292.
- (D) The authorised share capital of REO Securities at the date of this Scheme is £1,600 divided into 60,000,000 New ZDP Shares of 0.001 pence each and 1,000 ordinary shares of £1 each. Two ordinary shares have been issued to REO and are fully paid. All other shares are unissued. The New ZDPs will be issued fully paid by means of a capital contribution to be made by REO to REO Securities of £577.56.
- (E) Under the terms of the Undertaking Agreement REO has undertaken to REO Securities to contribute (by way of gift, capital contribution or otherwise) such amount as would be necessary to ensure that REO Securities has sufficient assets on 31 May 2011 (being the fixed

date for the repayment of the New ZDP Shares) or any earlier winding up of REO Securities, to satisfy the final capital entitlement of the New ZDP Shares under the articles of association of REO Securities. The Undertaking Agreement provides that in the event of a winding up of REO, REO Securities' rights under the undertaking are subordinated to the claims of the creditors of REO. REO has resolved by resolution of its board of directors not to terminate or agree any material change to the Undertaking Agreement.

- (F) REO Securities has agreed to appear by its advocate at the Court Hearing to consent to the Scheme and to undertake to be bound thereby to execute and do or procure to be executed and done all such documents, acts and things as may be necessary or desirable to be executed or done by it for the purpose of giving effect to the Scheme. REO Securities has also resolved by resolution of its board of directors not to terminate or agree any material change to the Undertaking Agreement.

## THE SCHEME

### 1. Cancellation of Scheme Shares

The issued share capital of REO shall be reduced by cancelling and extinguishing the Scheme Shares.

### 2. Consideration for the cancellation of the Scheme Shares

In return for the cancellation of the Scheme Shares on the Effective Date (a) REO will make the capital contribution referred to in Recital (D) and (b) there shall be allotted and issued, credited as fully paid, to the Share Scheme Owners New ZDP Shares on the basis of one New ZDP Share for each Scheme Share held at the Scheme Record Time. This is subject to the following provisions of this Scheme.

### 3. Allotment and issue of New ZDP Shares

- (a) The New ZDP Shares to be issued pursuant to Clause 2 shall rank *pari passu* as a single class of shares *inter se*.
- (b) The provisions of Clause 2 shall be subject to any prohibition or condition imposed by law. Without prejudice to the generality of the foregoing, if, in respect of any Scheme Share Owner who is a citizen, resident or national of any jurisdiction outside the United Kingdom or Jersey (**overseas share owner**), REO Securities is advised that the allotment and issue of New ZDP Shares pursuant to this Clause 2 would infringe the laws of any jurisdiction outside the United Kingdom or Jersey or would require REO Securities to observe any governmental or other consent or effect any registration, filing or other formality with which, in the opinion of REO Securities, it would be unable to comply or which it regards as unduly onerous, then REO Securities may in its sole discretion either:
- (i) determine that no such New ZDP Shares shall be allotted and issued to such share owner under Clause 2 but instead such shares shall be allotted and issued to a nominee appointed by REO Securities as trustee for such share owner, on terms that they shall, as soon as practicable following the Scheme Record Time, be sold on behalf of such share owner at the best price which can reasonably be obtained and the net proceeds of such sale shall (after the deduction of all expenses and commissions, including any amount in respect of value added tax payable thereon) be paid to such share owner by sending a cheque or warrant to such share owner in accordance with the provisions of Clause 4. In the absence of bad faith or wilful default, none of REO, REO Securities or any broker or agent of either of them shall have any liability for any loss arising as a result of the timing or terms of any such sale; or
  - (ii) determine that such New ZDP Shares shall be sold, in which event the New ZDP Shares shall be issued to such share owner and REO Securities shall appoint a person to act pursuant to this Clause 3(b)(ii) and such person shall be authorised on behalf of such share owner to procure that any shares in respect of which REO Securities has made such a determination shall, as soon as practicable following the Scheme Record Time, be sold at the best price which can reasonably be obtained at the time of sale and the net proceeds of such sale (after

the deduction of all expenses and commissions, including any amount in respect of value added tax payable thereon) shall be paid to such share owner by sending a cheque or warrant to such share owner in accordance with the provisions of Clause 4. To give effect to any such sale, the person so appointed shall be authorised on behalf of such share owner to execute and deliver a form of transfer and to give such instructions and do all such things which he may consider necessary or expedient in connection with such sale. In the absence of bad faith or wilful default, none of REO, REO Securities or the person so appointed shall have any liability for any loss or damage arising as a result of the timing or terms of such sale.

#### **4. Certificates and payments**

- (a) Not later than five business days after the Effective Date, REO Securities shall allot and issue all New ZDP Shares which it is required to allot and issue to give effect to this Scheme.
- (b) As soon as reasonably practicable after the Effective Date, and not less than 15 days after the Effective Date, REO Securities shall send by post to the allottees of the New ZDP Shares certificates in respect of such shares, pursuant to Clause 2, save that where Scheme Shares are held in uncertificated form, REO Securities will procure that Euroclear is instructed to cancel the entitlement to Scheme Shares of each of the Scheme Share Owners concerned and to credit to the appropriate stock account in CREST of each such Scheme Share Owner the due entitlement to New ZDP Shares.
- (c) Not later than 15 days following the sale of any relevant New ZDP Shares pursuant to Clause 3(b), REO Securities shall procure that the nominee referred to in Clause 3(b)(i) or such person appointed to act under Clause 3(b)(ii) shall account for the cash payable by despatching to the persons respectively entitled thereto cheques and/or warrants by post.
- (d) All certificates required to be sent by REO Securities pursuant to Clause 4(b) and all cheques or warrants required to be sent pursuant to Clause 4(c) shall be sent through the post in pre-paid envelopes addressed to the persons respectively entitled thereto at their respective addresses appearing in the register of members of REO at the Scheme Record Time (or, in the case of joint holders, to the address of that one of the joint holders whose name stands first in the register in respect of the joint holding) or in accordance with any special instructions regarding communications received at the registered office of REO before the Scheme Record Time.
- (e) If New ZDP Shares are consolidated or subdivided or if the nominal value of New ZDP Shares is reduced before the despatch of any certificates or the giving of any instructions in accordance with this Clause 4, the certificates or instructions shall relate to such New ZDP Shares as so consolidated, subdivided and/or reduced.
- (f) None of REO, REO Securities, any nominee referred to in Clause 3(b)(i), such person appointed to act under Clause 3(b)(ii) or any agent of any of them shall be responsible for any loss or delay in transmission of certificates, cheques or warrants sent in accordance with this Clause 4.
- (g) All cheques and warrants shall be made payable to the Scheme Share Owner or, in the case of joint holders, to the first-named share owner in respect of the Scheme Shares concerned in sterling drawn down on UK clearing bank and the encashment of any such cheque or warrant shall be a complete discharge to REO Securities for the monies represented thereby.
- (h) This Clause 4 shall be subject to any prohibition or condition imposed by law.

#### **5. Certificates representing Scheme Shares**

With effect from and including the Effective Date, all certificates representing holdings of Scheme Shares shall cease to be valid in respect of such holdings. The share owners in respect of such shares shall be bound at the request of REO to deliver such certificates for cancellation to REO or to any person appointed by REO to receive the same, unless such certificates have already been destroyed.

**6. Mandates and other instructions**

Each mandate (if any) in force at the Scheme Record Time relating to the Scheme Shares and each instruction then in force as to notices and other communications from REO shall, unless and until varied or revoked, be deemed as from the Effective Date to be a valid and effective mandate or instruction to REO Securities in relation to the corresponding New ZDP Shares to be allotted and issued pursuant to this Scheme.

**7. Effective Date**

- (a) This Scheme shall become effective as soon as the Act of the Court sanctioning this Scheme under Article 125 of the Law shall have been duly delivered to the Jersey Registrar of Companies for registration and the Act of Court and the minute confirming under Part 12 of the Law the reduction of capital provided for by this Scheme is registered by the Jersey Registrar of Companies.
- (b) Unless this Scheme shall have become effective on or before 30 June 2008 or such later date, if any, as REO and REO Securities may agree and the Court may allow, it shall lapse.

**8. Modification**

REO and REO Securities may jointly consent on behalf of all persons concerned to any modification of or addition to this Scheme or to any condition which the Court may think fit to approve or impose.

**9. Expenses of the Scheme**

The whole of the costs and expenses incurred in relation to the negotiation, preparation and implementation of the Scheme shall be borne by REO.

Dated: 18 December 2007

**PART III**  
**INFORMATION ON THE GROUP**

**1. Background and investment objective**

REO, which is registered and managed in Jersey, was launched in 2001 and is the holding company for a group of property investment and development companies. As at 30 June 2007, the Group had fixed assets of approximately £1.362 billion made up predominantly of investment and development properties. Most of these properties are located in Ireland, the main exception being the Battersea Power Station site in London. At that date, the Group's net assets were £0.371 billion, equivalent to 146.7p basic and 133.3p diluted per REO Ordinary Share. In relation to the year ended 31 December 2006, an interim dividend of 1p per REO Ordinary Share was paid in November 2006 and a final dividend of 1.5p per REO Ordinary Share was paid on 6 July 2007. On 19 September 2007 REO declared a dividend of 1p per REO Ordinary Share payable on 5 November 2007 to shareholders registered at 5 October 2007.

REO was launched in 2001 with pro-forma gross assets of approximately £804 million of which properties comprised approximately 59.4 per cent. Since that time the Property Portfolio has increased and comprised investment and development properties of approximately £1.362 billion as at 30 June 2007, which includes the Battersea Power Station site which was acquired in December 2006 for £400 million. Meanwhile, the portfolio of income securities, into which some 40.6 per cent. of REO's initial pro-forma gross assets were to be invested, has declined and is valued as at 30 June 2007 below £3.9 million.

In December 2006 REO converted from a property investment company to a property company for the purposes of the Listing Rules, affording it greater flexibility to conduct development activities.

The investment objective of the Group is to meet its banking obligations and satisfy its obligations to its loan stockholders; satisfy the entitlement of the REO ZDP Shareholders; and provide REO Ordinary Shareholders with capital growth and dividends.

Treasury Holdings acts as investment adviser for all of the Group's property assets, pursuant to two investment advisory and management agreements and holds 66.7 per cent. of the ordinary share capital of REO.

**2. Business Overview**

REO is the holding company for a group of property investment and development companies. The Group's investment and development portfolio includes both land and properties and developments in all of the major sectors of the property market including office, retail, residential and industrial. As at 30 June 2007, the Group had fixed assets of approximately £1.362 billion.

A summary of the Group's portfolio as at 30 June 2007 is set out below.

	<i>No. of properties</i>	<i>Aggregate value</i>
<i>Irish properties excluding Havenview:</i>		
Properties with a market value over €20 million	18	€1,061 million

The aggregate value of properties in the Irish Property Portfolio with a value of under €20 million is €99,870,000.

<i>UK property:</i>		
Properties with a market value over £20 million	2	£493.0 million

The aggregate value of properties in the Group's Portfolio in the UK with a value under £20 million is £13.6 million.

### ***Irish Property Portfolio***

The total value of the Irish Property Portfolio (including Havenview) increased from €1.233 billion as at 31 December 2006 to €1.327 billion as at 30 June 2007. The portfolio produced a capital return of 4.3 per cent. in the first six months of the financial year.

On 12 October 2007, subject to, *inter alia*, shareholder approval (which was obtained on 9 November 2007), REO acquired from Treasury Holdings the remaining 50 per cent. of Havenview that it did not already own and 7 properties in Ireland for a total consideration (subject to certain adjustments) of £121.1 million. The consideration was satisfied by the issue of 80.72 million REO Ordinary Shares credited as fully paid with the balancing payment made in cash.

### ***Irish Economic Overview***

The Irish economy continued to experience strong growth in the opening months of the year. The Central Statistics Office (CSO) reports that GNP rose to 30 June 2007 by an annual rate of 5.7 per cent. with the volume of gross domestic product expanding at a robust annual rate of 6.7 per cent. compared to 5.2 per cent. for the corresponding period of 2006.

Growth in the economy is being supported by a number of key elements which include continued low unemployment levels of approximately 4 per cent., coupled with strong consumer spending. Interest rates have increased in the past twelve months. However, these increases were widely forecast and had previously been factored into REO's decision making process.

### ***Irish Property Market***

The Irish commercial property market continues to perform strongly across all sectors with the SCS/IPD Index producing a total return of 5.2 per cent. for the six month period ended June 2007. Interest rates increased in the twelve months to 30 June 2007. These increases were less detrimental to the economy due to the fact that, having been anticipated, they had previously been factored into the consumer decision making process. It is anticipated that interest rate increases may peak towards mid 2008.

### ***Irish Occupational Markets***

#### ***(a) Office market***

The office market continues also to perform well with strong demand for new accommodation particularly in the Central Business District and the Dublin Dockland areas. There are a number of active enquiries for accommodation in excess of 10,000 square metres mainly from the professional and large financial institutional sectors. Occupiers are seeking landmark headquarters buildings with significant design merit.

The first six months of 2007 saw office reservations of approximately 160,000 square metres, twice the level achieved for the equivalent period last year. Current vacancy rates for the Dublin office market are approximately 10 per cent. overall with 7 per cent. vacancy in the city centre. A return of 5.7 per cent. was recorded in the first six months of 2007 on the SCS/IPD Index. Prime office yields are 3.75 per cent. and a strong rental growth is now showing through. Prime rents are approximately €600 per square metre net of incentives.

#### ***(b) Retail market***

The retail sector has been the star performer over the past 10 years and continued to deliver strong performance in the first six months of 2007. The SCS/IPD Index recorded a return of 4.7 per cent. for the six months to the end of June 2007. The lack of city centre opportunities is directing demand to suburban centres. Take-up in new shopping centres countrywide is strong with anchor tenants including Tesco, Marks & Spencer, TK Maxx and Dunnes Stores continually seeking opportunities. Prime retail yields are currently 2.5 to 4.25 per cent.

#### ***(c) Industrial Market***

In general terms, the industrial market continued to strengthen during the first six months of 2007, recording a total return of 5.6 per cent. in SCS/IPD Index. Expansion work continues on

the M50 motorway and the Port Tunnel has now opened. It is expected that both of these facilities are expected to benefit property on the M50 and M1 corridors.

*(d) Residential market*

In relation to residential property, recent uncertainty brought about by government promised changes in stamp duty levels coupled with interest rate increases have caused some weakness in the market with values down just over 3 per cent. during the first 8 months of the year. The Directors believe that the subsequent post budget changes in stamp duty rates should improve the position for first time buyers.

The information in this Part III that is stated to have been sourced from the SCS/IPD Index has been accurately reproduced herein and as far as REO is aware and is able to ascertain from the information published in the SCS/IPD Index, no facts have been omitted which would render the reproduced information inaccurate or misleading.

### **3. Strategy**

In December 2006 REO converted from a property investment company to a property company for the purposes of the Listing Rules, affording it greater flexibility to conduct development activities.

The Group's investment objective is to: meet its banking obligations and satisfy its obligations to its loan stockholders; satisfy the final entitlement of ZDP Shareholders; and provide REO Ordinary Shareholders with capital growth and dividends.

### **4. Capital structure and financing**

Conditional upon the Scheme becoming effective, REO will have a capital and loan structure comprising Ordinary Shares, units of 7.5 per cent. Convertible Unsecured Loan Stock 2011, 6.234 per cent. Series A and B Secured Loan Notes 2011 and a senior loan. The Group also has gearing in the form of bank borrowings, which totalled £436.9 million at 30 June 2007.

During 2006, the Group completed the refinancing of a substantial portion of the borrowings of Castle Market Holdings Limited, the holding company of a large part of the Group's Irish assets. A new €375 million securitised loan was drawn down, together with a €50 million junior loan, further details of which are set out in paragraph 6.15 of Part V of this document. The transaction allowed the Group to make annualised savings in 2006 of over €3 million in interest and to free up €70 million in cash for investment.

The Battersea acquisition was financed by way of a £150 million three year secured loan from Bank of Scotland (a summary of which is set out at paragraph 6.12 of Part V of this document) and by the issue of a £150 million 6.324 per cent. 2011 secured subordinated loan note, with £100 million of cash coming from existing resources.

Completion of the acquisition from Treasury Holdings of the 50 per cent. of Havenview Investments Limited not already held by the Company and the acquisition from Treasury Holdings and others of a further seven investment and development properties in and around Dublin, took place on 9 November 2007. This resulted in the issue of 80.72 million of REO Ordinary Shares at £1.50 per share.

On 20 November 2007 a new £110 million loan facility was entered into, further details of which are set out in paragraph 6.7 of Part V of this document.

A table of the Company's capitalisation and indebtedness is set out a paragraph 3 of Part IV of this document.

### **5. Property management arrangements**

Treasury Holdings owns and/or manages a large portfolio of commercial property in Ireland, incorporating both investment and development properties. The investment properties owned by Treasury Holdings and/or its directors include such flagship buildings as the Treasury Building

on Lower Grand Canal Street, Dublin, the Westin Hotel on Westmoreland Street, Dublin and their largest development project in Ireland, the Spencer Dock project on approximately 52 acres in Dublin's North Docklands.

The Treasury Holdings Group manages and/or owns properties whose tenants include Allied Irish Banks, Bank of Ireland, The Irish National Treasury Management Agency, KPMG, PricewaterhouseCoopers, Manchester United Plc, Marks & Spencer, Merrill Lynch, Vodafone, ABN-Amro and Tesco Ireland.

The Treasury Holdings Group currently controls a property portfolio valued at approximately €3.4 billion. In addition to its interests in Ireland, Treasury Holdings also has interests in the United Kingdom, Russia, mainland Europe and China. Treasury Holdings currently employs approximately 80 people, including 24 development professionals.

A summary of the Investment Management Agreements is contained in paragraphs 6.9 and 6.10 of Part V.

## **6. Diversification**

The Board of REO recognises the importance of spreading risk and is therefore committed, assuming the Proposals are approved, to maintaining a diversified property portfolio with a balance between development and investment properties going forward. Factors that the Board will take into account in this regard will include, but are not limited to: geographic and sectoral diversification; the extent to which the property portfolio is exposed to any one property, tenant or market; the nature of the underlying assets; and overall levels of gearing in the portfolio.

## **7. Dividend policy**

Whilst the investment objective of REO includes providing REO Ordinary Shareholders with growth and income, REO has undertaken, pursuant to both the terms of the Undertaking Agreement and the agreement with the holder of the Loan Notes (referred to in paragraph 6.2 of Part V of this document), not to distribute to the holders of REO Ordinary Shares dividends amounting to more than 2.5p per REO Ordinary Share in aggregate in respect of any year running from 1 January to 31 December until the ZDP Shares and the Loan Notes have been repaid in full. The ZDP Shares have no entitlement to dividends.

## **8. Financial information**

Financial information on the Group is set out in Part IV below.

## **9. Third party information**

Certain information in this Part II has been sourced from third parties. The Company confirms that such information has been accurately reproduced and as far as the Company is aware and is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

## PART IV

### FINANCIAL INFORMATION RELATING TO THE COMPANY AND THE GROUP

#### 1 Statutory accounts for the Group for two financial years ended 31 December 2006

- 1.1 REO has produced consolidated statutory accounts for the two financial years ended 31 December 2005 and 2006, in respect of which REO's auditors, KPMG, Chartered Accountants, of 1 Stokes Place, St Stephen's Green, Dublin 2, Ireland have given unqualified opinions that the financial statements give a true and fair view of the state of affairs of REO and of the return for the financial years then ended and have been properly prepared in accordance with the Law and UK Accounting Standards.
- 1.2 The Company was incorporated on 27 April 2007 and has not traded since its incorporation. No accounts have been made up and no dividends have been declared.

#### 2 Published annual reports and accounts for the Group for two financial years ended 31 December 2006 and six months ended 30 June 2007

##### 2.1 Historical financial information on the Group

The published annual report and audited accounts for REO for the two financial years ended 31 December 2005 and 2006, include, on the pages specified in the table below (which have been incorporated into this document by reference), the information set out below. Where those documents make reference to other documents, such other documents are not incorporated into and do not form part of this prospectus:

<i>Nature of information</i>	<i>Annual report and accounts for year ended 31 December</i>	
	<i>2005</i>	<i>2006</i>
	<i>Page No(s)</i>	<i>Page No(s)</i>
Financial Information	3	3
Independent Auditors' Report	27	27
Consolidated Statement of Total Return	28	–
Consolidated Profit and Loss Account	–	29
Consolidated Statement of Total Recognised Gains and Losses	–	30
Balance Sheets	29	28
Reconciliations of Movements in Shareholders' Funds	30	–
Consolidated Cash Flow Statement	31	31
Notes to the Financial Statements	32	32

The published unaudited interim report for REO for the six months ended 30 June 2007 (which has been incorporated into this document by reference) includes, on the pages specified in the table below, the information set out below. Where those documents make reference to other documents, such other documents are not incorporated into and do not form part of this prospectus:

<i>Nature of information</i>	<i>Six months ended 30 June</i>	
	<i>2006</i>	<i>2007</i>
	<i>Page No</i>	<i>Page No</i>
Financial Information	2	2
Consolidated Balance Sheets	11	9
Consolidated Profit and Loss Account	12	10
Consolidated Statement of Total Recognised Gains and Losses	12	11
Consolidated Reconciliation of Movements in Shareholders' Funds	14	11
Consolidated Cash Flow Statement	15	12
Notes to the Interim Accounts	16	13
Independent Review Report	19	15

## 2.2 *Selected financial information*

The key audited figures that summarise the financial condition of REO in respect of the two financial years ended 31 December 2005 and 2006 which have been extracted, without material adjustment, directly on a straightforward basis from the historical financial information referred to in paragraph 2.1 above, are set out in the following table.

	<i>As at 31 December</i>	
	<i>2005</i>	<i>2006</i>
Fixed assets (£'000)	718,668	1,199,919
Net debt (excluding zero dividend shareholders' entitlement but including 7.5% convertible unsecured loan stock 2011 and net of cash) (£'000)	402,452	820,356
Net assets (£'000)	184,453	269,053
Net asset value per REO Ordinary Share – basic	72.9p	106.3p
Net asset value per REO Ordinary Share – diluted	–	104.5p
Loss on ordinary activities before tax (£'000)	(17,264)	(20,452)
Total Recognised Gains and Losses (£'000)	73,092	88,782
Dividends per REO Ordinary Share declared in respect of the year	2.5p	2.5p

Comparable information from the unaudited interim report for REO for the six months ended 30 June 2006 and 30 June 2007, extracted therefrom without material adjustment directly on a straightforward basis, is set out in the following table.

	<i>Six months ended 30 June</i>	
	<i>2006</i>	<i>2007</i>
<i>Nature of information</i>		
Fixed assets (£'000)	762,914	1,362,185
Net debt (excluding ZDP Shares' entitlement but including CULS and net of cash) (£'000)	392,677	882,069
Net assets (£'000)	238,900	371,154
Net asset value per Ordinary Share (p) – basic	94.4	146.7
Net asset value per Ordinary Share (p) – diluted	–	133.3
(Loss)/Profit on ordinary activities before tax (£'000)	(11,561)	58,703
Total recognised gains and losses (£'000)	58,021	105,853
Dividends per Ordinary Share declared in respect of the half year	1.0p	1.0p

## 2.3 *Operating and financial review*

The published annual reports and audited accounts of REO for the two financial years ended 31 December 2005 and 2006 included, on the pages specified in the table below (which have been incorporated by reference in this document), descriptions of REO's financial condition (in both capital and revenue terms) and changes in its financial condition for each of those years.

	<i>Annual report and accounts for year ended 31 December</i>	
	<i>2005</i>	<i>2006</i>
<i>Nature of Information</i>	<i>Page No(s)</i>	<i>Page No(s)</i>
Financial Information	3	3
Irish Property Portfolio	4	4
UK Property Portfolio	5	–
Financing	5	5
Outlook	6	7
Investment Adviser's Report	7	8

The published unaudited interim reports for REO for the six months ended 30 June 2006 and 30 June 2007 (which have been incorporated into this document by reference) include on the pages specified in the table below, descriptions of REO's financial condition (in both capital and revenue terms) and changes in its financial condition for each of those periods.

<i>Nature of information</i>	<i>Six months ended 30 June</i>	
	<i>2006</i>	<i>2007</i>
	<i>Page No</i>	<i>Page No</i>
Key Facts and Financial Information	2	2
Irish Economic Overview, Property Market and Property Portfolio	3-6	3
Development Portfolio and Investment Portfolio	–	4
UK Economic Overview	–	4
UK Property Portfolio	6	5
Financing	7	5
Outlook	7	5

#### 2.4 *Historical financial information incorporated by reference*

The published annual reports and audited accounts of REO for the two financial years ended 31 December 2005 and 2006 are being incorporated by reference and are available for inspection at the address set out in paragraph 12 of Part V.

### 3 Capitalisation and indebtedness

The following table shows the Company's and REO's unaudited gross indebtedness as at 31 October 2007, extracted without material adjustment from internal accounting records.

	<i>Company</i>	<i>REO</i>
	<i>£</i>	<i>£'000</i>
<b>Total Current Debt</b>		
Guaranteed/secured	–	29,752
Unguaranteed/unsecured	–	–
<b>Total Non-current Debt</b>		
Guaranteed/secured	–	891,190
Unguaranteed/unsecured	–	201,020

The following table shows the capitalisation of the Company as at 30 June 2007 (being last date in respect of which REO has published its latest interim report).

	<i>Company</i>	<i>REO</i>
	<i>£</i>	<i>£'000</i>
<b>Shareholders' equity</b>		
Share capital and share premium	£2	£288,009
Legal Reserve	–	–
Other Reserves	–	£169,993
<b>Total</b>	<b>£2</b>	<b>£458,002</b>

Notes:

1. Legal Reserve and other Reserves does not include profit and loss reserves.
2. As at 31 October 2007, the Company and REO had no indirect or contingent indebtedness.
3. Completion of the acquisition from Treasury Holdings of the 50 per cent. of Havenview Investments Limited not already held by the Company and the acquisition from Treasury Holdings and others of a further seven investment and development properties in and around Dublin, took place on 9 November 2007. This resulted in the issue of 80.72 million of REO Ordinary Shares at £1.50 per share. Additionally, on 20 November 2007 a new £110 million loan facility agreement was entered into. Except for this, there has been no material change in the capitalisation of REO since 30 June 2007 nor in the indebtedness of REO since 31 October 2007.

The following table, extracted without material adjustment from REO's internal accounting records, shows the Company's and REO's unaudited net indebtedness (distinguishing between secured and unsecured indebtedness, there being no guaranteed indebtedness) as at 31 October 2007.

	<i>Company</i>	<i>REO</i>
	£	£'000
A. Cash	–	12,769
B. Cash equivalent	–	28,295
C. Trading Securities	–	–
<b>D. Liquidity (A+B+C)</b>	–	41,064
<b>E. Current financial receivables</b>	–	–
F. Current bank debt	–	(29,752)
G. Current portion of non-current debt	–	–
H. Other current financial debt	–	–
<b>I. Current financial debt (F+G+H)</b>	–	(29,752)
<b>J. Net current financial indebtedness (D–I)</b>	–	11,312
K. Non-current bank loans	–	(444,909)
L. Bonds issued	–	(261,160)
M. Other non-current loans (unsecured)	–	(357,654)
<b>N. Non-current financial indebtedness (K+L+M)</b>	–	(1,063,723)
<b>O. Net financial indebtedness (J+N)</b>	–	(1,052,411)

#### 4 Significant change

Save for the impact of the CREO placing, the sale of a property to CREO and the acquisition of certain properties as described in the prospectus issued by REO on 12 October 2007 in consideration for the issue of 80.72 million REO Ordinary Shares at £1.50 per share (referred to in paragraph 6.4 of Part V of this document) and the entering into of a new £110 million loan agreement on 20 November 2007 (referred to in paragraph 6.7 of Part V of this document), there has been no significant change in the financial or trading position of REO or the Group since 30 June 2007, the date of REO's last published unaudited consolidated interim report.

Since incorporation, the Company has not commenced operations and no financial statements have been made up. There has been no significant change in the financial or trading position of the Company since incorporation.

There has been no material adverse change in the prospects of the Company since incorporation nor in the prospects of REO and the Group since 30 June 2007, the date of REO's last published unaudited report.

## PART V

### ADDITIONAL INFORMATION

#### 1 The Company and the Group

- (a) The Company was incorporated with limited liability in Jersey as a public company under the Law with registered number 97292 on 27 April 2007. The Company's registered office is at Whiteley Chambers, Don Street, St. Helier, Jersey, JE4 9WG; the telephone number of its registered office is +44(0) 1534 504000. It has a fixed life to 31 May 2011, being the Repayment Date.
- (b) The Company is a wholly-owned subsidiary of REO, a public company also incorporated in Jersey, whose registered office is the same as the Company's.

#### 2 Share capital

##### REO

- (a) REO was incorporated with limited liability in Jersey as a public company under the Law with registered number 79679 on 30 March 2001. REO's registered office is at Whiteley Chambers, Don Street, St. Helier, Jersey, JE4 9WG; the telephone number of its registered office is +44(0)1534 504000.
- (b) The authorised, issued and fully paid share capital of REO as at the date of publication of this document is as follows:

	<i>Authorised</i>		<i>Issued</i>	
	<i>No. of Shares</i>	<i>£ Nominal</i>	<i>No. of Shares</i>	<i>£ Nominal</i>
REO Ordinary Shares	600,000,000	6,000,000	333,791,487	3,337,914.87
REO ZDP Shares	300,000,000	3,000,000	57,755,782	577,557.82

In addition, £101,113,280 in nominal amount of CULS is in issue. CULS Holders may, subject to any future adjustments in the Conversion Rate (as defined) pursuant to the terms of the trust deed elect to convert their CULS into REO Ordinary Shares on the basis of 1 REO Ordinary Share for every £1 nominal of CULS held at any time during the month of April in each year from 2002 to 2011 (inclusive). Any CULS not so converted will be redeemed by the Company at 31 May 2011 at par together with interest accrued and paid up to and including the date of redemption.

As part of the Proposals, conditional upon implementation of the Scheme, the authorised but unissued REO ZDP Shares will be converted into authorised (unissued) REO Ordinary Shares. Accordingly, the proposed authorised, issued and fully paid share capital of REO as it will be following the Effective Date is as follows:

	<i>Authorised</i>		<i>Issued</i>	
	<i>No. of Shares</i>	<i>£ Nominal</i>	<i>No. of Shares</i>	<i>£ Nominal</i>
REO Ordinary Shares	842,244,218	8,422,442.18	333,791,487	3,337,914.87

- (c) The following changes have taken place in REO's issued share capital since 1 January 2005:
- (i) On 5 May 2005 REO issued 83,876,816 New REO Ordinary Shares and bought back 27,923,131 REO Ordinary Shares for 58.5 pence per share;
- (ii) On 29 June 2005 39,497 REO Ordinary Shares were issued following conversion of 39,497 of the CULS;
- (iii) On 1 June 2007, 29,914 Ordinary Shares were issued following conversion of 29,914 CULS; and
- (iv) On 9 November 2007, REO issued 80,717,567 REO Ordinary Shares to Treasury Holdings following the acquisition of the remaining shares by REO in Havenview that it did not already own.

### *The Company*

- (a) The Company was incorporated with an authorised share capital of £1,600 divided into 1,000 Ordinary Shares of £1 each and 60,000,000 ZDP Shares of 0.001p each. At incorporation, two Ordinary Shares were subscribed by the subscribers to the Memorandum of Association. Both of these Ordinary Shares were transferred to REO on 8 May 2007.
- (b) By a written resolution of the Company dated 17 December 2007, it was resolved that conditional upon the Scheme becoming effective, the Company be authorised for the period until the earlier of 16 June 2009 or the date of the first annual general meeting of the Company, to make market purchases of ZDP Shares subject to the maximum number of 57,755,782, being 100 per cent. of the ZDP Shares to be issued pursuant to the Scheme, and the minimum and maximum price which may be paid for each ZDP Share as stated in the resolution.
- (c) The Company's authorised share capital has not changed between incorporation and the date of this document. Accordingly the authorised, issued and fully paid share capital of the Company as at the date of publication of this document is as follows:

	<i>Authorised</i>		<i>Issued</i>	
	<i>No. of Shares</i>	<i>£ Nominal</i>	<i>No. of Shares</i>	<i>£ Nominal</i>
Ordinary Shares	1,000	£1,000	2	£2
ZDP Shares	60,000,000	£600	0	£0

- (d) The proposed authorised, issued and fully paid share capital of the Company as it will be following the Effective Date, is as follows:-

	<i>Authorised</i>		<i>Issued</i>	
	<i>No. of Shares</i>	<i>£ Nominal</i>	<i>No. of Shares</i>	<i>£ Nominal</i>
Ordinary Shares	1,000	£1,000	2	£2
ZDP Shares	60,000,000	£600	57,755,782	£577.56

The table set out above assumes no issues of shares by the Company after 14 December 2007 (being the latest practicable date prior to the publication of this document) other than in connection with the Scheme.

- (e) The ZDP Shares issued under the Scheme will be issued credited as fully paid.
- (f) The rights attaching to the ZDP Shares are summarised in paragraph 3 of this Part V below.
- (g) The ZDP Shares have not been marketed and are not available in whole or in part to the public otherwise than pursuant to the Scheme.
- (h) No share or loan capital of the Company is under option or agreed, conditionally or unconditionally, to be put under option. At the date of this document, the Company has no subsidiaries and, accordingly no share or loan capital of any subsidiary is under option or agreed, conditionally or unconditionally to be put under offer.
- (i) At the date of this document, the Company has no subsidiaries. Both of the Company's Ordinary Shares are held by REO.
- (j) As at the date of this document, the Company has no securities not representing share capital.
- (k) No ZDP Shares have been marketed to, nor are available for purchase by, the public in the United Kingdom or elsewhere in connection with the introduction of the ZDP Shares to the Official List.
- (l) No commissions, brokerages, discounts or other special terms have been granted in respect of any share capital of the Company.

- (m) The ZDP Shares will, when issued, be in registered form and, subject to the provisions of the CREST Regulations, the Directors may permit the holding of ZDP Shares in uncertificated form and title to ZDP Shares may be transferred by means of a relevant system (as defined in the CREST Regulations). Where ZDP Shares are held in certificated form, share certificates will be sent to the registered Shareholders by first class post. No temporary documents of title have been or will be issued in respect of the ZDP Shares.
- (n) The ZDP Shares are to be created under the Law and denominated in Sterling.

The ZDP Shares will be authorised by the Company's Memorandum of Association.

Thereafter, the issue and allotment of the ZDP Shares will be made by resolution of the Directors of the Company pursuant to the powers conferred on them by the Articles. It is intended that the ZDP Shares will be issued on the Effective Date.

The ZDP Shares will be transferable in accordance with the provisions of the Articles set out at paragraph 3 below.

- (o) There have been no public takeover bids by third parties for all or any part of the Company's equity share capital since its incorporation.
- (p) There are no provisions under Jersey law which confer rights of pre-emption upon the issue or sale of any class of shares in the Company. Accordingly, the Articles authorise the Directors to allot ZDP Shares without pre-emption rights applying.

### **3 Articles of association**

The Articles of the Company contain, *inter alia*, the provisions which are summarised below:

#### **(a) *Rights attaching to the ZDP Shares and the Ordinary Shares***

- (i) As to dividends:
  - (1) the ZDP Shares carry no right to receive dividends out of the revenue or any other profits of the Company; and
  - (2) the Ordinary Shares carry the right to receive the profits of the Company (including accumulated revenue reserves) available for distribution and determined to be distributed by way of interim and/or final dividends and at such time as the Directors may determine.
- (ii) As to winding-up, after the payment of the Company's liabilities in full:
  - (1) first, there shall be paid to the holders of the ZDP Shares an amount equal to 100p per ZDP Share as increased each day from 22 June 2001 up to and including 31 May 2011 at the daily compound rate which results in a final entitlement of 235.51p on 31 May 2011; and
  - (2) second, there shall be paid to the holders of the Ordinary Shares the surplus assets of the Company available for distribution.
- (iii) As to voting:
  - (1) (A) the holders of the ZDP Shares shall have the right to receive notice of general meetings of the Company and, for information only, REO but shall not have the right to attend or vote at any general meeting of the Company unless the business of the meeting includes any resolution to vary, modify or abrogate any of the special rights attached to the ZDP Shares or, subject as provided in paragraphs 3(B) and 3(C) below, on any resolution to wind up the Company and at any meeting where any such business is to be considered such holders shall be entitled to vote in relation to such business alone; and

- (B) where by virtue of the provisions of paragraph (A) above the holders of the ZDP Shares are entitled to vote, every such holder present in person or by a duly authorised representative (if a corporation) at a meeting shall, in relation to such business, have one vote in respect of every ZDP Share held by him;
- (2) (A) the holders of the Ordinary Shares shall have the right to receive notice of, and to attend and vote at, general meetings of the Company; and
  - (B) each holder of Ordinary Shares being present in person or by a duly authorised representative (if a corporation) at a meeting shall upon a show of hands have one vote and upon a poll each such holder present in person or by proxy or by a duly authorised representative (if a corporation) shall have one vote in respect of every Ordinary Share held by him;
- (3) (A) subject to paragraphs (3)(B) and 3(C) below, the Company shall not without the previous sanction of an extraordinary resolution of the holders of the ZDP Shares passed at a separate general meeting of such holders convened and held in accordance with the provisions of the Articles:
  - (a) other than pursuant to the issue of any REO Ordinary Shares upon conversion of the CULS issue, and shall, so far as it is able, procure that no other member of the Group shall issue (other than to REO or any directly or indirectly wholly owned subsidiary thereof), further shares or securities, or rights to subscribe for or to convert or exchange any securities into shares or securities or reclassify any shares (otherwise, in each case, than in connection with an allotment of REO Ordinary Shares pursuant to Article 125 of the articles of association of REO (such connection to be determined conclusively by the REO Directors)) save that there may be issued at any time shares, securities or rights to subscribe for or to convert or exchange into shares, and shares may be reclassified as such other shares, provided that in any event the Cover Test (as defined below) is satisfied;
  - (b) pass a resolution amending the Article summarised under “Duration” below or releasing the Directors from their obligation to convene an extraordinary general meeting at which a resolution will be proposed requiring the Company to be wound up voluntarily;
  - (c) pass, and shall, so far as it is able, procure that no other member of the Group shall pass, a resolution to reduce the capital of the Company or any member of the Group, in any manner, including any resolution authorising the directors of the relevant company to purchase shares in such company save that any such relevant company may without such sanction take authority to make, and effect, purchases of its own shares provided that, in any event, the Cover Test would be met immediately following any such purchase;
  - (d) pass, and shall so far as it is able, procure that no other member of the REO Group (being the Company and REO) shall pass, a resolution for the voluntary winding up of any member of the REO Group where such winding-up would take effect prior to 31 May 2011;
  - (e) permit the Company or any other member of the Group either to increase the aggregate principal amount of monies borrowed (as such term was defined in the articles of association of REO as at 1 April 2007) by the Company or any other member of the Group (excluding monies borrowed by any one of such companies from any other of them but including monies borrowed from banks for temporary purposes only and in the ordinary course of business) such that the limits and restrictions stated in the articles of association of REO in force on 1 April 2007 would be breached or amend such limits and restrictions;

- (f) make, and so far as it is able, procure that no member of the Group shall make, any material change to the Group's or any member of the REO Group's investment policy which, at the time of making such change, appears likely in the reasonable opinion of the Directors to be materially prejudicial to the holders of the shares of any class without the prior sanction of an extraordinary resolution of the holders of the shares of that class so affected;
- (g) pass, and shall, so far as it is able, procure that no other member of the REO Group shall pass, any resolution which authorises the directors of the relevant company to pay a dividend or other distribution out of the capital reserves of the relevant company, including any reserve arising as a consequence of a cancellation or reduction of share premium account, other than a purchase of shares permitted under sub-paragraph (c) above PROVIDED ALWAYS THAT no such sanction shall be required in respect of declarations and payments of dividends by reference to any single annual period of up to (and including) 2.5 pence per ordinary share of 1 pence each in the capital of REO, each annual period running from 1 January to 31 December (both dates inclusive); or
- (h) make any variation of the terms of the Undertaking Agreement which, at the time of being made, could reasonably be considered to be materially prejudicial to the interests of the holders of the ZDP Shares.

For the purposes of this paragraph (3)(A), the “**Cover Test**” is that the auditors shall have reported to the Directors that, in their opinion, were the further shares to be issued, the rights of subscription, conversion or exchange to be immediately issued and/or exercised or the reclassification or purchase of own shares to take place on the date specified by the Directors for such calculation (the “**Calculation Date**”) those ZDP Shares in issue immediately thereafter would have a Cover not less than the lower of (i) the cover on the ZDP Shares had such Cover been calculated immediately prior to the Calculation Date (the “**Prior Cover**”) and (ii) 1.2 times. For this purpose, the cover on the ZDP Shares shall represent a fraction where the numerator is equal to the aggregate net asset value of the issued shares of REO on a consolidated basis at the end of the immediately preceding month (valued by the Group's investment manager or such other person as the Directors shall nominate in accordance with REO's accounting policies and reported on by the auditors) and the denominator is equal to the aggregate amount which would be paid to the holders of the ZDP Shares in issue on the Calculation Date as a class (and on all shares ranking as to capital in priority thereto or *pari passu* therewith) on a repayment of the ZDP Shares on a winding-up of the Company in accordance with the Articles on 31 May 2011. In calculating such Cover and Prior Cover, the Directors shall:

- (i) use the figures set forth in the most recent management accounts of REO and any other member of the Group;
- (ii) (save where calculating Prior Cover) assume that the share capital or securities or rights proposed to be issued or the shares arising on reclassification or to be purchased had been issued, exercised, reclassified and/or purchased at the end of the month prior to the Calculation Date;
- (iii) (save where calculating Prior Cover) adjust the aggregate net asset value of the issued shares of REO on a consolidated basis at the end of the said month by adding the minimum net consideration (if any) which would be received upon such issue and/or exercise and by deducting any consideration payable on any such purchase;
- (iv) (save where calculating Prior Cover) aggregate the capital entitlements of the existing ZDP Shares and the capital entitlements of any new ZDP Shares or reclassified shares or securities or rights;

- (v) (save where calculating Prior Cover) aggregate the capital entitlements of the existing ZDP Shares and the capital entitlements of any new ZDP Shares (or any other shares ranking as to capital in priority thereto or pari passu therewith) to be issued or reclassified as aforesaid, in each case as at the Calculation Date; and
  - (vi) make such other adjustments as they consider appropriate.
- (B) notwithstanding paragraphs (1), (2) and (3)(A) above, if any offer is made (whether by the Company or any other person, including proposals for a reduction or cancellation of capital, capitalisation issue, share purchase or repurchase and/or redemption of shares of the relevant class or any shares issued in substitution therefor) to all the holders of ZDP Shares (other than the offeror and/or persons acting in concert with the offeror) which becomes or is declared unconditional in all respects (or would so become or be declared subject only to the passing of any Recommended Resolution (as defined below)) prior to 31 May 2011, and which enables the holders of ZDP Shares to receive no later than 7 June 2011 an amount in cash not less than that to which the Directors estimate (so far as practicable at the time and on the basis of such assumptions as they may reasonably deem appropriate) that the ZDP holders would otherwise have been entitled on a winding-up of the Company in accordance with the Articles on 31 May 2011 (whether or not such offer is accepted in any particular case and ignoring any option to receive alternative consideration) and such offer is recommended by the Directors and stated to be, in the opinion of a financial adviser appointed by the Directors, fair and reasonable the provisions of paragraph (D) below shall apply to the holders of ZDP Shares in relation to any resolution or resolutions (a “**Recommended Resolution**”) proposed at any general meeting of the Company or at any separate meeting of the holders of ZDP Shares save that the provisions of paragraph (D) below shall cease as regards such shareholders if either the Directors consider that the aforementioned offer is unlikely to be honoured or the offeror breaches a material term of the offer or otherwise manifests an intention not to implement the offer;
- (C) notwithstanding paragraphs (1), (2) and (3)(A) above, if at any time on or before 31 May 2011 a resolution (a “**Reconstruction Resolution**”) is proposed at any general meeting of the Company or at any separate meeting of any class(es) of shareholders (including the meeting to be convened to consider the winding-up of the Company) to sanction any form of arrangement for the transfer of all or part of the Company’s assets to another entity or any proposals for a reduction or cancellation of capital, capitalisation issue, share purchase or repurchase and/or redemption of any shares (including, without limitation, any further resolutions which the Directors consider to be necessary or desirable for the purposes of effecting such proposals) and which enables the holders of the ZDP Shares to receive, no later than 7 June 2011, an amount in cash not less than that to which the Directors estimate (so far as practicable at the time and on the basis of such assumptions as they may reasonably deem appropriate) that such holders would otherwise have been entitled on a winding-up of the Company in accordance with the Articles on 31 May 2011 then (ignoring any option to receive their entitlements otherwise than in cash) provided such arrangement or proposal is recommended by the Directors and stated to be, in the opinion of a financial adviser appointed by the Directors, fair and reasonable, the provisions of paragraph (D) below shall apply to the holders of the shares in relation to such resolution(s) save that such provisions shall cease as regards such shareholders if the arrangement is not implemented in accordance with its terms; and
- (D) where this paragraph (D) applies in respect of any resolution the ZDP Shareholders shall not be entitled to vote at any general meeting of the Company and the previous sanction of an extraordinary resolution of the ZDP Shareholders shall not be required in any case in which it would otherwise be required by the Articles provided that where, notwithstanding the foregoing, such sanction is

required in any case by law, all ZDP Shareholders present in person, by representative (if a corporation) or by proxy and entitled to vote at such meeting shall (in respect of the votes attached to all such shares) vote in favour of the resolution or resolutions recommended by the Directors and where any vote is not cast or is cast against any such resolution or resolutions recommended by the Directors it shall be deemed to have been cast in favour. The vote on any Recommended Resolution or Reconstruction Resolution shall be taken on a poll.

(b) ***Dividends***

- (i) Subject to the rights of persons entitled to shares with special rights as to dividends and subject to the Law, the Company in general meeting may declare dividends but no dividend shall exceed the amount recommended by the Directors.
- (ii) No dividend shall be paid other than out of profits.
- (iii) The Directors may, if they think fit, from time to time pay the members such interim dividends as appear to the Directors to be justified by the profits of the Company.
- (iv) All unclaimed dividends may be invested or otherwise made use of by the Directors for the benefit of the Company until claimed. No unclaimed dividend shall bear interest against the Company. Any dividend unclaimed after a period of twelve years from the date of declaration of such dividend shall be forfeited and shall revert to the Company.
- (v) The Directors may, before recommending any dividend set aside out of the profits of the Company such sums as they think proper as a reserve or reserves, which shall, at the discretion of the Directors, be applicable for any purpose to which the profits of the Company may be properly applied. The Directors may also carry forward any profits which they think prudent not to distribute.

(c) ***Issue of Shares***

- (i) Subject to the provisions of the Articles and without prejudice to any special rights conferred on the holders of any shares or class of shares, any share in the Company may be issued with or have attached thereto such preferred, deferred or other special rights, or such restrictions whether in regard to dividend, return of capital, voting or otherwise as the Company may from time to time by ordinary resolution determine.
- (ii) Subject to the Articles, the unissued shares shall be at the disposal of the Directors, and they may allot or otherwise dispose of them to such persons, at such times and generally on such terms and conditions as they think proper.
- (iii) The Company may on any issue of shares pay such brokerage as may be lawful.
- (iv) No person shall be recognised by the Company as holding any shares upon any trust.

(d) ***Notice requiring disclosure of interests in Shares***

The Directors may serve notice on any member requiring that member to disclose to the Company the identity of any person (other than the member) who has any interest in the shares held by the member and the nature of such interest. Any such notice shall require any information in response to such notice to be given in writing within such reasonable time as the Directors shall determine. The Directors may be required to exercise the aforementioned powers on the requisition of members holding not less than one-tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company. If any member is in default in supplying to the Company the information required by the Company within the prescribed period (which is 28 days after service of the notice or 14 days if the shares concerned represent 0.25 per cent. or more in nominal value of the issued shares of the relevant class), the Directors in their absolute discretion may serve a direction notice on the member. The direction notice may direct that in respect of the shares in relation to which the default has occurred (the "default shares") and any other shares held by the member, the member shall not be entitled to vote in general meetings or

class meetings or to exercise any other right conferred by membership in relation to meetings or of the holder of any class of shares. Where the default shares represent at least 0.25 per cent. in nominal value of the issued shares of the class of shares concerned, the direction notice may additionally direct that dividends on such shares shall be retained by the Company (without interest), and that no transfer of the shares (other than a transfer approved under the Articles) shall be registered until the default is rectified.

(e) ***Duration***

- (i) The Directors will convene an extraordinary general meeting of the Company to be held on 31 May 2011 or, if that is not a Business Day (as defined in the Articles), on the immediately following Business Day, at which a Special Resolution will be proposed pursuant to Article 146 of the Law requiring the Company to be wound up summarily unless the Directors shall have previously been released from their obligations to do so by a Special Resolution of the Company, such Special Resolution having been duly passed not earlier than 28 February 2011 (such Special Resolution having been sanctioned by any necessary class approval).
- (ii) At the extraordinary general meeting convened pursuant to paragraph (i) above those shareholders who (being individuals) are present in person or by proxy or, (being corporations) by proxy or by a duly authorised representative and entitled to vote and who vote in favour of the resolution proposed to wind up the Company shall collectively have such total number of votes on a poll as is one more than the number of votes which are required to be cast on such poll for the said resolution to be carried, and upon such resolution being passed then the Company shall be wound up accordingly. Any vote taken at the extraordinary general meeting convened pursuant to paragraph (i) above shall be taken on a poll.

(f) ***Winding-up***

- (i) Subject to paragraph (a)(ii) above, if the Company shall be wound up, the surplus assets remaining after payment of all creditors shall be divided among the members in proportion to the capital which at the commencement of the winding-up is paid up on the shares held by them respectively, subject to the rights of any shares which may be issued with special rights or privileges.
- (ii) If the Company shall be wound up, the liquidator may, with the authority of an ordinary resolution, divide among the members in specie the whole or any part of the assets of the Company, and may set such value as he deems fair upon any one or more class or classes of property, and may determine the method of division of assets between members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as he shall think fit but no member shall be compelled to accept any assets in respect of which there is a liability.
- (iii) Where the Company is proposed to be or is in the course of being wound up and the whole or part of its business or property is proposed to be transferred to or sold to another company the liquidator may, with the sanction of an ordinary resolution, receive in compensation or part compensation shares, policies or other like interests in the transferee for distribution among the members of the Company or may enter into any other arrangement whereby the members may, in lieu of receiving cash, shares, policies or other like interests, participate in the profits of or receive any other benefit from the transferee.

(g) ***Variation of rights***

Whenever the capital of the Company is divided into different classes of share, the special rights attached to any class of shares (unless otherwise provided by the terms of issue of the shares of that class) may be varied or abrogated with the consent in writing of the holders of three-fourths of the issued shares of the class or with the sanction of an extraordinary resolution passed at a separate meeting of the holders of such shares. The necessary quorum shall be two persons at least holding or representing by proxy one-third in nominal amount of the issued shares of the class (but at any adjourned meeting of such holders where a quorum as defined above is not present those holders who are present in person or by proxy shall be a quorum).

One of the special rights attaching to the ZDP Shares will be that the passing and implementation of any Recommended Resolution or Reconstruction Resolution in respect of such ZDP Shares will be deemed to be in accordance with the rights and privileges attached to such ZDP Shares, so that such a resolution may be passed and implemented without the holders of the ZDP Shares being entitled to receive notice of or vote either on such resolution at the relevant extraordinary general meeting of such class or to sanction the same by an extraordinary resolution at any separate general meeting of such holders and so that neither the passing nor the implementation of any such resolution will be treated as varying, modifying or abrogating any such rights or privileges. The special rights conferred upon the holders of shares or any shares or class of shares issued with preferred, deferred, or other special rights shall not be deemed to be varied by the exercise of any power under the disclosure provisions requiring shareholders to disclose an interest in the shares as set out in the Articles.

(h) ***Transfer of shares***

The Directors may determine that shares be issued in certificated or uncertificated form. Where shares are held in certificated form, the following shall apply to the transfer of shares held in such form. The instrument of transfer of a share shall be in writing in any form which the Directors may approve and shall be signed by or on behalf of the transferor. The Directors may decline to register any transfer of shares prohibited under the provisions referred to in paragraph (d) above and may decline to register a transfer unless the instrument of transfer is deposited at the registered office of the Company accompanied by the relevant share certificate(s) and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer. The Directors may decline to register any transfer of shares to a person where such transfer would be in breach of any law or requirement of any country or regulatory authority including where such transfer is to a US person which has, *inter alia*, the meaning given in Regulation S under the United States Securities Act of 1933, as amended.

The Company may permit the holding in uncertificated form of one or more classes of shares determined by the Directors for this purpose in order that the transfer of title of any such shares may be effected by means of a computer system in accordance with the Company (Uncertificated Securities) (Jersey) Order 1999 provided that the register of members shall be held in Jersey pursuant to the law.

The registration of transfers may be suspended at such times and for such periods as the Directors may from time to time determine provided that such suspension shall not be for more than 30 days in any year.

(i) ***Alteration of capital and purchase of shares***

The Company may from time to time by special resolution alter its share capital, as stated in its memorandum and purchase its own shares, in any manner authorised by the Law.

(j) ***Accounts***

Subject to the reduction of share capital provisions in the Law, the Directors shall have authority to determine that up to 100 per cent. of the expenses of the Company (including without prejudice to the generality of the foregoing any proportion of the expenses of management of the assets of the Company or of the finance costs of any borrowing of the Company) be charged to capital.

(k) ***General Meeting***

(i) The Company shall in each calendar year hold a general meeting as its annual general meeting in addition to any other meeting in that year. Annual general meetings shall be held at such time and place in the Island of Jersey as may be determined by the Directors. So long as the Company holds its first annual general meeting within eighteen months of the Company's incorporation it need not hold it in the year of incorporation or in the following year.

(ii) All general meetings (other than annual general meeting) shall be called extraordinary general meetings and shall be held in the Island of Jersey.

- (iii) The Directors may call an extraordinary general meeting whenever they think fit. Extraordinary general meetings shall also be convened on a members' requisition in such manner as provided by the Law.

(l) **Directors**

- (i) Save as mentioned below, a Director may not vote in respect of any matter in which he has (together with any interest of any person connected with him) a material interest (other than by virtue of his interest, directly or indirectly, in shares or debentures or other securities of the Company).
- (ii) A Director shall be entitled to vote (and be counted in the quorum) in respect of any resolution concerning any of the following matters:
  - (a) the giving of any security, guarantee or indemnity in respect of money lent or obligations incurred by him or any other person for the benefit of the Company or any of its subsidiaries;
  - (b) the giving of any security, guarantee or indemnity in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director himself has assumed responsibility in whole or in part and whether alone or jointly with others under a guarantee or indemnity or the giving of security;
  - (c) where the Company or any of its subsidiaries is offering securities in which offer the Director is or may be entitled to participate as a holder of securities or in the underwriting or sub-underwriting of which he is to or may participate;
  - (d) any proposal affecting any other body corporate in which he is interested, directly or indirectly, as an officer or shareholder or otherwise, provided that he, together with persons connected with him, does not to his knowledge hold an interest in one per cent. or more of any class of the equity share capital of any such body corporate (or of any third body corporate through which his interest is derived) or of the voting rights available to members of the relevant body corporate;
  - (e) any arrangement for the benefit of employees of the Company or any of its subsidiaries under which he is not accorded as a Director privilege or advantage not generally accorded to the employees to whom the arrangement relates; or
  - (f) any matter connected with the purchase or maintenance for any Director of insurance against any liability.
- (iii) Any Director may act by himself or by his firm in a professional capacity for the Company, other than as auditor, and he or his firm shall be entitled to remuneration for professional services as if he were not a Director.
- (iv) Any Director may continue to be or become a director, managing director, manager or other officer or member of a company in which the Company is interested, and any such Director shall not be accountable to the Company for any remuneration or other benefits received by him in such capacity.
- (v) A majority of Directors shall not be resident in the United Kingdom or Ireland.

(m) **Remuneration of Directors**

- (i) The Directors shall be remunerated for their services in such sum as the Directors shall determine provided that the aggregate amount of such fees shall not exceed £50,000 per annum (or such higher limit as the Company in general meeting shall determine by ordinary resolution). The Directors shall also be entitled to be paid all expenses properly incurred by them in attending general meetings, board or committee meetings or otherwise in connection with the business of the Company.

- (ii) A Director may hold any other office or place of profit under the Company (other than the office of auditor) in conjunction with his office of Director on such terms as to tenure of office and otherwise as the Directors may determine.
  - (iii) The Directors may from time to time appoint one or more of their body to the office of managing director or to any other office for such term and at such remuneration and upon such terms as they think fit.
  - (iv) A Director, notwithstanding his interest, may be counted in the quorum present at any meeting whereat he or any other Director is appointed to hold any such office or place of profit under the Company, or whereat the terms of appointment are arranged or any contract in which he is interested is considered and he may vote on any such appointment or arrangement other than his own appointment or the terms thereof.
- (n) ***Appointment and Retirement of Directors***
- (i) All Directors shall submit themselves for election by shareholders at the first opportunity after their appointment, and shall not remain in office for longer than three years since their last election or re-election without submitting themselves for re-election. At each annual general meeting, the Directors subject to retirement, shall retire from office. On retiring a Director who is re-elected or deemed to have been re-elected will continue in office without a break. The Directors to retire by rotation shall include any Director who wishes to retire and not to offer himself for re-election and any Director who has been, or who by the time of the next annual general meeting will have been, in office for three years. In so far as the number of Directors retiring as calculated above is less than one-third of the Directors or if their number is not three or a multiple of three the number nearest to but not exceeding one-third the Directors who have been the longest in office shall also retire. As between two or more Directors who have been in office an equal length of time, the Directors to retire shall in default of agreement between them be determined by lot. The length of time a Director has been in office shall be computed from the date of his last election or appointment when he has previously vacated office. A retiring director shall be eligible for re-election.
  - (ii) The Company may from time to time by ordinary resolution appoint any person to be a Director and may by ordinary resolution remove any Director. The Directors may from time to time appoint one or more Directors but any Director so appointed shall retire at the next annual general meeting of the Company but shall then be eligible for election and any Director who so retires shall not be taken into account in determining the number of Directors who are to retire by rotation at such meeting.
- (o) ***Borrowing Powers***
- (i) The Company shall comply with the borrowing restrictions applicable to a listed property investment company and subject thereto the Directors shall restrict the borrowing of the Company so that at the time of any borrowing the aggregate amount remaining undischarged of all monies borrowed by the Company inclusive of any fixed or minimum premium payable on final repayment shall not, except with the consent of the Company in general meeting, exceed an amount equal to 200 per cent. of the Adjusted Total of Capital and Reserves of the Company (as defined in paragraph (ii) below).
  - (ii) For the purposes of this paragraph “Adjusted Total of Capital and Reserves” means the aggregate of the amount paid up or credited as paid up on the issued share capital of all members of the Group and the amounts standing to the credit or debit of the Capital and Revenue reserves (including share premium account, capital redemption reserve fund, investment reserve and profit and loss account) of the Group, all as shown in the latest semi-annual balance sheet of the Company but adjusted as appropriate.
  - (iii) The Directors shall exercise all and any powers of the Company to borrow money subject to and in accordance with the following limitations and conditions:

- (a) subject to any applicable requirement of law, interest may be charged against the income of the Company or against the capital or partly one and partly the other as the Directors may from time to time determine;
- (b) no such borrowing may be made from any connected person unless the terms of such borrowing are in line with those for the time being offered by the relevant lender to other similar borrowers for similar sums in the same currency and for the relevant term, but not otherwise, and in such a case the relevant lender shall not be liable to account for any profits or benefits made or derived from or in connection with such borrowing;
- (iv) Any person lending money to the Company shall be entitled to assume that the Directors are acting in accordance with the Articles and shall not be concerned to enquire whether such provisions have in fact been complied with.
- (v) Any amounts guaranteed by the Company shall be counted as borrowing by the Company for the purposes of the limit on borrowing set out in paragraph (i) above but claims by members in their capacity as such and claims by holders of any loan stock issued by the Group and listed on a recognised stock exchange shall not be included in the expression “monies borrowed” and “borrowing” in the Articles.

#### 4 Interests of the directors, major shareholders and related party transactions

##### 4.1 Directors' interests

- (a) As at 14 December 2007 (being the latest practicable date prior to the posting of this document), the interests of the REO Directors and their immediate families in the issued share capital of REO and the CULS which have been notified by each Director to REO were as follows:

<i>Director</i>	<i>Number of REO Ordinary Shares</i>	<i>% of issued REO Ordinary Shares</i>	<i>Number of REO ZDP Shares</i>	<i>CULS £1 units</i>
RYP Horney <sup>1</sup>	8,151,192	2.4	–	4,162,970
RJ Barrett <sup>2</sup>	222,629,571	66.7	–	9,328,790
KA Jenkins <sup>3</sup>	50,000	0.002	–	20,000
JP Jenkinson	–	–	–	–
GW Leech	–	–	–	–
GPD Milne <sup>4</sup>	400,000	0.12	5,000	–
MWR Richardson <sup>5</sup>	75,000	0.02	–	–

Notes:

1. Of the REO Ordinary Shares in which Mr Horney is interested, 304,782 are held in the name of Cheviot Capital (Nominees) Limited acting as custodian for Orbis Trustees Limited. Orbis Trustees Limited act as trustee of certain trusts under which Mr Horney and/or members of his family are beneficiaries. Additionally, 7,846,384 REO Ordinary Shares held by Kleinwort Benson (Guernsey) Trustees Limited, which acts as trustee of certain trusts under Mr Horney and/or members of his family are beneficiaries. As at 12 December 2007 Mr Horney, jointly with INVESCO Asset Management Limited, held a further 26 REO Ordinary Shares as nominees for REO. Of Mr Horney's interest in the CULS, 904,800 and 500,000 units are again held by Cheviot Capital (Nominees) Limited and 3,258,168 units are held by HSDL Nominees Limited under which Mr Horney and/or members of his family are beneficiaries. As at 12 December 2007 Mr Horney jointly with INVESCO Asset Management Limited held a further 2 CULS units as nominees for REO.
  2. The interests of Mr Barrett in the REO Ordinary Shares are represented by the shareholding of Treasury Holdings, in which Mr. Barrett has a 50 per cent. beneficial interest and by the shareholdings of Brossbar Limited, M1 Development Company Limited and IREO Irish Real Estate Opportunities Fund plc which are subsidiaries of Treasury Holdings. The interests of Mr. Barrett in the CULS are represented by the shareholding of IREO Irish Real Estate Opportunities Fund plc.
  3. Of the REO Ordinary Shares in which Mr Jenkins is interested, 25,000 REO Ordinary Shares together with the CULS in which he is interested are held by James Chapel (Channel Islands) Nominees Limited.
  4. The REO Ordinary Shares beneficially owned by Mr Milne are registered in the name of Brewin Nominees Limited.
  5. The REO Ordinary Shares beneficially owned by Mr Richardson are registered in the name of Forest Nominees Limited.
- (b) Save as aforesaid, the Directors do not have any interest in the share capital of REO.

- (c) Mr Barrett is a director and beneficial owner of 50 per cent. of the issued share capital of Treasury Holdings. Mr. Leech is a director of Treasury Holdings. Pursuant to the contractual property management arrangements with REO, Treasury Holdings receives an annual fee and expenses for providing investment advice and property management services in relation to the portfolio of real property assets owned by the Group. In addition, the substantial shareholder agreement described in paragraph 6.13 below further regulated the relationship between REO and Treasury Holdings.
- (d) Save as set out in paragraph (c) above, there are no conflicts of interest between the Directors' duties to the Company and REO and their private interests or other duties.
- (e) The directors do not have any interests in the Ordinary Shares of the Company.

#### 4.2 *Directors' remuneration*

- 4.2.1 There are no existing or proposed service contracts between any of the Directors and the Group or the Company. Each Director acts as a non-executive director of REO and the Company.
- 4.2.2 There are no amounts set aside or accrued by the Company or the Group to provide pension, retirement or similar benefits to the Directors.
- 4.2.3 Neither the Company nor any member of the Group has made any loans to the Directors nor have they provided any guarantees for the benefit of any Director or the Directors collectively.
- 4.2.4 The Company has not paid any remuneration to its Directors. However, REO paid directors fees of £280,000 in the year ended 31 December 2006 as follows:

	<i>Year ended 31 December 2006 £</i>
R Horney ( <i>Chairman</i> )	80,000
R Barrett	25,000
K Jenkins	35,000
J P Jenkinson	35,000
G Milne	35,000
D Moon	35,000
M Richardson	35,000

In addition for the year ended 31 December 2006 REO paid the following fees to certain Directors for services to REO's litigation committee: R Horney £7,963, K Jenkins £3,675 and J P Jenkinson £4,025.

#### 4.3 *Major shareholders*

- 4.3.1 REO is and following Admission will be the beneficial owner of all of the issued ordinary shares in the Company and will thereby control the Company. REO is and following Admission will be the registered holder of all such shares. Major shareholders will not have different voting rights.

4.3.2 So far as REO is aware, as at 14 December 2007 (being the latest practicable date prior to the posting of this document), the following persons (other than the Directors) were, directly or indirectly, interested in three per cent. or more of the issued equity share capital of REO:

	<i>Number of REO Ordinary Shares</i>	<i>% of issued REO Ordinary Share capital</i>
Calyx Limited	16,564,000	4.96
Chase Nominees Limited	15,000,000	4.49
S.G. Option Europe S.A.	28,206,791	8.45
Treasury Holdings*	222,629,571	66.7

\* Of the 222,629,571 REO Ordinary Shares in which Treasury Holdings is interested, 121,779,875 representing 36.48 per cent. of the REO issued share capital are held by IREO Irish Real Estate Opportunities Fund plc, 26,155,716 representing 7.84 per cent. of the REO issued share capital are held by M1 Development Company Limited and 56,012,081 representing 16.78 per cent. of the REO issued share capital is held by Brossbar Limited.

4.3.3 Save as disclosed in paragraphs 4.3.1 and 4.3.2 above, REO and the Company are not aware, as at the date of this document, of any persons who, immediately following Admission will be interested, directly or indirectly, in 3 per cent. or more of any class of issued equity share capital of the Company.

4.3.3 REO and the Company and the Directors are not aware of any arrangements, the operation of which may at a subsequent date result in a change in control of REO or the Company.

#### 4.4 ***Related party transactions***

The following are related party transactions for REO for the two years ending 31 December 2006:

- (a) REO (as lender) and China Real Estate Opportunities Limited (as borrower) have entered into an intra-group facilities letter pursuant to which REO has agreed to provide a term loan for the equivalent of US\$35,000,000 in aggregate. The two facilities (of US\$15,000,000 and US\$20,000,000) shall be used for payment of the deposits in respect of the properties known as City Centre Phases 1, 2 and 3 at Zunyi Road, Shanghai, China and Central Plaza at Huangpi Road North, Shanghai, China. The deposit is payable pursuant to the terms of a memorandum of understanding dated 17 April 2007 between Sociedade de Turismo e Diversoes de Macau S.A. (it, and/or its affiliates, as vendor of the aforementioned properties) and China Real Estate Opportunities Limited (as purchaser);
- (b) pursuant to a management agreement which is no longer in force between the parties, INVESCO has acted as manager to REO and INVESCO Real Estate (“IREAL”) has acted as the UK property investment adviser. The fee payable to INVESCO and IREAL for the year 2005 was £1,710,000 (2004: £1,400,000) of which £1,174,000 (2004: £597,000) was outstanding at the 31 December 2005 year end. In addition, a performance fee of £10,760,000 (2004: £394,000) was accrued at the 31 December 2005 year end of which 60 per cent. was receivable by Treasury Holdings and 40 per cent. by INVESCO;
- (c) Mr Barrett, a director, and Mr John Ronan, a director until his resignation on 31 March 2005, own the entire share capital of Treasury Holdings. Mr Paddy Teahon, a director until his resignation on 31 March 2005, is a director of Treasury Holdings. Pursuant to the investment adviser agreement then in place, Treasury Holdings received an investment management fee of €2,186,018 for the year ended 31 December 2005 (2004: €1,912,806). In addition to the management fee paid to Treasury Holdings, project management and development fees of €2,802,879 (2004: €2,329,484) were paid and €2,235,218 (2004: €967,888) accrued to a company within the Treasury Holding Group for the year ended 31 December 2005;
- (d) on 18 July 2006 Treasury Holdings entered into an agreement with REO to act as accounting services agent for the Group to provide certain accounting and administrative services, replacing SMS Abacus & Co;

- (e) on 22 June 2001 the Group entered into a joint venture agreement with Treasury Holdings in respect of Havenview. Havenview was, at that time, owned by 50 per cent. by the Group and 50 per cent. by Treasury Holdings. Pursuant to the investment adviser agreement between INVESCO and Treasury Holdings then in place, an investment management fee of €819,901 (2004: €758,304) was charged by a company in the Treasury Holdings Group for the year ended 31 December 2005. During 2005 Havenview paid project and development fees of €2,149,482 (2004: €965,005) and accrued €2,667,759 (2004: €236,500) to a company within the Treasury Holdings Group. Short term loans amounting to €21 million were advanced during 2005 to the Group's joint venture which were repaid prior to the year end;
- (f) During the year ended 31 December 2005 an Irish subsidiary, Bracadale Limited, leased a premises from OKPTH Limited for €76,184 (2004: €76,184) per annum in order to facilitate re-development of its property. OKPTH Limited is a joint venture of Treasury Holdings;
- (g) Allenspark Limited, Lowestoft Limited and Parshall Limited have been treated as subsidiary undertakings. Mr Ronan owns 50 per cent. of these companies; and
- (h) REO acquired the entire issued share capital of Abbono Limited, Candourity Limited and Hakaton Limited from Treasury Holdings and others pursuant to an acquisition agreement dated 9 April 2005 related to REO's properties at Balbriggan, County Dublin and Barrow Street, Dublin. Treasury Holdings received 69,654,519 new REO Ordinary Shares and €2,992,000 in cash.

Save for payments made under the Investment Management Agreements and the acquisition from Treasury Holdings of the remaining shares in Havenview that it did not already own together with seven properties in Ireland, as referred to in paragraph 6.5 of this Part V, there have been no related party transactions since 31 December 2006, the date to which the latest audited financial statements of REO have been published.

#### 4.5 *Conflicts of interest*

Save as disclosed in paragraph 4 of this Part V there are no interests, including conflicting ones, that are material to the Introduction.

### 5 **Additional information on the Directors**

Details of the Directors of the Company and of REO, all of whom are non-executive, are listed below:

- 5.1 Ray Horney is aged 71. He has been the chairman of REO since 2001 prior to which he was chairman of Jermyn Investment Properties PLC. He founded Rayford Supreme Holdings plc, a UK retail group listed on the London Stock Exchange, in 1983, which was acquired by Harris Queensway plc in an agreed takeover in 1985. He became chairman of St. James Beach Hotels, a group of three hotels in Barbados, in 1989, which was listed on the London and Barbados Stock Exchange in 1994. He took on the added responsibility of managing director in 1995 and the group was then purchased by Elegant Hotels in an agreed takeover in 1997. Mr Horney is also chairman of Castle Market Holdings Limited and Havenview Investments Limited and vice chairman of Sandypoint Development Co. Limited, a private property company in Nassau, Bahamas and chairman of Redleaf Shopping Centres, Redleaf (Iberia) Limited, Rayford Homes Limited and Nordic Land Limited. He is Chairman of REO's Engagement Committee.
- 5.2 Guy Leech is aged 49. He joined Treasury Holdings in 1998 and became Group Finance Director in 2003. He has worked in the UK and Irish property markets since 1986 and previously worked with GE Capital Real Estate in London. Guy is responsible for overseeing the financing of Treasury Holdings' investment and development property portfolio worth in excess of €3.7 billion worldwide.
- 5.3 Richard Barrett is aged 53. He is a Barrister of the King's Inn Dublin. He is Managing Director of Treasury Holdings, investment adviser for the Property Portfolio and the Irish Property Portfolio. He is also director of Havenview Investments Limited, Castle Market Holdings Limited and China Real Estate Opportunities S.A.

- 5.4 Keith Jenkins is aged 64. He was managing director of KPMG Jersey from 1975 to 1997, specialising in audit and advisory services to the financial services sector. He was a council member and treasurer of the Jersey Chamber of Commerce and was a former appointee of the States of Jersey Finance and Economics Committee to the Jersey Child Care Trust. He is Chairman of the REO Audit Committee. He is also a member of the REO Management Engagement Committee.
- 5.5 Philip Jenkinson is aged 56. He was called to the French Bar in 1985 and is currently managing partner of Triplet & Associés, a French Law practice specialising not only in French corporate and mergers and acquisitions matters but also in real property in France. Prior to being called to the French Bar, he spent six years as Vice Consul (Commercial) at a British Consulate General overseas. Before that he worked in industry for seven years with Italian, Dutch and UK corporations.
- 5.6 Garth Milne is aged 64. He was formerly the head of the investment funds division at UBS Warburg having originally set up the team at Laing and Cruickshank. He has been involved in investment funds in the City of London for over 30 years and is a director of several investment companies including Premier UK Dual Return Trust plc, SovGEM Limited, Utilico Emerging Markets Utilities Limited, and Invesco Perpetual UK Smaller Companies Trust plc. He is a member of the REO Audit Committee and the REO Management Engagement Committee.
- 5.7 Martin Richardson is aged 60. He has been a partner of the Jersey practice of Rawlinson & Hunter, Chartered Accountants since 1987, specialising in trust and mutual fund administration services to the financial services sector. He is a director of Cambium Global Timberland Limited, Diversified Portfolios Fund Limited, Equity Investment Partnership Investment Company plc and a number of other companies. He is a member of the REO Audit Committee and the REO Management Engagement Committee.

A majority of the Directors is independent of Treasury Holdings.

## **6 Material contracts**

The following are the only contracts which, not being contracts entered into in the ordinary course of business, are contracts which: (i) are or may be material and have been entered into by the Company, REO or any member of the Group within the two years immediately preceding the date of this document; or (ii) have been entered into by the Company, REO or any member of the Group at any time before the date of this document where those contracts contain provisions under which the Company, REO or any member of the Group has an obligation or entitlement which is or may be material to the Company, REO or any member of the Group as at the date of this document.

- 6.1 An undertaking agreement dated 17 December 2007 has been entered into between REO and the Company, which is conditional upon the Scheme becoming effective. Pursuant to this agreement REO agrees to contribute to the Company (by way of gift, capital contribution or otherwise) such amount as will result in the Company having sufficient assets to satisfy the then current or, as the case may be, final capital entitlement of the ZDP Shares on the Repayment Date or any earlier winding up of the Company under the Articles. Pursuant to the Undertaking Agreement, REO's obligations shall, in the event of the winding up of REO, be subordinated in right of payment to the claims of the other unsecured creditors of REO. In addition REO covenants to the Company (for its own benefit and as trustee for the holders of the ZDP Shares) that, whilst it remains liable to make any payment under the Undertaking Agreement it will:
- (a) not vote to pass a resolution at any general meeting of the Company relating to any matters which would require the previous sanction of an extraordinary resolution passed at a separate general meeting of the holders of the ZDP Shares in accordance with the Articles unless such previous sanction has first been obtained;
  - (b) not (and shall, so far as it is able, procure that none of its subsidiaries shall) enter into or permit any transaction or pass any resolution which, if it were entered into or permitted or passed by the Company, would require the previous sanction of an extraordinary resolution

- passed at a separate general meeting of the holders of the ZDP Shares under the Articles or otherwise as required by law, without such previous sanction having first been obtained;
- (c) not without the previous sanction of an extraordinary resolution passed at a separate general meeting of the holders of the ZDP Shares itself undertake and procure that other members of the Group will not undertake any of the matters requiring the consent of the holders of the ZDP Shares under the Articles;
  - (d) except with the previous sanction of an extraordinary resolution passed at a separate general meeting of the holders of the ZDP Shares or as required by law, not distribute to the holders of the REO Ordinary Shares dividends amounting to more than 2.5p in aggregate in respect of any year running from 1 January to 31 December;
  - (e) except with the previous sanction of an extraordinary resolution passed at a separate general meeting of the holders of the ZDP Shares or as required by law or the UK Listing Authority, ensure that the Board as constituted from time to time are the same individuals who form the REO Directors;
  - (f) except with the previous sanction of an extraordinary resolution passed at a separate general meeting of the holders of the ZDP Shares or as required by law, restrict the borrowings of REO and shall exercise all voting and other rights or powers of control exercisable by REO in relation to its subsidiaries so as to procure (as regards the subsidiaries, to such extent possible) that the aggregate principal amount from time to time outstanding in respect of all monies borrowed (as defined in the existing articles of association of REO) from time to time by REO and its subsidiaries does not exceed the limit specified in the existing articles of association of REO as at the date of this document;
  - (g) have due regard to the interests of the holders of the ZDP Shares;
  - (h) meet the running costs of the Company, and
  - (i) not transfer its ownership of the Ordinary Shares which it owns.
- 6.2 By an agreement dated 30 October 2007 between the Company and Oriental Property Limited, the holder of the Loan Notes (the “Loan Noteholder”), conditional upon the reduction of share premium account becoming effective, the Company covenants with the Loan Noteholder that until the date upon which all of the Loan Notes have been redeemed or repaid, except with the previous written consent of the Loan Noteholder, the Company will not distribute to its Ordinary Shareholders dividends amounting to more than 2.5p per REO Ordinary Share in aggregate, in respect of any year running from 1 January to 31 December. The Loan Notes, if not previously redeemed, are repayable by the Company on 31 May 2011.
- 6.3 A placing agreement dated 12 October 2007 between REO and Landsbanki Securities (UK) Limited pursuant to which Landsbanki Securities agreed to use its reasonable endeavours to procure purchasers at the Placing Price (as defined) for the REO Ordinary Shares to be issued by REO pursuant to the Placing (as defined). In consideration for its services under the agreement, Landsbanki Securities was entitled to be paid a fee equal to 1.5 per cent. of the value of the REO Ordinary Shares acquired by investors under the Placing and 0.25 per cent. of the value of the REO Ordinary Shares issued in consideration for the Property Acquisitions (as defined) at the Placing Price.
- 6.4 A share purchase agreement between REO and China Real Estate Opportunities Limited (“CREO”) dated 6 July 2007 for the sale by REO to CREO of REO’s indirect interest in a property in Shanghai known as the Treasury Building. The consideration for the acquisition was £16.1 million, which was satisfied by the issue to REO of some 2.1 million shares in CREO. The consideration is subject to adjustment to the extent that the net assets of the target group are less or greater than the estimated net assets. The agreement contains customary warranties on the part of REO.
- 6.5 An acquisition agreement (the “Acquisition Agreement”) dated 12 October 2007 between REO, Brossbar Limited (“**Brossbar**”) and Treasury Holdings, pursuant to which REO acquired:

- (a) the remaining 50 per cent. of the shares it did not already own in Havenview;
  - (b) the entire issued share capital of each of Montevetro Limited, Kensell Green Limited, OKPTH Limited, Montevetro II Limited, Swinwood Limited and Mainford Limited; and
  - (c) a majority (67 per cent.) of the share capital of Tamorbrick Limited,
- (together, the “**Target Companies**”).

Pursuant to this agreement REO agreed:

- (i) with Brossbar (a subsidiary of Treasury Holdings) to acquire all of the shares REO did not already own in Havenview and thereby acquire the Havenview Properties (as defined) for an aggregate consideration of £59,930,501; and
- (ii) with Treasury Holdings, Treasury Group Holdings and Brossbar to acquire all of the issued share capital of the Treasury Companies (as defined) (save for those shares being acquired pursuant to the acquisition agreements referred to in paragraph 6.6 below and save in respect of Tamorbrick Limited of which only 67 per cent. of the share capital was acquired) for an aggregate consideration of £52,338,612.

Bamjel Limited owned 50 per cent. of the share capital of Kensell Green Limited and Bilmond Limited owned 50 per cent. of OKPTH Limited. Neither Bamjel Limited nor Bilmond Limited was a subsidiary of, or otherwise associated with, Treasury Holdings.

The purchase price payable under the Acquisition Agreement, which was satisfied by the issue of 80,717,567 REO Ordinary Shares at £1.50 per share, credited as fully paid, was equal to the net asset values of the companies acquired as at 31 July 2007 taking account of valuation reports on the underlying properties as at 15 September 2007.

The consideration payable under the Acquisition Agreement was satisfied by the issue of:

- (a) 56,012,081 REO Ordinary Shares to Brossbar in respect of the Treasury Companies and Havenview; and
- (b) 18,681,899 REO Ordinary Shares to Treasury Holdings in respect of the Treasury Companies.

The Target Companies were acquired with their existing bank indebtedness and the Group put in place new security in respect thereof in substitution for security currently provided by Treasury Holdings Group companies. There was a cash adjustment to the consideration payable by reference to completion accounts.

If as at practical completion (or earlier sale) of any of the development properties to be acquired at Ballymun, Central Park and Mespil Road, the valuation of the relevant property (or the sale price) is such that REO has made in respect of the proportionate interest in the relevant property being acquired a pre tax profit in excess of a hurdle of 20 per cent. of the aggregate acquisition cost and development cost, REO shall be obliged to pay, by way of an addition to the consideration payable in respect of that property, a cash amount equal to 20 per cent. of any pre tax profit over the hurdle amount in respect of that proportionate interest, provided the planning permission received for the relevant property exceeds an agreed threshold, being 895,000 square feet for Central Park, 1,530,000 square feet for Ballymun and 95,000 square feet for Mespil Road.

Treasury Holdings will pay a clawback to REO, if after five years from the date of the Acquisition Agreement, the planning consent obtained for the redevelopment of Ballymun Shopping Centre is for less than 1.53 million square feet of ‘net valuable floor area’. Such payment shall be in respect of its proportionate interest in the property and shall be at a rate of €42.50 per square foot, subject to a cap of €6 million. Net valuable floor area is intended to include net office floor area, net retail floor space and net residential floor areas, but not ancillary space comprised of circulation, storage and parking.

Pursuant to the terms of the Acquisition Agreement, Brossbar, Treasury Holdings and Treasury Group Holdings gave certain representations, warranties and indemnities usual for a transaction of this nature, including representations and warranties relating to the shares to be acquired, authority and consents, financial statements and financial information, undisclosed liabilities, legal proceedings, assets, intellectual property, real property, compliance with laws, environmental matters, insurance and taxes, all of which are subject to customary limitations and caps. The Acquisition Agreement also contained an indemnity in favour of REO pursuant to which Treasury Holdings indemnified REO for losses suffered in the event that the development agreement between CIE, Treasury Holdings and Montevetro Limited is either terminated or found to be unenforceable.

REO also gave certain representations and warranties under the Acquisition Agreement usual for a transaction of this nature, including representations and warranties relating to authority, consents, the information contained in the circular, and REO's capital.

Prior to completion of the Acquisition Agreement (or its termination) Brossbar and Treasury Holdings agreed to cause the business of the Target Companies and their subsidiaries to be conducted in the usual and ordinary course.

Completion of the Acquisition Agreement occurred on 9 November 2007 following the admission to the official list and to trading on the London Stock Exchange of the REO Ordinary Shares issued pursuant to the Acquisition Agreement.

- 6.6 Pursuant to acquisition agreements dated 12 October 2007 between REO and each of Bilmond Limited and Bamjel Limited to acquire the 50 per cent. interests owned by those companies respectively in OKPTH Limited and Kensell Green Limited for a consideration of £2,149,755 and £6,885,623 respectively, to be satisfied by the issue of 1,433,170 and 4,590,417 REO Ordinary Shares respectively. The acquisition agreements contain limited warranties.
- 6.7 A Sterling term loan facility agreement dated 20 November 2007 between (1) REO (Site Assembly) Limited (as Company), the companies listed therein as Original Guarantors, (3) Bank of Scotland PLC (as Arranger), (4) the financial institutions listed therein as Original Lenders, (5) Bank of Scotland PLC (as Agent) and (6) Bank of Scotland PLC (as Security Trustee), as the same may be amended, supplemented, novated or restated from time to time (the "Facility Agreement") whereby the Original Lenders agree to make available to REO (Site Assembly) Limited a Sterling term loan facility in the maximum aggregate amount of £110 million to assist with the acquisition or refinancing of the acquisition of Property (as defined) by the Company or a Guarantor. The Facility (as defined) is available from the date of completion for a period of three years. The Facility includes certain representations, undertakings and events of default which are standard in a debt facility of this nature. Certain commitment fees, arrangement fees and prepayment fees are payable to the Lenders (as defined) in connection with the Facility. Interest on the Facility accrues in relation to each Tranche A Loan at a rate of 1.65 per cent. per annum over LIBOR and in relation to each Tranche B Loan at a rate of 1.00 per cent. per annum over LIBOR, both subject to adjustments for certain mandatory banking costs of the Lenders. The Facility is guaranteed by certain companies as set out in the Facility Agreement.
- 6.8 A share purchase agreement dated 29 November 2006 pursuant to which a wholly owned subsidiary of REO, REO (Powerstation) Limited (the "Buyer"), acquired the land known as Battersea Power Station from Oriental Property Limited (the "Seller"). The aggregate consideration for the purchase was £400 million, of which £150 million was satisfied by way of the issue by the Company of secured loan notes. The agreement contained customary warranties and indemnities on the part of the Seller. The Company has undertaken to guarantee, unconditionally and irrevocably to the Seller, the performance by the Buyer of its obligations under the agreement. The loan notes issued by the Company as part of the consideration: (i) are issued to a maximum aggregate nominal amount of £150 million in denominations of £1; (ii) represent a direct obligation of the Company for the due and punctual payment of the principal amount and interest; (iii) incur interest at a rate of 6.324 per cent. per annum (although part of the interest payable is deferred for a period from 29 December 2006) and (iv) if not redeemed previously, will be repaid by the Company at par on 31 May 2011 together with accrued interest. Security in respect of the loan notes has been granted by the target companies the subject of the acquisition.

The loan notes are subject to a call option pursuant to which the Company may redeem the loan notes for cash at any time. In addition, under the terms of the share purchase agreement the Seller has the right to use the proceeds of redemption of the loan notes to subscribe, at the issue price of any relevant fund raising, up to £150 million in new REO Ordinary Shares if more than £5 million is sought to be raised at the relevant time. The Seller also has the right to subscribe for REO Ordinary Shares where more than £5 million in principal amount of CULS is converted into REO Ordinary Shares. The options can only be exercised:

- (i) for so long as the Seller is under the control of one or more members of the Hwang family;
- (ii) to the extent that the Seller would not hold more than ten per cent. of REO's enlarged issued share capital immediately following exercise;
- (iii) to the extent that, immediately thereafter, Treasury Holdings would not hold less than 50.1 per cent. of REO's enlarged ordinary share capital; and
- (iv) prior to 29 December 2018;

6.9 A global investment adviser agreement dated 5 December 2006 between REO and Treasury Holdings pursuant to which Treasury Holdings is appointed to be responsible for the provision of advisory and property management services for REO's global property assets (excluding the Irish Property Portfolio) (as defined in the agreement). The agreement will continue until terminated by either party on 12 months' written notice or shorter notice in the event of, *inter alia*, breach of contract or insolvency. Under the agreement, Treasury Holdings is entitled to receive:

- (a) a base fee payable quarterly in arrears at the rate of 0.5 per cent. per annum of the value of REO's global property assets excluding Irish assets, such fee to be calculated and payable in Sterling;
- (b) if agreed by REO, a development management fee of 1.5 per cent. of construction costs for the development in question; and
- (c) if agreed by REO, a project management fee of 1.5 per cent. of construction costs for the development in question.

REO will reimburse Treasury Holdings in respect of fees and expenses of professional advisors and other third parties and certain other expenses. Treasury Holdings will have the benefit of an indemnity from REO under the terms of the agreement in relation to liabilities incurred by Treasury Holdings in the discharge of its duties other than those arising for reason of fraud, negligence, wilful default, bad faith or breach of the terms of the agreement by Treasury Holdings.

6.10 an Investment Advisory and Management Agreement ("IAMA") between REO and Treasury Holdings dated 5 December 2006 relating to the Irish portfolio pursuant to which Treasury Holdings was appointed to be responsible for the provision of advisory and property management services for REO's Irish property assets. The agreement continues until terminated by either party on 12 months' written notice or on shorter notice in the event of, *inter alia*, breach of contract or insolvency. Under the agreement Treasury Holdings is entitled to receive:

- (i) a base fee payable quarterly in arrears at the rate of 0.5 per cent. per annum of the value of the REO's Irish property assets, such fee to be calculated and payable in Euros;
- (ii) a performance fee in respect of the year ended 31 December 2007 based on the percentage increase in total net asset value of the ordinary shares in REO in the period. The fee is calculated as a percentage of the whole increase and ranges from three per cent. on a 7.5 per cent. increase in total net asset value to 7.5 per cent. (on an increase in total net asset value greater than 15 per cent.). REO and Treasury Holdings have agreed to amend the agreement such that with effect from 1 January 2008, the performance fee is calculated in tranches as a percentage of the relevant increase in total net asset value, as follows:
  - (A) the first tranche is 20 per cent. of any such increase between ten per cent. and 20 per cent.; and
  - (B) the second tranche is 25 per cent. of any such increase above 20 per cent.

The performance fee will remain subject to a high watermark whereby each time a performance fee is earned, the high watermark is set at the level of net assets prevailing at the time and no further performance fee can be earned until the net assets exceed that level. For the purposes of calculating the performance fee the net asset value is subject to certain adjustments which include adding back any dividends paid or provided for during any relevant performance period and any contingent tax liabilities to the extent they are brought onto the balance sheet as a result of REO's accounting policies being changed. There is also a cap on the performance fee so that it cannot exceed the fee that would have been payable pursuant to the original performance fee formula in the IAMA dated 5 December 2006 by more than five per cent. of the total net asset value at the end of the year in question;

- (iii) if agreed by REO, a development management fee of 1.5 per cent. of construction costs for the development in question; and
- (iv) if agreed by REO, a project management fee of 1.5 per cent. of construction costs for the development in question.

The performance fee will be paid either in cash or by the issue of REO Ordinary Shares at an issue price equivalent to the net asset value per share at the end of the last business day of the relevant calculation period. REO will reimburse Treasury Holdings in respect of fees and expenses of professional advisors and other third parties and certain other expenses. Treasury Holdings will have the benefit of an indemnity from REO under the terms of the agreement in relation to liability incurred by Treasury Holdings in the discharge of its duties other than those arising for reason for fraud, negligence, wilful default or bad faith or breach of the terms of the agreement by Treasury Holdings.

- 6.11 An investment management agreement dated 5 December 2006 between REO and Invesco Asset Management Limited (“IAML”) pursuant to which IAML was appointed to provide investment management services relating to the Income Portfolio. The agreement is terminable by REO upon 6 month's notice to IAML and by IAML upon 12 month's notice to REO. The agreement may be terminated on shorter notice, *inter alia*, in the event of material breach, insolvency and change of control.

Under the agreement, IAML is entitled to receive an advisory fee of £400,000 per annum payable in arrears on 31 December in the relevant year. In addition, in respect of any acquisition made by REO or any REO Group subsidiary on advice received from IAML, IAML shall be entitled to receive a fee calculated on the following basis: (i) in the case of an acquisition from Treasury Holdings or one of its associates, 0.60 per cent. of the value of the consideration; (ii) in the case of an acquisition introduced by, and where REO was primarily advised by, Treasury Holdings, 0.20 per cent. of the value of the consideration; (iii) in the case of an acquisition in the UK or Ireland not falling under (i) or (ii) above, 0.65 per cent. of the value of the consideration. In respect of any issuance of securities by REO or any REO Group subsidiary acting on advice received from IAML, to third parties, whether for cash or other consideration, IAML shall be entitled to a fee of the following percentages of the value at the issue price of such securities: (i) on amounts up to and including £150 million, 0.50 per cent.; (ii) on any amounts over £150 million up to and including £300 million, 0.25 per cent.; and (iii) on any amounts in excess of £300 million, 0.125 per cent. The fee will only be payable where IAML or its associate(s) is engaged to procure purchasers or subscribers for securities.

- 6.12 A loan facility agreement dated 29 November 2006 between (1) REO (Bund) Limited (as Parent), (2) REO (Powerstation) Limited (as Company), (3) the companies listed therein as Original Guarantors, (4) The Governor and Company of the Bank of Scotland (as Arranger), (5) the financial institutions listed therein as Original Lenders, (6) The Governor and Company of the Bank of Scotland (as Agent), (7) The Governor and Company of the Bank of Scotland (as Security Trustee) and (8) REO as the same may be amended, supplemented, novated or restated from time to time (the “Facilities Agreement”) whereby the Original Lenders agree to make available to REO (Powerstation) Limited a Sterling term facility in an aggregate principal amount of £150 million for the purposes of financing the Acquisition. The Bank Facility (as defined) is available from the date of Completion (as defined) for a period of three years. The Bank Facility includes certain representations, undertakings and events of default which are standard in a debt facility of this nature. Certain arrangement fees, agency fees and commitment fees are payable to

the Lenders (as defined) in connection with the Bank Facility. Interest on the Bank Facility accrues at 1.65 per cent. over LIBOR, subject to adjustments for certain mandatory banking costs of the Lenders. The Bank Facility is guaranteed by REO and certain subsidiaries of the Group;

- 6.13 A substantial shareholder agreement dated 11 April 2005 between REO and Treasury Holdings for the purposes of regulating the relationship between REO and Treasury Holdings. Under this agreement, the parties have agreed that, for so long as Treasury Holdings and its associates exercise, or control the exercise of 30 per cent. or more of the voting rights of REO or is able to control the appointment of directors who are able to exercise a majority of votes at board meetings, Treasury Holdings will not (and will exercise such rights as it may have to procure that its associates will not): (i) take any action which may result in REO or INVESCO not being able to carry on its business independently of Treasury Holdings or its associates or (ii) enter into any transaction or relationship with REO other than at arm's length and on a normal commercial basis. The Substantial Shareholder Agreement shall continue in full force and effect for so long as Treasury Holdings and/or any of its associates continue to own or control REO Ordinary Shares carrying in aggregate 30 per cent. or more of the voting rights in REO and shall terminate if the ownership of the REO Ordinary Shares and/or any of its associates falls below this level or the REO Ordinary Shares cease permanently to be listed on the Official List.
- 6.14 A commercial mortgage backed bond issue valued at €375 million entered into by CMH CMBS Borrower Limited, a wholly owned Group company, on 15 February 2006. The €375 million was funded through the issue of four tranches of notes under a senior credit agreement, which are secured over 16 properties in Dublin and Cork. The agreement is interest only maturing on the 15th of January 2015. The notes are rated AAA down to BBB by both Standard and Poor's Rating Services, and Fitch Ratings Limited and are expected to mature on the 15th of January 2013. A subordinated loan of €50 million was also entered into by CMH CMBS Borrower Limited.
- 6.15 Two loan agreements entered into by CMH CMBS Borrower Limited, a wholly-owned Group company, on 15 February 2006. The first was a senior secured loan for £375,000,000 (the "Senior Loan") provided by Opera Finance (CMH) p.l.c. (the "Senior Lender") with a final repayment date falling in January 2013. The Senior Lender is a special purpose vehicle which funded the provision of the Senior Loan by issuing listed rated notes into the capital markets. The other loan amounting to £50,000,000 was made available to the Borrower by Anglo Irish Bank p.l.c. (the "Junior Lender") and has a final repayment date of 15 January 2013 (the "Junior Loan") (the Senior Loan and the Junior Loan together the "Loans").

The Borrower on-lent the proceeds of the Senior Loan and the Junior Loan to other group companies. Each of the Borrower and certain other group companies provided security to secure both the Senior Loan and the Junior Loan. The Loans are subject to intercreditor arrangements. The security provided was comprehensive and included: security over the shares in the Borrower and certain other group companies; security over 16 retail and office properties located in Ireland; security over certain occupational leases; floating charges provided by the group companies involved. In addition certain group companies provided guarantees of the Loans.

## 7 Litigation

- 7.1 Save as set out in paragraph 7.2 below neither the Company nor REO nor any other member of the Group is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company or REO is aware) in the 12 months prior to the date of this document which may have, or have had in the recent past, significant effects on the Company's or the Group's financial position or profitability.
- 7.2 In June 2004, REO gave notice to Aberdeen Asset Managers ("Aberdeen") and UBS Limited ("UBS") of claims which were likely to be brought against those parties seeking compensation for substantial losses suffered by REO in its income portfolio in 2001 and 2002. Details of the claims were supplied in writing in December 2004. REO announced on 16 March 2007 that it had reached a settlement with Aberdeen in relation to all claims against Aberdeen arising from the launch of REO and the subsequent management by Aberdeen of REO's income portfolio. The settlement with Aberdeen provided for an immediate cash payment to be made to REO by Aberdeen which has been satisfied. In addition, Aberdeen agreed to discontinue its counterclaim against REO for unpaid management fees. The net effect of the settlement on REO after taking full account of the

immediate and deferred cash payments, providing for costs as appropriate and releasing such provisions as have been made in respect of the Aberdeen counterclaim, is an enhancement to net assets (as at 31 December 2006) of some £42.5 million. The net per share enhancement of the £42.5 million equates to 16.8 pence per share. REO announced on 16 May 2007 that it had reached a settlement with UBS in relation to all claims it had against UBS arising from the launch of REO. The net effect to REO of the settlement with UBS is an enhancement to net assets (as at 31 December 2006) of approximately £6.3 million.

## **8 Taxation**

The following paragraphs, which are intended as a general guide only, summarise advice received by the Directors as to the position of ZDP Shareholders who are resident (or, in the case of an individual, ordinarily resident or temporarily non-resident) in the United Kingdom, who hold their ZDP Shares as investments and who are the beneficial owners of those shares. This summary is not intended to apply to certain classes of ZDP Shareholder such as dealers in securities. Under current legislation, the Company assumes no responsibility for the withholding of taxes at source.

Such advice is based on tax law and practice at the date of this document, which may be subject to change. ZDP Shareholders who are in any doubt as to their tax position, or if they may be subject to tax in a jurisdiction other than the United Kingdom, should consult their own professional adviser without delay.

### **8.1 *Taxation of Capital Gains***

Any gains on disposal of the ZDP Shares by UK residents (or, in the case of an individual, ordinarily resident or temporarily non-resident) ZDP Shareholders) may give rise to a liability to United Kingdom taxation on capital gains. Non-Jersey resident ZDP Shareholders will not suffer any liability to capital gains tax in Jersey.

### **8.2 *Stamp Duty and Stamp Duty Reserve Tax (“SDRT”)***

No Jersey or UK stamp duty, and no UK SDRT, will be payable on the issue of the ZDP Shares.

United Kingdom stamp duty is payable on any instrument of transfer of the ZDP Shares executed within, or brought into, the United Kingdom. Provided that the ZDP Shares are not registered in any register of the Company kept in the United Kingdom an agreement to transfer the ZDP Shares will not be subject to UK SDRT.

In the event of the death of a sole holder of the ZDP Shares, a Jersey grant of probate or administration may be required in respect of which certain fees will be payable.

### **8.3 *Other United Kingdom tax considerations***

The attention of individuals ordinarily resident in the United Kingdom is drawn to the provisions of Sections 739-745 of the Income and Corporation Taxes Act 1988 (the “Taxes Act”). These contain anti-avoidance provisions dealing with the transfer of assets to overseas persons in circumstances which could, in certain circumstances, render such individuals liable to taxation in respect of undistributed profits of the Group.

The attention of United Kingdom resident and domiciled Shareholders is drawn to the provisions of Section 13 of the Taxation of Chargeable Gains Act 1992 under which, in certain circumstances, capital gains can be attributed to an investor who holds, alone or together with associated persons, more than 10 per cent. of the ZDP Shares.

### **8.4 *PEPs and ISAs***

If REO ZDP Shareholders currently hold REO ZDP Shares in a PEP or an ISA, the ZDP Shares should qualify for inclusion in a PEP or in the stocks and shares component of an ISA.

ZDP Shares purchased in the market should qualify for inclusion in a PEP or in the stocks and shares component of an ISA.

## **9 Corporate governance**

- 9.1 The Company recognises the value of the Combined Code and will take appropriate measures to ensure that the Company complies with the Combined Code to the extent which is appropriate to the Company's nature and scale of operation. REO complies and the Company intends to comply with the corporate governance regime that applies in Jersey.
- 9.2 The Company does not intend to establish Audit, Nomination or Remuneration Committees. REO has established an Audit Committee with formally delegated duties and responsibilities, comprising Messrs Horney, Jenkins, Milne and Richardson. The Audit Committee meets at least twice a year to review the internal financial and non-financial controls, to approve the contents of the draft interim and annual reports to shareholders and to review the accounting policies. In addition, the Audit Committee reviews the Auditors' independence, objectivity and effectiveness, the quality of the service providers to the Group and, together with the Manager, reviews the Group's compliance with the financial reporting and regulatory requirements.

## **10 Auditors**

The auditors to REO for the financial years ended 31 December 2005 and 2006 were KPMG, a member of the Institute of Chartered Accountants in the Republic of Ireland. No auditors resigned, were removed, or were not re-appointed since incorporation of REO.

## **11 General**

- 11.1 REO and the Property Investment Manager are promoters of the Company. No amount or benefits have been paid or given to REO or the Property Investment Manager and none is intended to be paid or given.
- 11.2 All expenses arising in connection with the Introduction, the Scheme and the Proposals (expected to be approximately £795,000) will be paid by REO. The total expenses payable by the Company in connection with the Introduction and the Scheme will be nil.
- 11.3 Landsbanki Securities (UK) Limited has given and not withdrawn its written consent to the issue of this document with references to its name in the form and context in which they appear.
- 11.4 The Property Investment Manager is an unlimited company which was incorporated in Ireland, and is governed by Irish law, with company number 198482. The registered office and principal place of business of the Property Investment Manager is Connaught House, 1 Burlington Road, Dublin 4, Ireland. The telephone number of the Property Investment Manager is +353 1 618 9300.
- 11.5 The ISIN number of the ZDP Shares is JE00B1WT2X82. The SEDOL code of the ZDP Shares is B1WT2X8.
- 11.6 Other than as provided in the City Code on Takeovers and Mergers there are no rules or provisions relating to mandatory takeover bids in relation to the Ordinary Shares or the ZDP Shares. Rules and provisions relating to squeeze-out and/or sell-out rules relating to the Ordinary Shares and the ZDP Shares are contained in the Companies (Jersey) Law 1991.
- 11.7 Neither the Company nor the Group has any employees.

## **12 Documents on display**

Copies of the following documents will be available for inspection during normal business hours on any weekday (Saturdays and public holidays excepted) at the offices of Stephenson Harwood, One, St Paul's Churchyard, London, EC4M 8SH until 15 February 2008:

- 12.1 the Memorandum and Articles of Association of the Company and REO;
- 12.2 the proposed new Memorandum and Articles of Association of REO;
- 12.3 the audited report and accounts of REO for the financial years ended 31 December 2005 and 2006 and the unaudited interim report for the six months ended 30 June 2007;
- 12.4 the prospectus issued by REO dated 12 October 2007;

12.5 the Undertaking Agreement;

12.6 the Circular; and

12.7 this prospectus.

Dated 18 December 2007

## DEFINITIONS

The following definitions apply throughout this document (except in Part II of this document containing the Scheme) unless the context requires otherwise:

“Admission”	admission of the ZDP Shares to the Official List and to trading on the London Stock Exchange’s main market for listed securities;
“Articles”	the articles of association of the Company from time to time;
“Board” or “Directors”	the directors of the Company including a duly constituted committee thereof whose names are set out on page 13;
“Business Day”	any day on which banks are open for business generally in the City of London;
“Circular”	the Circular to Shareholders issued by REO on the same date as this Prospectus;
“Combined Code”	the Combined Code on Corporate Governance published by the Financial Reporting Council and applicable for all applicable periods beginning on or after 1 November 2003;
“Company” or “REO Securities”	REO Securities Limited, a company incorporated in the Jersey with registered number 97292;
“Court”	The Royal Court of Jersey;
“Court Hearing”	the hearing by the Court of the application to sanction the Scheme pursuant to the Scheme under Article 125 of the Law;
“CREST”	the system for paperless settlement of trades in securities and the holding of uncertificated securities which is operated by Euroclear;
“Euroclear”	Euroclear UK & Ireland Limited;
“CREST Regulations”	the Uncertificated Securities Regulations 2001, as amended and the Companies (Uncertificated Securities) (Jersey) Order 1999;
“CULS”	7.5 per cent. convertible unsecured loan stock 2011 in REO;
“CULS Holders”	holders of CULS
“CULS Holders Meeting”	the meeting of CULS Holders convened for 18 January 2008 and any adjournment thereof
“Effective Date”	the date on which the Scheme becomes effective in accordance with its terms, such date being dependant upon when the Court sanctions the Scheme and on when the scheme conditions are met, which is expected to be on or around 15 February 2008;
“FSA”	the Financial Services Authority;
“FSMA”	the Financial Services and Markets Act 2000 (as amended);
“Group”	REO and its subsidiaries including the Company;
“Havenview”	Havenview Investments Limited;
“Income Portfolio”	the portfolio of high yielding fixed interest securities and convertible bonds, loan stock, loans, preference shares and other high yielding securities issued by investment companies and trusts;

“Introduction”	the introduction of 57,755,782 ZDP Shares to be issued in connection with the Scheme to the Official List and to trading on the main market of the London Stock Exchange;
“INVESCO”	Invesco International Limited;
“Investment Management Agreements”	the global investment adviser agreement between REO and Treasury Holdings dated 5 December 2006 and the Irish investment adviser agreement between REO and Treasury Holdings dated 5 December 2006, summaries of which are set out in paragraph 6.9 and 6.10 of Part V;
“Irish Property Portfolio”	the portfolio of real property assets owned by the Group which are located in Ireland;
“ISA”	Individual Savings Account for the purposes of section 333 (1A) of the Income and Corporation Taxes Act 1988;
“JFSC”	Jersey Financial Services Commission;
“Law”	the Companies (Jersey) Law 1991 (as amended);
“Listing Rules”	the listing rules made by the UK Listing Authority for the purposes of Part VI of the FSMA;
“Loan Notes”	the unlisted £100,000,000 6.324 per cent. series A and £50,000,000 6.324 per cent. series B secured loan notes 2011 issued by REO the terms of which are summarised in paragraph 6.8 of Part V of this document;
“London Stock Exchange”	London Stock Exchange PLC;
“Official List”	the official list of the UK Listing Authority;
“Ordinary Class Meeting”	the class meeting of the REO Ordinary Shareholders convened for 18 January 2008 at 11.35 a.m. and any adjournment thereof;
“Ordinary Shares”	ordinary shares of £1 each in the capital of the Company;
“Property Investment Manager” or “Manager” or “Treasury Holdings”	Treasury Holdings, an unlimited company incorporated in Ireland with company number 198482;
“Property Portfolio”	the portfolio of real property assets owned by the Group;
“Proposals”	the proposals set out in the Circular which include the Introduction and the Scheme;
“Prospectus”	this document;
“Prospectus Rules”	the Prospectus Rules made by the UK Listing Authority for the purposes of Part VI of the FSMA;
“Registrar”	Capita Registrars (Jersey) Limited;
“Regulatory Information Service”	a service provided by the London Stock Exchange for the distribution to the public of announcements and included within the list maintained at the London Stock Exchange’s website;
“REO”	Real Estate Opportunities Limited, a company incorporated in Jersey with registered number 79679 (to include, where the context requires, its subsidiary undertakings other than the Company);

“REO Directors”	the board of directors of REO;
“REO EGM”	the extraordinary general meeting of REO convened for 18 January 2008 at 11.45 a.m. pursuant to the Scheme;
“REO Ordinary Shareholders”	holders of REO Ordinary Shares;
“REO Ordinary Shares”	ordinary shares of 1p each in the capital of REO;
“REO ZDP Shares”	zero dividend preference shares of 1p each in the capital of REO;
“REO ZDP Shareholders”	holders of REO ZDP Shares;
“Repayment Date”	31 May 2011;
“Scheme”	the scheme of arrangement to cancel the REO ZDP Shares and to issue in exchange ZDP Shares in the Company in its present form as set out in Part II of this document or with or subject to any modification, addition or condition approved or imposed by the Court;
“Scheme Conditions”	the conditions to the Scheme becoming effective which are set out in Part I of this document;
“Scheme Record Date”	the later of 14 February 2008 and the business day immediately preceding the Effective Date;
“Scheme Record Time”	6.00 p.m. (London time) on the Scheme Record Date;
“Scheme Share Owner”	a holder of REO ZDP Shares as appearing in the register of members of REO at the Scheme Record Time;
“SCS/IPD Index”	the indices prepared by Investment Property Databank Limited on behalf of the Society of Chartered Surveyors, Ireland in relation to ungeared quarterly total returns to direct Irish property investments, covering the first and second quarters of 2007 and released on 2 May 2007 and 1 August 2007 respectively;
“Shares”	the Ordinary Shares and/or ZDP Shares and or REO Ordinary Shares, as the context may require;
“Shareholders”	Ordinary Shareholders and/or ZDP Shareholders and/or REO Ordinary Shareholders as the context may require;
“Treasury Holdings Group”	Treasury Holdings and its subsidiaries;
“Undertaking Agreement”	the undertaking agreement between REO and the Company dated 17 December 2007;
“UK” or “United Kingdom”	the United Kingdom of Great Britain and Northern Ireland;
“UK Listing Authority”	the FSA, acting in its capacity as the competent authority for the purposes of the FSMA;
“ZDP Shares”	zero dividend preference shares of 0.001p each in the capital of the Company;
“ZDP Shareholders”	holders of ZDP Shares from time to time;
“ZDP Class Meeting”	the class meeting of the REO ZDP Shareholders convened for 18 January 2008 at 11.25 a.m. pursuant to the Scheme and any adjournment thereof; and
“ZDP Court Meeting”	the class meeting of the REO ZDP Shareholders convened by order of the Court pursuant to Article 125 of the Law for 18 January 2008 at 11.15 a.m. pursuant to the Scheme, and any adjournment thereof.

