**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. When considering what action you should take, you are recommended to seek your own financial and tax advice from your stockbroker, bank manager, solicitor, accountant or other professional adviser duly authorised under the Financial Services and Markets Act 2000 (as amended) or (in Ireland) authorised or exempted pursuant to the Investment Intermediaries Act 1995 of Ireland or the Stock Exchange Act 1995 of Ireland.**

If you have sold or otherwise transferred all of your ZDP Shares, you are requested to forward this document, together with the accompanying Form of Proxy as soon as possible to the stockbroker, bank or other agent through whom the transfer was effected for transmission to the purchaser or transferee, except that such documents should not be forwarded or transmitted into any jurisdiction where to do so might constitute a violation of local securities laws or regulation, including, but not limited to, the United States. If you have sold or otherwise transferred part only of your holding of ZDP Shares, you should retain this document and the accompanying Form of Proxy and consult the stockbroker, bank or other agent through whom the transfer was effected.

The distribution of this document in jurisdictions other than the UK and Ireland 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 these restrictions may constitute a violation of the securities laws of such jurisdictions. In particular, this document and the accompanying Form of Proxy should not be distributed, forwarded to or transmitted in or into the United States.

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# REO Securities Limited

(*Incorporated and registered in Jersey with registered number 97292 on 27 April 2007*)

## Zero Dividend Preference Shares (''ZDP Shares'')

## Proposals for standstill and debt for equity swap

## and

## Notice of Meeting of ZDP Holders

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Notice of a meeting of ZDP Holders to be held at Ogier House, The Esplanade, St Helier, Jersey JE4 9WG on 5 May 2011 at 11.00 a.m. is set out at the end of this document. ZDP Holders are requested to complete and return their Forms of Proxy to Capita Registrars at PXS, The Registry, 34 Beckenham Road, Beckenham BR3 4TU as soon as possible and in any event so as to be received no later than 11.00 a.m. on 3 May 2011, whether or not they propose to be present at the Meeting.

A summary of the action to be taken by ZDP Holders is set out on page 10 of this document. The return of one or more completed Forms of Proxy will not prevent you from attending the meeting of ZDP Holders and voting in person if you wish to do so (and are so entitled).

**If the Resolution is not passed at the meeting of ZDP Holders, Real Estate Opportunities plc (the ''Company'') will be unable to implement the Restructuring. In these circumstances, the Company would be obliged to repay over £400 million of third party indebtedness on 31 May 2011 and it is highly likely that the Company would need to initiate an insolvency process, in which event ZDP Holders would be unlikely to receive any payment in respect of the ZDP Shares. ZDP Holders are therefore urged to vote in favour of the Resolution and to return their Forms of Proxy as soon as possible and in any event so as to be received by no later than 11.00 a.m. on 3 May 2011, whether or not they propose to be present at the Meeting.**

A copy of this document has been delivered to the registrar of companies in accordance with Article 5 of the Companies (General Provisions) (Jersey) Order 2002, and the registrar has given, and has not withdrawn, consent to its circulation. The Jersey Financial Services Commission has given, and has not withdrawn, its consent under Articles 2 and 4 of the Control of Borrowing (Jersey) Order 1958, as amended, to the issue of shares in the Company, Newco and BPSSV and securities comprising share warrants in BPSSV. It must be distinctly understood that, in giving these consents, neither the registrar of companies in Jersey nor the Jersey Financial Services Commission takes any responsibility for the financial soundness of the Company, Newco or BPSSV or for the correctness of any statements made, or opinions expressed, with regard to any of them.

The Jersey Financial Services Commission is protected by the Control of Borrowing (Jersey) Law 1947, as amended, against liability arising from the discharge of its functions under that Law. It should be remembered that the price of securities and the income from them can go down as well as up.

The investments in BPSSV and Newco described in this document do not constitute a collective investment fund for the purpose of the Collective Investment Funds (Jersey) Law 1988, as amended. They are investment products designed for financially sophisticated investors with specialist knowledge of, and experience of investing in, such investments, who are capable of fully evaluating the risks involved in making such investments and who have an asset base sufficiently substantial as to enable them to sustain any loss that they might suffer as a result of making such investments. These investments are not regarded by the Jersey Financial Services Commission as suitable investments for any other type of investor. Any individual intending to invest in any investment described in this document should consult his or her professional adviser and ensure that he or she fully understands all the risks associated with making such an investment and has sufficient financial resources to sustain any loss that may arise from it.

The REO Shares, BPSSV Shares, Newco Shares and BPSSV Warrants have not been and will not be registered under the Securities Act or under any relevant securities laws of any state or other jurisdiction of the United States and may not be offered, sold, taken up, exercised, resold, transferred or delivered, directly or indirectly, within the United States absent registration or an applicable exemption from the registration requirements of the Securities Act and in compliance with state laws. There will be no public offer of the REO Shares, BPSSV Shares, Newco Shares and BPSSV Warrants in the United States. Neither this document nor the accompanying Form of Proxy will be sent to any ZDP Holder having a registered address in the United States. Any completed Form of Proxy sent from or post-marked in the United States will be deemed invalid.

# CONTENTS



# ILLUSTRATIVE TIMETABLE OF PRINCIPAL EVENTS

| | |
|---|---|
| Last date for receipt of Proxy Forms for meeting of ZDP Holders | 11.00 a.m. on 3 May |
| Meeting of ZDP Holders – Standstill Amendment becomes effective | 11.00 a.m. on 5 May |
| Prospectus published | 6 May |
| Record Date for the issue of REO Shares, BPSSV Shares and BPSSV Warrants to ZDP Holders | 5.00 p.m. on 11 May |
| Restructuring completes (the **"Effective Date"**): | 12 May |
| Debt for Equity Swap Amendment becomes effective | 7.59 a.m. |
| REO Shares allotted to ZDP Holders | 8.00 a.m. |
| Dealings commence in REO Shares allotted to ZDP Holders | 8.00 a.m. |
| Cancellation of listing of ZDPs | 8.00 a.m. |
| CREST accounts credited with uncertificated REO Shares | asap after 8.00 a.m. |
| BPSSV Shares and BPSSV Warrants allotted to ZDP Holders | by 1.00 p.m. |
| CREST accounts credited with uncertificated BPSSV Shares and BPSSV Warrants | asap after 1.00 p.m. |
| Distribution of BPSSV Shares and BPSSV Warrants by the Company to ZDP Holders | by close of business |
| CREST accounts credited with uncertificated BPSSV Shares and BPSSV Warrants distributed by the Company | by close of business |
| Certificates in respect of REO Shares, BPSSV Shares and BPSSV Warrants despatched | by no later than 26 May |

References to times in this document are to London times unless otherwise stated.

# Part 1

## Letter from the Chairman

# REO Securities Limited

(*Registered in Jersey under the Companies (Jersey) Law 1991, as amended, with registered number 97292)*

| *Directors* | *Registered Office:* |
|---|---|
| Raymond Yeoman Frederick Horney (*Chairman*) | Ogier House |
| Richard Joseph Barrett | The Esplanade |
| Keith Anthony Jenkins | St Helier |
| John Philip Jenkinson | Jersey |
| Garth Peter Denis Milne | JE4 9WG |
| Robert Tincknell | |
| Martin Willaume Richardson | |

11 April 2011

Dear ZDP Holder,

**Proposals for standstill and debt for equity swap**
**and**
**Notice of Meeting of ZDP Holders**

### 1. Introduction

Since the onset of the economic downturn in 2008, the Group has suffered from unprecedented market conditions which have affected its operational and financial performance. In particular, the Group has been affected by declining asset values which have significantly impacted on the valuation of the Group's portfolio and impacted the Group's ability to finance future developments and repay its liabilities. As at the half year ended 31 August 2010, the deficit on Shareholders' funds was £755 million and the Group had current liabilities, payable within 12 months, in excess of £1.4 billion.

Against this background, the Board carefully considered, with its advisers, the options available and concluded that, in order to seek to avoid an insolvency process, financial restructuring of the Group would be required. Following protracted discussions with creditors, the final terms of the first phase of such restructuring was announced today. Under the Restructuring, Battersea Power Station will be demerged and £437 million of indebtedness (stated as at 31 August 2010), including all amounts payable to ZDP Holders, will be settled pursuant to debt for equity swaps under which creditors (including ZDP Holders) will be issued with REO Shares and shares and warrants in a new holding company, BPSSV, which will own Battersea Power Station.

To effect the debt for equity swap, the consent of ZDP Holders is required to amend the Issuer Articles. A meeting of ZDP Holders is being convened for this purpose at 11.00 a.m. on 5 May 2011 and notice of the meeting is set out at the end of this document. The required majority to pass the resolution to be proposed at the meeting is 75 per cent. of those ZDP Holders voting at the meeting whether in person or by proxy. ZDP Holders together holding 58 per cent. of ZDP Shares in issue have irrevocably undertaken to vote in favour of the resolution at the meeting.

### 2. Background to and reasons for the Restructuring

Since the onset of the economic downturn in 2008, the Group has suffered from unprecedented market conditions which have affected its operational and financial performance. In particular, the Group has been affected by declining asset values which have significantly impacted the valuation of the Group's portfolio and the Group's ability to finance future developments and repay its liabilities.

On 29 October 2010, the Company announced its consolidated unaudited interim results for the six months ended 31 August 2010 which showed that, at 31 August 2010, the Group's property investment and development portfolio was valued at £1.05 billion, the deficit on Shareholder funds was £755 million and the financial liabilities of the Group were as set out in the table below.

| | **31 August 2010 Unaudited '000** |
|---|---|
| **Non-current financial liabilities** | |
| CULS | — |
| ZDPs | — |
| Senior loan | 307,639 |
| Bank loans secured on Irish property assets | 5,708 |
| | **313,347** |

| | **31 August 2010 Unaudited '000** |
|---|---|
| **Current financial liabilities** | |
| Bank loans secured on UK property assets | 251,448 |
| Loan Notes | 146,253 |
| Bank loans secured on Irish property assets | 723,167 |
| CULS | 100,895 |
| ZDPs | 127,537 |
| | **1,349,300** |

The maturity profile of the Group's debt as at 31 August 2010 was as set out in the table below.

| **31 August 2010 (unaudited)** | **Carrying amount** | **Contractual cash flows** | **<1 yr '000** | **1-2 yrs '000** | **2-3 yrs '000** | **3-4 yrs '000** | **4-5 yrs '000** | **>5 yrs '000** |
|---|---|---|---|---|---|---|---|---|
| CULS | 100,895 | 106,571 | 106,571 | — | — | — | — | — |
| Loan Notes | 146,253 | 159,572 | 159,572 | — | — | — | — | — |
| ZDPs | 127,537 | 136,021 | 136,021 | — | — | — | — | — |
| Variable rate debt fixed with interest rate swaps | 1,160,483 | 1,249,689 | 908,831 | 13,980 | 321,795 | 259 | 259 | 4,565 |
| Variable rate debt | 129,139 | 137,401 | 137,401 | — | — | — | — | — |
| Provisions | 877 | 877 | 35 | 35 | 35 | 35 | 35 | 702 |
| Trade and other payable | 58,350 | 58,350 | 58,350 | — | — | — | — | — |
| | **1,723,534** | **1,848,481** | **1,506,781** | **14,015** | **321,830** | **294** | **294** | **5,267** |

Approximately £297 million of financial indebtedness was repayable by the end of 2010 and not repaid, and approximately £1,052 million fell due for repayment in 2011, including the amounts payable to CULS Holders, ZDP Holders and Oriental on 31 May 2011. The failure to repay by the end of 2010 constituted a default under the relevant facilities and placed the Group in default under other facility agreements by virtue of cross default provisions.

Having regard to the level of indebtedness repayable and the ongoing covenant breaches and defaults, the Board carefully considered with its advisers the options available and concluded that financial restructuring of the Group's liabilities would be required. In determining how to effect any restructuring, the Board was motivated by the desire to effect a consensual restructuring in order to seek to protect the value of the Group's most significant asset, Battersea Power Station, which in turn should facilitate the search for an equity investor to assist with the Battersea development.

The Board was also of the view, as advised, that a consensual restructuring should help to re-position the Group to benefit from any subsequent stabilisation in the Irish and UK property markets and any future growth in the wider Irish and UK economies.

Against the above background, the Group and its advisers have been engaged in discussions with creditors with a view to restructuring its liabilities in relation to both its Irish property portfolio and Battersea Power Station. As further described below, the Group has entered into a non binding arrangement with the Group's single largest creditor, NAMA, with a view to agreeing the terms of ongoing financial support in relation to the Group's Irish property portfolio. On 11 April 2011, the Group announced the final terms of the Restructuring in relation to Battersea Power Station.

Following completion of the Restructuring, all Battersea Power Station related liabilities will be owed solely by companies in the Battersea Group and all liabilities of the Battersea Group to other Group companies will have been satisfied. The Battersea Group's financial liabilities to third parties will not be repayable until 31 August 2011.

Further information on the Group's financial position may be found in the unaudited interim report and accounts of the Group for the six months to 31 August 2010 and in the consolidated accounts for the period ended 28 February 2010, both of which are incorporated herein by reference. Copies are available on the Company's website www.realestateopportunities.co.uk

### 3. The Restructuring

Pursuant to the Restructuring:

(a) Battersea Power Station, related bank loans, the Company's obligations under the Loan Notes and other related assets and liabilities will be transferred to a new holding company, BPSSV, or one of its subsidiaries;

(b) the Group's liability to pay ZDP Holders an aggregate of £136 million by way of capital on 31 May 2011 will be satisfied by effecting a debt for equity swap pursuant to which ZDP Holders on the Register on the Record Date will be issued with approximately 40.5 million REO Shares (representing approximately 9.1 per cent. of the Company's enlarged ordinary share capital immediately following Completion), approximately 121 million BPSSV Shares (in aggregate representing approximately 12.1 per cent. of BPSSV's share capital immediately following Completion) and BPSSV Warrants in respect of approximately 91 million BPSSV Shares (representing approximately 7 per cent. of BPSSV's share capital on a fully diluted basis). The more detailed mechanics pursuant to which individual ZDP Holders will receive their entitlements to REO Shares, BPSSV Shares and BPSSV Warrants (including an intermediate step whereby ZDP Holders will initially receive Newco Shares instead of BPSSV Shares and BPSSV Warrants) is set out in paragraph 3 of Part 3 of this document;

(c) the Group's liability to pay CULS Holders an aggregate of £100.9 million of principal and £9.5 million of accrued interest as at 31 May 2011 (including interest not paid on 31 August 2010 and 28 February 2011) will be satisfied by effecting a debt for equity swap pursuant to which CULS Holders will be issued with approximately 70.8 million REO Shares (representing approximately 15.9 per cent. of the Company's enlarged ordinary share capital immediately following Completion), approximately 212 million BPSSV Shares (representing approximately 21.2 per cent. of BPSSV's share capital immediately following Completion) and BPSSV Warrants in respect of approximately 159 million BPSSV Shares (representing approximately 12.2. per cent. of BPSSV's share capital on a fully diluted basis);

(d) the debt due by companies within the Battersea Group to other companies in the wider Group (amounting to £208 million as at 31 August 2010) will be satisfied by effecting debt for equity swaps, as a result of which BPSSV Shares representing a total of approximately 54 per cent. of BPSSV's issued share capital immediately following Completion will be issued to companies in the Group;

(e) Treasury Holdings will, by way of a management incentive fee, be issued with approximately 77 million BPSSV Shares (representing approximately 7.7 per cent. of BPSSV's issued share capital immediately following Completion) and BPSSV Warrants in respect of 25 million BPSSV Shares (representing approximately 1.9 per cent. of BPSSV's share capital on a fully diluted basis);

(f) the Company will be issued approximately 50 million BPSSV Shares (representing approximately five per cent. of BPSSV's issued share capital immediately following Completion) and BPSSV Warrants in respect of approximately 25 million BPSSV Shares (representing approximately 1.9 per cent. of BPSSV's share capital on a fully diluted basis). The Company will distribute these BPSSV Shares and BPSSV Warrants in specie to Shareholders (including Treasury Holdings) subject to the Company passing a resolution to amend its articles of association to permit distributions in specie. A circular convening a meeting of Shareholders to consider passing such a resolution is available on the Company's website www.realestateopportunities.co.uk and is also available on display as described on page 51 of this document;

(g) Oriental has agreed to a standstill arrangement with the Company whereby Oriental has agreed not to take enforcement action in relation to the non payment of interest and other covenant breaches under the Loan Notes until 31 August 2011 or earlier if the standstill arrangement is terminated in accordance with the standstill agreement described in paragraph 3 of Part 4 of this document. Oriental has also agreed to release the Company from its obligations under the Loan Notes on terms that a subsidiary of BPSSV assumes liability to repay the debt. It has also been agreed that, if the Senior Lenders agree to defer the date for repayment under the BPS Facility Agreements beyond 31 August 2011, Oriental will also defer the date for repayment of the Loan Notes accordingly. Oriental will be entitled to a forbearance fee of £4.5 million in consideration for entering into the standstill agreement, payable by the Battersea Group on 31 August 2011 or such later repayment date if the BPS Facility Agreements are extended;

(h) the Company will be released from its guarantees of the BPS Facility Agreements (under which the aggregate liability (including forbearance fees and interest rate swaps) at Completion is expected to be approximately £300 million) and will be provided with the necessary Senior Lender consents to implement the Restructuring; and

(i) the Company will be granted forbearance by NAMA under which, for a 12 month period following Completion, NAMA will agree not to call under the guarantee provided by the Company in relation to a €95 million facility advanced in relation to certain of the Group's assets in Ireland.

All BPSSV Shares to be issued to CULS Holders and ZDP Holders will be B Shares having the rights summarised in paragraph 1(o) of Part 5 of this document. All other BPSSV Shares to be issued under the Restructuring will be A Shares.

## 4. Resultant interests in the Company and BPSSV

Immediately following the issues of shares and warrants referred to above, the approximate interests of the various stakeholders in BPSSV and the Company will be as set out in the table below.

| | BPSSV | | | Company |
|---|---|---|---|---|
| | **Number of BPSSV Shares (million)** | **Equity Ownership %** | **Number of BPSSV Warrants (million)** | **Equity ownership %** |
| Group | 540 | 54.0 | — | — |
| CULS Holders[1] | 212 | 21.2 | 159 | 15.9 |
| ZDP Holders[1] | 121 | 12.1 | 91 | 9.1 |
| Treasury Holdings[2] | 109 | 10.9 | 41 | 48.6 |
| Other Shareholders (excluding Treasury Holdings) | 18 | 1.8 | 9 | 26.4 |
| Total | 1,000 | 100 | 300 | 100 |

Notes:

1 The BPSSV Shares to be issued to CULS Holders and ZDP Holders will be B Shares.

2 In addition, in its capacity as the holder of 13,553,790 CULS, Treasury Holdings will have an interest in an additional 9,512,291 REO Shares, 28,486,483 BPSSV Shares and 21,359,321 BPSSV Warrants.

## 5. Effect of the Restructuring on ZDP Holders in comparison to other financial creditors of the Group

As at 31 August 2010, the aggregate liability of the Group to secured creditors (including the Senior Lenders and Oriental) was approximately £1.43 billion, and the aggregate liability of the Group to unsecured financial creditors, including CULS Holders and ZDP Holders, was approximately £228 million. As stated above, as at 31 August 2010, the deficit on Shareholders' funds was £755 million and the Group had current liabilities, payable within 12 months, in excess of £1.4 billion. Accordingly, an insolvency of the Group would be expected to result in no or very limited return for the Group's unsecured creditors, including the CULS Holders and the ZDP Holders, whereas certain secured creditors might receive some return by enforcing their security.

Pursuant to the Restructuring, the Group's principal unsecured lenders (CULS Holders and ZDP Holders) are being asked to effect debt for equity swaps, whereas the Group's secured lenders are not. CULS Holders, ZDP Holders and Oriental are being requested to enter into, or have entered into, standstill and forbearance arrangements in connection with the Restructuring. The Group's other financial creditors are not entering into such standstill and forbearance arrangements. The Senior Lenders have previously agreed to extend the facilities under the BPS Facility Agreements to 31 August 2011. The Group is in default under various facilities relating to its Irish assets and, as described further in paragraph 6 below, the Irish Group continues to be reliant on the ongoing financial support of NAMA and other lenders. Formal arrangements for such ongoing support are not currently in place with these lenders. Under the Restructuring, Oriental has also agreed to extend the date for repayment of the Loan Notes to 31 August 2011 and to release the Company from its obligations under the Loan Notes on terms that a subsidiary of BPSSV assumes liability to repay the debt. Following Completion, ZDP Holders will be shareholders of REO and BPSSV and warrantholders of BPSSV. Shareholders and warrantholders of a company rank behind its creditors in an insolvency.

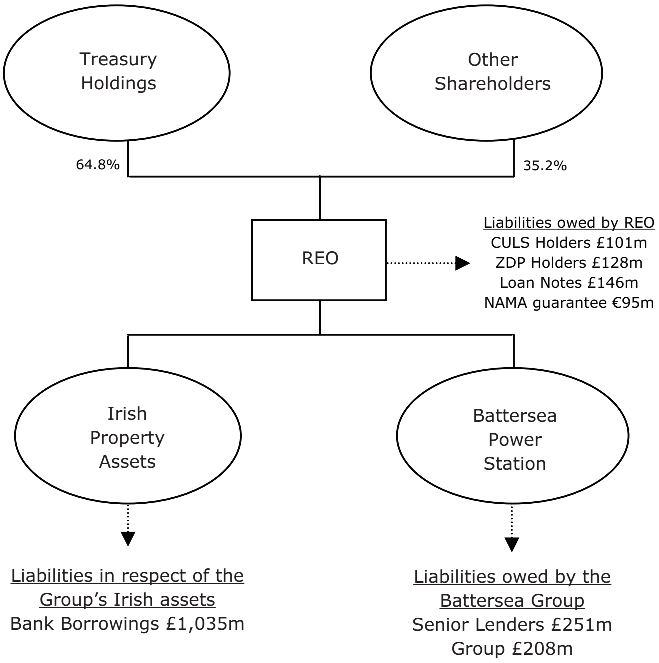
The Company considers, having taken advice, that the terms of the Restructuring (including the overall proportionate interests of CULS Holders and ZDP Holders in REO and BPSSV) reflect the relative economic and security positions of the Group's various creditors, including the fact that the ZDPs rank for repayment behind CULS.

An ad hoc committee comprising 8 ZDP Holders, representing approximately 58 per cent. of ZDPs in issue, negotiated the terms of the proposed debt for equity swap with the Company and its advisers. This committee has not been acting for or on behalf of ZDP Holders as a class and its members accept no responsibility to ZDP Holders in respect of the Restructuring or the terms of the proposed debt for equity swap.

## 6. Effect of the Restructuring

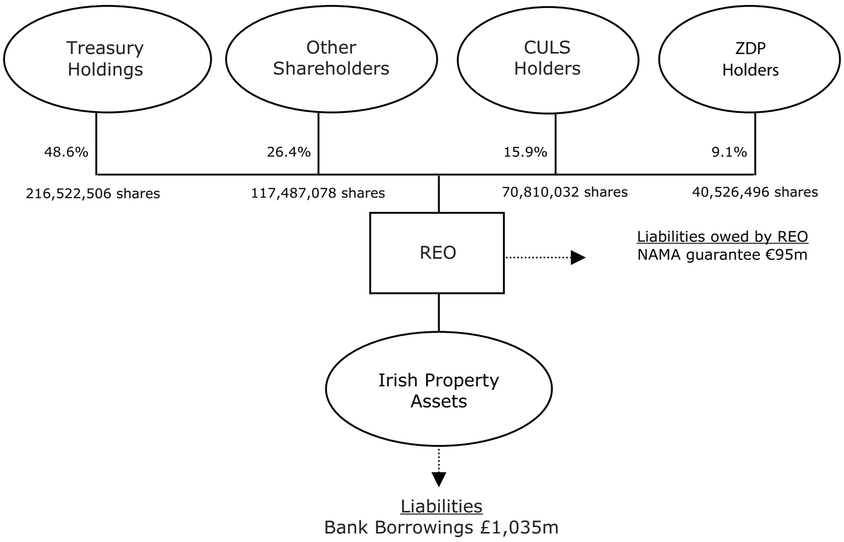
One of the principal effects of the Restructuring is that Shareholders will suffer significant dilution of their equity interests in the Group. In addition to a 25 per cent. dilution at the Company level by virtue of the issue of approximately 111 million REO Shares to CULS Holders and ZDP Holders, approximately 44 per cent. of the equity in BPSSV, the new holding company of Battersea Power Station, will be held by CULS Holders, ZDP Holders and Treasury Holdings. The effect of the dilution is shown in the diagrams below which depict the interests of the various stakeholders in the Company and in BPSSV both before and after Completion, **with financial liabilities all shown as at 31 August 2010**.

## Before Completion



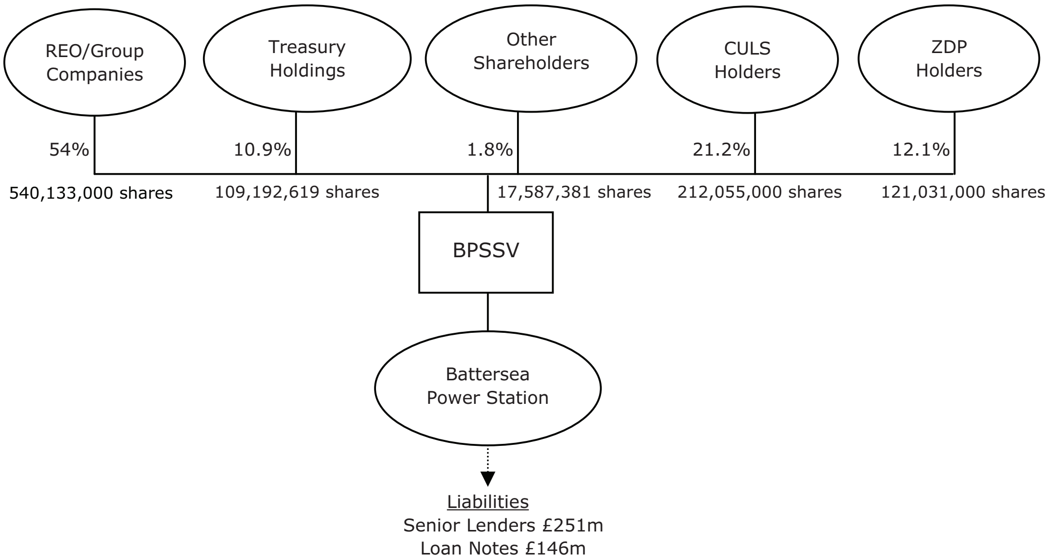

## After Completion

*Interests in REO*




Note:
In addition, in its capacity as a CULS Holder, Treasury Holdings will have an interest in an additional 9.5 million REO Shares.

*Interests in BPSSV*




Note:
In addition, in its capacity as a CULS Holder, Treasury Holdings will have an interest in an additional 28.5 million BPSSV Shares.

REO's consolidated balance sheet will, on Completion, benefit from the elimination of the liabilities represented by the CULS and ZDPs which, as set out in the unaudited interim results as at 31 August 2010, amounted to £101 million and £128 million respectively. Since the Company will own 54 per cent. of BPSSV, it will continue to consolidate it into the Group's accounts with an appropriate adjustment made for minority interests. Based on the amounts contained in the Company's unaudited interim report and accounts as at 31 August 2010, at Completion, the deficit on Shareholders' funds on a consolidated basis (but excluding the Battersea Group) will be £525 million and the Irish Group will have financial liabilities of £1,035 million (stated as at 31 August 2010).

Based on the amounts contained in the Company's unaudited interim report and accounts as at 31 August 2010, the assets and liabilities of the Battersea Group at Completion will comprise: (a) the Battersea property assets of approximately £440 million, (b) related secured bank loans of approximately £251 million; (c) the amount due under the Loan Notes of £146 million; and (d) other net current liabilities, including interest rate swaps, of approximately £42 million. Following Completion, shareholders' funds of the Battersea Group (based on 31 August 2010 numbers) will be approximately £1 million, the Battersea Group will be balance sheet solvent and its financial liabilities will not be repayable until 31 August 2011. The Directors believe that this should facilitate the search for one or more third party investors to invest in the Battersea Group.

Whilst the Restructuring should improve the Group's debt profile and generally facilitate a more beneficial outcome for the Group's creditors than would occur in insolvency:

(a) a third party investor is being sought to make an equity investment to allow the Loan Notes and the BPS Facility Agreements to be repaid or refinanced by 31 August 2011 and to facilitate the raising of development finance to fund the development of Battersea Power Station. Without any such third party investor or investors or new debt the development of the Battersea Site is likely to be substantially delayed and/or BPSSV may need to sell the Site potentially at a deflated value in order to repay indebtedness. Shareholders in BPSSV will be subject to the risk of substantial dilution upon the issue of any new equity in the Battersea Group to such investors; and

(b) the Irish Group will continue to have a significant net deficit on Shareholders' funds, will remain highly geared, will remain in default under most of its facility agreements and will need to undertake further financial restructuring.

During this ongoing restructuring process, the Irish Group will continue to be reliant on NAMA and its other lenders continuing to support the Irish Group by (i) waiving ongoing defaults and agreeing to defer the date for repayment of facilities; (ii) renewing expiring bank facilities; (iii) agreeing to roll up interest on bank facilities; (iv) restructuring capital payments on financial instruments; and (v) providing working capital.

In May 2010, the Group submitted a comprehensive business plan in relation to the Irish Group to NAMA for review. Following NAMA's initial evaluation of the business plan the Company has a non binding arrangement with NAMA in respect of the Irish Group providing for (i) the renewal of loans amounting to €1,118 million; (ii) the provision of up to €75 million of working capital; and (iii) a restructure to accomodate interest liabilities on non-income producing loans. The Directors' expectation is that this arrangement will form the basis for further negotiations, that NAMA will continue to monitor the Irish Group's performance to ensure that it adheres to certain targets and that, in due course, binding facility agreements will be entered into.

In addition to seeking to extend the date for repayment of the Group's liabilities, the Board has also assessed the day to day working capital requirements of the Irish Group and the Battersea Group. The Group has recently reached agreement with the Senior Lenders to borrow further amounts under the BPS Facility Agreements which the Directors believe should provide the Battersea Group with sufficient working capital to fund interest costs and other expenditure pending one or more third party investors being secured later in 2011.

The Irish Group is reliant on NAMA to provide it with working capital facilities to meet its day to day net operating costs and will continue to remain so reliant until one or more of the following key initiatives have been concluded:

(a) execution of legally binding documentation with NAMA reflecting the non-binding arrangement referred to above;

(b) further asset disposals from the Irish property portfolio, the timing of which will be subject to conditions in the Irish property market; and

(c) further debt to equity swaps.

If either NAMA or the Irish Group's other lenders withdraw their ongoing support as described above or if the above initiatives are unsuccessful such that the Irish Group is unable to secure the necessary funds from its lenders or other sources of finance, it is likely that the Irish Group will no longer be able to trade as a going concern which would be likely to result in the Company initiating an insolvency process in relation to the Irish Group.

### 7. Development of Battersea Power Station

If finance for the development of Battersea Power Station can be obtained, it is anticipated that Battersea Power Station will be developed over a number of years to create a mixed-use sustainable development. The development is planned to include over 3,400 new homes and 1.7 million square feet of office space alongside 1.5 million square feet of property for other commercial uses including community, hotels, cultural, leisure, conference centre, shops and restaurants. Construction of phase 1 of the development is planned to commence in early 2012, with completion anticipated in 2016. The remaining phases, including the first ever privately funded extension to the tube network in Central London, would be scheduled for completion thereafter.

Required planning approvals in respect of the Site have now been received from Wandsworth Council, the Mayor of London and the Secretary of State for Communities and Local Government. Final grant of planning permission is subject to execution of an agreement (a "**Section 106 Agreement**") by all parties with an interest in the Site. The Section 106 Agreement is now substantially finalised and it is currently anticipated that the agreement will be executed in April 2011. After final grant the permission will be subject to judicial review for a three month period. The Company does not currently anticipate that any third party will be granted leave to apply for judicial review.

### 8. Restructuring documentation and rights attaching to BPSSV Shares and BPSSV Warrants

Various agreements and documents have been and will be entered into and adopted in order to implement the Restructuring and to govern the relationships of the various stakeholders in BPSSV. These agreements and documents are summarised in Parts 3 to 5 of this document. Copies of the documents will be available for inspection at Ashurst LLP, Broadwalk House, 5 Appold Street, London, EC2A 2HA and at Ogier, Ogier House, The Esplanade, St Helier, Jersey, JE4 9WG between 9.00 a.m. and 5.00 p.m. on any weekday (public holidays excepted) from the date of this document up to the close of the Meeting, and at the Meeting for at least 15 minutes before and during the Meeting.

The BPSSV Shares to be issued to the Group, Treasury Holdings and Shareholders will be A Shares and the BPSSV Shares to be issued to ZDP Holders and CULS Holders will be B Shares. Holders of B Shares will together be entitled to appoint one director to the BPSSV Board for a three year period. The BPSSV Board will initially comprise of seven directors, with three directors appointed by the Company (Richard Barrett, Robert Tincknell and Rory Williams), a director appointed by the holders of B Shares and three independent directors (Ray Horney, Keith Jenkins and Martin Richardson). The Battersea Group will continue to be managed by Treasury Holdings.

A shareholders' agreement will be entered into at Completion in relation to BPSSV under which (i) the holders of B Shares will have certain veto rights pursuant to which certain matters cannot be implemented by BPSSV without their prior consent; (ii) the holders of B Shares can be forced to sell their BPSSV Shares if as a result of a transfer of shares a person is interested in more than 75 per cent. of the BPSSV Shares then in issue and (iii) shareholders can elect to have their BPSSV Shares acquired if the effect of a sale of BPSSV Shares is such that the purchaser holds more than 50.1 per cent. of the BPSSV Shares then in issue. Under the shareholders' agreement, BPSSV will undertake to seek a listing of the BPSSV Shares and BPSSV Warrants on a recognised exchange at the same time as, or as soon as reasonably practicable after, the date upon which one or more investor(s) make(s) a material investment in the Battersea Group. **The consent of the holders of B Shares will not be required under the shareholders' agreement upon one or more investors making such material investment.**

The BPSSV Warrants will automatically be exercised if BPSSV's equity share capital is valued at £510 million or more, adjusted as described in paragraph 8 of Part 4 of this document. The number of BPSSV Shares to be issued upon exercise will also be subject to adjustment as described in that paragraph. **ZDP Holders should note that having regard to the likely net asset value of BPSSV immediately following Completion and the potential substantial dilution upon the issue of shares in the Battersea Group to one or more third party investors, it is likely that the BPSSV Warrants will have, and will continue to have for a significant period following Completion, little or no value.**

### 9. Conditions

Completion is conditional on the Resolutions being passed and on the Prospectus being published. If the Standstill Period terminates, the Restructuring may not be completed. Completion is expected to occur approximately one week after the Resolutions are passed. However, Completion may be deferred as described in paragraph 5 of Part 4 of this document. The Directors currently anticipate that the Prospectus will be published shortly after the Resolutions are passed. Once published, an announcement to that effect will be made and the Prospectus will be available on the Company's website. The Directors currently anticipate that the Prospectus will contain no material new information in relation to the Group. The Company will continue to comply with its disclosure obligations in respect of any material new information.

### 10. Details of the Resolution

The Resolution is set out in the notice of meeting at the end of this document. **ZDP Holders are referred to Part 3 of this document which contains a detailed description of the effect of the Resolution.**

In summary, the Resolution will amend the Issuer Articles to:

(a) defer the obligation of the Issuer to pay 235.51 pence per ZDP Share until the end of the Standstill Period (the **''Standstill Amendment''**);

(b) provide that the issue to ZDP Holders of REO Shares, BPSSV Shares and BPSSV Warrants as referred to in paragraph 3(b) above will constitute full repayment of all sums due in respect of the ZDP Shares (the **''Debt for Equity Swap Amendment''**); and

(c) provide that Extraordinary Resolutions can be passed by way of written resolution by ZDP Holders holding 50.1 per cent. by number of ZDP Shares (the **''Written Resolution Amendment''**).

If the Resolution is passed the Standstill Amendment and the Written Resolution Amendment will immediately become effective. The Debt for Equity Swap Amendment will only become operative if the Restructuring becomes effective. If the Restructuring does not become effective or if the Standstill Period is terminated, the Issuer Articles will remain unaltered.

### 11. Property valuations

A summary valuation report in relation to Battersea Power Station prepared by King Sturge as at 31 December 2010 is set out at Part 6 of this document. This shows a valuation of £498 million on the basis of the special assumptions set out in the report.

The Company has commissioned a valuation of the Irish property portfolio for the purposes of the Restructuring. Ongoing volatility in the global financial system continues to create a significant degree of turbulence in commercial real estate markets across the world. Furthermore, the lack of liquidity in the capital markets means that it may be very difficult to achieve a sale of property assets in the short-term. Specifically, unprecedented market conditions and the continuing weakness in the underlying Irish economy continued to have a detrimental impact upon Irish commercial property values throughout 2010, resulting in a decrease of 20 per cent. in the value of the Group's Irish property portfolio from £664 million at 28 February 2010 to £533 million at 31 December 2010. The Irish Group's investment portfolio declined in value by 17 per cent. to £363 million and is broadly consistent with declines reported in the Irish market for 2010. Values in the Irish Group's development portfolio decreased by 25 per cent. to £170 million due to factors including the absence of a definitive development pipeline and minimal transactional evidence in the market. These declines are broadly in line with market-wide declines in values in Ireland as the market continued to suffer from ongoing concerns about Irish sovereign debt as well as severe instability in its banking sector throughout 2010.

### 12. Risk factors

Certain risks associated with the proposals set out in this document and the subsequent holding of equity in the Company and in BPSSV are set out in Part 2 of this document. **ZDP Holders should read the risk factors carefully before voting.**

### 13. Settlement

Settlement of the equity consideration to which ZDP Holders will become entitled at Completion will be effected as described below.

Where a ZDP Holder holds ZDP Shares in uncertificated form, the REO Shares, BPSSV Shares and BPSSV Warrants to which the ZDP Holder becomes entitled will be issued to such person in uncertificated form through CREST. The crediting of REO Shares, BPSSV Shares and BPSSV Warrants through CREST is expected to take place by no later than the close of business on the Effective Date.

Where a ZDP Holder holds ZDP Shares in certificated form, certificates in respect of the REO Shares, BPSSV Shares and BPSSV Warrants to which the ZDP Holder becomes entitled will be posted by first class post to such person not later than ten business days after the Effective Date to the address appearing in the register of ZDP Holders at the Record Date.

The BPSSV Shares and BPSSV Warrants will not initially be listed.

### 14. Taxation implications of the Restructuring

Part 7 of this document contains a summary of the expected United Kingdom tax consequences of the Restructuring. However, each ZDP Holder is recommended to seek its own tax advice as to how the Restructuring could affect its tax position.

### 15. Action to be taken

**If the Resolution is not passed, the Company will be unable to implement the Restructuring. In these circumstances it is highly likely that the Company would need to initiate an insolvency process in which event ZDP Holders would be unlikely to receive any payment in respect of the ZDP Shares. ZDP Holders are therefore urged to vote in favour of the Resolution and to return their Forms of Proxy as soon as possible, and in any event so as to be received by no later than 11.00 a.m. on 3 May 2011.**

You will find enclosed with this document a reply paid Form of Proxy for use by ZDP Holders in connection with the Meeting. ZDP Holders are asked to complete and return Forms of Proxy in accordance with the instructions printed therein to Capita Registrars, PXS, The Registry, 34

Beckenham Road, Beckenham BR3 4TU as soon as possible and, in any event, not later than 6.00 p.m. on 3 May 2011. Completion of a Form of Proxy will not affect ZDP Holders' rights to attend and vote at the Meeting in person, should they wish to do so.

ZDP Holders together holding 58 per cent. of outstanding ZDP Shares have given the Company irrevocable undertakings to vote in favour of the Resolution at the Meeting.

**16. Overseas persons**

Neither this document nor the accompanying Form of Proxy are being sent to any ZDP Holder having a registered address in the United States. Any completed Form of Proxy sent from or post-marked in the United States will be deemed invalid.

ZDP Holders who complete and return Forms of Proxy will be deemed to have represented and agreed, or if attending the meeting of ZDP Holders in person will be required to represent and agree and will also be deemed to have represented and agreed, on their own behalf and on behalf of any investor accounts for which they hold ZDP Shares, as the case may be, that:

(a) they understand and acknowledge that the REO Shares, BPSSV Shares, Newco Shares and BPSSV Warrants to be issued upon the Effective Date have not been and will not be registered under the Securities Act or under any relevant securities laws of any state or other jurisdiction of the United States and may not be offered, sold, taken up, exercised, resold, transferred or delivered, directly or indirectly, within the United States absent registration or an applicable exemption from the registration requirements of the Securities Act and in compliance with state laws and that there will be no public offer of the REO Shares, BPSSV Shares, Newco Shares and BPSSV Warrants in the United States;

(b) at the time of completing and returning the Form of Proxy they are not, and at the time of acquiring the REO Shares, BPSSV Shares, Newco Shares and BPSSV Warrants they will not be, in the United States or acting for the account of any person who is located within the United States, unless (i) the instruction to complete and return the Form of Proxy was received from someone outside the United States and (ii) the person giving such instruction has confirmed that it (x) has the authority to give such instruction and (y) either: (A) has investment discretion over such account or (B) is an investment manager or investment company that will, upon the Effective Date, acquire the REO Shares, BPSSV Shares, Newco Shares and BPSSV Warrants in an "offshore transaction" within the meaning of Regulation S; and

(c) they will not, upon the Effective Date, be acquiring the REO Shares, BPSSV Shares, Newco Shares or BPSSV Warrants with a view to the offer, sale, resale, transfer, delivery or distribution, directly or indirectly, of any such securities into the United States.

**17. Recommendation**

The Issuer Board considers that the Restructuring is in the best interests of ZDP Holders, and accordingly the Issuer Board unanimously recommends ZDP Holders to vote in favour of the Resolution.

Yours faithfully

Ray Horney
*Chairman*

# Part 2

# Risk Factors

ZDP Holders should carefully consider the following risk factors relating to the Restructuring and their potential future holding of equity in the Company and BPSSV before deciding whether to vote in favour of the Resolution. The risk factors below describe those risks that the Directors consider to be the principal risks based upon information known to them at the date of this document. However, ZDP Holders should be aware that their holdings of equity in the Company and/or BPSSV may be subject to additional risks that are not described below. If any of the risks described below were to occur, it could have a material adverse impact on the interests of ZDP Holders after Completion through their holdings of equity in the Company and/or BPSSV.

***The importance of the Restructuring***

If the Company is unable to implement the Restructuring because either the Resolutions are not passed or for any other reason, it will be obliged to repay over £400 million of third party indebtedness on 31 May 2011. In such circumstances it is likely that the Company would need to initiate an insolvency process, in which case ZDP Holders would be unlikely to receive any payment in respect of ZDP Shares.

***Following the Restructuring, the Company will remain in default under various financing arrangements and will be reliant upon the ongoing support of NAMA and other lenders***

Whilst the Restructuring should improve the Group's debt profile and generally facilitate a more beneficial outcome for the Group's creditors than would occur in insolvency:

(a) a third party investor is being sought to make an equity investment to allow the Loan Notes and the BPS Facility Agreements to be repaid or refinanced by 31 August 2011 and to facilitate the raising of development finance to fund the development of Battersea Power Station. Without any such third party investor or investors or new debt the development of the Battersea Site is likely to be substantially delayed and/or BPSSV may need to sell the Site potentially at a deflated value in order to repay indebtedness. Shareholders in BPSSV will be subject to the risk of substantial dilution upon the issue of any new equity in the Battersea Group to such investors; and

(b) the Irish Group will continue to have a significant net deficit on Shareholders' funds, will remain highly geared, will remain in default under most of its facility agreements and will need to undertake further financial restructuring.

During this ongoing restructuring process, the Irish Group will continue to be reliant on NAMA and its other lenders as described on pages 7 to 8 of this document.

In addition to seeking to extend the date for repayment of the Group's liabilities, the Board has also assessed the day to day working capital requirements of the Irish Group and the Battersea Group. The Group has recently reached agreement with the Senior Lenders to borrow further amounts under the BPS Facility Agreements which the Directors believe should provide the Battersea Group with sufficient working capital pending one or more third party investors being secured later in 2011.

The Irish Group is reliant on NAMA to provide it with working capital facilities to meet its day to day net operating costs and will continue to remain so reliant until one or more of the following key initiatives have been concluded:

(a) execution of legally binding documentation with NAMA ;

(b) further asset disposals from the Irish property portfolio, the timing of which will be subject to conditions in the Irish property market; and

(c) further debt to equity swaps.

If either NAMA or the Irish Group's other lenders withdraw their ongoing support or if the above initiatives are unsuccessful such that the Irish Group is unable to secure the necessary funds from its lenders or other sources of finance, it is likely that the Irish Group will no longer be able to trade as a going concern which would be likely to result in the Company initiating an insolvency process in relation to the Irish Group. Following Completion ZDP Holders will be Shareholders in the Company. Shareholders of a company rank behind its creditors in an insolvency.

***Pending Completion the Group may incur further financial indebtedness and grant additional security without the prior consent of ZDP Holders***

ZDP Holders are unsecured creditors of the Group. The Issuer Articles contain no restriction on the Group increasing its indebtedness or granting security. Whilst the amendments to the Issuer Articles contain certain undertakings not to incur debt in the Battersea Group save for the purpose of carrying out the development of the Site, pending Completion, the Group may take on additional financial indebtedness and grant security, which, should Completion not take place, could materially impair the Company's ability to pay ZDP Holders.

***Passing the Resolution will effect a standstill arrangement which may preclude action being taken against the Issuer in respect of events of default***

Pursuant to the Standstill Amendment no amounts will be due and payable to ZDP Holders on 31 May 2011 and ZDP Holders will have no ability to take action against the Issuer in respect of non-payment on the ZDPs or any other event of default under the provisions of the amended Issuer Articles until such time as the Standstill Period may be and is terminated.

During the Standstill Period, the financial position of the Group may deteriorate in circumstances where ZDP Holders are not entitled to terminate the standstill arrangement. In such circumstances, the likelihood of ZDP Holders receiving any payment in respect of ZDPs in the event Completion does not take place may materially diminish.

***ZDP Holders will be subject to the risk of dilution after completion of the Restructuring as the Company is likely to need to undertake further steps to restructure its balance sheet***

Following Completion, the Irish Group will continue to be highly geared and is likely to undertake further restructuring of its Irish property portfolio in due course. This may involve the disposal of assets and/or debt for equity swaps over a period of time and, whilst the Board has no current plan to raise additional equity capital following completion of the Restructuring, this cannot be ruled out in the future. Any additional raising of equity capital or further restructuring could dilute the interests of Shareholders.

***The concentration of the Group's properties in Ireland means that the Company is particularly exposed to the crisis affecting the Irish economy and its impact on property values***

The global banking crisis and economic slowdown has had a significant negative impact upon Ireland's economy which since late 2008 has suffered the largest contraction in gross domestic product of any developed country. Recent concerns over Ireland's banking system and government finances have led to increasing yields on Irish sovereign debt and have curtailed the Irish government's ability to borrow in the international money markets. This culminated in the Irish government approaching its European Union partners and the International Monetary Fund in late November 2010 to request financial assistance.

On 1 December 2010, the Irish government published the EU/IMF Agreement Document detailing an € 85 billion assistance programme to support the Irish banking system and provide ongoing financial support to the Irish state. The provision of the assistance programme is conditional upon the Irish government implementing further austerity measures including spending cuts and tax increases aimed at lowering Ireland's budget deficit. These spending cuts and tax increases may impact on future economic growth in Ireland, the outlook for which remains negative.

The concentration of the Group's property portfolio in Ireland means that the Group is particularly exposed to the ongoing weakness of the Irish economy and its impact upon Ireland's property market. Lower tenant demand, failure to renew expiring leases, tenant defaults and falling demand for development assets will continue to pose a material risk to the Company's business, results of operations and financial condition.

The severe recession in the Irish economy has been accompanied by significant falls in the value of properties across the Irish market. Continuing inactivity in the Irish property market and the ongoing absence of new lending facilities, has also led to difficulty in conducting property valuations. There are some indications that values stabilised in 2010, however the Irish market remains uncertain.

***ZDP Holders will be subject to the risks associated with the Company having a standard listing***

The Company's listing category on the Official List of REO Shares is a standard listing. As such, the Company is not subject to the higher level of regulation contained in the 'super equivalent' provisions of the Listing Rules which apply to companies with a premium listing. The higher level of regulation contained in the 'super equivalent' provisions has been designed to offer shareholders in premium listed companies additional rights and protections and the right to vote on certain corporate actions, including significant and related party transactions. Accordingly, ZDP Holders should be aware that an investment in REO Shares may carry a higher risk than an investment in a company with a premium listing.

***ZDP Holders will be subject to risks associated with the introduction of one or more long-term equity partner(s) to partner BPSSV in carrying out the development of the Battersea Site***

As holders of REO Shares and BPSSV Shares ZDP Holders will be subject to the risk of significant dilution of their interest in Battersea Power Station upon the issue of any new equity in the Battersea Group in connection with the introduction of one or more long-term equity partner(s) to assist with providing financing for the development of the Battersea Site.

***If the Battersea Group is unable to repay or refinance the Loan Notes and the BPS Facility Agreements by 31 August 2011, the development is likely to be substantially delayed or the Battersea Group may be forced to sell the Site potentially at a deflated value in order to repay indebtedness***

The Company is currently undertaking a global investment road show in order to find one or more long-term equity partners to assist with the development of Battersea Power Station. The third party investor is being sought to make an equity investment to allow the Loan Notes and the BPS Facility Agreements to be repaid or refinanced by 31 August 2011 and to facilitate the raising of development finance to fund the development of Battersea Power Station. Without any such third party investor or investors or new debt the development of the Battersea Site is likely to be substantially delayed and/or BPSSV may need to sell the Site potentially at a deflated value in order to repay indebtedness.

***The final grant of planning permission in respect of Battersea Power Station will be subject to judicial review***

After the final grant of planning permission as described on page 8 of this document, it is possible that a party unconnected with the Group may apply for judicial review of the grant. This may cause significant delay in the redevelopment of the Battersea Site, and could lead to new conditions being imposed or the right to develop being restricted or reversed following such review.

***BPSSV will be subject to risks associated with the extension to the Northern Line of the London Underground in connection with the development of the Battersea Site***

To carry out the proposed development of the entirety of the Battersea Site, the Battersea Group will be required to make a material financial contribution (likely to approximate to £200 million) to build out an extension to the Northern Line from Kennington to Nine Elms and Battersea Power Station. The Battersea Group may be subject to development risk, in terms of cost and time overruns, associated with work that will be undertaken to extend the Northern Line, which is likely to be undertaken by third party contractors and organisations over which the Battersea Group may have limited control.

***The Company and BPSSV are subject to risks associated with 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 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. Consequently, there can be no assurance that the existing or future development or sale of properties will not have an adverse effect on the Company and/or BPSSV's results of operations or financial condition.

***The Company's ability to pay dividends and effect returns of capital in the future is uncertain***

Given the financial position of the Company and the continued challenges facing the Irish property market, the Company is unlikely to be in a position to pay any dividend and/or effect returns of capital in the foreseeable future.

***Treasury Holdings will remain a significant shareholder of the Company after the Restructuring has become effective***

Following completion of the Restructuring, Treasury Holdings will continue to control more than 50 per cent. of the issued ordinary share capital of the Company. Treasury Holdings will therefore still be in a position to increase its aggregate shareholding in the Company without incurring an obligation under Rule 9 of The City Code on Takeovers and Mergers to make a general offer to Shareholders. Treasury Holdings may also, by virtue of its holding of Shares, be able to exert a very significant degree of control over the conduct of the Company.

***The Group is subject to the risk of rising interest rates***

Interest costs are a substantial cost to the Group, which uses interest rate swaps to manage its exposure to fixed and floating rates. The ongoing difficulties experienced in the banking sector and scarcity of credit may result in lenders seeking higher margins and there is a risk that future interest costs may be higher. Should the Group fail to meet margin calls under such interest rate swaps it may be precluded from using interest rate swaps to manage its exposure.

***ZDP Holders will be subject to risks resulting from currency fluctuations***

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

***The Group's performance will rely on the service and performance of the senior management team of Treasury Holdings***

The Group's success depends, in part, upon the continued service and performance of the senior management team of Treasury Holdings. These individuals may leave the employment of Treasury Holdings in the future. The loss of any of these individuals could have a material adverse effect on the Group's business, results of operations and financial condition.

***Shares are exposed to risks relating to share price volatility and liquidity***

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

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

***ZDP Holders will be subject to general risks associated with investing in the property market***

Returns from an investment in property depend largely upon the level of rental income generated from the property, expenses incurred in the construction or development 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 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 services sector. In addition to the general economic factors mentioned above, rental income and market value of properties may be adversely affected by the cyclical nature of the property industry.

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.

***The Group is subject to risks associated with property valuations being inaccurate***

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. There is no assurance that the valuations provided by professional valuers will be reflected in the actual sales prices even if such sales were to occur shortly after the valuation date. The summary property valuation report in Part 6 of this document is made on certain assumptions which may not prove to reflect the true position.

***The Group is subject to risks associated with debt financing***

The property investment and development sector tends to be highly capital intensive. Both the Irish Group and the Battersea Group will have significant levels of debt. In addition, the ability of the Irish Group and/or the Battersea Group 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 the Irish Group and/or the Battersea Group were to be confronted with another liquidity crisis in the future, whether for macroeconomic reasons or for reasons specific to the Irish Group or the Battersea Group, it could significantly increase their cost of funding or lead to serious difficulties in refinancing their debt. The Irish Group and/or the Battersea Group could also be forced to sell assets, which may not be under the best conditions, in order not to default on their payment obligations.

***ZDP Holders will be subject to the risk of being required to sell their BPSSV Shares in certain circumstances***

A shareholders' agreement will be entered into at Completion under which BPSSV Shareholders can be forced to sell their BPSSV Shares if as a result of a sale of BPSSV Shares a person is intereseted in more than 75 per cent. of the BPSSV Shares then in issue.

***Upon Completion, BPSSV Shares and BPSSV Warrants will not initially be listed on a public stock exchange and will therefore not be freely tradable in the public markets***

Upon Completion, BPSSV Shares and BPSSV Warrants will not be listed and therefore they will be illiquid investments. There will be no active trading market in BPSSV Shares or BPSSV Warrants immediately after Completion. It is anticipated that a listing of BPSSV Shares and BPSSV Warrants will only be effected after one or more third party investors have made a material investment in the Battersea Group.

***If the BPSSV Shares and BPSSV Warrants are listed, they will be subject to risks relating to share price volatility and liquidity***

A number of factors outside the control of BPSSV may impact on its performance and the price of the BPSSV Shares and BPSSV Warrants upon listing, including investor sentiment, currency fluctuations and local and international stock market conditions. The price of the BPSSV Shares and BPSSV Warrants may fall as well as rise.

***BPSSV is unlikely to pay any dividends or effect any returns of capital in the near future and its ability to pay any dividends or effect any returns of capital is uncertain***

The development of Battersea Power Station will take substantial time and capital investment. Given the long term nature of the development, BPSSV is unlikely to be able to pay any dividends or effect any returns of capital in the foreseeable future.

***The BPSSV Warrants are likely to have little or no value***

Having regard to the likely net asset value of BPSSV at Completion and the potential substantial dilution upon the issue of shares in the Battersea Group to one or more third party investors, it is likely that the BPSSV Warrants will have, and will continue to have for a significant period following Completion, little or no value.

# Part 3

# The Resolution

## 1. Introduction

The Resolution will amend the Issuer Articles in order to make the Standstill Amendment, the Written Resolution Amendment and the Debt for Equity Amendment. If the Resolution is passed the Standstill Amendment and the Written Resolution Amendment will become effective immediately. The Debt for Equity Swap Amendment will only become operative if the Restructuring becomes effective. If the Restructuring does not become effective or if the Standstill Period is terminated, the Issuer Articles will remain unaltered.

## 2. The current position under the Issuer Articles

Under the Issuer Articles, the Issuer is obliged to effect a winding up with effect from 31 May 2011 and to pay the sum of 235.51 pence on each ZDP Share on 31 May 2011.

## 3. Summary of the principal proposed amendments

### 3.1 Deferral of the obligation to pay

The obligation of the Issuer to pay 235.51 pence per ZDP Share on 31 May 2011 will be deferred until the Standstill Termination Date.

The deferral of the obligation to pay would take effect from the date the Resolution is passed and would cease to have effect upon the Standstill Termination Date.

### 3.2 Debt for equity swap in respect of the ZDP Shares

To effect the debt for equity swap in respect of the ZDP Shares the Issuer covenants that it will by way of repayment in full of the ZDP Shares:

(a) by no later than 8.00 a.m. (London time) on the Effective Date:

(i) procure the allotment to each ZDP Holder on the Register in respect of ZDP Shares on the Record Date (**"Relevant ZDP Holder"**) of that number of REO Shares as results from multiplying the number of ZDP Shares held by that Relevant ZDP Holder at the Record Date by 0.701687253, rounding down to the next whole number in respect of any fractional entitlement arising provided that a minimum of one Ordinary Share shall always be allotted to each ZDP Holder;

(ii) transfer to each ZDP Holder that number of Newco Shares as results from multiplying the number of ZDP Shares held by that Relevant ZDP Holder at the Record Date by 3.510869267, rounding down to the next whole number in respect of any fractional entitlement arising provided that a minimum of one Newco Share shall always be allotted to each ZDP Holder;

(b) by no later than 1.00 p.m. (London time) on the Effective Date procure that BPSSV acquires the Newco Shares issued pursuant to the operation of sub-paragraph (b) of clause 2.3 of the Trust Deed (as set out above) in consideration for the:

(i) allotment by no later than 1.00 p.m. (London time) on the Effective Date to each Relevant ZDP Holder of that number of BPSSV Shares as results from multiplying the number of Newco Shares issued to that Relevant ZDP Holder by 0.566965686, rounding down to the next whole any fractional entitlement arising provided that a minimum of one BPSSV Share shall always be issued to each ZDP Holder; and

(ii) issue by no later than 1.00 p.m. (London time) on the Effective Date to each Relevant ZDP Holder of that number of BPSSV Warrants as results from multiplying the number of Newco Shares allotted to that Relevant ZDP Holder by 0.433034314, rounding down to the next whole number in respect of any fractional entitlement arising provided that a minimum of one BPSSV Warrant shall always be issued to each ZDP Holder;

(c) by no later than close of business on the Effective Date:

(i) procure the distribution by the Company by way of dividend in specie to each Relevant ZDP Holder of that number of BPSSV Shares as results from multiplying 66,666,667 (being the number of BPSSV Shares held by the Company prior to such distribution in specie) by A/B, where A is equal to the number of REO Shares registered in the name of that Relevant ZDP Holder as at 8.00 a.m. on the Effective Date and B is equal to the total number of REO Shares in issue as at 8.00 a.m. on the Effective Date, rounding down to the next whole number in respect of any fractional entitlement arising provided that a minimum of one BPSSV Share shall always be distributed to each Relevant ZDP Holder; and

(ii) distribute by way of dividend in specie to each Relevant ZDP Holder that number of BPSSV Warrants as results from multiplying 33,333,333 (being the number of BPSSV Warrants held by the Company prior to such distribution in specie) by A/B, where A is equal to the number of REO Shares registered in the name of that Relevant ZDP Holder as at 8.00 a.m. on the Effective Date and B is equal to the total number of REO Shares in issue as at 8.00 a.m. on the Effective Date, rounding down to the next whole number in respect of any fractional entitlement arising provided that a minimum of one BPSSV Warrant shall always be distributed to each Relevant ZDP Holder.

All BPSSV Shares to be allotted or distributed to ZDP Holders will be B Shares, having the rights summarised in paragraph 1(o) of Part 5 of this document.

All such REO Shares, Newco Shares and BPSSV Shares will be allotted or distributed free from any security interest, with full title guarantee and credited as fully paid and the BPSSV Warrants will be issued free from any security interest and with full title guarantee.

This amendment to the Issuer Articles will take effect from the date the Resolution is passed, however, if Completion has not occurred by 31 August 2011, the Standstill Period will terminate and this amendment shall cease to have effect.

The Company also agrees to procure that:

(a) prior to 8.00 a.m. (*London time*) on the Effective Date:

   (i) each ZDP Holder shall be entered as a member in the register of members of the Company and Newco in respect of the REO Shares and Newco Shares respectively to be allotted to it; and

   (ii) the CREST account of each ZDP Holder which at the Record Date holds Stock in a CREST account shall be credited with such REO Shares and Newco Shares to be allotted to it;

(b) as soon as possible on the Effective Date and in any event by no later than 1.00 p.m.:

   (i) each ZDP Holder shall be entered as a member in (i) the register of members of BPSSV in respect of the BPSSV Shares to be allotted to it; and (ii) the register of warrantholders of BPSSV in respect of the BPSSV Warrants to be issued to it; and

   (ii) the CREST account of each ZDP Holder which at the Record Date holds Stock in a CREST account shall be credited with such BPSSV Shares and BPSSV Warrants to be issued to it;

(c) prior to close of business on the Effective Date:

   (i) each ZDP Holder shall be entered as a member in (i) the register of members of BPSSV in respect of the BPSSV Shares to be distributed to it; and (ii) the register of warrantholders of BPSSV in respect of the BPSSV Warrants to be distributed to it; and

   (ii) the CREST account of each ZDP Holder which at the Record Date holds Stock in a CREST account shall be credited with such BPSSV Shares and BPSSV Warrants to be distributed to it; and

(d) share certificates in respect of the REO Shares and BPSSV Shares and warrant certificates in respect of the BPSSV Warrants allotted and issued are sent by first class mail not later than ten business days after the Effective Date to each ZDP Holder which does not hold Stock in uncertificated form at the Record Date to the address of that ZDP Holder in the Register at the Record Date.

### 3.3 Termination of Standstill Period

The Standstill Period may be terminated if an Extraordinary Resolution is passed following any of the following **Termination Events** occurring:

(a) the holder of any security interest over any of the assets of any member of the Battersea Group takes any steps to enforce such security interest unless the aggregate amount secured by the security interest is less than £100,000;

(b) any asset of any member of the Battersea Group is subject to attachment, sequestration, execution or any similar process in respect of indebtedness of more than £100,000;

(c) a petition or application is issued or made for or steps are taken to bring about a moratorium, the appointment of an administrator, liquidator, provisional liquidator, receiver or manager in respect of any member of the Battersea Group, or seeking the winding up, liquidation, dissolution, administration, reorganisation or moratorium in respect of any member of the Battersea Group (other than a petition or application which does not come into effect and which is withdrawn, dismissed or stayed (whilst it remains stayed) within 14 days of the date thereof);

(d) a meeting of shareholders, directors or creditors is convened for the purpose of passing a winding-up resolution, to commence administration or enter into a moratorium or to appoint an administrative receiver or other receiver or an administrator or an administrative receiver or other receiver is appointed in respect of any member of the Battersea Group;

(e) any proceedings are commenced against a member of the Battersea Group to enforce a judgment debt in an amount in excess of £100,000;

(f) any member of the Battersea Group ceases to trade or threatens to do so other than any member which is not material;

(g) if the Resolutions have not been passed by 24 August 2011 or if at any time before 24 August 2011 it becomes apparent that the Resolutions will not be passed by 24 August 2011;

(h) if at any time before the Effective Date it becomes apparent that the Restructuring will not be implemented or will be implemented in a materially different manner as regards ZDP Holders;

(i) the Company breaches any of its covenants, undertakings or agreements contained in the Issuer Articles; or

(j) the Effective Date does not take place within 28 days of the date upon which the Resolutions are passed.

## 4. Other proposed amendments to the Issuer Articles

### 4.1 Extraordinary Resolutions

Under the Issuer Articles if an Extraordinary Resolution is passed it is binding on all ZDP Holders and the Company. Extraordinary Resolutions must be passed at meetings of ZDP Holders.

In case any variation is needed to the terms of the Restructuring requiring the approval of ZDP Holders, the Issuer Articles will be amended so that, with effect from the date the Resolution is passed, Extraordinary Resolutions can be passed by ZDP Holders holding 50.1 per cent. of issued ZDP Shares and can be passed by way of resolution in writing as opposed to requiring a meeting of ZDP Holders to be convened.

### 4.2 Undertakings during the Standstill Period

The Issuer has given various undertakings that apply during the Standstill Period including:

(a) to provide information on the Group and documentation in connection with the Restructuring;

(b) to conduct its business in the ordinary course and not to undertake a material acquisition or disposal;

(c) not to declare or pay any dividend;

(d) not to undertake any transaction with Treasury Holdings or any connected person;

(e) to procure that it and the Battersea Group only incurs financial indebtedness which is for the purpose of developing the Site;

(f) to announce as soon as reasonably practicable the termination of standstill arrangements with the Senior Lenders, Oriental or any other financial creditor in connection with the Restructuring;

(g) to procure that the Company will not issue any REO Shares, warrants or options over shares;

(h) to procure that no member of the Group enters into any transaction which would constitute a preference under relevant laws; and

(i) to use all reasonable endeavours with a view to ensuring implementation of the Restructuring by 31 August 2011.

# Part 4

## Other documentation relating to the Restructuring

This Part 4 summarises various documents entered into or to be entered into in connection with the Restructuring.

### 1. Senior Lenders' consent letters and guarantee releases

The Senior Lenders have executed consent letters pursuant to which they consent, for the purposes of the BPS Facility Agreements, to the Restructuring subject to satisfaction of a number of conditions precedent. Under the consent letters, the Senior Lenders will at Completion release the Company from its guarantees in respect of the BPS Facility Agreements. The consent letters also vary the BPS Facility Agreements such that an event of default will arise if the Section 106 Agreement (as referred to on page 8 of this document) is not received by 31 May 2011.

### 2. NAMA Standstill Agreement

On 15 February 2006, the Company (amongst others) entered into a guarantee (the "**Guarantee**") in favour of Anglo Irish Bank Corporation Plc (the "**Bank**") guaranteeing approximately €95 million of liabilities of a subsidiary of the Company to the Bank. The Company has entered into a letter agreement with the Bank and NAMA dated 11 April 2011 whereby the Bank and NAMA have agreed that at Completion they will execute and deliver a standstill agreement pursuant to which for 12 months following Completion they will not, save in certain limited circumstances, demand payment from the Company under the Guarantee or take any action to enforce the payment or recovery of monies from the Company under the Guarantee.

### 3. Oriental Standstill Agreement

Oriental and the Company have entered into a standstill agreement dated 11 April 2011 pursuant to which Oriental has agreed to defer payment of all interest and principal under the Loan Notes until 31 August 2011 and has agreed, subject to Completion occurring, not to take any action in relation to the Loan Notes (the "**Standstill**") until 31 August 2011 or earlier if (amonst other things) enforcement proceedings are brought against the Group. Oriental agrees that at Completion it will enter into a novation deed to transfer the liability in respect of the Loan Notes from the Company to a subsidiary of BPSSV. The Company has given Oriental various undertakings which remain in force whilst the Standstill is in place. These include undertakings that the Battersea Group will not borrow money for a purpose other than the development of Battersea, will not sell assets and will use all reasonable efforts with a view to ensuring implementation of the Restructuring by 31 August 2011. A forbearance fee of £4.5 million is payable by the Battersea Group to Oriental as consideration for the Standstill under the agreement.

### 4. Intercreditor agreement

At Completion, BPSSV, the Senior Lenders and Oriental will enter into an intercreditor agreement regulating the rights of the lenders to the Battersea Group. Pursuant to the terms of the agreement Oriental may not enforce its security in respect of the Loan Notes unless and until the Senior Lenders have enforced their security in respect of the BPS Facility Agreements. If the Loan Notes are not repaid on 31 August 2011, Oriental will have a right to seek recovery in respect of the Loan Notes against BPSSV provided however that this right shall be deferred for up to 12 months if the Senior Lenders agree to defer repayment of the BPS Facility Agreements beyond 31 August 2011.

### 5. Restructuring Implementation Agreement

The Company and Treasury Holdings have entered into a restructuring implementation agreement dated 11 April 2011 which provides that, subject to the Resolutions being passed, all documentation relating to the Restructuring will be executed by Treasury Holdings and all relevant Group members on the same day and placed into escrow, whereupon the Trustee, the Senior Lenders and Oriental will be given a certificate confirming that Completion will occur. Provided the Prospectus is thereafter published, the restructuring documents will be released from escrow and become legally binding on the Effective Date. If for any reason it is not possible to carry out the Restructuring as planned on that date, the Company may choose to postpone the Effective Date until such date (not later than 31 August 2011) as it reasonably anticipates being able to complete the Restructuring. Otherwise, the Restructuring Implementation Agreement will terminate with effect from that date.

## 6. Supplemental Trust Deed

A meeting of CULS Holders is being convened for the same date as the Meeting to consider passing a resolution to amend the Trust Deed to include the following provisions:

(a) to defer the obligation to repay the CULS principal and interest on 31 May 2011 until the Standstill Termination Date;

(b) to effect a debt for equity swap in respect of the CULS at Completion such that the allotment and transfer of REO Shares, BPSSV Shares and BPSSV Warrants to CULS Holders such that they will in aggregate hold the numbers of shares and warrants described in paragraph 3(c) of Part 1 of this document;

(c) to impose on the Company the covenants described at paragraph 4.2 of Part 3 of this document; and

(d) to provide that the standstill referred to in paragraph (a) above may be terminated on the Standstill Termination Date.

## 7. BPSSV Shareholder Agreement

A Shareholder Agreement will be entered into by the Company, BPSSV and Treasury Holdings at Completion.

### The BPSSV Board

The Company shall have the right to appoint up to three BPSSV Directors. The holders of B Shares shall have the right for three years following Completion to appoint one BPSSV Director. The Company and the holders of B Shares shall procure that three Independent Directors are appointed to serve as BPSSV Directors. The chairman of the BPSSV Board will be one of the directors appointed by the Company. The chairman has a casting vote. The quorum for board meetings is generally three BPSSV Directors at least two of whom shall be directors appointed by the Company.

### *Management of Battersea Group*

If the fees payable by the Battersea Group to Treasury Holdings under the management agreement with Treasury Holdings are proposed to be amended or a new agreement is proposed to be entered into, the parties agree that the level of fees payable by the Battersea Group shall not be greater than the higher of (a) management fees that are within normal market standards and (b) the actual cost to Treasury Holdings of carrying out its obligations. Directors appointed by the Company may not vote on any board resolution to consider any amendments to the management agreement with Treasury Holdings or any new agreement.

### *Veto rights*

The agreement contains covenants to the effect that certain matters may not be effected by BPSSV without the prior approval of the holders of B Shares given by way of a resolution passed by a simple majority. Such matters include non pre-emptive share issues, reductions of share capital, winding up, entering into transactions with persons connected with Treasury Holdings, material disposals and acquisitions, borrowing money for a purpose other than the development of Battersea and paying directors' fees in excess of £500,000 per annum. No such approval is required in connection with one or more third party investors making a material investment in the Battersea Group.

### *Transfers of BPSSV Shares*

BPSSV shares are freely transferable.

If the effect of any transfer of any BPSSV Shares would result in a person holding together with its connected persons more than 50.1 per cent. of BPSSV's share capital the transferor shall be obliged to procure that the transferee makes an offer to acquire, on the same terms, all other BPSSV Shares.

If the effect of any transfer of any BPSSV Shares would result in a person unconnected to the transferor holding more than 75 per cent. of the BPSSV Shares the transferor shall be entitled to require all other shareholders to sell their BPSSV Shares on the same terms.

## 8. BPSSV Warrant Instrument

BPSSV will execute a Warrant Instrument at Completion pursuant to which upon a trigger event occurring as referred to below 300 million BPSSV Shares will be issued. The number of BPSSV Shares to be issued is subject to adjustment if BPSSV allots or issues any equity shares, reduces, repays, redeems, purchases or repurchases share capital or otherwise howsoever returns capital to its members, or sub-divides or consolidates its share capital. The trigger events are:

(a) following listing, the market capitalisation of BPSSV's Shares at any time is £510 million or greater; and

(b) prior to listing of BPSSV:

   (i) the Battersea Group sells assets and thereafter has, after deduction of debt, cash equal to or greater than £510 million;

   (ii) a sale of more than 50 per cent. of BPSSV Shares occurs for a consideration such that if the same value per share were applied to all of the BPSSV Shares the aggregate value of the BPSSV Shares would be equal to or greater than £510 million; or

   (iii) one or more third parties make(s) a material investment in the Battersea Group such that, after deduction of debt and having regard to the equity interest acquired by such investors and the consideration paid for the equity interest, the value of the BPSSV Shares is equal to or greater than £510 million;

   provided that in each case the amount of £510 million will be adjusted upwards to reflect subscriptions for equity and downwards to reflect distributions and returns of capital.

The warrants lapse 15 years after the date of their issue. They also lapse if following a transfer of shares a person holds 75 per cent. of BPSSV's Shares and the consideration payable pursuant to the transfer is such that the value of BPSSV's equity does not exceed £510 million (adjusted as described above).

## 9. Substantial Shareholder Agreement

At Completion, Treasury Holdings and the Company will enter into a substantial shareholder agreement under which the parties will agree 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 the Company, Treasury Holdings will not take any action which would preclude or inhibit the Company from carrying on its business independently of Treasury Holdings or its associates and enter into any transaction or relationship with the Company or any subsidiary of the Company other than on arms' length terms and on a normal commercial basis approved by a majority of Independent Directors.

## 10. Investment Advisory Agreement

At Completion, subsidiaries of BPSSV and Treasury Holdings will enter into an investment advisory agreement which will replicate the terms of the existing agreement between Treasury Holdings and the Company (which agreement will be terminated). Pursuant to the agreement Treasury Holdings will be appointed to provide advisory and property management services for the Battersea Group. The agreement will continue until terminated on 12 months written notice, forthwith upon insolvency of Treasury Holdings or a member of the Battersea Group and upon 30 days' written notice in the event of material breach of contract which is not remedied. Under the agreement, Treasury Holdings will be entitled to receive:

(a) a base fee payable quarterly in arrears at the rate of 0.5 per cent. per annum of the gross property assets of the Battersea Group;

(b) a development management fee of 1.5 per cent. of construction costs for the Battersea Power Station development; and

(c) a project management fee of 1.5 per cent. of construction costs for the Battersea Power Station development.

## 10. Receiving Agent Agreement

The Company, REO Securities Limited, BPSSV and Newco have entered into a Receiving Agent Agreement with Capita dated 11 April 2011 for the provision of services by Capita in relation to the Restructuring. Capita will be responsible for calculating the entitlements of the Company, Shareholders, CULS Holders and ZDP Holders to REO Shares, Newco Shares, BPSSV Shares and BPSSV Warrants based on the ratios referred to in this document, and for arranging the issue of such securities at Completion and the settlement of such securities in CREST and in certificated form by the times specified in this document.

# Part 5

# Constitutional documents

## 1. BPSSV Articles

The BPSSV Articles contain, *inter alia*, the following provisions:

(a) **Share capital**

The BPSSV Directors have the right to issue shares subject to any rights or restrictions which may be imposed by an ordinary resolution of BPSSV Shareholders. The share capital of BPSSV is to consist of two classes of ordinary shares, A Shares and B Shares.

Prior to allotting shares BPSSV is required to offer the shares to existing shareholders on a *pro rata* basis and to allow shareholders 14 days to accept the offer. Such provisions do not apply (i) to the allotment of up to five per cent. of the number of shares in issue in any calendar year; (ii) if the allotment of shares is wholly or partly paid otherwise than in cash. Such provisions can be disapplied pursuant to a special resolution (two-thirds majority); or (iii) to the allotment of shares pursuant to the BPSSV warrant instrument described in paragraph 8 of Part 4 of this document.

(b) **Special rights attaching to classes of shares**

The rights attached to any class of share may only be varied by a special resolution (two-thirds majority) of that class.

(c) **Dividends**

Subject to Jersey law, BPSSV in general meeting may declare a dividend but no dividend shall exceed the amount recommended by the BPSSV Directors. The BPSSV Directors may, if they think fit, from time to time pay the members such interim dividends as appear to the BPSSV Directors to be justified by the level of BPSSV's distributable resources. A general meeting declaring a dividend may, upon the recommendation of the BPSSV Directors, direct that it shall be satisfied wholly or partly by the issue of shares or by the distribution of assets.

(d) **Transfers of shares**

The BPSSV Directors may refuse to register a transfer if it is in:

(i) respect of more than one class of share;

(ii) favour of more than four transferees; or

(iii) favour of a Plan Investor (as defined below).

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

(e) **ERISA**

No Plan Investor may acquire shares in BPSSV. A "**Plan Investor**" means (i) an employee benefit plan, plan or other retirement arrangement or account that is subject to the fiduciary responsibility or prohibited transaction provisions of Title I of the US Employee Retirement Income Security Act of 1974, as amended ("**ERISA**") (including, as applicable, assets of an insurance company general account) or a plan that is subject to the prohibited transaction provisions of Section 4975 of the US Internal Revenue Code of 1986, as amended (the "**Code**") (including an individual retirement account), (ii) an entity whose underlying assets include "plan assets" by reason of such employee benefit plan's, plan's, account's or arrangement's investment in the entity, (iii) any "benefit plan investor" as otherwise defined in regulations promulgated by the US Department of Labor under Section 3(42) of ERISA) or (iv) an employee benefit plan, plan, account or other arrangement that is subject to provisions of applicable US federal, state, local or other US laws or regulations that are substantially similar to Section 406 of ERISA or Section 4975 of the Code.

(f) **Tag and drag rights**

The BPSSV Articles provide that should any transfer of BPSSV Shares result in any person and their connected persons having an interest in BPSSV Shares conferring more than 50.1 per cent. of the voting rights normally exercised in a general meeting, the transfer will not be made unless the proposed transferor has unconditionally offered to purchase all other BPSSV Shares on the same terms and conditions as those of the transfer.

Should any transfer of BPSSV Shares result in any person and their connected persons having an interest in BPSSV Shares conferring more than 75 per cent. of the voting rights normally exercised in a general meeting, the proposed transferee shall have the right by notice in writing to require all other BPSSV Shareholders to transfer their BPSSV Shares on the same terms, conditions and consideration per share as agreed in respect of the BPSSV Shares proposed to be transferred, save that the offer to such other BPSSV Shareholders must be entirely in cash.

(g) **Interests in shares**

Any member who acquires shares such that he holds three per cent. or more of the issued BPSSV Shares is under a duty to disclose his interest in shares at that time and:

(i) if his interest in BPSSV Shares becomes equal to or greater than three per cent. of the issued shares;

(ii) if his interest in BPSSV Shares falls below three per cent. of the issued BPSSV Shares; and

(iii) at any time during the period when his interest in the issued BPSSV Shares is equal to or greater than three per cent., when he acquires or disposes of, in either one or more transactions such that the increase or decrease (as the case may be) in his interest is, taken on an aggregate basis, one per cent. or more of the issued BPSSV Shares.

(h) **Notice of general meetings**

Not less than 14 clear days' notice must be given of general meetings.

(i) **Power of BPSSV to appoint directors**

The number of directors shall not be less than two and shall not exceed seven. The Company may appoint three directors and the holders of B Shares shall have the right for three years following Completion to appoint one person to be a director. The Company and B Shareholders shall procure that three independent directors are appointed.

(j) **Directors' remuneration, expenses and pensions**

Unless otherwise determined by ordinary resolution, the BPSSV Directors shall be remunerated for their services at such rate as the BPSSV Directors shall determine provided that the aggregate amount of such fees shall not exceed £500,000 per annum (or such higher limit as BPSSV in general meeting shall from time to time determine by ordinary resolution). The BPSSV Directors shall also be entitled to be paid all expenses properly incurred by them in attending general meetings of BPSSV, meetings of the BPSSV Board or a committee of the BPSSV Board or otherwise in connection with the business of BPSSV generally. An alternate director is not entitled to a fee from BPSSV for his services as an alternate director.

BPSSV may not make a director a payment for loss of office or in connection with his retirement from office, unless such payment is approved by an ordinary resolution in general meeting.

(k) **Directors' interests**

Subject to certain limited exceptions, a BPSSV Director shall not vote or be counted in the quorum on any resolution of the BPSSV Board in respect of any matter in which he has a material interest.

(l) **Proceedings of BPSSV Directors**

Board meetings shall be convened at least four times per annum. The quorum for any meeting of the BPSSV Board is three BPSSV Directors, at least two of whom shall be directors appointed by the Company. Questions arising at a meeting of the BPSSV Board are determined by a majority of votes. In case of an equality of votes the chairman has a second or casting vote.

(m) **Right to indemnification**

Subject to Jersey law, every present and former director shall be indemnified out of the assets of BPSSV against any liability incurred by virtue of the fact he was or is a director of BPSSV.

(n) **Insurance**

Subject to Jersey law, BPSSV may purchase and maintain insurance to protect against insurable risks in respect of the BPSSV Directors, indemnifying them against any liability or expense asserted or incurred in connection with any claim, whether or not BPSSV would have the obligation to indemnify them against such liability or expense by law or under the provisions of the articles.

(o) **B Shareholder protections**

BPSSV may not effect any of the matters set out in paragraph 7 of Part 4 of this document under the heading ''Veto rights'' without the prior approval of an ordinary resolution (simple majority) of the holders of B Shares.

## 2. The Articles

The Articles contain, *inter alia*, the following provisions:

(a) **Share capital**

The Company shall not without the previous sanction of an extraordinary resolution (three-fourths majority) of the holders of REO Shares passed at a general meeting:

(i) issue further shares or securities, or rights to subscribe for or to convert or exchange any securities into shares or securities or reclassify any shares; or

(ii) pass a resolution to reduce the capital of the Company in any manner; or

(iii) issue further shares or securities, or rights to subscribe for, or to convert or exchange any securities into, shares or securities or reclassify any shares where such shares or securities rank for dividends and other distributions in priority to the REO Shares then in issue,

unless the Ordinary Share Test is satisfied. The Ordinary Share Test is that the Company's auditors shall have reported to the Board that, in their opinion, the net asset value attributable to an ordinary share immediately following the relevant transaction is not less than the net asset value attributable to such a share immediately prior to the transaction.

(b) **Variation of rights**

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 (three-fourths majority) passed at a separate meeting of the holders of such shares.

(c) **Dividends**

The Company in general meetings may declare a dividend but no dividend shall exceed the amount recommended by the Directors. 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. The Directors may in relation to any dividend whether declared or not offer holders of REO Shares in respect of the whole of their holdings of REO Shares the right to elect to receive additional fully paid REO Shares instead of cash in respect of such dividends subject to such minimum holding provisions as resolved by the Directors from time to time, pursuant to the mechanics governing such elections as set out in the Articles.

(d) **Transfers of shares**

The Directors may refuse to register any transfer of shares prohibited under the provisions referred to in the paragraphs under 'Restrictions on Voting'. 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.

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

**(e) Restrictions on voting**

The Directors may serve a notice in writing on any shareholder requiring that shareholder to disclose to the Company the identity of any person (other than the shareholder) who has an interest in the shares held by the shareholder and the nature of such interest. Any such notice shall require any information in response to such notice to be given within such reasonable time as the Directors may determine. The Directors may be required to exercise these powers on the requisition of members holding not less than one-tenth of the paid up capital of the Company which carries at that date the right of voting at general meetings.

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 respect of which the default has occurred (the ''default shares'') and any other shares held by the member, the member shall not be entitled to vote at general meetings or class meetings or to exercise any other right conferred by membership in relation to meetings of the Company or of the holders of any class of shares.

Where the default shares represent at least 0.25 per cent. of the class of shares concerned, the direction notice may additionally direct that any dividend or other money payable on such shares will 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.

(f) **Notice of general meetings**

Not less than 21 clear days' notice must be given of general meetings, save for meetings to consider extraordinary resolutions (three fourths majority) where 14 clear days' notice is required.

(g) **Remuneration of Directors**

The Directors shall be remunerated for their services at such rate as the Directors shall determine provided that the aggregate amount of such fees shall not exceed £500,000 per annum (or such higher limit) as the Company in general meeting shall from time to time determine by ordinary resolution. The Directors shall also be entitled to be paid all expenses properly incurred by them in attending general meetings of the Company, meetings of the board of directors or a committee of the board of directors or otherwise in connection with the business of the Company generally.

(h) **Directors' interests**

Subject to certain limited exceptions, a Director shall not vote or be counted in the quorum on any resolution of the Board in respect of any matter in which he has a material interest.

(i) **Right to indemnification**

Every present and former director shall be indemnified out of the assets of the Company against any liability incurred by virtue of the fact he was or is a director of the Company.

(j) **Insurance**

Subject to Jersey law, the Company may purchase and maintain insurance to protect against insurable risks in respect of the Directors, indemnifying them against any liability or expense asserted or incurred in connection with any claim, whether or not the Company would have the obligation to indemnify them against such liability or expense by law or under the provisions of the articles.

## 3. Summary of amendments proposed to be made to the Articles

At an extraordinary general meeting of Shareholders being convened on the same date as the date of the Meeting a resolution will be put to Shareholders to amend the Articles to:

(a) give the Directors authority to pay any dividend by the distribution of specific assets and in particular of paid up shares or debentures in any other corporate body; and

(b) include pre-emption rights for Shareholders such that prior to allotting shares the Company will be required to offer the shares to existing shareholders on a *pro rata* basis and to allow shareholders 14 days to accept the offer. Such provisions do not apply (i) to the allotment of up to five per cent. of the number of shares in issue in any calendar year; (ii) if the allotment of shares is wholly or partly paid otherwise than in cash; or (iii) to the allotment of REO Shares pursuant to the Restructuring. Such provisions can be disapplied pursuant to a special resolution (two-thirds majority).

## 4. Summary of drag provisions in Newco Articles

At Completion, instead of immediately being allotted BPSSV Shares and BPSSV Warrants, Newco Shares will initially be issued to the Company, CULS Holders and ZDP Holders. BPSSV will then immediately make an offer to acquire the Newco Shares on terms such that the number of BPSSV Shares and BPSSV Warrants will be held by CULS Holders, ZDP Holders and Shareholders as described on page 4 of this document. This will entitle BPSSV to acquire all Newco Shares then in issue and each Newco shareholder shall be deemed to have accepted the offer.

# Part 6

## Valuation of Battersea Power Station

King Sturge

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11 April 2011

Dear Sirs

Re: Valuation as at 31 December 2010 of Battersea Power Station & associated sites including Site C and 88 Kirtling Street but excluding Esso site

**1. Instructions**

1.1 We have been instructed by the Directors of Treasury Holdings acting as investment adviser to Real Estate Opportunities Plc. Any reference in this report to the Directors of the Company refers to the Directors of Treasury Holdings.

1.2 In accordance with your instructions, we have valued the freehold interest in the properties referred to above (the ''Properties''), owned by Real Estate Opportunities Plc, (the ''Company'') as at 31 December 2010.

1.3 We understand that this valuation has been produced (i) for the inclusion in separate circulars (the ''Circulars'') to be sent to holders at 7.5% convertible unsecured loan notes (''CULS'') in the Company and holders of zero dividend preference shares (''ZDP Shares'') in REO Securities Limited (a wholly owned subsidiary of the Company) and to be published by the Company; and (ii) subject to the necessary resolutions being passed by holder of CULS, ZDP Shares and ordinary shares, for inclusion in a prospectus (the ''Prospectus'') to be issued in respect of the admission (''Admission'') of new ordinary shares (the ''New Shares'') to the Official List of the UK Financial Services Authority (the ''FSA'') and to trading on the main market of the London Stock Exchange in order to allow the Company to meet its obligations under the Prospectus Rules of the FSA (the ''Prospectus Rules'').

1.4 This valuation has been prepared in accordance with the appropriate sections of the RICS Valuation Standards Sixth Edition (The Red Book) Prospectus Rule 5.6.5G of the Prospectus Rules, and paragraphs 128 to 130 of CESR's recommendations for implementation of EC Regulation on Prospectus number 809/2004. The extent of our investigations and the sources of information on which we have relied are described in the Basis of Valuation, Valuation Assumptions, Reservations and Special Assumptions sections of this valuation.

1.5 Terms defined in the Red Book have the same meaning in this valuation.

1.6 This document is a short format report which is issued as a summary only and should not be relied upon in isolation but should be read in conjunction with our full report and valuation. Any decision by a prospective investor to invest in New Shares should be based on a consideration of the Prospectus as a whole and not solely on this short format report.

1.7 The full report and valuation contains the assumptions, Special Assumptions, caveats and basis of valuation.

1.8 We are required by RICS regulations to disclose the following:

- Tom Henry has valued the properties since 2009 and Andrew Frost has supervised the valuation since 2009;

- In addition to this valuation instruction, King Sturge LLP has provided ad hoc advice to the Company in respect of various property matters but is not currently retained by the Company in any other capacity;
- In King Sturge LLP's financial year to 31 December 2010, the proportion of total fees payable by the Company to the total fee income of King Sturge LLP was less than 5%;
- The property was inspected internally on 4 Feb 2009 and reinspected externally on 9 February 2011.

1.9 We confirm that we have no material interest in any of the properties and that we have undertaken this valuation in the capacity of External Valuer:

1.10 We confirm that we have sufficient current knowledge of the particular property market involved and have the skills and understanding to undertake the valuation competently.

**2. The Properties**

2.1 The properties comprise the Battersea Power Station site and associated land at 188 Kirtling Street and adjacent sites including 88 Kirtling Street and 'Site C' but exclude the 'Esso site' on Nine Elms Lane. We understand that all are held in freehold. The properties are development sites and industrial units held for investment and development.

2.2 The property is briefly described in the "Schedule" attached to this Valuation Report.

**3. Basis of Valuation**

3.1 Our valuation has been carried out on the basis of Market Value which is defined in the Red Book as follows:

*"The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgably, prudently and without compulsion".*

**4. Valuations**

4.1 We are of the opinion that the Market Value of the properties as at 31 December 2010 subject to the Special Assumptions and assumptions attached to this report is:

**£498,000,000**
**(Four hundred and ninety eight million pounds)**

4.2 Our valuation has been arrived at by using the comparison method in order to establish the gross development value of the scheme on completion and the residual method to establish the site value.

4.3 With regards the development costs used in the residual method we have been completely reliant on the costs provided by the Company's cost consultants Messrs Davis Langdon in their cost plan dated 25 January 2011, prices as at November 2009.

4.4 Market value is the price that would be agreed, with no adjustment made for costs that would be incurred by the parties in any transaction, including any liability for VAT, stamp duty or other taxes.

**5. Disclosure**

5.1 The contents of this valuation may be used only for the specific purpose to which they refer. Before this valuation, or any part thereof, is reproduced or referred to, in any document, circular, or statement, and before its contents, or any part thereof, are disclosed orally or otherwise to a third party, the valuer's written approval as to the form and content of such publication or disclosure must first be obtained. For the avoidance of doubt such approval is required whether or not King Sturge LLP is referred to by name and whether or not the contents of our valuation are combined with others.

5.2 This valuation has been prepared for inclusion in the Circulars and the Prospectus. We confirm that we have issued a letter consenting to the inclusion of the valuation in the Circulars and the Prospectus.

5.3 Save for any responsibility arising under Prospectus Rule 5.5.3R(2)(f) to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in accordance with this valuation, required by and given solely for the purposes of complying with Annex I item 23.1 of the Prospectus Directive Regulation, consenting to its inclusion in a Prospectus.

5.4 For the purpose of Prospectus Rule 5.5.3R(2)(f) we accept responsibility for the information within this valuation and declare that we have taken all reasonable care to ensure that the information contained in this valuation is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Prospectus in compliance with Annex I item 1.2 of the Prospectus Directive Regulation.

**6. Special Assumptions and assumptions**

6.1 We note that all Special Assumptions and assumptions have been agreed with the client. In the event that any of these assumptions prove to be incorrect then our valuation should be reviewed.

**Valuation Special Assumptions**

The development is large even within the context of Central London and will take a long period of time to achieve detailed planning consent, work up detailed designs and engineering drawings, engage construction contractors, build the scheme, let the commercial space and then sell on the completed units to occupiers and investors. We have allowed for a total development period of 20 years in this regard.

During this time there will inevitably be changes to the property markets which this scheme is aimed at. There may also be changes to the amount of residential and commercial space that is constructed, and the percentage of affordable housing and other planning gain contributions that might be involved as the scheme evolves. In order to arrive at our opinion of value, therefore, we have made a number of assumptions, as set out below, some of which involve predicting future events.

We have valued the site subject to various Special Assumptions as advised by and agreed with the Directors of the Company and would note that these assumptions would not necessarily be made by a purchaser of the site in the current market. The effect of these Special Assumptions is considerable in aggregate and regard should therefore be had to the sensitivity analyses contained within our full report and valuation.

The general assumptions which we have also made are in our opinion realistic in their aggregate effect, given the prominence and the opportunity afforded by this large site, however we note that there are likely to be changes to the details of the assumed scheme as the project is developed.

Inevitably values will fluctuate during the development process and as the site value is a relatively low proportion of the Gross Development Value, it is and will remain highly sensitive to the impact of other changes to the valuation inputs:

**Funding**

We have assumed that debt funding is available for a project of this size on commercially acceptable terms. The valuation takes place during a period of unusual uncertainty with regard the appetite and ability of lenders to offer senior debt/syndicated debt on larger development projects.

Should a cash/equity buyer be the only prospective purchaser for the site then the price achievable would be reduced to a level more reflective of a ‘‘fire sale’’ situation for a site of this size and would not fairly reflect the valuation assumption of a willing buyer and a willing seller.

We are fully aware of the extraordinary difficulties in the current funding markets and consider that in practical terms it is unlikely that significant levels of debt funding would be available for the project at the current time. Readers of this report should be aware of this and in their appraisal of the Company accounts consider the terms of the existing debt facilities.

Given that this is a 20 year project we have valued on the Special Assumption that an appropriate long term funding structure is in place with flexible loan to value covenants. With a project of this scale more conventional short term funding is not appropriate.

**Northern Line Extension**

During the course of the development of the site, significant transport improvements will be made to the area. In particular we understand that a spur of the Northern Line will be constructed on site, with a target date for opening the station of March 2017 (to coincide with the target date for practical completion of the commercial phases of the scheme). We are advised that the target date for confirmation of the Transport Works Act is July 2012. The application for the TWA is due to be submitted imminently.

The proposed Northern Line Extension (NLE) will enhance the Charring Cross branch of the Northern Line with new station stops at Wandsworth Road (The Sainsbury's site has been identified and Sainsbury's are in a dialogue with TfL) and the Power Station site itself.

We understand from the Directors of Treasury Holdings that the proposed extension is to be funded by a Community Infrastructure Levy (CIL) with payments raised from section 106 payments from development within the Nine Elms Opportunity Area of which the subject scheme forms part.

The Mayor of London has duly identified the Nine Elms Opportunity Area as a location in which new development schemes will be exempt from paying the Crossrail Levy (charged on new developments within the Central Area Zone – CAZ), with financial contributions instead being required in respect of the NLE. The Mayor has also published a draft section 106 payment schedule which identifies the appropriate payments towards the NLE for development in the Nine Elms Area which illustrates the level of political support for the proposals.

We have been provided with draft Heads of Terms in respect of the Section 106 agreement relating to the site, by the Directors of Treasury Holdings and note that based on these heads of terms the financial contribution required by the council towards the NLE in respect of the Power Station scheme is in the sum of £211,582,711. We confirm that we have allowed for this contribution within our appraisal.

In the event that these transport improvements cannot be made or cannot be made without increasing the financial contribution from the scheme, this would have a significant negative effect on the valuation of the site. The effects would be threefold:

The density of development which can be accommodated across the whole site would be reduced, which would in turn decrease the land value;

The values achievable on the residential and commercial uses would be lower as communication links to the site would be inferior to that which is currently envisaged. The site value is extremely sensitive to movements in end values and therefore this would have a significant effect on the value of the site.

Finally the marketability of the units would suffer with the result that this would extend the timescale to achieve sales and lettings, thereby increasing interest costs at the scheme which would have a significant negative impact on the site value.

Accordingly we have valued on the Special Assumption that the Northern Line Extension will be forthcoming broadly in accordance with the proposals and the timescales outlined to us by The Directors of Treasury Holdings and that the funding contribution towards the extension from the Power Station scheme will be limited to £211,582,711.

**Planning Permission**

The scheme which we have valued has the benefit of a resolution to grant outline planning permission from the London Borough of Wandsworth (LBW) dated 11 November 2010, subject to agreement of the section 106 document.

This has subsequently been followed by approval of the plans by the Greater London Authority (GLA) on 22 December 2010.

Although this had not yet taken place at the date of valuation, we are aware that on 9 February 2011 the Secretary of State for Communities and Local Government confirmed that the planning permission would not be subject to a 'call in'.

We have valued on the Special Assumption that the Secretary of State would have approved the scheme as consented by the London Borough of Wandsworth and the GLA as at the date of valuation.

We have also valued on the Special Assumption that the resolution to grant planning permission by the London Borough of Wandsworth is not made subject to any onerous conditions which would prohibit the redevelopment of the proposed scheme, other than those which we have already been advised of, including the requirements to refurbish the Power Station and the requirements to contribute towards the NLE as described above.

**Judicial Review**

In addition to the requirement of approval by the Secretary of State, there is also a period in which a judicial review could be brought against the decision to grant planning permission for the scheme.

A judicial review can only be brought on the grounds that the administrative authorities which have granted planning permission have acted 'ultra vires' or beyond their powers.

Given the size and profile of the scheme it is not unthinkable that a challenge will be brought, although it is less likely that 'ultra vires' will be proven. Nevertheless until the period in which a judicial review can be brought is over, there is still a risk that a successful challenge could be brought. We understand that this period is 3 months from the date on which the section 106 is signed.

We have valued the site in accordance with the resolution to grant outline planning permission from London Borough of Wandsworth and on the Special Assumption that there will not be a successful judicial review of the consented scheme.

Should either of the above assumptions prove not to be correct, the effect on value could be considerable as the site would no longer benefit from a planning consent and a new permission would need to be sought.

This would affect the valuation of the site, as a discount for planning risk and a deferment period in which to achieve a new planning permission would need to be factored into the appraisal.

We note that in practice a potential purchaser of the site would be unlikely to commit to a purchase until after the period of Judicial Review was finished. We understand that this is typically 3 months from the date of signing the section 106.

**Listed Building consents**

In addition to the above Special Assumptions relating to the main planning application, we have also valued on the Special Assumption that there will be no direction from English Heritage in relation to the three listed building applications listed below, which would prevent the redevelopment of the site in accordance with the current proposals:

- The listed building application for the Power Station works;
- The listed building application for the jetty works;
- The listed building application for the demolition of the water pumping station.

**ESSO Site excluded from valuation**

For the purposes of this valuation, we have been instructed by the Directors of the Company to report the Market Value of the Properties, not including the Esso site which fronts Nine Elms Lane. We understand that this is because the site is not currently in the ownership of the Company. The site is located on the periphery of the Master plan area and does not form a key or prominent part of the development. We have valued on the Special Assumption accordingly that the absence of this site from the Company's ownership would in no way frustrate the development of the remainder of the site.

We have not been provided with sufficient information with which to disaggregate the build costs and values attributable to the Esso site from the overall scheme and therefore have been unable to undertake a residual valuation of the properties, excluding the development attributable to the Esso site. In the absence of this information we have made an adjustment to the Market Value of the properties on a *pro rata* basis to exclude the Esso site.

We have measured the site using online Ordnance Survey mapping software and based on our understanding of the boundaries, we estimate that the land area of the Esso site is 0.2 acres which accounts for approximately 0.4% of the total land area of the Properties. We are advised by the Directors of the Company that the permitted developable area for the Esso site is 2,720.5 $m^2$ (29,283.46 $ft^2$) GIA and we have valued on the Special Assumption that this is the case and made our adjustments on a *pro rata* basis accordingly.

**Gas Holders Site**

There is a National Grid gas holder site located immediately to the south west of the power station site, on the western side of the railway lines. We are advised by The Directors of Treasury Holdings that they are in a regular dialogue with National Grid whose intentions are to decommission the site and secure planning permission for a mixed use scheme. We are also aware that MAKE architects are retained by National Grid to act as master planners in relation to the scheme.

We also note that in October 2009 the government took the decision to grant immunity from listing in relation to the gas holders for a period of 5 years. This is significant as listing would have been a significant barrier to redevelopment, although not necessarily to decommission.

Our valuation is on the Special Assumption that National Grid continues with their current plans to decommission the site and redevelop it. Should the site remain in gas holder use, this could potentially prevent the development of certain uses envisaged in the Battersea Power Station master plan, particularly the retail in close proximity to the south west boundary of the site including that in building O1, which would in turn have a considerable negative impact on the value of the site.

**Cory & CEMEX Sites**

We have been advised by The Directors of Treasury Holdings that they are in a regular dialogue with the adjacent landowners and occupiers including the CEMEX aggregates supply site and the Cory Waste Transfer Station which are both wharf style occupiers which make full use of the river fronting location.

We understand that as part of the proposals, the developers intend to carry out mitigation works to screen the 'bad neighbour' uses from the proposed development and intend to use innovative designs including the potential for use of Winter Gardens as opposed to balconies on units overlooking these sites. We have allowed £5,000,000 in our appraisal towards these mitigation works as advised by the developer.

In light of the above, we have valued the site on the Special Assumption that these mitigation works, in combination with the use of Winter Balconies where necessary on units fronting the Cory and CEMEX sites, will allow the different uses to co-exist in accordance with the consented masterplan.

**Thames Tunnel**

We have valued the site on the Special Assumption that it is not subject to any Compulsory Purchase Orders or is unduly blighted by works in respect of the proposed Thames Tunnel.

We understand from our informal enquiries of the Thames Water website that their preferred tunnel site is in fact the adjacent Tideway Industrial Estate which is favoured over Battersea Power Station.

**Phasing**

We are advised by the Directors of Treasury Holdings that the planning permission will allow for phases of the development to come forward in advance of both the delivery of the Northern Line and the Power Station. In particular the first phase – RS1 is scheduled to be delivered prior to the opening of the Northern Line. We consider this to be prudent as this will allow development proceeds to be channelled back into the scheme to pay for the relevant infrastructure as well as the significant Power Station refurbishment costs.

We have valued the property adopting what we consider to be prudent phasing over a total development timescale of 20 years with the release of different uses spread over this timescale to avoid creation of an over supply. With a scheme of this size we are of the opinion that the phasing is likely to evolve over the course of the development depending on the relative supply and demand characteristics of the residential and commercial markets.

Therefore we have valued the scheme on the Special Assumption that the planning permission will allow phases of the development to come forward prior to the delivery of the Northern Line and the full refurbishment of the Power Station, albeit we understand that this is likely to be limited to the first phase – RS1.

**Section 106 agreement**

There is no agreed section 106 document as at the date of valuation and we have been provided with draft heads of terms at this stage only. The section 106 document has the potential to significantly affect the value of the site, as it sets out a number of obligations, including the required level of affordable housing and the level of financial contributions which the developer will have to make towards improvements in local transport and infrastructure.

For the purposes of this valuation and in the absence of a signed section 106 document as at 31 December 2010 (the valuation date), we have valued the site on the Special Assumption that the final document will be agreed in accordance with the draft heads of terms and information which has been provided to us by The Directors of Treasury Holdings. This includes the following:

- Total financial contribution in the sum of £228,000,000 payable in tranches in line with each phase of development. We note that £211,582,711 of this is towards the NLE;
- The required number of affordable housing units equates to 517, which is circa 15% of the total number of private residential units as currently proposed;
- Section 106 agreement to include a cascade mechanism, whereby if the level of grant made available is insufficient to achieve a rate of £250 per $ft^2$ on the affordable housing element of the scheme, the developer will have the ability to renegotiate the tenure mix of the affordable housing in favour of the more valuable shared ownership tenure units in order to compensate for this. The net effect would be that an average rate of £250 per $ft^2$ should be achievable.

We have assumed that there will be no material changes to the terms or to the manner in which development gain is treated in law as regards taxation or direct and indirect contributions towards expenditure on public projects such as would affect the cashflow on this scheme.

We note that any increase in the section 106 financial contribution or the level of affordable housing required at the scheme would have a significant negative effect on our valuation of the site.

We are advised by the Directors of Treasury Holdings that they are currently targeting April 2011 for agreement of the section 106. We would note that this is after the date of valuation of 31 December 2010.

We also note that should the section 106 provisions be materially different from what we have been advised, this could have a significant impact on our valuation, particularly if there is an increase in the required amount of affordable housing, or the financial contribution.

**Affordable Housing**

We understand from the Directors of Treasury Holdings that given the significant contributions towards public transport improvements which the scheme will be making, both the GLA and LBW are willing to approach the provision of affordable housing on a more flexible basis.

The London Plan concedes that the target for affordable housing should be applied flexibly, taking into account individual site costs, the availability of public subsidy and other scheme requirements.

We understand from the Directors of Treasury Holdings that a level of 517 units, which equates to broadly 15% of the total number of units currently proposed, is likely to be required at the scheme as part of the section 106 and that there will be a cascade mechanism whereby if the level of grant funding payable is not sufficient to achieve a rate of £250 per $ft^2$ then the proportion of shared ownership to socially rented units can be adjusted to compensate.

We have therefore valued on the Special Assumption that no more than 517 affordable units will be provided and that £250 per $ft^2$ will be achievable in respect of this element. We understand that this value range will be achieved through the availability of grant funding at a broadly comparable level to that which has been available in the borough to date, or through the increased provision of shared ownership accommodation to compensate. We note that shared ownership accommodation can be valued at up to 60% of market value subject to affordability criteria.

We note that the method by which social rented values will be calculated is about to change with a move to calculating the rentals based on a percentage of market rent. We are advised that this could be as a high as 80% and note that on this basis we consider that there may be some upside to the current position.

**Residential Unit Areas & Quantity**

We note that despite a current trend towards larger units, the average size of the units based on the Rafael Vinoly master plan is significantly larger than those at the majority of other Wandsworth Riverside schemes.

We have discussed this with the Directors of Treasury Holdings who have advised us that it is their intention to rationalise the individual unit sizes as they progress to detailed planning consent in respect of each phase.

They confirmed that this will be done on an 'ad hoc' basis and may vary from phase to phase in response to market conditions and requirements with a view to maximising values. The overall result however is likely to be a net reduction in the average unit size at the scheme with a net increase in the number of units which can be accommodated as a result.

We have discussed whether this will have a knock on effect on the quantum of affordable units which will be required at the scheme and have been advised by the Directors of Treasury Holdings and their planning advisors Messrs DP9 that they propose to agree a cap on the number of affordable units which will be provided at 517, as LBW's current concern appears to be making sure that this number is achieved rather than exceeded for any reason.

Treasury Holdings have also advised that Wandsworth would have been content with 10% affordable housing but the GLA pushed to increase this figure and therefore they do not envisage that capping the units at 517 is likely to be an issue.

Accordingly we have valued the scheme on the Special Assumption that the affordable units will be capped at a level of 517 and that this will not increase if the total number of units at the scheme is increased as a result of redesigning the individual phases to provide more efficient units. We note that as per our comments above, if the number of affordable units required at the scheme were to increase this would have a negative effect on our valuation.

**Retail Areas**

We have not been provided with a breakdown of areas in terms of zone A for the current scheme but have had to value the retail element based on the previous scheme and applied the resultant rents on an overall basis to the new scheme areas which we consider to be the only practical approach given the information provided. We have therefore valued on the Special Assumption that the areas provided to us in respect of the retail are accurate and that there would be no material difference in the overall retail rents achievable between the previous scheme areas and the current ones.

### Professional Fees

We have been advised by the Directors of Treasury Holdings that due to downward pressure on fees in the current market and the quantum of work involved, total professional fees post planning for the scheme are likely to be in the order of 8% and this is reflected in their discussions with architects which they are currently interviewing who are quoting 3% as opposed to 5% to take individual phases of the scheme from outline to detailed stages.

We have been supplied with a letter from Davis Langdon cost consultants on which we have relied which confirms that 8% professional fees is appropriate in the current market and due to the fact that outline consent has already been achieved.

We note that in a more normalised market these fees would be higher, however this would more than likely be in the context of a more buoyant market generally in which corresponding increases in capital values would be likely to eradicate the effect of professional cost increases.

Accordingly we have valued the property on the Special Assumption that 8% of build costs is an appropriate quantum of professional fees for the scheme in the current market. We have made a separate allowance for NHBC fees in our appraisal.

### Site Constraints

The scheme is extensive covering approximately 40 acres and there are likely to be various constraints upon developing the site. We have assumed for the purposes of valuation that these constraints and restrictions have been duly considered by the Directors of Treasury Holdings and their consultants in the development of the master plan for the site.

That said we would expect the project to evolve as a more detailed design is worked up on a phase by phase basis and anticipate that further constraints are likely to be identified and overcome. In this regard, we would emphasise that whilst we have valued the consented scheme, our brief is a valuation of the site and we are mindful that the scheme is likely to be altered during the lifecycle of such a large development.

As such our valuation reflects the potential of the site to achieve the approximate overall density proposed, albeit we recognise that the exact form of development may have altered by the time the scheme is fully completed. We would note however that if for any reason, only a reduced density proves to be achievable then this would have a negative effect on our valuation of the site.

We have valued the scheme on the Special Assumption that there are no site constraints which would prevent the delivery of the proposed scheme massing and densities.

### Gross to net Ratios

The Directors of the Company have advised that gross to net areas of 85% on both residential and commercial accommodation can be achieved at the scheme outside of the Power Station (which is less efficient) and the cost plans provided by Davis Langdon are calculated on this basis. We note that whilst RVA, the scheme master planners have confirmed this ratio, Davis Langdon comment that this is at the upper end of the efficiency range and have recommended that a 3% developer's design contingency is allowed for in this regard. We have accordingly factored this into our appraisal.

We have therefore valued on the Special Assumption that the Gross to Net areas can be achieved subject to the allowance for a 3% design contingency in accordance with the advice of Treasury Holdings design team. We note that should this ratio prove to be an over estimate, this would have a negative effect on our valuation.

### Construction Costs

We have valued the scheme based on the build costs provided to us by Davis Langdon cost consultants in their 'Strategic Target Masterplan Cost Plan – Revised Planning Application (June 2010)' dated 25 January 2011, price date November 2010.

We note that we do not have the expertise or the information needed in order to provide a qualified estimate of construction costs for a scheme of this size and complexity and as such have relied wholly on the construction costs provided. We are and therefore have been wholly reliant on the information provided to us.

Accordingly we have valued on the Special Assumption that the costs provided are appropriate and in line with those which a would be purchaser of the site would assume.

We note that should these costs prove to be an underestimate this would have a negative effect on our valuation which could be significant.

We have also assumed that the build costs reflect current sustainability requirements although we note that these are likely to increase during the lifecycle of the development. We have assumed that the costs involved with additional sustainability requirements will reduce moving forward as technology improves and more efficient ways are discovered to achieve the required efficiencies and as the industry adapts generally to the changing requirements.

**General Assumptions**

Two scheme options – We are aware that two scheme options are currently proposed, one with an element of Student Housing in block RS1 and the other with more residential units and note that as advised by the Directors of Treasury Holdings we have valued the scheme with more residential units as this is the one which they are more likely to pursue.

Contractor availability – A scheme of this size could support multiple developers/contractors on site which would reduce the overall project timescale and increase the speed with which the units will be made available for sale. We have valued on the assumption that sufficient contractors will be available to meet our estimated construction timetable at reasonable cost, and that the development will not be hampered by a shortage of construction capacity or an unusual degree of competition by other commissioners of construction contracts.

US Embassy – It is currently the stated intention of the US Embassy to relocate to Nine Elms with a target year for occupation of 2017. We consider that this relocation, to what is currently an area dominated by industrial uses, will make a significant contribution towards the regeneration of the local market as well as increasing political impetus for the delivery of the proposed Northern Line Extension. Should the US Embassy decide not to relocate or to relocate to an alternative site, we are of the view that this would have a negative effect on the value of the site as the regeneration prospects of the area would take a step backwards.

Retail Zone A area breakdown – We have relied on the retail Zone A breakdown provided by your consultants Messrs Knight Frank as we have not been provided with sufficient information to calculate the approximate Zone A areas at the scheme from the overall areas in the Masterplan. Should these areas prove to be incorrect we would reserve the right to amend our valuation accordingly.

Retail study – We have relied upon surveys commissioned by Treasury Holdings which confirm that there is demand for this volume of retail in this location as Battersea is at the current time an un-proven retail location. Should the calculated demand prove not to exist, we would reserve the right to amend our valuation accordingly.

Retail critical mass – We have valued on the assumption that the retail elements of the scheme will come on line in such a way that they will create the required critical mass in order to establish the Power Station site as a retail destination in itself. The values which we have attributed to this element and our phasing of the retail in our appraisal reflect this. Should the retail be delivered on a more piecemeal basis this is likely to affect the ability to attract a strong tenant line up and also affect the rental values which are achievable.

Marketing campaign – We have assumed that a national and international marketing campaign will be carried out in relation to the residential at the scheme. We are of the view that without a coordinated national and international sales effort, utilising the contacts and market access/penetration of multiple agents and developers, both sales volumes and values are likely to be reduced.

Method of appraisal by purchaser – Given that the development timescale as currently projected is 20 years we have assumed that both sales and construction are likely to cross at least one economic/property cycle and any prospective purchaser of the site would appraise the site using a discounted cash flow model, building in immediate predictions for growth in costs and values (both positive and negative) followed by growth based on more sustainable long term trends moving forward. In accordance with the RICS Standards our appraisal is based on present valuation evidence. We would comment that current predictions are for values to decline marginally in 2011 before a return to growth in 2012/2013.

Residential critical mass – Regardless of house price inflation/deflation, there will be a relative increase in prices achievable during the lifecycle of the development as it becomes more established both physically in terms of the critical mass of development on site and also in terms of international/national awareness. Our valuation of the residential reflects our opinion of the initial discounted values achievable on early phases as well as a slight premium on values in the final phases of the scheme once the location is more established and the Northern Line Extension is operational.

Exchange deposits – We have valued on the assumption that the exchange deposits from off plan sales of the private residential apartments can be utilised to offset borrowing during the course of development and have factored this into our development appraisal cashflow.

Serviced apartments – We have valued on the assumption that the Serviced Apartments can be sold to individuals as opposed to their being a requirement that these are sold to a single operator.

Marketing period for the site – We have assumed that the property can be marketed for a reasonable period taking into account the restrictions in the debt markets and general market conditions. In our opinion a reasonable marketing period in the context of achieving Market Value for a site of this size is 3 years and would include an international marketing campaign. Any period less than this would in our view be unreasonably short and have a potentially significant detrimental impact on the realisable value.

Standard of finish and specification – We have assumed that internal and common areas as well as external building envelopes will be delivered to a high standard of design and finish consistent with the requirements of Wandsworth Riverside and Prime Central London developments and the build costs provided. We confirm that we have allowed for what in our opinion are reasonable costs to achieve this end product.

Pre-lets on commercial – We have also assumed that at least 40% of the office and retail elements can be pre-let to covenants that would be accepted by investors as "good". We confirm that we have included considerable sums for incentives and rent free periods within our appraisal in this regard.

Office critical mass – We have also assumed that the initial phases of offices at the scheme will be marketed at a discount in order to attract interest in what is largely an unproven location. The rents achievable on the offices will then build up to allow for critical mass and we have reflected a slight increase in the latter phases of the offices to account for this in our valuation. This does not reflect any rental growth as would be experienced in the wider market but rather an increase in rents achievable as the location reaches critical mass as an office centre.

Timing of leasing & sales – We have also assumed that the developer will be able to choose the timing of the leasing/sales of the commercial elements so as to achieve 'normal' sustainable levels of value. The current retail market is not very buoyant, however given the timescales involved with a scheme of this nature we have assumed more normal market conditions would prevail at the point of sale/letting. Our rental levels are however based on day 1 levels which we believe are achievable at the current time by reference with other identified retail centres.

Balance of uses – We have assumed that the balance of uses in this mixed use scheme will be in accordance with market expectations, so that the combination of residential/retail and office/retail will have a positive and reciprocal effect on values creating a sense of place and 24 hour location.

Hypothetical purchaser – We have assumed that the site would be bought (in terms of the hypothetical transaction assumed for the purpose of valuation) by a party with the means to complete the whole scheme, and therefore able to benefit from the cash flow of each phase of the development as it is realised. To that extent our valuation represents the aggregate of the net present values of all elements to the scheme, and that they would be able to engage contractors over a period of years and so achieve a construction contract that reflected the economies of scale across all phases of the scheme. We have assumed that the purchaser of the site will be of sufficient financial strength to ensure the deliverability of such a large and complex scheme.

Reliance on information provided – We have fully relied on all documents, drawings, plans and schedules provided to us by the Directors of the Company, as well as where appropriate, relying on statements made by the Company's agents and professional advisors as matters of fact. Should any of the above prove to be incorrect or inaccurate we would reserve the right to amend our opinion of value to reflect the change in circumstances.

Stakeholder support – We understand from the Directors of the Company that the Greater London Authority, London Borough of Wandsworth, Secretary of State and English Heritage are all supportive of the scheme as currently envisaged. We consider it likely that given the length of time for which the site has lain vacant, all interested parties will be aware that the consented scheme will need to generate sufficient profitability in order to fund the much desired transport improvements as well as securing a long term and sustainable use for the Listed Power Station structure.

Premium value over surrounding area – The site is the largest single ownership within the largest regeneration area in Central London as well as benefiting from the presence of the iconic Battersea Power Station which is one of London's most instantly identifiable land marks. As such we consider that once the scheme is established and the transport improvements confirmed, units at the site will be able to achieve a premium value over less desirable schemes in the immediate vicinity. This will be supported further by the mix of uses on site which will offer a brand new riverside centre, offering a full range of leisure and shopping facilities, all benefiting from a very high standard of urban design.

GLA Transport Study – We understand from the Directors of the Company that a transport study has been carried out by the GLA. This study concludes that the Nine Elms area can accommodate the high density of development referred to in the draft Opportunity Area Planning Framework, provided the transport improvements which have been put forward are made. We have relied upon the reported findings of this study in our appraisal of the proposed scheme but would note that if the infrastructure proposed proves insufficient to accommodate such a high density scheme then this would have a negative effect on the value of the land.

Treasury Holdings acting as agents for Real Estate Opportunities Plc – We have been briefed and instructed by the Directors of Treasury Holdings acting as investment managers for and on behalf of the Directors of Real Estate Opportunities Plc. As such any references in this report to 'the Directors of the Company' refer to the Directors of Treasury Holdings.

Shelf life of valuations – We would note that the shelf life of a valuation is limited as it is typically a 'snap shot' at a particular time, particularly in relation to the valuation of an asset where much depends on the materialisation of anticipated future events. We would highlight this in the context of any reliance on our valuation as at a future date beyond the date of valuation.

Party Walls – Parts of the site may be separated from adjoining buildings by party walls. We have assumed that during the course of redevelopment the appropriate notices will be served on the relevant parties and that investigations have been made to ensure that this does not hinder the timing and delivery of the development. The Directors of Treasury Holdings have confirmed that this is the case.

Rights to Light – The subject site is in close proximity to a number of buildings of varying use and height. We understand from the Directors of Treasury Holdings that the relevant notices have been served in respect of Rights to Light and they have received no responses. As a result their consultants have advised that they do not consider that there are any Rights of Light claims which would either impede the development or carry an associated cost. We have relied on this advice accordingly.

Structural Survey – We have not carried out a structural survey of the Properties nor have we tested any of the services but we have had regard to the general condition as observed in the course of our inspections for valuation purposes.

Ground Conditions – We are unaware of any adverse ground conditions affecting the property and have not had sight of a ground or soil survey. We would note that it is likely to be a planning requirement that both archaeological and ground condition surveys are carried out prior to the commencement of development and we assume that these will be forthcoming in due course and would be pleased to comment on any impact on our opinion of value. For the purposes of this valuation we have assumed that there are no onerous ground conditions or underground structures which would prohibit the development of the proposed scheme or increase the level of costs beyond those which are currently envisaged and accounted for in the Davis Langdon cost plan provided.

Deleterious materials – We have assumed for the purposes of this valuation and report that there are no deleterious materials present on site and that no such materials have been used in the construction of the existing units.

Environmental Issues – We have not been provided with an Environmental Audit, site survey or other investigation, which may have been undertaken on the site in order to ascertain if any contamination exists. We would comment that given the historic uses on site some degree of contamination is likely.

Prior remediation work – We understand from the Directors of the Company that remediation work has already been carried out and that the current Davis Langdon cost plan includes further allowances for remediation as required.

Contamination assumptions – We have undertaken the valuation on the basis that the site is free from contamination and that there is no potential threat from past or present uses other than as allowed for in the Davis Langdon cost plan. Should it subsequently be established that contamination exists, we would reserve the right to review our valuation accordingly.

Tree preservation orders – We understand from our informal enquiries of the Local Planning Authority that there are no Tree Preservation Orders on site which would restrict the proposed development.

Electricity pylons – The Royal Institution of Chartered Surveyors (RICS) requires a valuer to report the presence of such pylons given that periodic press comment has alluded to a detectable effect upon values. The RICS has reflected this concern in its UK guidance notes reporting a public perception. However in this instance there are no electricity pylons in the vicinity.

Archaeology – We are aware that as part of the section 106 agreement the developer is likely to be requested to undertake an archaeological survey to satisfy the Council. Given the location in close proximity to the Thames, there is the potential to discover evidence of a historic settlement. However for the purposes of this valuation we have assumed that there are no archaeological remains which would affect the development timescale or costs in relation to the proposed scheme.

Flood Risk – Informal enquiries of the Environment Agency have revealed that the site lies in an area which benefits from Flood Defences, and therefore is subject to a 'low' risk of flooding (1:200). We have assumed that there are no unusual issues with regard to flooding and no additional flood related costs which should be borne by the development.

River wall works – We have specifically assumed that there are no costs in relation to improvements/repairs to the existing River Wall that will be required as part of the redevelopment proposals. Should this prove not to be the case, we would reserve the right to amend our opinion of value accordingly.

Title/Tenancies – We have not been provided with a Report on Title on which we can rely and have undertaken our valuation of the site on the basis that the properties benefit from good and marketable title. We have also assumed that the properties benefit from all the necessary rights including access required to carry out the proposed development, and that there are no onerous rights, easements or restrictions over the properties which would prevent or hinder the redevelopment of the site as currently proposed, or increase the costs associated with the redevelopment proposals.

Proposed scheme densities – In particular we have valued on the assumption that the proposed scheme densities can be accommodated within the Company's ownership and that these do not rely upon the use of any land which is currently in the ownership of other parties. Clearly if any land purchases would need to be made in order to develop the density proposed, this would carry an additional risk to the delivery of the scheme as well as an additional cost, neither of which has been factored into our valuation.

Tenancies – We have also assumed for the purposes of valuation that there are no tenancies in relation to the site, which would prevent or hinder the proposed scheme or increase the costs beyond those already envisaged.

Planning – In the preparation of our valuation we have relied upon the opinions contained within the DP9 email dated 1 Feb 2011, which provides a summary of the current planning position following the resolution to grant consent by the London Borough of Wandsworth on 11 November 2010.

Build Costs – As stated above, we do not have sufficient information or the expertise to assess build costs for a project of this size and scale and have therefore placed complete reliance on the build costs and estimate of professional fees as per the Davis Langdon cost plan with prices as at November 2010 (dated 25 January 2011). Should these costs prove to be an underestimate then this would have a negative effect on value.

Areas – We have relied upon the area schedule dated 11 January 2011 as provided to us by Rafael Vinoly Architects and called 'Battersea Power Station MP Area Schedule GIA, GEA, DRAFT – Option One with Student Housing' for the purposes of our appraisal of the site. We have not undertaken check measurements as the scheme is at Masterplan stage and we have not been provided with scaled drawings. In any event with the level of detail available we do not have the expertise to measure the achievable areas for the scheme at the Masterplan stage.

**Basis of valuation**

**Definitions**

**Market Value** means the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arms length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

**Market Rent** means the estimated amount for which a property, or space within a property, should lease (let) on the date of valuation between a willing lessor and a willing lessee on appropriate lease terms in an arm's-length transaction after proper marketing wherein the parties had acted knowledgeably, prudently and without compulsion.

This Report and Valuation complies with the latest version of the RICS Valuation Standards. It is, therefore, fully compliant with International Valuation Standards

**Valuation Assumptions and Reservations**

Unless otherwise stated in this report, our valuations have been carried out on the basis of the following General Assumptions. If any of them are subsequently found not to be valid, we may wish to review our valuations, as there may be an impact on them.

- That the freehold interest is not subject to any unusual or especially onerous restrictions, encumbrances or outgoings contained in the Freehold Title. Should there be any mortgages or charges, we have assumed that the property would be sold free of them. We have not inspected the Title Deeds or Land Registry Certificate.
- That we have been supplied with all information likely to have an effect on the value of the property, and that the information supplied to us and summarised in this report is both complete and correct.
- That the site boundaries are as indicated to us and, generally, as shown on our plans. All plans supplied are for identification purposes only.
- That the floor areas and dimensions are as provided to us by the scheme architects. Floor areas have been assessed in accordance with the Code of Measuring Practice issued by the Royal Institution of Chartered Surveyors.
- That the building is structurally sound, and that there are no structural, latent or other material defects, including rot and inherently dangerous or unsuitable materials or techniques, whether in parts of the building we have inspected or not, that would cause us to make allowance by way of capital repair (other than those points referred to above). Our inspection of the property and this report do not constitute a building survey.

- That the services, and any associated controls or software, are in working order and free from defect. We have also assumed that the services are of sufficient capacity to meet current and future needs.
- That in the construction or alteration of the building no use was made of any deleterious or hazardous materials or techniques, such as high alumina cement, calcium chloride additives, woodwool slabs used as permanent shuttering and the like. We have not carried out any investigations into these matters.
- That the property has not suffered any land contamination in the past, nor is it likely to become so contaminated in the foreseeable future. We have not carried out any soil tests or made any other investigations in this respect, and we cannot assess the likelihood of any such contamination.
- That the property does not suffer from any risk of flooding. We have not carried out any investigation into this matter.
- That the building has been constructed and is used in accordance with all statutory and byelaw requirements, and that there are no breaches of planning control. Likewise, that any future construction or use will be lawful (other than those points referred to above).
- That the property is not adversely affected, nor is likely to become adversely affected, by any highway, town planning or other schemes or proposals, and that there are no matters adversely affecting value that might be revealed by a local search, replies to usual enquiries, or by any statutory notice (other than those points referred to above).
- That Energy Performance Certificates (EPCs) are in place and that these will be maintained in the future. (EPC) are required for the sale, rental or construction of commercial buildings. The effect of EPCs on value is as yet unknown, given that the market has yet to respond to their introduction. Therefore, we have not considered the property's EPC rating in forming our opinion of value. However, should this position alter, we reserve the right to reconsider our opinion of value.
- That the tenant is capable of meeting its obligations, and that there are no arrears of rent or undisclosed breaches of covenant.
- That the property either complies with the Disability Discrimination Acts and all other Acts relating to occupation, or if there is any such non-compliance, it is not of a substantive nature.

**General Valuation Considerations**

Our valuations have been carried out on the basis of the following general conditions:

- No allowance has been made for rights, obligations or liabilities arising under the Defective Premises Act 1972, and it has been assumed that all fixed plant and machinery and the installation thereof complies with the relevant UK and EU legislation. Our valuations assume that any plant, equipment, fixtures and fittings that are included within our valuations are all in working order and free from defect.
- Excluded from our valuations is any additional value attributable to goodwill, or to fixtures and fittings which are only of value in situ to the present occupier.
- Our valuations exclude any expenses which would be incurred on a realisation or disposal. We have however taken account of purchaser's acquisition costs for investment valuations in accordance with market conventions.
- Apportionments of value between buildings, land and plant and machinery are normally for depreciation purposes only. Such apportionments are not valuations and they should not be used for any other purpose unless specified in the report.
- Future useful economic life of buildings is normally assessed in bands of years. An average figure is usually provided for groups of buildings forming a single asset. The figures are appropriate for depreciation purposes only and should not be used for other purposes.
- In respect of valuations of portfolios of properties, our overall valuation is an aggregate of the individual values of each individual property. The valuation assumes, therefore, that each property would be marketed as an individual property and not as part of a portfolio. Consequently no portfolio premium or discount has been reflected and any

consequence of marketing a range of individual properties together has also not been reflected in our valuations. However, if adjoining or complimentary properties might achieve a higher value by being marketed together (known as "prudent lotting"), we have reported the higher value that would emerge.

- Any interpretation or apparent interpretation of legal issues within our report must be verified by a suitably qualified lawyer and must not be relied upon without such verification.
- Any information regarding rating has been obtained informally from the Valuation Office website.
- We have not investigated whether or not any rating assessment is a fair assessment and it is possible that it is subject to alteration.
- We have however taken account of purchaser's acquisition costs for investment valuations. If a property is held in a single purpose vehicle, and, therefore, could be sold via a sale of company shares thereby reducing the stamp duty liability, we have deducted normal purchaser's costs in accordance with market conventions.
- All our valuations are exclusive of any VAT that might be payable. Where VAT might be payable, it is assumed that any potential purchaser would be able to re-claim VAT, unless otherwise stated.
- We have not ascertained or reflected in our valuation whether any capital allowances are available in respect of the property.

Yours faithfully

**TOM HENRY**
**Senior Associate**
King Sturge LLP

(The surveyor who has prepared the report)

**ANDREW FROST**
**Partner**
King Sturge LLP

(The partner who has overseen, checked and approved the report)

**RICHARD BATTEN**
**Joint Senior Partner**
King Sturge LLP

(The partner who has counter signed and approved the Valuation and Report)

# Part 7

# Taxation

**The following is a summary of certain aspects of the United Kingdom taxation treatment based on current United Kingdom law and the published practice of Her Majesty's Revenue & Customs (''HMRC'') at the date thereof in relation to the transactions described in this circular and which are to be undertaken by holders of the ZDP Shares. The comments below are of a general nature and are not intended to be exhaustive. The comments relate only to the position of UK resident persons (and in the case of individuals, who are also UK domiciled) who are absolute beneficial owners of the ZDP Shares as investments. It does not deal with the position of special classes of investors such as traders in securities or employees of the Group.**

**The following is a general guide and should be treated with appropriate caution. Holders of ZDP Shares who are in any doubt as to their tax position should consult their professional advisers. Holders of ZDP Shares who may be liable to taxation in jurisdictions other than the United Kingdom in respect of their ZDP Shares are particularly advised to consult their professional advisers as to whether they are so liable since the following comments relate only to certain United Kingdom taxation aspects.**

### Treatment of individual holders of ZDP Shares

The receipt by holders of ZDP Shares of REO Shares and Newco Shares in consideration of the conversion of the rights attaching to their ZDP Shares into deferred shares will constitute a disposal by an individual for UK capital gains tax purposes of their holding of the ZDP Shares. The amount of any capital gain or loss will depend upon the market value of the REO Shares and the Newco Shares received in consideration of the conversion of the ZDP Shares and the capital gains base cost of the ZDP Shares. This may, subject to individual circumstances, including the availability of any exemptions, reliefs and/or allowable losses, give rise to a chargeable gain, or allowable loss for the purposes of UK capital gains tax.

The subsequent exchange of Newco Shares for BPSSV Shares should constitute an exchange such that the transaction constitutes a reorganisation of share capital for capital gains tax purposes. As a consequence, no disposal of Newco Shares should arise and there should be no liability to UK tax. Instead any chargeable gain, or allowable loss, should be ''rolled over'' into the BPSSV Shares. As a result, the BPSSV Shares should be treated as the same asset and as having been acquired at the same time and for the same consideration as the Newco Shares from which they derive. No clearance has been or will be sought pursuant to the provisions of section 138 TCGA 1992 for any UK resident holder of Newco Shares holding more than five per cent. of the share capital of Newco. Any individual who will hold more than five per cent. of the share capital of Newco is advised to consult their own professional advisers in relation to the consequences of not seeking any clearance. If the transaction does not constitute a reorganisation of share capital, no gain or loss should arise provided that the market value of the Newco Shares has not risen since their acquisition.

The subsequent exchange of Newco Shares for BPSSV Warrants should be treated as a disposal of the Newco Shares. The amount of an individual's capital gain or loss will depend on the value of the warrants received in BPSSV and the holder's base cost in the shares sold. This may, subject to individual circumstances, including the availability of any exemptions, reliefs and/or allowable losses, give rise to a chargeable gain, or allowable loss for the purposes of UK capital gains tax. However, no gain or loss should arise provided that the market value of the Newco Shares has not risen since their acquisition.

### Treatment of corporate holders of ZDP Shares under the Restructuring

The receipt by holders of ZDP Shares who are within the charge to UK corporation tax of REO Shares and Newco Shares in consideration of the conversion of the rights attaching to their ZDP Shares into deferred shares, will constitute a disposal of the ZDP Shares for the purposes of UK corporation tax on chargeable gains. The amount of any chargeable gain or allowable loss will depend on the market value of the REO Shares and the Newco Shares received in consideration of the conversion of the ZDP Shares and the capital gains base cost of the ZDP Shares. This may, subject to individual circumstances including the availability of any exemption, relief or allowable loss, give rise to a chargeable gain or allowable loss for the purposes of UK corporation tax. Indexation allowance may be available, but this can only apply to reduce any chargeable gain arising on the disposal of the ZDP Shares, not to create or increase a capital loss.

The subsequent exchange of Newco Shares for BPSSV Shares should constitute an exchange such that the transaction constitutes a reorganisation of share capital for the purposes of corporation tax on chargeable gains. As a consequence, no disposal of Newco Shares should arise and there should be no liability to UK corporation tax. Instead any chargeable gain, or allowable loss should be "rolled over" into the BPSSV Shares. As a result the BPSSV Shares should be treated as the same asset and as having been acquired at the same time and for the same consideration as the Newco Shares from which they derive. No clearance has been or will be sought pursuant to the provisions of section 138 TCGA 1992 for any UK resident holder of Newco Shares holding more than 5 per cent. of the share capital of Newco. A company who will hold more than 5 per cent. of the share capital of Newco is advised to consult its own professional advisers in relation to the consequences of not seeking any clearance. If the transaction does not constitute a reorganisation of share capital, no gain or loss should arise provided that the market value of the Newco Shares has not risen since their acquisition.

The subsequent exchange of Newco Shares for BPSSV Warrants should be treated as a disposal of the Newco Shares. The amount of a company's chargeable gain or allowable loss will depend on the value of the warrants received in BPSSV and the holder's base cost in the shares sold. This may, subject to individual circumstances, including the availability of any exemptions, reliefs or allowable losses, give rise to a chargeable gain or allowable loss for the purposes of UK corporation tax. However, no gain or loss should arise provided that the market value of the Newco Shares has not risen since their acquisition. Indexation allowance may be available, but this can only apply to reduce any chargeable gain arising on disposal of the Newco Shares, not to create or increase a capital loss.

**Treatment of holdings of REO Shares and BPSSV Shares**

The following statements assume that the Issuer, the Company and BPSSV (hereinafter in this Part 7 each referred to as the Company) will be resident for tax purposes only in Jersey.

(a) **Dividends**

The Company will not be required to withhold UK tax at source when paying a dividend.

Subject to paragraph (c) below, dividends received from the Company by UK resident individual Shareholders will be grossed up by 100/90 and then taxed at the dividend ordinary rate (currently 10 per cent.) or (to the extent that taxable income exceeds the higher rate threshold) the dividend upper rate (currently 32.5 per cent.) or (to the extent that taxable income exceeds £150,000) the additional rate (currently 42.5 per cent.).

Such individuals should be entitled to a notional tax credit equal to one-ninth of the grossed up dividend so long as the dividend is brought into charge to UK tax. That credit can be offset against the UK tax otherwise payable on the dividend. The effect of that credit is to reduce the effective rate of tax on the net dividend from 10 per cent., 32.5 per cent. or 42.5 per cent. to nil, 25 per cent. or 36.11 per cent. respectively. Any such persons who hold, or together with certain connected persons hold, 10 per cent. or more of the Shares is not entitled to this notional tax credit.

UK resident corporate Shareholders that are not "small companies" as defined in Part 9A Corporation Tax Act 2009 will generally not be liable to corporation tax in respect of dividends received from the Company, though corporate Shareholders will need to check the detailed conditions in Part 9A of the Corporation Tax Act 2009.

UK resident shareholders that are "small companies" will be liable to UK corporation tax on dividends received from the Company due to the current absence of a non-discrimination provision in the double tax treaty between the United Kingdom and Jersey.

(b) **Gains arising on sale or other disposal**

Shareholders who are individuals or otherwise not within the charge to corporation tax will generally be liable to capital gains tax on a disposal or deemed disposal of shares in the Company (**"Shares"**) at the applicable rate (currently 28 per cent.) depending on their circumstances and subject to any available exemption or relief.

Shareholders within the charge to UK corporation tax will generally be subject to corporation tax (currently 28 per cent.), on capital gains in respect of any gain arising on a disposal or deemed disposal of Shares depending on their circumstances and subject to any available exemption or relief. Indexation allowance may be available, but this can only apply to reduce any chargeable gain arising on disposal of the Shares, not to create or increase a capital loss.

(c) **Tax consequences of exercise of warrants**

No charge to UK capital gains tax or corporation tax should arise on the exercise of a warrant to acquire shares in BPSSV. Instead, the value of the warrants received together with the amount payable to subscribe for BPSSV Shares under the terms of the warrant will constitute the base cost in the BPSSV Shares acquired as a result of the exercise of the warrant.

**Stamp Duty and Stamp Duty Reserve Tax**

On the basis that it is intended that all instruments of transfer of shares in Newco will be executed in Jersey and do not relate to anything done or to be done in the UK, no liability to UK stamp duty will arise in respect of the transfer of Newco Shares. No liability to UK stamp duty will arise on the issue of shares in REO, Newco or BPSSV, or in respect of the issue of BPSSV Warrants. No liability to UK stamp duty will arise by virtue of the agreement of the holders of ZDP Shares to convert the rights attaching to those shares into deferred shares. As each of REO, Newco and BPSSV are companies incorporated outside the UK and whose registers of members are maintained outside the UK, the shares in these companies are not chargeable securities for the purposes of stamp duty reserve tax and accordingly no charge to stamp duty reserve tax will arise on the transfer of any such shares.

**The following summary of the anticipated tax treatment in Jersey of the Company is based on Jersey taxation law and practice in force at the date of this document and does not constitute legal or tax advice. It only covers the position in respect of withholding taxes and does not cover any other Jersey tax issues. Prospective investors should consult their professional advisers on the implications of subscribing for, buying, holding, selling, redeeming or disposing of Shares under the laws of the jurisdictions in which they may be liable to taxation. Investors should be aware that tax rules and practice and their interpretation may change.**

**General**

The Comptroller of Income Tax in Jersey has confirmed that neither the Company nor BPSSV are subject to any obligation to withhold Jersey income tax from any dividend payments made by them.

# Part 8

## Additional information

### 1. Responsibility

The Issuer and the Issuer Directors, whose names appear on page 1 of this document, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Issuer and the Issuer Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

### 2. Consent

King Sturge has given and not withdrawn its written consent to the issue of this document with the inclusion in Part 6 of this document of a copy of its summary valuation report in respect of the Site.

### 3. The Issuer, the Company and BPSSV

3.1 The Issuer was incorporated and registered with limited liability in Jersey under the Companies (Jersey) Law 1991, as amended, with registered number 97292 as a public company on 27 April 2007. The Issuer operates under the Companies (Jersey) Law 1991 and the regulations made thereunder.

3.2 The Company was incorporated and registered with limited liability in Jersey under the Companies (Jersey) Law 1991, as amended, with registered number 79679 as a public company on 30 March 2001. The Company operates under the Companies (Jersey) Law 1991, the Collective Investment Funds (Jersey) Law 1988 and the regulatory policies and regulations respectively made thereunder.

3.3 BPSSV was incorporated and registered with limited liability in Jersey under the Companies (Jersey) Law 1991, as amended, with registered number 106648 on 4 October 2010 BPSSV as a public company and operates under the Companies (Jersey) Law 1991 and the regulations made thereunder.

3.4 The registered office and the principal place of business of the Issuer, the Company and BPSSV is at Ogier House, The Esplanade, St. Helier, Jersey JE4 9WG (telephone number +44 1534 504000).

3.5 The Secretary of the Issuer and the Company in Jersey is Ogier Fund Administration (Jersey) Limited.

3.6 It is expected that BPSSV will enter into an administration agreement (the **"Administration Agreement"**) with Ogier Fund Administration (Jersey) Limited (the **"Administrator"**). The Administrator is a company incorporated in Jersey on 28 September 2000 with limited liability under the Companies (Jersey) Law 1991 (as amended) whose registered office is at Ogier House, The Esplanade, St Helier, Jersey JE4 9WG. The Administrator has an authorised, issued and fully paid up share capital of £25,000 divided into 25,000 shares of £1.00 each. Ogier Fund Administration (Jersey) Limited, a subsidiary of Ogier Fiduciary Services (Jersey) Limited, is a regulated company and holds a number of registrations under the Financial Services (Jersey) Law 1998 (as amended). The Administrator was established to provide professional company secretarial, accounting, administration and director services to a wide range of fund related structures, including private equity, venture capital and real estate funds and is resourced by a dedicated team of lawyers, chartered accountants, chartered secretaries and other administration staff.

3.7 BPSSV's auditors are KPMG. BPSSV's legal advisers are Ashurst LLP as to English law and Ogier as to Jersey law, and BPSSV's bankers are Deutsche Bank and the Lloyds Banking Group.

3.8 The Company's and the Issuer's auditors are KPMG. The Company's and the Issuer's legal advisers are Ashurst LLP as to English law and Ogier as to Jersey law, and the Company's bankers are Deutsche Bank and the Lloyds Banking Group.

3.9 The register of members of BPSSV is kept at the registered office of BPSSV. BPSSV has no operating establishment save for its registered office.

3.10 The registers of members of the Company and the Issuer are kept at the registered office of the Company and the Issuer. Neither the Issuer nor the Company has any operating establishment save for its registered office.

3.11 Neither the Company, the Issuer nor BPSSV has any employees and neither has had any employees in the last three financial years.

3.12 Neither the Company, the Issuer nor BPSSV operates any share option schemes or any other arrangements for involving employees or directors in the capital of the Company, the Issuer or BPSSV.

## 4. Share capital

4.1 There are currently 334,009,584 REO Shares in issue. Immediately following Completion there is expected to be 445,346,112 REO Shares in issue. The REO Shares to be issued pursuant to the Restructuring will represent 33.3 per cent. of the REO Shares in issue at the date of this document. The proposals will therefore dilute the shareholdings of existing Shareholders by 25 per cent.

4.2 Other than pursuant to the Restructuring, there is no present intention to issue any of the authorised but unissued share capital of the Company.

## 5. Interests

5.1 The aggregate of the remuneration paid to and the benefits in kind granted to the Directors by the Group for the financial year ending 28 February 2010 was £292,000. There will be no increase in the emoluments payable to the Directors as a consequence of the proposals. There are no amounts set aside or accrued to provide pension, retirement or similar benefits to the Directors.

5.2 There are no existing or proposed service contracts between any of the Directors and the Company. Each Director acts as a non-executive director.

5.3 Under Jersey law, there are no notifiable interests on the basis of size of shareholding.

5.4 As at the Latest Practicable Date, the interests of the Directors and their immediate families in the issued share capital of the Company and the Issuer and in CULS in each case which have been notified to the Company were as follows:

| | Number of REO Shares | % of issued REO Shares | Number of ZDP Shares | CULS |
|---|---|---|---|---|
| **Director** | | | | |
| R Y F Horney | 8,151,166 | 2.44 | — | 4,662,968 |
| R J Barrett | 216,522,506 | 64.8225 | — | 13,553,790 |
| K A Jenkins | 50,000 | 0.0002 | — | 20,000 |
| J P Jenkinson | — | — | — | — |
| G P D Milne | 400,000 | 0.0016 | 5,000 | — |
| M W R Richardson | 75,000 | 0.0003 | — | — |

5.5 Save as aforesaid, the Directors do not have any interest in the share capital of the Company.

5.6 Richard Barrett is a director and beneficial owner of 50 per cent, of the issued share capital of Treasury Holdings. Robert Tincknell is a director of Treasury Holdings. Pursuant to the contractual arrangements between the Company and Treasury Holdings relating to the appointment of Treasury Holdings, Treasury Holdings receives an annual fee and expenses for providing investment advice and managing certain properties in the portfolio of real estate assets of the Company.

5.7 So far as the Company is aware, as at the Latest Practicable Date, the following persons other than the Directors were, directly or indirectly, interested in three per cent. or more of the ordinary share capital of the Company.

| | No of REO Shares | % of issued REO Shares |
|---|---|---|
| **Name** | | |
| Macheda Limited | *16,564,000* | *4.96* |
| S G Option Europe SA principal account | *22,643,513* | *6.8* |

5.8 No loan or guarantee has been granted to or been provided by the Company for the benefit of any Director.

## 6. Litigation

Neither the Company nor any other member of the Group is or has been engaged in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) which may have or have had during the 12 months prior to the date of this document a significant effect on the financial position or profitability of the Group.

## 7. Documents available for inspection

Copies of the following documents will be available for inspection at the offices of Ashurst LLP at Broadwalk House, 5 Appold Street, London, EC2A 2HA and at the offices of Ogier, Ogier House, The Esplanade, St Helier, Jersey, JE4 9WG between 9.00 a.m. and 5.00 p.m. on any weekday (public holidays excepted) from the date of this document up to the close of the Meeting, and at the Meeting for at least 15 minutes before and during the Meeting:

(a) the articles of association of the Issuer;

(b) each of the documents summarised in Parts 4 and 5 of this document; (c) the CULS Circular and the circular of even date to Shareholders; and

(d) the annual accounts to 28 February 2010 and the interim accounts to 31 August 2010.

11 April 2011

## Part 9

## Definitions

| | |
|---|---|
| **"A Shares"** | A ordinary shares in BPSSV, to be issued to the Group and to be distributed in specie to Shareholders pursuant to the Restructuring |
| **"Articles"** | the articles of association of the Company |
| **"B Shares"** | B ordinary shares in BPSSV, to be issued to ZDP Holders and ZDP Holders pursuant to the Restructuring |
| **"Battersea Group"** | the group of companies which between them own the Group's right, title and interest to and in the Battersea Site, the holding company of which from Completion will be BPSSV |
| **"Battersea Power Station"** or **"Battersea Site"** or **"Site"** | means the Battersea Power Station site and adjacent and related assets owned by the Group |
| **"Board"** | the board of directors of the Company |
| **"BPS Facility Agreements"** | the senior facilities advanced by the Senior Lenders in relation to the Battersea Group |
| **"BPSSV"** | Battersea Power Station Shareholder Vehicle Limited (No. 106648) incorporated in Jersey and whose registered office is at Ogier House, The Esplanade, St Helier, Jersey, JE4 9WG |
| **"BPSSV Articles"** | the articles of association of BPSSV |
| **"BPSSV Board"** | the board of directors of BPSSV |
| **"BPSSV Directors"** | the directors of BPSSV |
| **"BPSSV Shareholders"** | the holders of BPSSV Shares |
| **"BPSSV Shares"** | ordinary shares in the capital of BPSSV being either A Shares or B Shares |
| **"BPSSV Warrants"** | warrants to subscribe for A Shares and B Shares which will, subject to certain events occurring, be exercised as described in paragraph 8 of Part 4 of this document |
| **"Capita"** | Capita Registrars Limited (no. 2605568) incorporated in England and Wales and whose registered office is The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU |
| **"Company"** or **"REO"** | Real Estate Opportunities plc |
| **"Completion"** | completion of the Restructuring on the Effective Date pursuant to and in accordance with the Restructuring Implementation Agreement |
| **"CULS"** | 7.5 per cent. convertible unsecured loan stock in the Company issued pursuant to the Trust Deed |
| **"CULS Circular"** | the circular of even date to CULS Holders |
| **"CULS Holders"** | holders of CULS |
| **"Debt for Equity Swap Amendment"** | has the meaning set out on page 9 of this document |
| **"Directors"** | the directors of the Company, whose names are set out on page 1 of this document |
| **"Effective Date"** | the business day on which the Restructuring will be implemented and become effective and which is anticipated to occur on the fourth business day after the Publication Date |
| **"Effective Time"** | 7.59 a.m. on the Effective Date |

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| **"Extraordinary Resolution"** | a resolution passed at a meeting of ZDP Holders by a majority of not less than three-fourths of the persons voting at the meeting on a show of hands or if a poll is demanded by a majority of not less than three-fourths of the votes given on such poll |
| **"Form of Proxy"** | the enclosed form of proxy for use by ZDP Holders in connection with the Meeting |
| **"FSA"** | the United Kingdom Financial Services Authority |
| **"FSMA"** | the United Kingdom Financial Services and Markets Act 2000 (as amended) |
| **"Group"** | the Company and its subsidiaries |
| **"Independent Directors"** | those Directors who are not directors or employees of Treasury Holdings or any of its associates |
| **"Irish Group"** | the Group excluding the Battersea Group |
| **"Issuer"** | REO Securities Limited |
| **"Issuer Articles"** | the articles of association of the Issuer |
| **"Issuer Board"** | the board of directors of the Issuer |
| **"Issuer Directors"** | the directors of the Issuer |
| **"Jersey Companies Law"** | the Companies (Jersey) Law 1991 (as amended) |
| **"Jersey Regulations"** | the Companies (Uncertificated Securities) (Jersey) Order 1999 |
| **"Latest Practicable Date"** | 8 April 2011, being the last practicable date prior to the publication of this document |
| **"Lloyds Banking Group"** | Lloyds Banking Group plc and its subsidiaries including Bank of Scotland plc |
| **"Loan Note Instrument"** | the Loan Note instrument executed by the Company dated 29 December 2006 creating the Loan Notes, as amended |
| **"Loan Notes"** | the 6.324 per cent. Series A secured Loan Notes in the principal amount of £100,000,000 and the 6.324 per cent. Series B secured Loan Notes in the principal amount of £50,000,000 in each case issued by the Company pursuant to the Loan Note Instrument |
| **"Meeting"** | the meeting of ZDP Holders notice of which is set out at the end of this document and any adjournment thereof |
| **"NAMA"** | the National Asset Management Agency established by the Irish government on a statutory basis under the aegis of the National Treasury Management Agency |
| **"Newco"** | BPS Milo Limited, a company incorporated in Jersey (No 107479) to implement the Restructuring and which will be wholly owned by BPSSV |
| **"Newco Articles"** | the articles of association of Newco |
| **"Newco Shares"** | ordinary shares in Newco |
| **"Official List"** | the Official List of the UKLA |
| **"Ordinary Share Register"** | the register of Shareholders |
| **"Oriental"** | Oriental Property Limited, the holder of the Loan Notes |
| **"Prospectus"** | the prospectus to be published by the Company in respect of the admission to the Official List of the REO Shares to be issued to ZDP Holders and CULS Holders pursuant to the Restructuring |
| **"Publication Date"** | the date of publication of the Prospectus |
| **"Record Date"** | 5.00 p.m. on the business day immediately prior to the Effective Date |
| **"Register"** | the register of ZDP Holders |

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|---|---|
| **"Regulation S"** | Regulation S under the Securities Act |
| **"REO Shares"** | ordinary shares in the capital of the Company |
| **"Resolution"** | the extraordinary resolution to be put to ZDP Holders at the meeting of ZDP Holders as an Extraordinary Resolution as set out in the notice of meeting at the end of this document |
| **"Resolutions"** | the Resolution, the resolution of CULS Holders set out at the end of the CULS Circular and the resolution of Shareholders referred to in paragraph 3 of Part 5 of this document |
| **"Restructuring"** | the restructuring of the Company and its subsidiaries as referred to in this document and summarised in paragraph 3 of Part 1 of this document |
| **"Restructuring Implementation Agreement"** | the agreement made between the Company, Treasury Holdings and BPSSV as described at paragraph 4 of Part 4 of this document |
| **"Securities Act"** | the United States Securities Act of 1933, as amended |
| **"Senior Lenders"** | Lloyds Banking Group and NAMA, being the lenders under the BPS Facility Agreements |
| **"Shareholders"** | the holders of REO Shares |
| **"Standstill Amendment"** | has the meaning set out on page 9 of this document |
| **"Standstill Period"** | the period commencing on the date of the Supplemental Trust Deed and ending on the Standstill Termination Date |
| **"Standstill Termination Date"** | the earlier of:<br>(a) the date on which the Company receives written notice of termination of the Standstill Period from a ZDP Holder following the passing of an Extraordinary Resolution to terminate the Standstill Period following the occurrence of a Termination Event;<br>(b) the date of termination of standstill arrangements with the Senior Lenders, Oriental, or its other financial creditors in connection with the Restructuring;<br>(c) the date of termination of the Restructuring Implementation Agreement; and<br>(d) 31 August 2011 |
| **"Supplemental Trust Deed"** | the supplemental trust deed to be entered into between the Trustee and the Company (if the Resolution is passed) whereby the Trust Deed will be amended as described in Part 3 of the CULS Circular |
| **"Termination Event"** | has the meaning set out in the notice of Meeting at the end of this document |
| **"Treasury Holdings"** | Treasury Holdings, an unlimited company incorporated in Ireland with company number 198482 |
| **"Trust Deed"** | means the trust deed made between the Trustee and the Company dated 20 June 2001 constituting the CULS or the Stock |
| **"Trustee"** | Prudential Trustee Company Limited in its capacity as trustee under the Trust Deed in respect of the CULS |
| **"UKLA"** | the FSA, acting in its capacity as the competent authority for the purposes of Part VI of the FSMA |
| **"United States"** | the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia |

| | |
|---|---|
| **"Written Resolution Amendment"** | has the meaning set out on page 9 of this document |
| **"ZDP Holders"** | the holders of ZDP Shares |
| **"ZDPs"** or **"ZDP Shares"** | zero dividend preference shares of 0.001p each in the capital of the Issuer, a wholly owned subsidiary of the Company |

# REO Securities Limited

(*incorporated and registered in Jersey with registered number 97292 on 27 April 2007*)

**Notice of Extraordinary General Meeting of the holders of Zero Dividend Preference Shares of 0.001 pence (''ZDP Shareholders'' and ''ZDP Shares'' respectively)**

Notice is hereby given that an Extraordinary General Meeting of ZDP Shareholders is convened by REO Securities Limited (the **''Issuer''**) or in this notice the **''Company''**) to be held at Ogier House, The Esplanade, St Helier, Jersey JE4 9WG on 5 May 2011 at 11.00 a.m. for the purpose of considering and, if thought fit, passing the following resolution as an Extraordinary Resolution.

**EXTRAORDINARY RESOLUTION**

**THAT:**

1. The Issuer's articles of association (the **''Articles''**) be amended as follows:

1.1 The following additional definitions be incorporated into Article 1(b):

**''Approved Purpose''** means:

(a) the development of the Battersea Power Station site and/or all and any related activities carried out with a view to facilitating, or for the purpose of, the proposed development thereof and the development of land required to be developed in connection with the principal development including for example the extension to the Northern Line of the London Underground; and

(b) the proposal to attract one or more third party investors to make a substantial investment in the Battersea Group to assist with the repayment or refinancing of Battersea Group indebtedness and the raising of development finance to fund the development referred to in paragraph (a) above;

**''Battersea Group''** means REO (Bund) Limited and REO (Site Assembly) Holdco Limited and their respective subsidiaries;

**''BPSSV''** means Battersea Power Station Shareholder Vehicle Limited (No. 106648) incorporated in Jersey and whose registered office is at Ogier House, The Esplanade, St Helier, Jersey, JE4 9WG;

**''BPSSV Shares''** means ordinary shares in the capital of BPSSV;

**''BPSSV Warrants''** means the A warrants and B warrants of BPSSV constituted by the BPSSV Warrant Instrument (as defined in the Restructuring Implementation Agreement) and having the rights set out in the BPSSV Warrant Instrument (as such rights are summarised in the Circular);

**''Circular''** means the circular to Shareholders dated 11 April 2011;

**''CULS Holders''** has the meaning set out in the Circular;

**''Deferred Shares''** means deferred shares of 0.001p each in the capital of the Company;

**''Effective Date''** means the Business Day which is four Business Days after the Publication Date;

**''Escrow Certificate''** has the meaning set out in the Restructuring Implementation Agreement;

**''Newco''** means BPS Milo Limited a limited liability company incorporated in Jersey (with registered number 107479) as a subsidiary of the Company for the purposes of implementing the Restructuring;

**''Newco Shares''** means ordinary shares in the capital of Newco;

**''Notice of Meeting''** means the notice of meeting of Shareholders convened for 5 May 2011;

**''Ordinary Shareholders''** means holders of REO Shares;

**''Original Maturity Date''** means 31 May 2011;

**''Prospectus''** means the prospectus to be published by the Company in respect of the admission to the Official List of the REO Shares to be issued to Shareholders and to CULS Holders pursuant to the Restructuring;

**''Publication Date''** means the date of publication of the Prospectus, anticipated as being the Business Day on which the Company delivers the Escrow Certificate;

**''Record Date''** means 5.00 p.m. (London time) on the Business Day immediately prior to the Effective Date;

**''Relevant Shareholders''** means Shareholders entered in the Register as the holder of ZDP Shares at the Record Date;

**''REO''** means Real Estate Opportunities plc;

**''REO Shares''** means ordinary shares in REO;

**''Restructuring''** means the restructuring of the Group referred to in the Circular;

**''Restructuring Implementation Agreement''** means the agreement dated 11 April 2011 made between REO, Treasury Holdings and BPSSV in relation to the Restructuring;

**''Restructuring Steps Plan''** means the steps plan appended to the Restructuring Implementation Agreement;

**''Security Interest''** means any mortgage, charge, standard security, pledge, lien, hypothecation, right of set-off, security trust, assignment by way of security, reservation of title or any other security interest or encumbrance whatsoever, howsoever created or arising;

**''Senior Lenders''** means the Bank of Scotland plc and The Governor and Company of the Bank of Ireland (on behalf of the National Asset Management Agency);

**''Shareholders''** means holders of ZDP Shares;

**''Standstill Period''** means the period commencing on the date the resolution set out in the Notice of Meeting is approved and ending on the Standstill Termination Date;

**''Standstill Termination Date''** means the earliest of:

(a) the date of termination of standstill arrangements with the Senior Lenders, Oriental Property Limited or any of its other financial creditors in connection with the Restructuring such that the Restructuring will not be implemented;

(b) the date on which the Company receives written notice of termination of the Standstill Period from a Shareholder following the passing of an Extraordinary Resolution to terminate the Standstill Period following the occurrence of one of the following events (a **''Termination Event''**);

    (i) the holder of any Security Interest over any of the assets of any member of the Battersea Group takes any steps to enforce such Security Interest unless the aggregate amount secured by the Security Interest is less than £100,000 (or its equivalent in any currency);

    (ii) any asset of any member of the Battersea Group is subject to attachment, sequestration, execution or any similar process in respect of indebtedness of more than £100,000 (or its equivalent in any currency);

    (iii) a petition or application is issued or made for or steps are taken to bring about a moratorium, the appointment of an administrator, liquidator, provisional liquidator, receiver or manager in respect of any member of the Battersea Group, or seeking the winding up, liquidation, dissolution, administration, reorganisation or moratorium in respect of any member of the Battersea Group (other than a petition or application which does not come into effect and which is withdrawn, dismissed or stayed (whilst it remains stayed) within 14 days of the date thereof);

    (iv) a meeting of shareholders, directors or creditors is convened for the purpose of passing a winding-up resolution, to commence administration or enter into a moratorium or to appoint an administrative receiver or other receiver or an administrator or an administrative receiver or other receiver is appointed in respect of any member of the Battersea Group;

(v) any proceedings are commenced against a member of the Battersea Group to enforce a judgment debt in an amount in excess of £100,000;

(vi) any member of the Battersea Group ceases to trade or threatens to do so other than any member which is not material;

(vii) if resolutions of CULS Holders and Ordinary Shareholders (needed to implement the Restructuring) have not been passed by 24 August 2011;

(viii) if at any time before 24 August 2011 it becomes apparent that the resolutions referred to at paragraph (vii) above or the resolution in the Notice of Meeting will not be passed by 24 August 2011;

(ix) if at any time before the Effective Date it becomes apparent that the Restructuring will not be implemented;

(x) the Company breaches any of its covenants, undertakings or agreements contained in these Articles; or

(xi) the Effective Date does not take place within 28 days of the date upon which the Resolutions are passed;

(c) the date of termination of the Restructuring Implementation Agreement; and

(d) 31 August 2011;

and in determining whether it is apparent that an event will not occur for the purposes of paragraphs (viii) and (ix) above Shareholders may rely on an opinion or advice from a financial adviser or other expert (whether obtained by the Company, a Shareholder or otherwise), in form and substance satisfactory to it that in the opinion of such financial adviser or other expert it is apparent that the relevant event will not occur.

1.2 The definition of ''shares'' in Articles 1(b) be deleted and replaced with the following new definition:

**''shares''** include Deferred Shares, the Ordinary Shares and the ZDP Shares;

1.3 Article 144(a) shall be amended by deleting the reference to 31 May 2011 and inserting therefor ''the Standstill Termination Date''.

1.4 The definition of Extraordinary Resolution in Article 1(b) be deleted and replaced with the following new definition:

''Extraordinary Resolution a resolution which has been passed by a simple majority of Shareholders who (being entitled to do so) vote in person or proxy at a general meeting of Shareholders of which 14 days' notice has been provided or a written resolution signed by Shareholders together holding a simple majority by number of the ZDP Shares''.

1.5 Article 7(a) shall be amended by adding the following at the end of the Article: ''and 60,000,000 Deferred Shares of 0.001p each''.

1.6 Article 7(b)(ii)(I) shall be amended by inserting the following at the end of the Article:

''together with interest at an annual rate of three per cent. from 31 May 2011 to and including the Standstill Termination Date''.

1.7 The following new Article 7A be incorporated after Article 7:

**''RIGHTS AND RESTRICTIONS ATTACHED TO THE DEFERRED SHARES**

7A. Notwithstanding any other provisions in these Articles which relate to shares, the provisions of this Article 7A comprise all the rights and restrictions which relate to Deferred Shares.

(a) the Deferred Shares shall confer no right to participate in the profits of the Company.

(b) (i) on a return of capital on a winding-up (excluding any intra-group re-organisation on a solvent basis) there shall be paid to the holders of the Deferred Shares the nominal capital paid up or credited as paid up on such Deferred Shares after paying to the holders of the Ordinary Shares and holders of any other shares *in issue*, the nominal capital paid up or credited as paid up on the Ordinary Shares and/or the shares *in issue*, as the case may be, held by them respectively, together with the sum of £100,000,000 on each Ordinary Share; and

(ii) the holders of the Deferred Shares shall not be entitled to any further right of participation in the assets of the Company;

(c) the holders of the Deferred Shares shall not be entitled to receive notice of any general meeting of the Company or to attend, speak or vote at any such meeting;

(d) the Deferred Shares shall not be listed on any stock exchange. The Deferred Shares shall not be transferable except with the written consent of the Directors (in their absolute discretion);

(e) Deferred Shares may only be issued fully paid or credited as fully paid;

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

(g) the Company shall have irrevocable authority at any time after the adoption of this Article, (subject to the provisions of the Law) without obtaining the sanction of the holder or holders of the Deferred Shares to:

(i) appoint any person to execute on behalf of any holder of Deferred Shares a transfer of all of the Deferred Shares or any part thereof (and/or an agreement to purchase and transfer the same) to the Company or to such person as the Directors may determine (whether or not an officer of the Company), and purchase the same in any case for not more than 1 penny for all the Deferred Shares then being purchased; and

(ii) cancel all or any of the Deferred shares so purchased by the Company in accordance with the Law.

(h) Article 7A shall remain in force until there are no longer any Deferred Shares in existence, notwithstanding any provision in the Articles to the contrary. Thereafter Article 7A shall be and shall be deemed to be of no effect (save to the extent that the provisions of this Article 7A are referred to in any other Article) and shall be deleted and replaced with the wording ''Article 7A has been deleted'', and the separate register for the holders of Deferred Shares shall no longer be required to be maintained by the Company, but the validity of anything done under Article 7A before that date shall not otherwise be affected and any actions taken under Article 7A before that date shall be conclusive and shall not be open to challenge on any grounds whatsoever.''

1.8 The following new Article 151 be incorporated:

**''UNDERTAKINGS DURING STANDSTILL PERIOD**

During the Standstill Period, the Company shall:

(a) promptly on request provide such information on the financial condition, assets and operations of the Group and/or any member of the Group as Shareholders may reasonably request;

(a) promptly provide any information and/or documentation in connection with the Restructuring (including with respect to the position of and/or the terms of any agreement reached with any creditors of the Group) to a Shareholder upon the request of the Shareholder to the extent that the Company is not prevented from doing so by existing contractual requirements of confidentiality and to seek the consent of any third party under relevant confidentiality arrangements to the release of any such information and/or documentation;

(b) procure that the business of itself and each member of the Group shall be conducted in its ordinary course and with a view to preserving the value of its assets;

(c) not and will procure that no member of the Battersea Group will pay, make or declare any dividend or effect any other distribution;

(d) not and will procure that no member of the Battersea Group will undertake or enter into or agree any transaction with Treasury Holdings or any Connected Person thereof;

(e) not and will procure that no member of the Battersea Group will undertake or enter into or agree any transaction which would be a material acquisition or disposal for the Battersea Group taken as a whole and for this purpose an acquisition or disposal for a consideration of less than £25 million shall not be material provided that the acquisition or disposal is entered into for *bona fide* purposes, on arms' length terms and is in the best interests of the Battersea Group;

(f) procure that no member of the Battersea Group will incur financial indebtedness which is not for the Approved Purpose;

(g) announce by way of a regulatory news service as soon as reasonably practicable:

(i) the occurrence of any Standstill Termination Event or the Standstill Termination Date;

(ii) the breach of any of the Company's obligations under the Articles or of REO under the Restructuring Implementation Agreement or any undertakings contained within any standstill agreement entered into between REO and the Senior Lenders, Oriental Property Limited or any other financial creditor in connection with the Restructuring; and/or

(iii) the receipt by REO of notice of termination of any standstill arrangement with the Senior Lenders, Oriental Property Limited or any other financial creditor in connection with the Restructuring, together with particulars of the date of termination;

(h) announce as soon as reasonably practicable the termination of standstill arrangements with the Senior Lenders, Oriental Property Limited or any other financial creditor in connection with the Restructuring if the effect of such termination will be such that the Restructuring will not be implemented;

(i) procure that REO shall not issue any REO Shares; and

(j) procure that REO shall not issue and will procure that no member of the Group will issue any option, warrant, security or other instrument which gives the holder thereof the ability to receive or be issued with REO Shares, BPSSV Shares or shares in any member of the Group'';

(k) to procure that no member of the Group enters into any transaction which would constitute a preference under relevant laws; and

(l) to use all reasonable endeavours with a view to ensuring implementation of the Restructuring by 31 August 2011.

1.9 The following new Article 152 be incorporated:

''**RESTRUCTURING**

(a) The Company shall:

(i) by no later than 8.00 a.m. (London time) on the Effective Date:

(A) procure the allotment to each Relevant Shareholder of that number of REO Shares as results from multiplying the number of ZDP Shares held by that Relevant Shareholder at the Record Date by 0.701687253, rounding down to the next whole number in respect of any fractional entitlement arising provided that a minimum of one REO Share shall always be allotted to each Relevant Shareholder;

(B) procure the transfer to each Relevant Shareholder of that number of Newco Shares as results from multiplying the number of ZDP Shares held by that Relevant Shareholder at the Record Date by 3.510869267, rounding down to the next whole number in respect of any fractional entitlement arising provided that a minimum of one Newco Share shall always be allotted to each Relevant Shareholder;

(ii) by no later than 1.00 p.m. (London time) on the Effective Date procure that BPSSV acquires the Newco Shares issued pursuant to the operation of sub-paragraph (i) above in consideration for the:

(A) allotment by no later than 1.00 p.m. (London time) on the Effective Date to each Relevant Shareholder of that number of BPSSV Shares as results from multiplying the number of Newco Shares issued to that Relevant Shareholder by 0.566965686, rounding down to the next whole number any fractional entitlement arising provided that a minimum of one BPSSV Share shall always be allotted to each Relevant Shareholder; and

(B) issue by no later than 1.00 p.m. (London time) on the Effective Date to each Relevant Shareholder of that number of BPSSV Warrants as results from multiplying the number of Newco Shares allotted to that Relevant Shareholder by 0.433034314, rounding down to the next whole number in respect of any fractional entitlement arising provided that a minimum of one BPSSV Warrant shall always be issued to each Relevant Shareholder;

(iii) by no later than the close of business on the Effective Date:

(A) procure the distribution by REO by way of dividend in specie to each Relevant Shareholder of that number of BPSSV Shares as results from multiplying 66,666,667 (being the number of BPSSV Shares held by REO prior to such distribution in specie) by A/B, where A is equal to the number of REO Shares registered in the name of that Relevant Shareholder as at 8.00 a.m. (London time) on the Effective Date and B is equal to the total number of REO Shares in issue as at 8.00 a.m. (London time) on the Effective Date, rounding down to the next whole number in respect of any fractional entitlement arising provided that a minimum of one BPSSV Share shall always be distributed to each Relevant Shareholder; and

(B) procure the distribution by REO by way of dividend in specie to each Relevant Shareholder that number of BPSSV Warrants as results from multiplying 33,333,333 (being the number of BPSSV Warrants held by REO prior to such distribution in specie) by A/B, where A is equal to the number of REO Shares registered in the name of that Relevant Shareholder as at 8.00 a.m. (London time) on the Effective Date and B is equal to the total number of REO Shares in issue as at 8.00 a.m. (London time) on the Effective Date, rounding down to the next whole number in respect of any fractional entitlement arising provided that a minimum of one BPSSV Warrant shall always be distributed to each Relevant Shareholder;

PROVIDED THAT all REO Shares, Newco Shares and BPSSV Shares to be allotted or (as the case may be) distributed shall be allotted or (as the case may be) distributed to each Relevant Shareholder free from any Security Interest, with full title guarantee and credited as fully paid and the BPSSV Warrants will be issued free from any Security Interest and with full title guarantee.

(b) Upon the allotment or as the case may be transfer of REO Shares, Newco Shares, BPSSV Shares and BPSSV Warrants as set out in paragraph (a) of this Article 152, each and every ZDP Share in issue shall be re-classified as a Deferred Share (the **''Re-classification''**) whereupon the following amendments will be made to the memorandum of association of the Company (the **''Memorandum''**) and the Articles:

(i) paragraph 2 of the Memorandum shall be amended so that the words ''60,000,000 Zero Dividend Preference Shares of 0.001p each'' are deleted; and

(ii) the last sentence of Article 16 of the Articles shall be deleted.

(c) The Company shall procure that prior to 8.00 a.m. (London time) on the Effective Date:

(i) each Relevant Shareholder shall be entered as a member in the register of members of REO and Newco in respect of the REO Shares and Newco Shares respectively to be allotted to it pursuant to Article 152(a); and

(ii) the CREST account of each Relevant Shareholder which at the Record Date holds ZDP Shares in a CREST account shall be credited with such REO Shares and Newco Shares to be allotted to it pursuant to Article 152(a);

(d) The Company shall procure that as soon as possible on the Effective Date and in any event by no later than 1.00 p.m.:

(i) each Relevant Shareholder shall be entered as a member in (A) the register of members of BPSSV in respect of the BPSSV Shares to be allotted to it pursuant to Article 152(a); and (B) the register of warrantholders of BPSSV in respect of the BPSSV Warrants to be issued to it pursuant to Article 152(a); and

(ii) the CREST account of each Relevant Shareholder which at the Record Date holds ZDP Shares in a CREST account shall be credited with such BPSSV Shares and BPSSV Warrants to be issued to it pursuant to Article 152(a).

(e) The Company shall procure that by the close of business on the Effective Date:

(i) each Relevant Shareholder shall be entered as a member in (A) the register of members of BPSSV in respect of the BPSSV Shares to be distributed to it pursuant to Article 152(a); and (B) the register of warrantholders of BPSSV in respect of the BPSSV Warrants to be distributed to it pursuant to Article 152(a); and

(ii) the CREST account of each Relevant Shareholder which at the Record Date holds ZDP Shares in a CREST account shall be credited with such BPSSV Shares and BPSSV Warrants to be distributed to it pursuant to Article 152(a).

(f) The Company shall procure that share certificates in respect of the REO Shares and BPSSV Shares and warrant certificates in respect of the BPSSV Warrants allotted and issued pursuant to Article 152(a) are sent by first class mail not later than ten Business Days after the Effective Date to each Relevant Shareholder which does not hold ZDP Shares in certificated form at the Record Date to the address of that Shareholder in the Register at the Record Date.''

2. The Issuer's memorandum of association be amended by replacing paragraph 2 with the following: ''The share capital of the Company is £1,600 comprising 1,000 Ordinary Shares of £1 each, 60,000,000 zero dividend preference shares of 0.001p each and 60,000,000 Deferred Shares of 0.001p each.

3. The Restructuring is approved and authorised for all purposes, including without limitation, pursuant to the Articles and the agreement for the contribution of cash to the Company and related matters dated 17 December 2008 entered into between the Company and REO.

By order of the Board
**Ogier Fund Administration (Jersey) Limited**
Secretary
Dated this 11 April 2011
Ogier House, The Esplanade, St Helier, Jersey JE4 9WG

**Notes:**

1. A ZDP Shareholder entitled to attend and vote is entitled to appoint one or more proxies to attend and on, a poll vote instead of him or her. A proxy need not be a member of the Company. A form of proxy is enclosed.
2. TO BE VALID, the instrument appointing a proxy, together with any power or authority under which it is executed (or a notarially certified copy of such power or authority) must be deposited with Capita Registrars, PXS, 34 Beckenham Road, Beckenham BR3 4TU by 11.00 a.m. on 3 May 2011. Changes to entries in the register after that time shall be disregarded in determining the rights of any ZDP Shareholders to attend and vote at such meeting.
3. A copy of the proposed new articles of association and the current articles of association marked to show the changes being proposed in the Extraordinary Resolution will be available for viewing on the Company's website (www.realestateopportunities.co.uk), at both the Company's registered office and at the office of Ashurst LLP, Broadwalk House, 5 Appold Street, London EC2A 2HA, in each case during normal hours on each business day from the date of this document until the close of the Extraordinary General Meeting and at the place of the Extraordinary General Meeting from 15 minutes prior to the meeting until its conclusion.

4. The Company, pursuant to Regulation 41 of the Uncertified Securities Regulations 2001 and Article 40 of the Companies (Uncertificated Securities) (Jersey) Order 1999 (as amended), specifies that only those ZDP Shareholders registered in the register of ZDP Shareholders as at 6.00 p.m. on 3 May 2011 (or in the event that the meeting is adjourned, on the register of ZDP Shareholders 48 hours before the time of any adjourned meeting) shall be entitled to attend or vote at the meeting in respect of the ZDP Shares registered in their name at that time. Changes to entries on the register of ZDP Shareholders after 6.00 p.m. on 3 May 2011 (or in the event that the meeting is adjourned, on the register of ZDP Shareholders less that 48 hours before the time of any adjourned meeting) shall be disregarded in determining the rights of any person to attend or vote at the meeting.
5. The lodging of a completed form of proxy does not preclude a ZDP Shareholder from attending the meeting and voting in person.
6. No director has a service contract with the Issuer or the Company.