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

Town Centre Securities PLC

(incorporated and registered in England & Wales with registered number 00623364)

Adoption of new Articles of Association and Notice of Extraordinary General Meeting in connection with the proposed conversion to a Real Estate Investment Trust and updates required to reflect legislative changes

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Your attention is drawn to the letter from the Chairman and Chief Executive of the Company which is set out on pages 6 to 9 of this document and which recommends you to vote in favour of the Resolution to be proposed at the Extraordinary General Meeting. Your attention is also drawn to the paragraph entitled "Action to be taken" on page 9 of this document.

Notice of an Extraordinary General Meeting of the Company to be held at DLA Piper UK LLP, Princes Exchange, Princes Square, Leeds, LS1 4BY at 11.00 a.m. on 1 October 2007, is set out at the end of this document. Shareholders will find enclosed with this document a Form of Proxy for use in connection with the Extraordinary General Meeting. To be valid, the Form of Proxy should be completed, signed and returned in accordance with the instructions printed thereon, as soon as possible and, in any event, so as to reach the Company's registrars, Capita Registrars, Proxies Department, 34 Beckenham Road, Beckenham, Kent, BR3 4TU, by no later than 11.00 a.m. on 29 September 2007. Completion and return of a Form of Proxy will not preclude Shareholders from attending and voting at the Extraordinary General Meeting should they choose to do so. Further instructions relating to the Form of Proxy are set out in the Extraordinary General Meeting notice at the end of this document.

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TIMETABLE

Latest time and date for receipt of Forms of Proxy for the EGM	11.00 a.m. on 29 September 2007
Extraordinary General Meeting	11.00 a.m. on 1 October 2007

Notes

(1) All references to time in this document are to UK time.

(2) If any of the above times and/or dates should change, the revised times and/or dates will be notified to shareholders by an announcement on a Regulatory Information Service and otherwise in accordance with the Current Articles of Association.

DEFINITIONS

In this document the following expressions have the following meanings unless the context otherwise requires:

“10 per cent rule”	the rule described in paragraph 3(C) of Part 2 of this document
“75 per cent assets test”	the test set out in paragraph 2(F)(vi) of Part 2 of this document
“75 per cent profits test”	the test set out in paragraph 2(F)(v) of Part 2 of this document
“90 per cent distribution test”	the test set out in the first sentence of paragraph 2(F)(iv) of Part 2 of this document
“ABI”	the Association of British Insurers
“close company”	a close company as defined in section 414 of ICTA as amended by section 106(6) FA
“Code”	the Combined Code on Corporate Governance published by the Financial Reporting Council
“Current Articles” or “Current Articles of Association”	the current articles of association of TCS
“Directors” or “Board”	the directors of TCS
“EGM” or “Extraordinary General Meeting”	the Extraordinary General Meeting of TCS to be held at DLA Piper UK LLP, Princes Exchange, Princes Square, Leeds, LS1 4BY on 1 October 2007 (or any adjournment thereof), notice of which is set out at the end of this document
“FA”	the Finance Act 2006
“Financial Services Authority”	the Financial Services Authority, acting in its capacity as the competent authority for the purposes of Part VI of the Financial Services and Markets Act 2000 (or any successor acting in such capacity)
“Financial Statements”	financial statements prepared in accordance with statutory requirements
“Form of Proxy”	the form of proxy for use by Shareholders in relation to the EGM
“Group”	TCS and those entities treated by Section 134 FA as within its group
“HMRC”	HM Revenue & Customs
“IFRS”	International Financial Reporting Standards adopted or issued by the International Accounting Standards Board
“ICTA”	the Income and Corporation Taxes Act 1988
“Listing Rules”	the listing rules made by the UKLA in accordance with section 73A(2) of Part VI of the Financial Services and Markets Act 2000 relating to the admission to the Official List (as these rules may be amended from time to time)
“New Articles” or “New Articles of Association”	the proposed new articles of association of TCS
“Non-PID Dividend”	any dividend other than a PID received by a shareholder of the principal company of a REIT (and in the context of the TCS Group, the principal company would be TCS)
“Notice”	the notice to Shareholders convening the EGM, a copy of which is at the end of this circular

"Official List"	the list of securities that have been admitted to listing which is maintained by the UKLA in accordance with Section 74(1) of Part VI of the Financial Services and Markets Act 2000
"Property Income Distribution" or "PID"	a dividend received by a Shareholder in respect of the profits and gains of the Tax-Exempt Business of the UK resident members of the Group arising whilst the Group is a REIT, or in respect of the profits of a non-UK resident member of the Group, insofar as they derive from their UK qualifying property rental business
"property rental business"	a Schedule A business within the meaning of section 832(1) ICTA or an overseas property business within the meaning of section 70A(4) of ICTA, but in each case, excluding certain specified types of business listed in schedule 16 of the FA
"qualifying property rental business"	a property rental business fulfilling the conditions in section 107 of the FA
"REIT"	a Real Estate Investment Trust under the REIT Regime
"REIT Regime"	the UK tax regime established by the provisions contained in Part 4 of the Finance Act 2006 and related regulations
"REIT Section"	the articles relating to the REIT Regime which, subject to the approval of Resolution 3, are either; (i) to be incorporated into the New Articles as Articles 158 to 166 if Resolution 2 is also approved; or (ii) to be incorporated as Articles 153 to 161 of the Current Articles if Resolution 2 is not approved
"Residual Business"	any business which is not Tax-Exempt Business
"Resolution 1"	the ordinary resolution to allow the Company to send or supply any documents or information to Shareholders by making them available on the Company's website and use electronic means to convey information to Shareholders which is set out as resolution 1 in the Notice
"Resolution 2"	the special resolution to approve the adoption of the New Articles in substitution for, and to the exclusion of, the Current Articles and which is set out as resolution 2 in the Notice
"Resolution 3"	the special resolution to approve the adoption of the REIT Section and, if Resolution 2 is approved, the New Articles be amended by the inclusion of the REIT Section and the table of contents be renumbered accordingly or, if Resolution 2 is not approved, the Current Articles be amended by the inclusion of the REIT Section and the table of contents be renumbered accordingly, and which is set out as resolution 3 in the Notice
"Resolutions"	Resolution 1, Resolution 2 and Resolution 3
"Shares"	ordinary shares of 25p each in the capital of TCS
"Substantial Shareholder"	is a company (as described in paragraph 3(c) of Part 2 of this document) that (a) is beneficially entitled, directly or indirectly, to 10 per cent, or more of TCS's dividends; (b) is beneficially entitled, directly or indirectly, to 10 per cent or more of TCS's share capital; or (c) controls, directly or indirectly, 10 per cent or more of the voting rights of TCS
"Substantial Shareholding"	Shares in respect of which or by virtue of which a company (as described in paragraph 3(c) of Part 2 of this document) is a Substantial Shareholder

"Tax-Exempt Business"	the qualifying property rental business of UK resident members of the Group and the qualifying property rental business in the UK of non-UK resident members of the Group
"TCS" or "the Company"	Town Centre Securities PLC
"TCS Shareholder" or "Shareholder"	a holder of Shares
"UK"	United Kingdom of Great Britain and Northern Ireland
"UKLA"	the Financial Services Authority acting in its capacity as the competent authority for the purposes of Part VI of the Financial Services and Markets Act 2000

PART 1:
LETTER FROM THE CHAIRMAN AND CHIEF EXECUTIVE OF TOWN CENTRE SECURITIES PLC

Town Centre Securities PLC

(incorporated in England and Wales with registered number 00623364)

Directors:
Edward Ziff *(Chairman and Chief Executive)*
Robin Smith, TD LL.B DL *(Deputy Chairman)* *
Bob Bigley, ACA
James Crawford, MRICS
Richard Lewis, FRICS
Karen Prior, FCA
Clive Lewis, Hon D Litt FRICS *
John Nettleton, FRICS ACIArb.*
Michael Ziff, HonDUniv(Brad)*

(* Denotes a non-executive Director)

Registered Office:
Town Centre House,
The Merrion Centre,
Leeds, LS2 8LY

7 September 2007

To the Shareholders

Extraordinary General Meeting – 1 October 2007

Dear Shareholder,

Proposal to adopt new Articles of Association of Town Centre Securities PLC ("the Company") to reflect legislative changes and to enable the Company and its subsidiaries (the "Group") to convert into a Real Estate Investment Trust ("REIT")

1. Introduction

I am writing to explain the background to the proposal to convert the Group into a REIT and to replace the Current Articles with the New Articles, which are being submitted for approval at the EGM, and why the Board thinks that both matters are in the best interests of Shareholders as a whole.

Set out at the end of this Circular is a notice (the "Notice") convening the EGM, which will be held at 11 a.m. on 1 October 2007 at DLA Piper UK LLP, Princes Exchange, Princes Square, Leeds, LS1 4BY. Save for the Resolutions, no other business is proposed to be transacted at the EGM. A Form of Proxy is enclosed to enable you to vote on the Resolutions should you be unable to attend the meeting.

2. Overview

Legislation was introduced in the Finance Act 2006 enabling companies to elect for REIT status with effect from 1 January 2007. Having considered the legislation and related material, the Board is of the opinion that an election for REIT status is in the best interests of Shareholders and is intending to convert the Group into a REIT with effect from 2 October 2007 in order to benefit from the REIT Regime. The benefits associated with conversion into a REIT are described below in more detail but essentially conversion to a REIT is a change in the Group's tax status. Although the change in status will have tax consequences for the Group and Shareholders, the Company will remain listed on the London Stock Exchange and its Shares will continue to be traded in the usual way.

The REIT Section is required for the Company to be confident that it will avoid certain additional tax charges that can arise under the REIT Regime. A copy of the REIT Section is available for inspection at DLA Piper UK LLP, 3 Noble Street, London, EC2V 7EE and Princes Exchange, Princes Square, Leeds, LS1 4BY. A copy of the REIT Section will also be available for inspection for at least 15 minutes before and during the EGM.

In order for the Group to convert to a REIT, Shareholders must approve the adoption of the REIT section pursuant to Resolution 3.

In addition, the Current Articles were, in the main, adopted on 14 September 1960 and are based on the Companies Act 1948 and so require updating to reflect current law. As such, the Board believes that given the changes required to elect for REIT status and the need to update the Current Articles to reflect current law, it would be sensible to deal with both matters simultaneously. On the basis of the number of changes required to be made to the Current Articles, rather than amending the Current Articles, the amendments have been incorporated into the New Articles, which it is proposed should replace the Current Articles.

A summary of the principal differences between the Current Articles and the New Articles is set out in Part 4 of this Circular. A copy of the New Articles is available for inspection at DLA Piper UK LLP, 3 Noble Street, London, EC2V 7EE and Princes Exchange, Princes Square, Leeds, LS1 4BY. A copy of the New Articles will also be available for inspection for at least 15 minutes before and during the EGM.

In order for the Company to be allowed to send or supply documents or information to Shareholders by making them available on the Company's website and use electronic means to convey information to Shareholders, Shareholders must approve Resolution 1.

In order for the Company to benefit from the legislative and practical updating matters contained in the New Articles, Shareholders must approve Resolution 2.

3. Implications of REIT status for the Group

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

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

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

The Board intends that the Group will elect for REIT status with effect from 2 October 2007. The actual entry charge will depend on the market value of qualifying property rental assets at the date of conversion, which will be established by a valuation, as at 2 October 2007. For illustrative purposes, had the Group converted into a REIT on 30 June 2007, based on the valuation at that date, the entry charge would have been in the range of £10 million to £11 million.

As a result of entering into the REIT Regime, there is no requirement to provide for deferred tax on the qualifying property rental assets thereby releasing liabilities currently held. As at 30 June 2007, deferred tax liabilities relating to the qualifying property rental assets were in the region of £66 million. On the basis that the entry charge is £11 million and the deferred tax write-back is £66 million, conversion to a REIT on 30 June 2007 would have increased Shareholders' funds by a net £55 million, equivalent to 102 pence per Share.

A REIT will be required to distribute to Shareholders (by way of dividend) at least 90 per cent. of the income profits arising in each accounting period in respect of its qualifying property rental business, such distribution being a Property Income Distribution. The Property Income Distribution must be made on or before the filing date for the REIT's tax return for the accounting period in question. Income profits for these purposes are to be calculated, broadly, in accordance with normal tax rules including, for example, capital allowances. Further details of the Property Income Distribution are contained in Part 2. It is anticipated that the first PID to be paid will be the interim dividend in July 2008, Shareholders should be aware that the final dividend in respect of the year ended 30 June 2007 to be paid in January 2008 will be paid as an ordinary dividend and not as a PID.

Under the REIT Regime, a tax charge may be levied on the Company if it makes a distribution to a Substantial Shareholder (being a corporate shareholder who is beneficially entitled (directly or indirectly) to 10 per cent. or more of the shares or dividends in the Company, or controls (directly or indirectly) 10 per cent. or more of the voting rights in the Company) unless the Company has taken reasonable steps to avoid such a distribution being paid. The REIT Section is drafted to give the Board the powers it needs to demonstrate to HMRC that such reasonable steps have been taken. These proposals are consistent with guidance published by HMRC.

The Company has been notified that Haseko Limited ("Haseko") has a Substantial Shareholding in the Company such shareholding constituting an interest in shares in the Company disclosable on behalf of Ann Manning. As at 6 September 2007, being the last business day before the date of printing of this document, Haseko held approximately 11.3 per cent. of the issued share capital of the Company. Haseko has confirmed to the Company that it intends to vote in favour of the Resolutions to be proposed at the EGM. This is the only Substantial Shareholding of which the Company is aware.

In summary, the principal implications for the Group of conversion into a REIT are as follows:

- The Group will be liable to pay an entry charge of 2 per cent. of the market value of qualifying property rental assets at the date of conversion.
- The Group will no longer have to pay UK corporation tax on profits and gains in respect of its qualifying property rental business, removing the need to provide for deferred tax on valuation surpluses, thereby increasing shareholders' funds by releasing liabilities currently held.
- The Company will be required to distribute by way of a Property Income Distribution, at least 90 per cent. of its income profits arising from its qualifying property rental business.
- Continued compliance with the specified conditions of the REIT Regime will be required in order to maintain the tax benefits of REIT status.

Part 2 of this Circular contains a more detailed overview of the REIT Regime.

4. Implications of REIT status for Shareholders

The conversion of the Group into a REIT will affect Shareholders' tax position in respect of receipt of dividends paid under the REIT Regime. Information relating to the tax implications for Shareholders can be found in Part 3 which contains a summary of the UK tax treatment of certain Shareholders after entering into the REIT Regime. The implications can vary from Shareholder to Shareholder and if you are in any doubt about your tax position you should consult your own independent professional adviser. It should be noted that certain Shareholders will be subject to a withholding tax at the basic rate of income tax (currently 22 per cent.) as further described in Part 3 of this Circular.

5. Exit from the REIT Regime

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

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

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

- it regards a breach of the conditions (details of which are set out in Part 2) or failure to satisfy such conditions or an attempt by the Group to obtain a tax advantage, as sufficiently serious;
- the Company has committed a certain number of minor or inadvertent breaches in a specified period; or
- HMRC has given the Company two or more notices in relation to the avoidance of tax within a ten year period.

In addition, in the following cases, the Group will automatically lose REIT status:

- if the conditions for REIT status relating to the share capital of the Company or the interest restrictions on borrowings (further details of which are set out in Part 2) are breached;
- if the Company ceases to be resident solely in the UK for tax purposes;
- if the Company becomes an open-ended company;
- if the Company ceases to be listed (unless caused by a takeover by another REIT); or
- in certain circumstances, if the Company ceases to fulfil the close company condition (which is described in section 2 of Part 2).

Where the Group is required to leave the REIT Regime within ten years of joining, HMRC has wide powers to direct how it is to be taxed, including in relation to the date on which the Group is treated as exiting the REIT Regime.

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

Recommendation

Your Board considers that the Resolutions to be proposed at the Extraordinary General Meeting are in the best interests of Shareholders as a whole and unanimously recommends Shareholders to vote in favour of the Resolutions, as the Directors intend to do in respect of their own shareholdings. These amount in aggregate to shares representing approximately 24.6 per cent. of the issued share capital of the Company (as at 6 September 2007, being the last business day before the date of printing of this document), which when taken together with the irrevocable undertaking received from Haseko to vote in favour of the Resolutions in respect of 11.3 per cent. of the issued share capital of the Company, means the Company has undertakings to vote in favour of the Resolutions from shares in aggregate representing 35.9 per cent. of the issued share capital of the Company (as at 6 September 2007, being the last business day before the printing of this document).

Shareholders may still approve Resolution 3 even if they do not approve Resolution 1 and Resolution 2. In such event, the Group will convert into a REIT and the REIT Section will be incorporated into the Current Articles. However, the Company will not benefit from the legislative and practical updating matters contained in the New Articles as a result of approval of Resolution 1 and Resolution 2.

Action to be taken

The EGM will be held at 11 a.m. on 1 October 2007 at DLA Piper UK LLP, Princes Exchange, Princes Square, Leeds, LS1 4BY. Only TCS Shareholders are entitled to attend and vote at the EGM. A Form of Proxy for use by TCS Shareholders is enclosed. You are requested to complete and sign the form in accordance with the instructions thereon and return it to the Company's registrars, Capita Registrars, Proxies Department, 34 Beckenham Road, Beckenham, Kent, BR3 4TU, as soon as possible but, in any event, so that it arrives no later than 11 a.m. on 29 September 2007. If you complete and return the Form of Proxy, you can still attend and vote at the EGM if you wish.

Yours sincerely,

E M Ziff
Chairman and Chief Executive

PART 2:
THE REIT REGIME

The following paragraphs are intended as a general guide only and constitute a high-level summary of the Company's understanding of current UK law and HMRC practice in relation to the REIT Regime, each of which is subject to change, possibly with retrospective effect. These paragraphs are not advice and should not be relied upon as such. Shareholders should consult their own advisers, as appropriate.

1. OVERVIEW

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

In this Part, "**Group**" means a body corporate and all of its "75 per cent. subsidiaries" and any of their 75 per cent. subsidiaries and so on, provided that the principal company in the Group is beneficially entitled to more than 50 per cent. of the subsidiary's profits which are available for distribution to equity holders of the subsidiary, and more than 50 per cent. of any assets of the subsidiary available for distribution to its equity holders on a winding up, and excluding insurance companies as defined in section 431(2) of the Income and Corporation Taxes Act 1988 ("**ICTA**") and their subsidiaries. A body corporate is a "75 per cent. subsidiary" of another if the other is the beneficial owner (directly or indirectly) of at least 75 per cent. of its ordinary share capital.

Currently, investing in property through a typical UK corporate investment vehicle (such as the Company) has the disadvantage that, in comparison to a direct investment in property assets, some categories of shareholder (but not UK companies) effectively suffer tax twice on the same income - first, indirectly, when members of the Group pay UK corporation tax on their profits and, secondly, directly (although with the benefit of a tax credit) when the shareholder receives a dividend. Non-taxpaying entities, such as UK pension funds, suffer tax indirectly when investing through a corporate vehicle that is not a REIT.

As part of a REIT, UK resident Group members (and where applicable non-UK resident Group members with a UK qualifying property rental business) would no longer pay UK corporation tax on profits and gains from their Tax-Exempt Business (being the qualifying property rental businesses in the UK and elsewhere), provided that certain conditions are satisfied. Instead, distributions in respect of the Tax-Exempt Business will be treated for UK tax purposes as UK property income in the hands of shareholders (Part 3 contains further detail on the UK tax treatment of shareholders in a REIT). However, corporation tax will still be payable in the normal way in respect of profits and gains from any part of the Group's Residual Business (being any business (generally including any property trading business) which is not included in the Tax-Exempt Business).

While a company is within the REIT Regime, its Tax-Exempt Business will be treated as a separate business for corporation tax purposes from its Residual Business and a loss incurred in its Tax-Exempt Business cannot be set off against profits of its Residual Business (and *vice versa*).

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

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

The treatment of a dividend paid by the principal company in the Group in the first year after it becomes a REIT should depend on whether it is paid out of profits that arose before or after the Group became a REIT. The Company will provide Shareholders with a certificate setting out how much of their dividend is a PID and how much is a Non-PID Dividend.

Subject to certain exceptions, Property Income Distributions will be subject to withholding tax at the basic rate of income tax (currently 22 per cent.). Further details of the UK tax treatment of certain categories of Shareholder while the Group is in the REIT Regime are contained in Part 3.

2. QUALIFICATION AS A REIT

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

(A) Company Conditions

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

(B) Close Company Condition

The principal company must not (apart from in one exceptional circumstance) be a "close company" (as defined in sections 414 and 415 of ICTA as amended by section 106(6) of the Finance Act 2006 (the "close company condition")). In summary, the close company condition amounts to a requirement that not less than 35 per cent. of the principal company's ordinary shares are listed on a recognised stock exchange and beneficially held by the public; for this purpose the "public" excludes directors and certain of their associates, and shareholders (other than UK pension funds) who, alone or together with certain associates, possess more than 5 per cent. of the voting power in the principal company's share capital.

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

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

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

(C) Share Capital Restrictions

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

(D) Interest Restrictions on borrowings

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

(E) Financial Statements

The principal company must prepare Financial Statements and submit these to HMRC. These Financial Statements must set out the information about the Tax-Exempt Business and the Residual Business separately. The REIT Regime specifies the information to be included and the basis of preparation of the Financial Statements.

(F) Conditions for the Tax-Exempt Business

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

(i) the Tax-Exempt Business must throughout the accounting period involve at least three properties;

(ii) throughout the accounting period no one property may represent more than 40 per cent. of the total value of all the properties involved in the Tax-Exempt Business. Assets must be valued in accordance with and at fair value when IFRS offers a choice between a cost basis and a fair value basis;

(iii) treating all members of the Group as a single company, the Tax-Exempt Business must not include any property which is classified as owner-occupied in accordance with generally accepted accounting practice;

(iv) at least 90 per cent. of the amounts shown in the Financial Statements of the Group members as income profits (broadly, calculated using normal tax rules) of the UK resident members of the Group arising in respect of their Tax-Exempt Business in the accounting period (and the income profits of any non-UK resident members of the Group insofar as they arise in respect of such members' UK qualifying property rental business in the accounting period) must (to the extent permitted by law) be distributed to shareholders of the principal company of the REIT in the form of a Property Income Distribution on or before the filing date for the principal company's tax return for the accounting period. For the purpose of satisfying the 90 per cent. distribution test, any dividend withheld in order to comply with the 10 per cent. rule will be treated as having been paid;

(v) the income profits arising from the qualifying property rental business must represent at least 75 per cent. of the Group's total profits for the accounting period. Profits for this purpose means profits calculated in accordance with IFRS, before deduction of tax and excluding, broadly, gains and losses on the disposal of property and gains and losses on the revaluation of properties, and certain exceptional items; and

(vi) at the beginning of the accounting period the value of the assets in the qualifying property rental business must represent at least 75 per cent. of the total value of assets held by the Group. Assets must be valued in accordance with IFRS and at fair value where IFRS offers a choice of valuation between cost basis and fair value, and in applying this test no account is to be taken of liabilities secured against or otherwise relating to assets (whether generally or specifically).

3. EFFECT OF BECOMING A REIT

(A) Entry Charge

Each UK resident member of the Group that carries on a qualifying property rental business in the UK or overseas and any non-UK resident member of the Group that carries on a qualifying property rental business in the UK will be liable to pay an entry charge equal to 2 per cent. of the aggregate market value of the properties and other assets involved in that business.

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

(B) Tax Savings

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

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

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

While a company is within the REIT Regime, its Tax-Exempt Business will be treated as a separate business for corporation tax purposes from its Residual Business and a loss incurred in its Tax-Exempt Business cannot be set off against profits of its Residual Business (and vice versa).

(C) The "10 per cent. Rule"

The principal company of a REIT may become subject to an additional tax charge if it makes a distribution to, or in respect of, a company beneficially entitled, directly or indirectly, to 10 per cent. or more of the principal company's dividends or share capital or that controls, directly or indirectly, 10 per cent. or more of the voting rights in the principal company. Shareholders should note that this tax charge only applies where a dividend is paid to companies for the purposes of section 832(1) of ICTA and to certain entities which are deemed to be bodies corporate for the purposes of overseas jurisdictions with which the UK has a double taxation agreement, or for the purposes of such double tax agreements. Where a dividend is paid to a nominee, the fact that the nominee may hold legal title to 10 per cent. or more of the principal company's share capital will not of itself trigger the charge.

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

(D) Dividends

Subject as mentioned with regard to dividends paid in the first year of being a REIT, in the section headed "Overview" at the beginning of this Part 2, when the principal company of a REIT pays a dividend, that dividend will be a PID to the extent necessary to satisfy the 90 per cent. distribution test. If the dividend exceeds the amount required to satisfy that test, the REIT may determine that all or part of the balance is a Non-PID Dividend paid out of the profits of the activities of its Residual Business. Any remaining balance of the dividend (or other distribution) will generally be deemed to be a PID, first in respect of the income profits for the current year or previous years out of which a PID can be paid and, after these have been distributed in full, in respect of certain capital gains which are exempt from tax by virtue of the REIT Regime. Any remaining balance will be attributed to other distributions.

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

(E) Financial Statements

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

(F) Interest Cover Ratio

A tax charge will arise if, in respect of any accounting period, the ratio of (i) the income profits (before capital allowances) of the UK resident members of the Group (plus the UK income profits of any non-UK resident member of the Group) in respect of their Tax-Exempt Business, plus the financing costs incurred in respect of their Tax-Exempt Business, to (ii) the financing costs incurred in respect of their

Tax-Exempt Business, excluding certain intra-group financing costs, is less than 1.25. This ratio is calculated by reference to the Financial Statements, apportioning costs relating partly to the Tax-Exempt Business and partly to the Residual Business reasonably. The amount (if any) by which the financing costs exceeds the amount of those costs which would cause that ratio to equal 1.25 is chargeable to corporation tax.

(G) Property Development and Property Trading by a REIT

A property developed by a member of the Group for investment can be within the Tax-Exempt Business provided certain conditions are met. However, if the costs of the development exceed 30 per cent. of the fair value of the development property at the later of (i) the date on which the relevant company becomes a member of a REIT and (ii) the date of the acquisition of the development property, and the REIT sells the property within three years of completing the development, the property will be treated as never having been within the Tax-Exempt Business.

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

(H) Certain Tax Avoidance Arrangements

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

(I) Movement of Assets In and Out of Tax-Exempt Business

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

(J) Funds Awaiting Reinvestment

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

(K) Joint Ventures

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

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

(L) Acquisitions and Takeovers

If a member of the Group acquires another REIT, no entry charge will be payable. However, if a company which is not a REIT joins the Group, the entry charge will be payable by reference to the assets in the qualifying property rental business of that company.

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

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

PART 3:
UK TAX TREATMENT OF SHAREHOLDERS AFTER ENTRY INTO THE REIT REGIME

1. INTRODUCTION

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

They do not apply to Substantial Shareholders. Nor do they apply to certain categories of Shareholders, such as dealers in securities or distributions, persons who have or are deemed to have acquired their shares by reason of their or another's employment, persons who hold their shares by virtue of an interest in any partnership, collective investment schemes, insurance companies, life assurance companies, mutual companies, or Lloyds members. They apply to charities, trustees, pension scheme administrators or persons who hold their shares in connection with a UK branch, agency or permanent establishment only where indicated at paragraph 3(D)(iv) below.

These paragraphs are intended as a general guide only and are based on the Company's understanding of current UK tax law and HMRC practice, each of which is subject to change, possibly with retrospective effect. They are not advice. Shareholders who are in any doubt about their tax position, or who are subject to tax in a jurisdiction other than the UK, should consult their own appropriate independent professional adviser without delay, particularly concerning their tax liabilities on PIDs, whether they are entitled to claim any repayment of tax, and, if so, the procedure for doing so.

2. TAXATION OF NON-PID DIVIDENDS

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

3. TAXATION OF PIDS

(A) Shareholders who are individuals

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

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

(B) Corporate shareholders

Subject to certain exceptions, a PID will generally be treated in the hands of shareholders who are within the charge to corporation tax as the profit of a Schedule A business (as defined in section 15 of ICTA). A PID is, together with any property income distribution from any other company to which Part 4 of the Finance Act 2006 applies, treated as the profit of a business separate from any other property business carried on by the relevant shareholder. This means that any surplus expenses from any such other business cannot be offset against a PID as part of a single calculation of profits.

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

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

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

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

(D) Withholding Tax

(i) General

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

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

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

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

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

(iv) Exceptions to requirement to withhold Income Tax

Shareholders should note that in certain circumstances the Company must not withhold income tax at source from a PID. These include where the Company reasonably believes that the person beneficially entitled to the PID is a company resident for tax purposes in the UK, a company resident for tax purposes outside the UK with a permanent establishment in the UK which is required to bring the PID into account in computing its chargeable profits or a charity. They also include where the Company reasonably believes that the PID is paid to the scheme administrator of a registered pension scheme, the account manager of an Individual Savings Account (ISA), the plan manager of a Personal Equity Plan (PEP) or the account provider for a child trust fund, in each case provided the Company reasonably believes that the PID will be applied for the purposes of the relevant fund, scheme, account or plan.

In order to pay a PID without withholding tax, the Company will need to be satisfied that the Shareholder concerned is entitled to that treatment. For that purpose the Company will require such Shareholders to submit a valid claim form (copies of which may be obtained on request from the Company's registrars, Capita Registrars, Northern House, Woodsome Park, Fenay Bridge, Huddersfield HD8 0LA). Shareholders should note that the Company may seek recovery from Shareholders if the statements made in their claim form are incorrect and the Company suffers tax as a result. The Company will, in some circumstances, suffer tax if its reasonable belief as to the status of the Shareholder turns out to have been mistaken.

4. DISPOSAL OR ACQUISITION OF SHARES IN THE COMPANY

Subject to the paragraph headed "Introduction", above, the following comments apply to both individual and corporate shareholders, regardless of whether such shareholders are resident for tax purposes in the UK.

(A) Taxation of chargeable gains

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

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

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

PART 4
SUMMARY OF THE PROPOSED CHANGES TO THE ARTICLES OF ASSOCIATION OF THE COMPANY

As explained in the letter from the Chairman and Chief Executive, it is proposed that the Current Articles should be replaced by the New Articles.

In addition to the adoption of the REIT Section (being the changes necessary in order to comply with the REIT Regime which are explained below), as the Company's Current Articles were adopted on 14 September 1960, and are based on the Companies Act 1948, the Company considers that this is an appropriate time to update the Current Articles to reflect the current law. This includes the implementation of certain parts of the Companies Act 2006 which have recently come into force and other parts which will come into force on 1 October 2007.

Due to the number of these changes, a summary only of the reasons for and effect of the principal differences between the Current Articles and the New Articles proposed to be adopted is as set below.

A copy of the New Articles, which it is proposed should replace the Current Articles, and a copy of the REIT Section can be obtained from DLA Piper UK LLP, 3 Noble Street, London, EC2V 7EE and Princes Exchange, Princes Square, Leeds, LS1 4BY and both will be available for inspection for at least 15 minutes before and during the EGM.

The proposed changes can be categorised under two headings "Updating Changes" and "REIT Changes" each of which are summarised below:

Updating Changes

1. Retirement at 70

Section 293 of the Companies Act 1985 previously provided that unless a company's articles provided otherwise, directors would be required to retire upon reaching the age of 70. Article 92 of the Current Articles provided that the requirement to retire at 70 would not apply to the Company. However, section 293 of the Companies Act 1985 was repealed on 6 April 2007 as a consequence of the Employment Equality Age (Regulations) 2006, which aims to prevent discrimination on the grounds of age. As such there is no longer a requirement for a company's articles to contain an article similar to Current Article 92 and so it is not contained in the New Articles.

2. Uncertificated shares

The Current Articles do not provide a mechanism for dealing with Shares in uncertificated form (i.e. CREST). Article 19 of the New Articles explicitly permits Shares to be held in uncertificated form and to be transferred in an appropriate system.

3. Disclosure of interests in shares

The provisions in the Companies Act 2006 relating to disclosure of interests in shares were implemented with effect from 20 January 2007 enabling companies to serve notices on its members requiring them to disclose information relating to their interests in shares. The Current Articles do not reflect the new provisions or provide for the permitted sanctions available to companies under this regime. Articles 70 to 74 of the proposed New Articles deal with the requirements of the Companies Act 2006 in relation to this issue.

4. Historic references

Throughout the Current Articles there are outdated references, including references relating to historic legislation, pre-decimalisation monetary amounts and historic time periods. All such historic references have been removed or updated in the proposed New Articles.

5. Electronic communications

The Company's Current Articles do not enable communications between the Company and its Shareholders to take place electronically as permitted by the Companies Act 1985 (Electronic Communications) Order 2000. Further developments contained in the Companies Act 2006 were implemented on 20 January 2007. The New Articles will allow documents such as annual reports and general meeting notices to be communicated to Shareholders by publishing them on the Company's website, should the Board choose to do so. The Company is however required to write to Shareholders individually seeking their consent (such consent being deemed to be given in the event no response is received within a specified time period) to such a method of communication before doing so. Accordingly, the New Articles reflect the current law and practice relating to electronic communications.

As mentioned in the Chairman and Chief Executive's letter, in order to allow the Company to send or supply any documents or information to Shareholders by making them available on the Company's website, Resolution 1 must be approved.

6. Electronic Voting

In January 2003, CREST the electronic settlement system for securities traded on a recognised investment exchange, introduced the CREST Proxy Voting Service. In order to enable the Company to offer not just communication of documents, but electronic proxy voting, as an option to the Shareholders should the Board choose to do so, the New Articles also incorporate these provisions.

7. Treasury shares

The Current Articles permit the Company to purchase its own shares (including redeemable shares), subject to the provisions of Part III of the Companies Act 1981. The law in relation to the purchase of own shares has been updated since 1981 and the New Articles reflect the current law, in particular, the requirement to obtain the consent of any holders of securities which are convertible into shares, prior to any purchase. In addition, as a consequence of the Companies (Acquisition of Own Shares) Regulations 2003 which came into effect in December 2003, the Company is permitted, on purchasing its own shares, to hold these shares in treasury for possible resale. These regulations have been incorporated into the Companies Act 1985 (Section 162A to G) which provides that the Company, as the holder of such shares, is not entitled to certain rights afforded to other Shareholders of the Company (e.g. receiving dividends and other distributions, voting, counting towards quorum requirements, requisitioning meetings) and that such shares should not be included for the purposes of calculating issued share capital. As these matters are contained in the Companies Act 1985, and the provisions relating to the purchase of own shares in the New Articles are subject to the Act, there is no requirement to set these matters out in the New Articles, although the Directors felt it was important to explain the change in law in this area.

8. Directors indemnities

The Current Articles provide that a director, manager, officer or auditor can be indemnified out of the Company's assets in defending any civil or criminal proceedings in which judgment is given in his favour or in which he is acquitted. The New Articles (Article 157) provide that the Company may indemnify employees of the Company in addition to directors, alternate directors and the secretary and removes the ability to indemnify the auditors, as the auditors should have their own insurance arrangements. In addition, the indemnity relates to any costs or liabilities incurred in executing duties or powers in connection with office, not just defending proceedings. The New Articles also provide that the Company can purchase and maintain insurance against all such costs and liabilities providing cover up to such limit or limits as the Directors may decide. No such provisions are contained in the Current Articles.

In short the proposed New Articles reflect current law with regard to directors' indemnities, including the relaxations brought in by the Companies Act 1985, which came into force on 5 April 2005.

9. Other changes

Other miscellaneous non-material changes have been incorporated into the New Articles to reflect current law:

9.1 Articles 34 and 35 (Untraced Shareholders) give the Board the power to sell shares belonging to Shareholders who have received shares by transmission but whom for a period of 12 years, have not cashed dividends sent to them and apply the proceeds of sale in the business. However, the Company will still owe the net proceeds of sale to the untraced Shareholder.

9.2 Article 56 (Conduct and accommodation of members at meeting) enables "satellite" general meetings to be held in the event there are too many Shareholders present at an annual general meeting. Also the Board will have the power to make arrangements in order to impose proper conduct at meetings such as Shareholders providing identification and the ability to eject people for unruly behaviour.

9.3 Article 85 (Provision for employees on cessation or transfer of business) gives the Board the ability to make payments to employees or their families in the event the Company sells part or all of its undertaking or that of a subsidiary.

9.4 Article 94 (Associate directors) gives the Board the authority to appoint any person to an office designated as "director" but without conferring on such person the powers of a director pursuant to the Companies Acts or the Articles.

9.5 Article 110 (Directors' interests) provides that a Director cannot count in the quorum for considering his appointment to hold office with the Company and that any questions over materiality of Directors' interests will be decided by the Chairman. The restrictions also include persons "connected" to the Director but do not apply to resolutions concerning employee benefit arrangements in which the Director participates (provided the Director does not have awards not generally available to other employees) or Directors insurance arrangements.

9.6 Article 111 (Directors' gratuities and benefits) provides that pension, death or disability benefits may also be provided to non-executive as well as executive Directors.

9.7 Article 117 (Participation by telephone) provides that Directors can participate in Board meetings by telephone.

9.8 Article 131 (Method of payment) permits dividends to be paid by bank or other funds transfer in respect of dividends to uncertificated Shareholders. The article also gives the Board the discretion to resend dividend cheques if lost or stolen and withhold payments in cases of transmission of shares on death until evidence of transmission is provided by the person claiming to be entitled to the Board.

9.9 Article 132 (Currency of payment) provides that any dividend may be declared or paid in any currency the Board decide. If the dividend is to be paid in a currency other than the one in which it was declared, the Board can choose the exchange rate it deems appropriate.

9.10 Article 136 (Uncashed dividends) provides that if on two consecutive occasions cheques, warrants or money orders are returned or uncashed or bank transfers not satisfied, the Company will not be obliged to continue to send payments until notified of a new address for delivery.

9.11 Article 138 (Payment of scrip dividends) provides that the Directors shall have the power, with the prior authority of an ordinary resolution of the Company, to offer dividends as scrip dividends, as opposed to just cash dividends under the Current Articles and that the Company can pay cash to Shareholders in respect of fractional entitlements arising on scrip dividends.

9.12 Article 144 (Summary financial statements) provides that the Directors can satisfy their obligation to send copies of the Company's accounts to Shareholders by sending a financial statement derived from such accounts provided it contains the information required by the Companies Acts.

10. Conclusion

As explained in the Chairman and Chief Executive's letter, in order for the Company to benefit from the legislative and practical updating matters explained above, Shareholders must approve Resolution 1 and Resolution 2.

REIT Changes

As explained above, under the REIT Regime, a tax charge may be levied on the Company if it makes a distribution to a Substantial Shareholder (being a company which is beneficially entitled (directly or indirectly) to 10 per cent or more of the Shares or dividends of the Company or controls (directly or indirectly) 10 per cent or more of the voting rights of the Company). If, however, the Company has taken "reasonable steps" to prevent the possibility of such a distribution being made, then this tax charge should not arise.

The REIT Section is intended to give the Board the powers it needs to demonstrate to HMRC that such "reasonable steps" have been taken. The Board considers these proposals to be consistent with the HMRC guidance on what constitutes "reasonable steps" for the purposes of the legislation. A copy of the REIT Section can be obtained from DLA Piper UK LLP, 3 Noble Street, London, EC2V 7EE and Princes Exchange, Princes Square, Leeds, LS1 4BY and will be available for inspection for at least 15 minutes before and during the EGM.

In summary the REIT Section:

(a) provides the Directors with powers to identify Substantial Shareholders;

(b) prohibits the payment of dividends on Shares that comprise a Substantial Shareholding, unless certain conditions are met;

(c) allows dividends to be paid on Shares that comprise a Substantial Shareholding where the TCS Shareholder has disposed of all of its rights to dividends on its Shares; and

(d) seeks to ensure that if a dividend is paid on Shares that comprise a Substantial Shareholding and arrangements of the kind referred to in (c) are not met, the Substantial Shareholder concerned does not become beneficially entitled to any of that dividend.

The effect of the REIT Section is explained in more detail below:

1. Identification of Substantial Shareholders

The share register of TCS records the legal owners and the number of Shares they own in TCS but does not identify the persons who are beneficial owners of the Shares or are entitled to control the voting rights attached to the Shares or are beneficially entitled to dividends. While the requirements for the notification of interests in shares provided in the Disclosure and Transparency Rules under the Financial Services and Markets Act 2000 and the Board's right to require disclosure of such interests (pursuant to part 22 of the Companies Act 2006) should assist in the identification of Substantial Shareholders, those provisions are not on their own sufficient.

Accordingly, the REIT Section would require a Substantial Shareholder and any registered TCS Shareholder holding Shares on behalf of a Substantial Shareholder to notify TCS if his Shares form part of a Substantial Shareholding. Such a notice must be given within two business days. If a person is a Substantial Shareholder at the date the REIT Section is adopted, that Substantial Shareholder (and any registered TCS Shareholder holding Shares on its behalf) must give such a notice within two business days after the date the New Articles are adopted. The REIT Section gives the Board the right to require any person to provide information in relation to any Shares in order to determine whether the Shares form part of a Substantial Shareholding. If the required information is not provided within the time specified (which would be seven days after a request is made or such other period as the Board may decide), the Board would be entitled to impose sanctions, including withholding dividends (as described in paragraph (2) below) and/or requiring the transfer of the Shares to another person who is not, and does not thereby become, a Substantial Shareholder (as described in paragraph (5) below).

2. Preventing payment of a dividend to a Substantial Shareholder

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

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

(i) the Substantial Shareholder concerned is not beneficially entitled to the dividends (see also (3) below);

(ii) the shareholding is not part of a Substantial Shareholding;

(iii) all or some of the Shares and the right to the dividend have been transferred to a person who is not, and does not thereby become, a Substantial Shareholder (in which case the dividends would be paid to the transferee); or

(iv) sufficient Shares have been transferred (together with the right to the dividends) such that the Shares retained are no longer part of a Substantial Shareholding (in which case the dividends would be paid on the retained Shares).

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

3. Payment of a dividend where rights to it have been transferred

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

(i) to ensure that the entitlement to future dividends will be disposed of; and

(ii) to inform TCS immediately of any circumstances which would render the certificate no longer accurate.

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

If the Board believes a certificate given in these circumstances is or has become inaccurate, then it will be able to withhold payment of future dividends (as described in paragraph (2) above). In addition, the Board may require a Substantial Shareholder to pay to TCS the amount of any tax payable (and other costs incurred) as a result of a dividend having been paid to a Substantial Shareholder in reliance on the inaccurate certificate. The Board may (as described in paragraph (5) below) arrange for the sale of the relevant Shares and retain any such amount from the proceeds. Any such amount may also be recovered out of dividends to which the Substantial Shareholder concerned may become entitled in the future.

Certificates provided in the circumstances described above will be of considerable importance to TCS in determining whether dividends can be paid. If TCS suffers loss as a result of any misrepresentation or breach of undertaking given in such a certificate, it may seek to recover damages directly from the person who has provided it.

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

4. Trust arrangements where rights to dividends have not been disposed of by a Substantial Shareholder

The REIT Section provides that if a dividend is in fact paid on Shares forming part of a Substantial Shareholding (which might occur, for example, if a Substantial Shareholding is split among a number of nominees and is not notified to TCS prior to a dividend payment date) the dividends so paid are to be held on trust by the recipient for any person (who is not a Substantial Shareholder) nominated by the Substantial Shareholder concerned. The person nominated as the beneficiary could be the purchaser of the Shares if the Substantial Shareholder is in the process of selling down their holding so as not to cause TCS to breach the Substantial Shareholder rule. If the Substantial Shareholder does not nominate anyone within 12 years, the dividend concerned will be held on trust for TCS or any other person nominated by the Board.

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

5. Mandatory sale of Substantial Shareholdings

The REIT Section also allows the Board to require the disposal of Shares forming part of a Substantial Shareholding if:

(i) a Substantial Shareholder has been identified and a dividend has been announced or declared and the Board has not been satisfied that the Substantial Shareholder has transferred the right to the dividend (or otherwise is not beneficially entitled to it);

(ii) there has been a failure to provide information requested by the Board; or

(iii) any information provided by any person proves materially inaccurate or misleading.

If a disposal of shares required by the Board is not completed within the timeframe specified by the Board or if TCS incurs a charge to tax as a result of a dividend having been paid on a Substantial Shareholding, the Board may arrange for the sale of the relevant Shares.

6. Takeovers

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

7. Other

The REIT Section also gives TCS power to require any TCS Shareholder who applies to be paid dividends without any tax withheld to provide such certificate as the Board may require to establish the TCS Shareholder's entitlement to that treatment. The REIT Section also confirms that it may be amended by Special Resolution passed by Shareholders in the future, including to give powers to the Directors to ensure that the Company can comply with the close company condition, described in paragraph B ("Close Company Condition") of Part 2 of this document, which powers may include the ability to arrange for the sale of Shares on behalf of Shareholders.

8. Conclusion

As explained in the Chairman and Chief Executive's letter, in order for the Group to convert into a REIT, and for the REIT Section to be incorporated into the Company's Articles of Association, Shareholders must approve Resolution 3.

In the event Resolutions 2 and 3 are approved by Shareholders, the REIT Section will be incorporated into the New Articles.

In the event Resolution 2 is not approved by Shareholders but Resolution 3 is approved by Shareholders, the REIT Section will be incorporated into the Current Articles. However, the Company will not benefit from the legislative and practical updating matters contained in the New Articles.

TOWN CENTRE SECURITIES PLC

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notice is hereby given that an Extraordinary General Meeting of Town Centre Securities PLC ("**the Company**") will be held at DLA Piper UK LLP, Princes Exchange, Princes Square, Leeds, LS1 4BY on 1 October 2007 at 11 am, for the purpose of considering, and if thought fit, passing the following resolutions, of which resolution 1 will be proposed as an ordinary resolution and resolutions 2 and 3 will be proposed as special resolutions:

ORDINARY RESOLUTION

1. THAT the Company may:

   1.1 send or supply any documents or information to Shareholders by making them available on a website for the purposes of paragraph 10(1) of Schedule 5 to the Companies Act 2006 and otherwise; and

   1.2 use electronic means (within the meaning of the Disclosure Rules and Transparency Rules sourcebook published by the Financial Services Authority) to convey information to Shareholders.

SPECIAL RESOLUTIONS

2. THAT, with effect from (and including) the date of this resolution, the Articles of Association contained in the document produced to the meeting (and signed by the Chairman for the purposes of identification) ("**New Articles**") be adopted as the Articles of Association of the Company in substitution for, and to the exclusion of, the existing Articles of Association of the Company ("**Current Articles**").

3. THAT, with effect from (and including) the first day of the first accounting period following the date of this resolution in respect of which the Company has given a valid notice under section 109 of the Finance Act 2006, either; (i) in the event that resolution 2 is approved, the New Articles be amended by the inclusion of the REIT Section (as defined in the circular to shareholders of which this notice forms part and contained in the document produced to the meeting (and signed by the Chairman for the purposes of identification)) and the table of contents be renumbered accordingly; or (ii) in the event resolution 2 is not approved, the Current Articles be amended by the inclusion of the REIT Section and the table of contents be renumbered accordingly.

By order of the Board

Karen Prior
Company Secretary

7 September 2007

Registered office:

Town Centre House
The Merrion Centre
Leeds
LS2 8LY

Notes:

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

2. To be effective the instrument appointing a proxy and the power of attorney or other authority (if any) under which it is executed (or a notarially certified copy of such power or authority) must be deposited with Capita Registrars, either by hand at Capita Registrars, Proxies Department, 34 Beckenham Road, Beckenham, Kent, BR3 4TU or, in accordance with details on the Form of Proxy to Capita Registrars by 11:00 a.m. on 29 September 2007. A form of proxy is enclosed with this notice. Completion and return of the form of proxy will not preclude shareholders from attending and voting in person at the meeting.

3. In accordance with Regulation 41 of the Uncertificated Securities Regulations 2001, only those members entered on the register of members of the Company as at 6 p.m. on 29 September 2007 shall be entitled to attend or vote at the meeting in respect of the number of shares registered in their name at that time. Changes to entries on the register of members after 6 p.m. on 29 September 2007 shall be disregarded in determining the rights of any person to attend or vote at the meeting.

4. The register of Directors' interests kept by the Company under section 325 of the Companies Act 1985 will be produced at the commencement of the meeting and remain open and accessible during the continuance of the meeting to any person attending the meeting.

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