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If you sell or have sold or otherwise transferred all of your existing Shares, you should send this document and the accompanying Form of Proxy at once to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for delivery 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.

Warner Estate Holdings PLC

(Incorporated and registered in England & Wales with registered number 870816)

Notice of Extraordinary General Meeting

Proposed Amendments to Articles of Association in connection with REIT Conversion

Your attention is drawn to the letter from the Chairman of Warner Estate which is set out on pages 5 to 8 of this document and which recommends that you vote in favour of the Resolution to be proposed at the Extraordinary General Meeting. Your attention is also drawn to the section entitled "Action to be taken" on page 8 of this document.

Notice of an Extraordinary General Meeting of Warner Estate to be held at Nations House, 103 Wigmore Street, London W1U 1AE at 10.30 a.m. on 23 March 2007, is set out at the end of this document. Warner Estate 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 Warner Estate's registrars, Capita Registrars, either by hand at The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU or, in accordance with details on the Form of Proxy to Proxy Processing Centre, Telford Road, Bicester OX26 4LD by no later than 10.30 a.m. on 21 March 2007. Completion and return of a Form of Proxy will not preclude Warner Estate 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 EGM 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	10.30 a.m. on 21 March 2007
Extraordinary General Meeting	10.30 a.m. on 23 March 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 Warner Estate's Articles of Association.

DEFINITIONS

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

“AESOP”	the Company’s All-Employee Share Ownership Plan
“Amendments”	the proposed amendments to the Articles of Association as set out in the Notice of EGM
“Articles” or “Articles of Association”	the articles of association of Warner Estate
“balance of business conditions”	has the meaning set out in paragraph E (vi) of the section on Qualification as a REIT in Part II of this document
“Directors” or “Board”	the directors of Warner Estate
“EGM” or “Extraordinary General Meeting”	the Extraordinary General Meeting of Warner Estate to be held at 10.30 a.m. on 23 March 2007 (or any adjournment thereof), notice of which is set out at the end of this document
“FA”	the Finance Act 2006
“Form of Proxy”	the form of proxy for use by Shareholders in relation to the EGM
“HMRC”	HM Revenue & Customs
“IAS”	International Accounting Standards
“ICTA”	the Income and Corporation Taxes Act 1988
“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 Warner Estate Group, the principal company would be Warner Estate)
“Property Income Distribution” or “PID”	a dividend received by a Warner Estate Shareholder in respect of profits and gains of the Tax-Exempt Business of the UK resident members of the Warner Estate Group arising whilst the Warner Estate Group is a REIT, or in respect of the profits or gains of a non-UK resident member of the Warner Estate Group arising whilst the Warner Estate Group is a REIT, 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) of 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 FA and related regulations
“Residual Business”	any business which is not Tax-Exempt Business
“Resolution”	the special resolution to approve Amendments contained in the EGM notice at the end of this document
“SDRT”	stamp duty reserve tax
“Shares”	ordinary shares of 5p each in the capital of Warner Estate
“Tax Exempt Business”	the qualifying property rental business of UK resident members of the Warner Estate Group and the qualifying property rental business in the UK of non-UK resident members of the Warner Estate Group
“Warner Estate” or “the Company”	Warner Estate Holdings PLC
“Warner Estate Group”	Warner Estate and those entities treated by the REIT Regime as within its group

“Warner Estate Share Schemes” the Company’s Performance Share Plan and 1995 Share Option Scheme
“Warner Estate Shareholder” or a holder of Shares
“Shareholder”

PART I

LETTER FROM THE CHAIRMAN OF WARNER ESTATE HOLDINGS PLC

Directors:

Philip Warner (Chairman)
Peter Collins (Finance Director)
Michael Stevens (Property Director)
Julian Avery (Non-executive Director)
William Broderick (Non-executive Director)
Gregory Cooke (Non-executive Director)
Robert Warner (Non-executive Director)

Registered Office
Nations House
103 Wigmore Street
London W1U 1AE

Registered in
England and Wales
No. 870816

28 February 2007

To Warner Estate Shareholders and participants in the AESOP and, for information only, to participants in the Warner Estate Share Schemes

Dear Shareholder,

Proposals to amend Warner Estate's Articles of Association in connection with converting the Warner Estate Group into a Real Estate Investment Trust (REIT)

1. Introduction

As announced in the Interim Results on 30 September 2006 the Warner Estate Group currently intends to convert into a REIT on or after 1 April 2007, in order to benefit from the new REIT Regime. The exact timing of conversion will depend on the date of publication of guidance notes by HMRC on joint venture groups and their impact, if any, on the Warner Estate Group joint ventures. The conversion to a REIT is simply a change in Warner Estate's tax status achieved by the Company notifying HMRC. Such change in status will have tax consequences for Warner Estate and its shareholders but the Company will remain listed on the London Stock Exchange and its Shares will continue to be traded in the usual way. In connection with the conversion, it is proposed that certain amendments be made to Warner Estate's Articles of Association.

This letter explains the background to the Amendments, which are being submitted for approval at the Extraordinary General Meeting, and why the Board thinks that they are in the best interests of Warner Estate Shareholders as a whole. Set out at the end of this document is a notice convening the Extraordinary General Meeting, which will be held at Nations House, 103 Wigmore Street London W1U 1AE on 23 March 2007 at 10.30 a.m. There is also enclosed a Form of Proxy to enable you to vote on the Resolution should you be unable to attend the EGM. The Amendments are required for Warner Estate to be confident that it will have the power to try and avoid certain additional tax charges that can arise under the REIT Regime.

If the Amendments are not approved by Warner Estate Shareholders, the Board does not presently intend to convert the Warner Estate Group into a REIT.

At the date of this letter the detailed draft guidance on the REIT Regime from HMRC has been reviewed by the Company but the final guidance has not yet been published by HMRC. Furthermore, the regulations and guidance notes on group joint ventures have not yet been published in draft form. The Board will review the regulations and guidance as they develop and will not proceed with conversion into a REIT if there are material implications that the Board considers would adversely affect Warner Estate or its Shareholders in a way that is substantially different from that described in this document.

2. Overview

The REIT Regime came into force on 1 January 2007 with, at the date of this letter, 9 listed companies having elected to join the regime. The REIT Regime provides certain tax benefits for participants so long as they comply with specified conditions. Information on these conditions and an overview of the REIT Regime can be found in Part II.

3. Preparation for REIT Conversion

The Board has carefully analysed the implications of converting the Warner Estate Group to a REIT and has undertaken a programme of preparatory measures. The Company has implemented a new accounting and payroll system to ensure that costs are properly allocated between the Residual Business and the Tax Exempt Business. The corporate structure of the Warner Estate Group continues to be simplified to ease the REIT compliance burden and the Company has paid down and continues to pay down high coupon term debt. The joint venture arrangements with our partners, that form part of Warner Estate Group's asset management business, have also been reviewed and discussions have been held with the joint venture partners to agree the arrangements for electing the joint ventures into the REIT Regime. The Company is also considering restructuring certain joint ventures which would include the transfer of some or all of the properties within those joint venture groups to each respective joint venture holding company. This may improve their efficiency within the REIT structure. Discussions on these matters are ongoing and can only be concluded when the regulations and guidance notes for joint venture groups have been published by HMRC.

4. Implications of REIT status for the Warner Estate Group

Tax implications

By converting to a REIT, members of the Warner Estate Group will no longer pay UK direct tax on the profits and gains from their qualifying property rental businesses in the UK and elsewhere, provided that they meet certain conditions. Non-qualifying profits and gains of the Warner Estate Group will continue to be subject to corporation tax as before.

Following Warner Estate's entry into the REIT Regime, a tax charge will be payable by the Warner Estate Group. This tax charge is equal to 2 per cent. of the aggregate market value of the property assets involved in its qualifying property rental business immediately prior to entry into the REIT Regime. The entry tax charge cannot be accurately calculated until the proposed conversion date, however, based on the market value of the property assets as at 30 September 2006, the Warner Estate Group's entry tax charge plus other conversion costs would have been between £15m to £20m. If the acquisition of JS Real Estate Plc under the terms of the offer announced on 26 January 2007, is completed, the amount of the entry tax charge will increase. However, the range of Warner Estate's entry tax charge and conversion costs will still be between £15m and £20m. Warner Estate intends to elect to pay part of the entry tax charge in four instalments and the remainder as a single payment.

As a result of entering into the REIT Regime, there is no requirement to provide for deferred tax on the qualifying properties thereby releasing liabilities currently held. As at 26 January 2007, deferred tax liabilities on an unaudited basis relating to the qualifying properties were estimated to be in the region of £35m to £45m as announced in the REIT conversion update included in the Placement Announcement on 26 January 2007. At the time of the offer announcement on 26 January 2007 it was estimated, on an unaudited basis, that additional deferred tax liabilities of approximately £19m related to the qualifying property rental business of the JS Real Estate Plc group of companies.

Business implications

There are a number of conditions that need to be satisfied by a company for it to qualify as a REIT and to maintain that status. These conditions are described in more detail in Part II. Such conditions include the "balance of business conditions" which, broadly, require a group's net income profits and the value of its assets from its qualifying property rental business to be at least 75% of its total income profits and of the value of the group's total assets.

Over the last few years the Warner Estate Group has successfully developed its asset management business currently acting as asset manager for the Apia Regional Office Fund, the Ashtenne Industrial Fund, the Agora Max Shopping Centre Fund, the Agora Shopping Centre Fund, the Radial Distribution Fund and the Greater London Office Fund. The asset management income, being management and performance fees received in respect of the asset management services, will not constitute qualifying property rental business. As stated in the 30 September 2006 unaudited Interim Results, the recurring operating profit before tax of the asset management business was approximately £2.2m (which was 12 per cent. of the Warner Estate Group's recurring operating profit before tax). This operating profit was before any performance fees which accrue in the second half of the year and also before the recharging of a proportion of the head office costs that will take place if the Warner Estate Group converts to a REIT. The asset management business and any trading property development activities will form part of the Warner Estate Group's Residual Business and will be subject to corporation tax as before.

Warner Estate currently satisfies all of the entry conditions for conversion to a REIT. The Board has carefully considered the impact of Warner Estate's asset management business on the "balance of business conditions" and does not expect the asset management business to prevent Warner Estate satisfying those conditions. If the acquisition of JS Real Estate Plc completes it will form part of Warner Estate's Tax Exempt Business.

Dividend policy

Warner Estate's dividend policy has been to pay a progressive and above inflation increase in dividend. If the Warner Estate Group converts to a REIT it will need to comply with the REIT Regime's distribution condition, such that 90% of the income profits of the qualifying property rental business in an accounting period are distributed. The Board believes that this condition is consistent with Warner Estate's existing dividend policy.

5. Implications of REIT status for Warner Estate Shareholders

The conversion of the Warner Estate Group into a REIT will affect Warner Estate Shareholders' tax position in respect of receipt of dividends paid under the REIT Regime. Shareholders should however note that it is currently considered that any final dividend for the year ended 31 March 2007, payable in September 2007, will not be subject to the REIT Regime rules. If conversion occurs on 1 April 2007, the first distribution that Warner Estate could make under the REIT Regime would relate to profits for the six month period to 30 September 2007.

Information relating to the tax implications for Warner Estate Shareholders can be found in Part III which contains a summary of the UK tax treatment of certain Warner Estate 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.

6. Reasons for proposed amendments to the Articles of Association

Under the REIT Regime, a tax charge may be levied on Warner Estate if it makes a distribution to a person (which is, broadly, defined as a company) which is beneficially entitled (directly or indirectly) to 10 per cent. or more of the Shares or dividends of Warner Estate or controls (directly or indirectly) 10 per cent. or more of the voting rights of Warner Estate. If however Warner Estate has taken "reasonable steps" to prevent the possibility of such a distribution being made, then this tax charge should not arise. The Amendments are 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 current draft HMRC guidance on what constitutes "reasonable steps".

A description of the Amendments can be found in Part IV and the text of the Amendments is set out in the Notice of EGM.

7. Exit from the REIT Regime

Warner Estate can give notice to HMRC that it wants the Warner Estate 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 Warner Estate Shareholder consent, if it considers this to be in the best interests of Warner Estate and Warner Estate Shareholders taken as a whole.

If the Warner Estate 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. However, there is no repayment of the entry charge in these circumstances.

It is important to note that Warner Estate 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 Warner Estate Group to exit the REIT Regime if:

- (a) it regards a breach of the "balance of business" conditions, failure to satisfy the conditions relating to the tax-exempt business, or an attempt by Warner Estate to avoid tax, as sufficiently serious; or
- (b) Warner Estate has committed a certain number of minor or inadvertent breaches in a specified period; or

- (c) HMRC has given Warner Estate at least two notices in relation to the avoidance of tax within a ten year period.

In addition, in the following cases, the Warner Estate Group will automatically lose REIT status: if the conditions for REIT status relating to the share capital of Warner Estate and the prohibition on entering into loans with abnormal returns are breached; if Warner Estate ceases to be resident solely in the UK; if the Company becomes an open-ended company; or if the Company ceases to be listed (unless caused by a takeover by another REIT) or (in certain circumstances) ceases to fulfil the close company condition (which is described in Part II). Where the Warner Estate 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 Warner Estate Group is treated as exiting the REIT Regime.

Shareholders should note that it is possible that the Warner Estate Group could lose its status as a REIT as a result of actions by 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 Part II) if it is unable to remedy the breach within a specified timeframe.

8. Recommendation

Your Board considers that the Resolution to be proposed at the Extraordinary General Meeting is in the best interests of Warner Estate Shareholders as a whole and unanimously recommends that Warner Estate Shareholders vote in favour of the Resolution, as the Directors intend to do in respect of their own beneficial shareholdings, which amount in aggregate to 2,024,633 Shares, representing approximately 3.61 per cent. of the issued share capital of Warner Estate (as at 27 February 2007, being the last business day before the date of this document).

9. Action to be taken

The Extraordinary General Meeting will be held at Nations House, 103 Wigmore Street, London W1U 1AE on 23 March 2007 at 10.30 a.m. Warner Estate Shareholders are alone entitled to attend and vote at the Extraordinary General Meeting. A Form of Proxy for use by Warner Estate Shareholders is enclosed. Whether or not you intend to be present in person at the Extraordinary General Meeting, you are requested to complete the form in accordance with the instructions thereon and return it to Warner Estate's registrars, Capita Registrars, either by hand at The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU or, in accordance with details on the Form of Proxy to Proxy Processing Centre, Telford Road, Bicester OX26 4LD as soon as possible but, in any event, so that it arrives not later than 10.30 a.m. on 21 March 2007. If you complete and return the Form of Proxy, you can still attend and vote at the EGM if you wish.

Yours faithfully

Philip Warner
Chairman

PART II

THE REIT REGIME

This Part II is intended as a general guide only and constitutes a high-level summary of Warner Estate's understanding of current UK tax law and anticipated HMRC practice in relation to the REIT Regime, each of which are subject to change, possibly with retrospective effect. It is not advice and should not be relied upon as such. As at the date of this document the guidance to be published by HMRC in respect of the REIT Regime has not yet been finalised (although it has been published in draft form) and is therefore subject to change. Changes in the final guidance compared to the drafts currently available could change the position described below.

Overview

The REIT Regime introduced in the FA 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) 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 corporate investment vehicle (such as Warner Estate) 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. Tax is suffered firstly, indirectly, when members of the Group pay UK direct tax on their profits, and secondly, directly (but with the benefit of a tax credit) when the shareholder receives a dividend. Non-tax paying entities, such as UK pension funds, suffer tax indirectly when investing through a corporate vehicle that is not a REIT in a manner they do not suffer if they were to invest directly in the property assets. As a REIT, UK resident Group members and non-UK resident Group members with a UK qualifying property rental business would no longer pay UK direct taxes on their income and capital gains from their qualifying property rental businesses in the UK and elsewhere (the "**Tax-Exempt Business**"), provided that certain conditions are satisfied. Instead, distributions in respect of the Tax-Exempt Business will be treated for UK tax purposes as UK property income in the hands of shareholders (Part III contains further detail on the United Kingdom tax treatment of Warner Estate Shareholders after entry into the REIT Regime). However, corporation tax will still be payable in the normal way in respect of income and gains from the Group's business (generally including any property trading business) not included in the Tax-Exempt Business (the "**Residual Business**").

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

The principal company of a REIT will be required to distribute to shareholders (by way of dividend), on or before the filing date for the principal company's tax return for the accounting period in question, at least 90 per cent. of the income profits (broadly, calculated using normal tax rules) of the UK resident members of the Group in respect of their Tax-Exempt Business and of the non-UK resident members of the Group insofar as they are derived from their UK qualifying property rental business arising in each accounting period. 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 or Warner Estate's accounting period are to its accounting period for tax purposes. This period can differ from a company's or Warner Estate's accounting period for other purposes.

It is currently considered that 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 existed before or after the Group became a REIT. The principal 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 United Kingdom tax treatment of Warner Estate Shareholders after entry into the REIT Regime are contained in Part III.

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 the Group must satisfy certain conditions set out in the FA. 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) and (D) below and the Group members must satisfy the conditions set out in paragraph (E).

(A) *Company conditions*

The principal company must be a solely UK resident, close-ended company whose ordinary shares are listed on a recognised stock exchange, such as the London Stock Exchange. The principal company must also not (apart from in one exceptional circumstance) be a “close company” (as defined in section 414 ICTA as amended by section 106(6) of the FA (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 shares are beneficially held by the public and for this purpose the “public” excludes directors of the REIT and certain of their associates, and shareholders who, alone or together with certain associates, control more than 5 per cent. of the principal company’s share capital.

(B) *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.

(C) *Restrictions on types of 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 any of its 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.

(D) *Financial statements*

The principal company must prepare financial statements (“**Financial Statements**”) in accordance with statutory requirements and submit these to HMRC. The Financial Statements must contain 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.

(E) *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 IAS and at fair value when IAS offers a choice between a cost basis and a fair value basis;
- (iii) treating all members of the Group as a single company, the Tax-Exempt Business must not include any property which is classified as owner-occupied in accordance with generally accepted accounting practice;

- (iv) at least 90 per cent. of the amounts shown in the Financial Statements of the Group members as income profits (broadly, calculated using normal tax rules) of the UK resident members of the Group arising in respect of their Tax-Exempt Business in the accounting period, and the income profits of the 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 be distributed to shareholders of the principal company of the REIT in the form of a dividend (a PID) on or before the filing date for the principal company's tax return for the accounting period (the "**90 per cent. distribution test**"). For the purpose of satisfying the 90 per cent. distribution test, any dividend withheld in order to comply with the 10 per cent. rule (as described in section (C) (*The "10 per cent. rule"*) in the "*Effect of becoming a REIT*" section below) will be treated as having been paid;
- (v) the income profits arising from the qualifying property rental business must represent at least 75 per cent. of the Group's total profits for the accounting period (the "**75 per cent. profits test**"). Profits for this purpose means profits calculated in accordance with IAS before deduction of tax and excluding, broadly, gains and losses on the disposal of property and gains and losses on the revaluation of properties, and certain exceptional items; and
- (vi) at the beginning of the accounting period the value of the assets in the qualifying property rental business must represent at least 75 per cent. of the total value of assets held by the Group (the "**75 per cent. assets test**"). Assets must be valued in accordance with IAS and at fair value where IAS offers a choice of valuation between cost basis and fair value and in applying this test no account is to be taken of liabilities secured against or otherwise relating to assets (whether generally or specifically). The 75 per cent. profits test and the 75 per cent. assets test are often referred to as the "**balance of business**" condition.

Effect of becoming a REIT

(A) Entry charge

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

This can be paid at the same time as corporation tax is payable in respect of the first accounting period following entry into the REIT Regime. The entry charge is payable in line with the normal dates for payment of corporation tax applicable in the period in which REIT conversion takes place, 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 will apply in respect of the property owned by the acquired company. See also section (L) ("*Acquisitions and Takeovers*") below for more information about this.

(B) Tax savings

As a REIT, the Group will not pay UK direct tax on profits and gains from the Tax-Exempt Business. Corporation tax will still apply in the normal way in respect of the Residual Business which includes 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 other UK REITs. Corporation tax could also be payable where a member of the Group (as opposed to property involved in the UK qualifying property rental business) is to be sold. The Group would also continue to pay indirect taxes such as VAT, stamp duty land tax, stamp duty and payroll taxes (such as national insurance) in the normal way.

(C) The "10 per cent. rule"

The principal company of a REIT may become subject to an additional tax charge if it pays a dividend 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. Warner Estate Shareholders should note that this restriction only applies to shareholders that are companies

for the purposes of section 832(1) 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. It does not apply to nominees.

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

(D) *Dividends*

Subject as mentioned in the section headed "Overview" above, 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 or if the principal company makes a distribution that is not a dividend, 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 the Residual Business. Any remaining balance of the dividend (or other distribution) will be deemed to be a PID, first in respect of the income profits out of which a PID can be paid and have been distributed in full, and secondly a PID paid out 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 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 each case, in respect of its Tax-Exempt Business plus the financing costs incurred in respect of the Tax-Exempt Business of the Group, to the financing costs incurred in respect of the Tax-Exempt Business of the Group, excluding certain intra-group financing costs, is less than 1.25. This ratio is calculated by reference to the Financial Statements. The amount (if any) by which the financing costs exceeds the amount of those costs which would result in a ratio equal to 1.25 is chargeable to corporation tax.

(G) *Property development and property trading by a REIT*

A property development by a member of the Group 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 asset at the later of (a) the date on which the relevant company becomes a member of a REIT, or (b) the date of the acquisition of the development property, and the REIT sells the development property within three years of completion, the property will be treated as never having been within the Tax-Exempt Business. If a UK resident 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 believe 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 gain 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 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 is therefore taxable.

(K) *Joint ventures*

If one or more members of the Group are beneficially entitled, in the aggregate, to at least 40 per cent. of the profits available for distribution to equity holders in a joint venture company and at least 40 per cent. of the assets of the joint venture company available to equity holders in the event of a winding-up, that joint venture company (the “**JV company**”) is carrying on a qualifying property rental business which satisfies the 75 per cent. profits test and the 75 per cent. assets test and certain other conditions are satisfied, the REIT may, by giving notice to HMRC, elect for the assets and income of the JV company to be included in the Tax-Exempt Business for tax purposes. In such circumstances, the income and assets of the JV company will count towards the 90 per cent. distribution test, the 75 per cent. profits test and the 75 per cent. assets test and the entry charge to the extent of the Group’s interest in the JV company.

As at the date of this document, the regulation in relation to joint ventures and REITs does not specifically apply to any subsidiaries of a JV company, although it is currently hoped that this will be the case. Guidance or other further information to clarify the position for joint ventures carried on through other types of entity will be provided by HMRC.

(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 on the assets in the qualifying property rental business of the 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 capital gains on disposal of properties in the Tax-Exempt Business. There is no entry charge as a result of the acquired REIT joining the acquirer’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 and will therefore 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 tax exemptions on the profits of its Tax-Exempt Business and capital gains on disposal of property forming part of its Tax-Exempt Business. 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 capital 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 III

UNITED KINGDOM TAX TREATMENT OF CERTAIN WARNER ESTATE SHAREHOLDERS AFTER ENTRY INTO THE REIT REGIME

Introduction

This Part III is intended as a general guide only and is based on Warner Estate's understanding of current UK tax law and HMRC practice, each of which is subject to change, possibly with retrospective effect. This is not advice and should not be relied upon as such. As at the date of this document the guidance in respect of the REIT Regime to be published by HMRC has not yet been finalised (although it has been published in draft form) and is therefore subject to change. Changes in the final guidance as compared to the drafts currently available could change the position described below. The following paragraphs relate only to certain limited aspects of the United Kingdom taxation treatment of PIDs and Non-PID Dividends paid by Warner Estate, and to disposals of Shares, in each case after Warner Estate becomes a REIT. Except where otherwise indicated, they apply only to Warner Estate Shareholders who are both resident and ordinarily resident for tax purposes solely in the United Kingdom. They apply only to Warner Estate Shareholders who are the absolute beneficial owners of both their PIDs and their Shares and who hold their Shares as investments. They do not apply to Substantial Shareholders, as defined in Part IV. They do not apply to certain categories of Warner Estate 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 as part of hedging or conversion transactions, persons who hold their Shares in connection with a UK branch, agency or permanent establishment, persons who hold their Shares by virtue of an interest in any partnership, collective investment scheme, insurance company, life insurance company, mutual company, or to Lloyds members. Except where otherwise indicated in paragraph B(iv)(d) (*Withholding tax: Exceptions to requirement to withhold income tax*) below, they do not apply to charities, trustees or pension scheme administrators.

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

(A) UK taxation of Non-PID Dividends

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

(B) UK taxation of PIDs

(i) UK taxation of Warner Estate Shareholders who are individuals

Subject to certain exceptions, a PID will generally be treated in the hands of Warner Estate 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 FA applies, treated as a separate UK property business from any other UK property business (a “**different UK property business**”) carried on by the relevant Warner Estate Shareholder. This means that surplus expenses from a Warner Estate Shareholder's different UK property business cannot be off-set against a PID as part of a single calculation of the profits of the Warner Estate Shareholder's UK property business.

Please see also paragraph B(iv) (*Withholding tax*) below.

(ii) UK taxation of corporate Warner Estate Shareholders

Subject to certain exceptions, a PID will generally be treated in the hands of Warner Estate Shareholders who are within the charge to corporation tax as profit of a Schedule A business (as defined in section 15 ICTA). This means that, subject to the availability of any exemptions or reliefs, such Warner Estate Shareholders should be liable to corporation tax on income on the entire amount of their PID. A PID is, together with any property income distribution from any other company to which Part 4 of the FA applies, treated as a separate Schedule A business from any other Schedule A business (a “**different Schedule**”).

A business’) carried on by the relevant Warner Estate Shareholder. This means that any surplus expenses from a Warner Estate Shareholder’s different Schedule A business cannot be off-set against a PID as part of a single calculation of the Warner Estate Shareholder’s Schedule A profits.

Please see also paragraph B(iv) (*Withholding tax*) below.

(iii) *UK taxation of Warner Estate Shareholders who are not resident for tax purposes in the UK*

Where a Warner Estate 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 B(iv) (*Withholding tax*) below.

(iv) *Withholding tax*

(a) *General*

Subject to certain exceptions summarised at paragraph B(iv)(d) (*Withholding tax: Exception to requirement to withhold income tax*) below, Warner Estate is required to withhold tax at source at the basic rate (currently 22 per cent.) from its PIDs. Warner Estate will provide Warner Estate Shareholders with a certificate setting out the gross amount of the PID, amount of tax withheld, and the net amount of the PID.

(b) *Warner Estate Shareholders solely resident and ordinarily resident in the UK*

Where tax at the basic rate has been withheld at source, Warner Estate Shareholders who are individuals may, depending on their individual 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. Warner Estate Shareholders who are corporates may, depending on their individual circumstances, be liable to pay corporation tax on their PID but they should note that, where tax at the basic rate is withheld at source, the tax withheld can be set against their liability to income or corporation tax in the accounting period in which the PID is received.

(c) *Warner Estate Shareholders who are not resident for tax purposes in the UK*

It is not possible for a Warner Estate Shareholder to automatically make a claim under a double taxation treaty for a PID to be paid by Warner Estate gross or at a reduced rate. The right of a Warner Estate 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 Warner Estate Shareholder is resident.

(d) *Exceptions to requirement to withhold income tax*

Warner Estate Shareholders should note that in certain circumstances Warner Estate must not withhold income tax at source from a PID. These include where Warner Estate reasonably believes that the person beneficially entitled to the PID is: a company resident for tax purposes in the UK or a charity or a company resident for tax purposes outside the UK with a permanent establishment in the UK or body mentioned in section 507(1) ICTA which is allowed the same exemption from tax as charities. They also include where Warner Estate reasonably believes that the PID is paid to the scheme administrator of a registered pension scheme, the sub-scheme administrator of certain pension sub-scheme, the accounts 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 Warner Estate 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, Warner Estate will need to be satisfied that the Warner Estate Shareholder concerned is entitled to that treatment. For that purpose Warner Estate will require such Warner Estate Shareholders to submit a valid claim form (copies of which may be obtained on request from Warner Estate’s registrars, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU). Warner Estate Shareholders should note that Warner Estate may seek recovery from Shareholders if the statements made in their claim form are

incorrect and Warner Estate suffers tax as a result. Warner Estate will, in some circumstances, suffer tax if its reasonable belief as to the status of the Shareholder turns out to have been a mistake.

(C) *UK taxation of chargeable gains, stamp duty and SDRT in respect of Shares*

Subject to the paragraph headed “*Introduction*”, above, the following comments apply to both individual and corporate Warner Estate Shareholders, regardless of whether or not such Warner Estate Shareholders are resident for tax purposes in the UK.

(i) *UK taxation of chargeable gains*

Chargeable gains arising on the disposal of Shares following entry into the REIT Regime should be taxed in the same way as chargeable gains arising on the disposal of Shares prior to entry into the REIT Regime. The entry of the Warner Estate Group into the REIT Regime will not constitute a disposal of Shares by Warner Estate Shareholders for UK chargeable gains purposes.

(ii) *UK stamp duty and SDRT*

A conveyance or transfer on sale or other disposal of Shares following entry into the REIT Regime will be subject to UK stamp duty or SDRT in the same way as it would have been prior to entry into the REIT Regime.

PART IV

DESCRIPTION OF THE PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

As explained in the letter from the Chairman, it is proposed that the Articles should be amended in order to enable Warner Estate to demonstrate to HMRC that it has taken reasonable steps to avoid paying a dividend (or making any other distribution) to a Substantial Shareholder. For these purposes a “**Substantial Shareholder**” is a Company that:

- (a) is beneficially entitled, directly or indirectly, to 10 per cent. or more of Warner Estate’s dividends;
- (b) is beneficially entitled, directly or indirectly, to 10 per cent. or more of Warner Estate’s share capital; or
- (c) controls, directly or indirectly, 10 per cent. or more of the voting rights of Warner Estate.

Shares held as nominee are disregarded for this purpose.

For these purposes a “**Company**” includes any body corporate and certain entities which are deemed to be bodies corporate for the purposes of overseas jurisdictions with which the UK has a double taxation agreement or for the purposes of such double tax agreements.

If a distribution is paid to a Substantial Shareholder and Warner Estate has not taken reasonable steps to avoid doing so, Warner Estate would become subject to a tax charge.

The proposed amendments to the Articles involve the insertion of a new section entitled “Real Estate Investment Trust” (the “**new Section**”). The text of the new Section is set out in the Notice of EGM.

The new Section:

- (a) provides the Directors with powers to identify Substantial Shareholders;
- (b) prohibits the payment of dividends on Shares that form part of a Substantial Shareholding, unless certain conditions are met;
- (c) allows dividends to be paid on Shares that form part of a Substantial Shareholding where the Warner Estate Shareholder has disposed of its rights to dividends on its Shares; and
- (d) seeks to ensure that if a dividend is paid on Shares that form part of a Substantial Shareholding and arrangements of the kind referred to in (c) are not met, the Substantial Shareholder concerned does not become beneficially entitled to that dividend.

References in this Part IV to a “**Substantial Shareholding**” are to the Shares in respect of which a Substantial Shareholder is entitled to dividends, directly or indirectly, and/or to which a Substantial Shareholder is beneficially entitled, directly or indirectly, and/or the votes attached to which are controlled, directly or indirectly, by the Substantial Shareholder. References in this Part IV to dividends include other distributions.

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

(A) Identification of Substantial Shareholders

The share register of Warner Estate records the legal owners and the number of Shares they own in Warner Estate 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 new Section would require a Substantial Shareholder and any registered Warner Estate Shareholder holding Shares on behalf of a Substantial Shareholder to notify Warner Estate 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 new Section is adopted, that Substantial Shareholder (and any registered Warner Estate Shareholder holding Shares on its behalf) must give such a notice within two business days after the date the new Section is adopted. The new 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 (B) below) and/or requiring the transfer of the Shares to another person who is not, and does not thereby become, a Substantial Shareholder (as described in paragraph (E) below).

(B) *Preventing payment of a dividend to a Substantial Shareholder*

The new 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 (C) 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.

(C) *Payment of a dividend where rights to it have been transferred*

The new 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 Warner Estate. 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 Warner Estate immediately of any circumstances which would render the certificate no longer accurate.

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

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

Certificates provided in the circumstances described above will be of considerable importance to Warner Estate in determining whether dividends can be paid. If Warner Estate 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.

(D) *Trust arrangements where rights to dividends have not been disposed of by a Substantial Shareholder*

The new 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 Warner Estate 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 Warner Estate 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 Warner Estate 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.

(E) *Mandatory sale of Substantial Shareholdings*

The new 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 Warner Estate 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.

(F) *Takeovers*

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

(G) *Other*

The new Section also gives Warner Estate power to require any Warner Estate Shareholder who applies to be paid dividends without any tax withheld to provide such certificate as the Board may require to establish the Warner Estate Shareholder's entitlement to that treatment. The new 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 Part II paragraph (A) ("*Company conditions*") of this document, which powers may include the ability to arrange for the sale of shares on behalf of Shareholders.

WARNER ESTATE HOLDINGS PLC

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notice is hereby given that an Extraordinary General Meeting of Warner Estate Holdings PLC (the “**Company**”) will be held at Nations House, 103 Wigmore Street, London W1U 1AE on 23 March 2007 at 10.30 a.m. for the purpose of considering, and if thought fit, passing the following resolution which will be proposed as a Special Resolution:

SPECIAL RESOLUTION

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, the Articles of Association be and they are hereby amended by the insertion of the following as new Articles 145 to 151 and renumbering the table of contents accordingly:

“REAL ESTATE INVESTMENT TRUST

145. **Cardinal principle**

- (A) It is a cardinal principle that, for so long as the Company is the principal company in a Real Estate Investment Trust (“**REIT**”) for the purposes of Part 4 of the Finance Act 2006, as such Part may be modified, supplemented or replaced from time to time, no member of the Group should be liable to pay tax under Regulation 10 of the Real Estate Investment Trusts (Breach of Conditions) Regulations 2006 (as such regulations may be modified, supplemented or replaced from time to time) on or in connection with the making of a Distribution.
- (B) This Section supports such cardinal principle by, among other things, imposing restrictions and obligations on the Members of the Company and, indirectly, certain other Persons who may have an interest in the Company, and shall be construed accordingly so as to give effect to such cardinal principle.

146. **Definitions and interpretation**

- (A) For the purposes of this Section, the following words and expressions shall bear the following meanings:
 - (i) “**business day**” means a day (not being a Saturday or Sunday) on which banks are normally open for business in London;
 - (ii) “**Distribution**” means any dividend or other distribution on or in respect of the shares of the Company and references to a Distribution being paid include a distribution not involving a cash payment being made;
 - (iii) “**Distribution Transfer**” means a disposal or transfer (however effected) by a Person of his rights to a Distribution from the Company such that he is not beneficially entitled (directly or indirectly) to such a Distribution and no Person who is so entitled subsequent to such disposal or transfer (whether the immediate transferee or not) is (whether as a result of the transfer or not) a Substantial Shareholder;
 - (iv) “**Distribution Transfer Certificate**” means a certificate in such form as the Directors may specify from time to time to the effect that the relevant Person has made a Distribution Transfer, which certificate may be required by the Directors to satisfy them that a Substantial Shareholder is not beneficially entitled (directly or indirectly) to a Distribution;
 - (v) “**Excess Charge**” means, in relation to a Distribution which is paid or payable to a Person, all tax or other amounts which the Directors consider may become payable by the Company or any other member of the Group under Regulation 10 of the Real Estate Investment Trusts (Breach of Conditions) Regulations 2006 (as such regulation may be modified, supplemented or replaced from time to time) and any interest, penalties, fines or surcharge attributable to such tax as a result of such Distribution being paid to or in respect of that Person;

- (vi) “**Group**” means the Company and the other companies in its group for the purposes of section 134 of the Finance Act 2006 (as such section may be modified, supplemented or replaced from time to time);
 - (vii) “**HMRC**” means HM Revenue & Customs;
 - (viii) “**interest in the Company**” includes, without limitation, an interest in a Distribution made or to be made by the Company;
 - (ix) “**Person**” includes a body of Persons, corporate or unincorporated, wherever domiciled;
 - (x) “**Relevant Registered Shareholder**” means a shareholder who holds all or some of the shares in the Company that comprise a Substantial Shareholding (whether or not a Substantial Shareholder);
 - (xi) “**Reporting Obligation**” means any obligation from time to time of the Company to provide information or reports to HMRC as a result of or in connection with the Company’s status as a REIT;
 - (xii) “**Section**” means Articles 145 to 151 (inclusive) of these Articles;
 - (xiii) “**Substantial Shareholder**” means any Person whose interest in the Company, whether legal or beneficial, direct or indirect, may cause any member of the Group to be liable to pay tax under Regulation 10 of the Real Estate Investment Trusts (Breach of Conditions) Regulations 2006 (as such regulations may be modified, supplemented or replaced from time to time) on or in connection with the making of a Distribution to or in respect of such Person including, at the date of adoption of this Section any Person who is “the holder of excessive rights” as defined in the Real Estate Investment Trusts (Breach of Conditions) Regulations 2006; and
 - (xiv) “**Substantial Shareholding**” means the shares in the Company in relation to which or by virtue of which (in whole or in part) a Person is a Substantial Shareholder.
- (B) Where under this Section any certificate or declaration may be or is required to be provided by any Person (including, without limitation, a Distribution Transfer Certificate), such certificate or declaration may be required by the Directors (without limitation):
- (i) to be addressed to the Company, the Directors or such other Persons as the Directors may determine (including HMRC);
 - (ii) to include such information as the Directors consider is required for the Company to comply with any Reporting Obligation;
 - (iii) to contain such legally binding representations and obligations as the Directors may determine;
 - (iv) to include an undertaking to notify the Company if the information in the certificate or declaration becomes incorrect, including prior to such change;
 - (v) to be copied or provided to such Persons as the Directors may determine (including HMRC); and
 - (vi) to be executed in such form (including as a deed or deed poll) as the Directors may determine.
- (C) The Articles in this Section shall apply notwithstanding any provisions to the contrary in any other Article (including, without limitation, Articles 121 to 132 (Dividends and Other Payments)).

147. **Notification of Substantial Shareholder and other status**

- (A) Each Member and any other relevant Person shall serve notice in writing on the Company at its registered office on:
- (i) him becoming a Substantial Shareholder or him being a Substantial Shareholder on the date this Section comes into effect (together with the percentage of voting rights, share capital or dividends he controls or is beneficially entitled to, details of the identity of the Member(s) who hold(s) the relevant Substantial Shareholding and such other information, certificates or declarations as the Directors may require from time to time);

- (ii) him becoming a Relevant Registered Shareholder or being a Relevant Registered Shareholder on the date this Article comes into effect (together with such details of the relevant Substantial Shareholder and such other information, certificates or declarations as the Directors may require from time to time); and
 - (iii) any change to the particulars contained in any such notice, including on the relevant Person ceasing to be a Substantial Shareholder or a Relevant Registered Shareholder.
- (B) Any such notice shall be delivered by the end of the second business day after the day on which the Person becomes a Substantial Shareholder or a Relevant Registered Shareholder (or the date this Section comes into effect, as the case may be) or the change in relevant particulars or within such shorter or longer period as the Directors may specify from time to time.
- (C) The Directors may at any time give notice in writing to any Person requiring him, within such period as may be specified in the notice (being seven days from the date of service of the notice or such shorter or longer period as the Directors may specify in the notice), to deliver to the Company at its registered office such information, certificates and declarations as the Directors may require to establish whether or not he is a Substantial Shareholder or a Relevant Registered Shareholder or to comply with any Reporting Obligation. Each such Person shall deliver such information, certificates and declarations within the period specified in such notice.

148. Distributions in respect of Substantial Shareholdings

- (A) In respect of any Distribution, the Directors may, if the Directors determine that the condition set out in Article 148(B) is satisfied in relation to any shares in the Company, withhold payment of such Distribution on or in respect of such shares. Any Distribution so withheld shall be paid as provided in Article 148(C) and until such payment the Persons who would otherwise be entitled to the Distribution shall have no right to the Distribution or its payment.
- (B) The condition referred to in Article 148(A) is that, in relation to any shares in the Company, and Distribution to be paid or made on and in respect of such shares:
- (i) the Directors believe that such shares comprise all or part of a Substantial Shareholding of a Substantial Shareholder; and
 - (ii) the Directors are not satisfied that such Substantial Shareholder would not be beneficially entitled to the Distribution if it was paid,
- and, for the avoidance of doubt, if the shares comprise all or part of a Substantial Shareholding in respect of more than one Substantial Shareholder this condition is not satisfied unless it is satisfied in respect of all such Substantial Shareholders.
- (C) If a Distribution has been withheld on or in respect of any shares in the Company in accordance with Article 148(A), it shall be paid:
- (i) if it is subsequently established to the satisfaction of the Directors that the condition in Article 148(B) is not or is no longer satisfied in relation to such shares, in which case the whole amount of the Distribution withheld shall be paid; or
 - (ii) if the Directors are satisfied that sufficient interests in all or some of the shares concerned have been transferred to a third party so that such transferred shares no longer form part of the Substantial Shareholding, in which case the Distribution attributable to such shares shall be paid (provided the Directors are satisfied that following such transfer such shares do not form part of a Substantial Shareholding); or
 - (iii) if the Directors are satisfied that as a result of a transfer of interests in shares referred to in (ii) above the remaining shares no longer form part of a Substantial Shareholding, in which case the Distribution attributable to such shares shall be paid.

In this Article 148(C), 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.

- (D) A Substantial Shareholder may satisfy the Directors that he is not beneficially entitled to a Distribution by providing a Distribution Transfer Certificate. The Directors shall be entitled to (but shall not be bound to) accept a Distribution Transfer Certificate as evidence of the matters therein stated and the Directors shall be entitled to require such other information, certifications or declarations as they think fit.
- (E) The Directors may withhold payment of a Distribution on or in respect of any shares in the Company if any notice given by the Directors pursuant to Article 147(C) in relation to such shares shall not have been complied with to the satisfaction of the Directors within the period specified in such notice. Any Distribution so withheld will be paid when the notice is complied with to the satisfaction of the Directors unless the Directors withhold payment pursuant to Article 148(A) and until such payment the persons who would otherwise be entitled to the Distribution shall have no right to the Distribution or its payment.
- (F) If the Directors decide that payment of a Distribution should be withheld under Articles 148(A) or 148(E), they shall within five business days give notice in writing of that decision to the Relevant Registered Shareholder.
- (G) If any Distribution shall be paid on a Substantial Shareholding and an Excess Charge becomes payable, the Substantial Shareholder shall pay the amount of such Excess Charge and all costs and expenses incurred by the Company in connection with the recovery of such amount to the Company on demand by the Company. Without prejudice to the right of the Company to claim such amount from the Substantial Shareholder, such recovery may be made out of the proceeds of any disposal pursuant to Article 150(B) or out of any subsequent Distribution in respect of the shares to such Person or to the Members of all shares in relation to or by virtue of which the Directors believe that Person has an interest in the Company (whether that Person is at that time a Substantial Shareholder or not).

149. **Distribution trust**

- (A) If a Distribution is paid on or in respect of a Substantial Shareholding except where the Distribution is paid in circumstances where the Directors are satisfied that the Substantial Shareholder is not beneficially entitled to the Distribution, the Distribution and any income arising from it shall be held by the payee or other recipient to whom the Distribution is transferred by the payee on trust absolutely for the Persons nominated by the Relevant Substantial Shareholder under Article 149(B) in such proportions as the Relevant Substantial Shareholder shall in the nomination direct or, subject to and in default of such nomination being validly made within 12 years after the date the Distribution is made, for the Company or such other Person as may be nominated by the Directors from time to time.
- (B) The relevant Substantial Shareholder of shares of the Company in respect of which a Distribution is paid shall be entitled to nominate in writing any two or more Persons (not being Substantial Shareholders) to be the beneficiaries of the trust on which the Distribution is held under Article 149(A) and the Substantial Shareholder may in any such nomination state the proportions in which the Distribution is to be held on trust for the nominated Persons, failing which the Distribution shall be held on trust for the nominated Persons in equal proportions. No Person may be nominated under this Article who is or would, on becoming a beneficiary in accordance with the nomination, become a Substantial Shareholder. If the Substantial Shareholder making the nomination is not by virtue of Article 149(A) the trustee of the trust, the nomination shall not take effect until it is delivered to the Person who is the trustee.
- (C) Any income arising from a Distribution which is held on trust under Article 149(A) shall until the earlier of (i) the making of a valid nomination under Article 149(B) and (ii) the expiry of the period of 12 years from the date when the Distribution is paid be accumulated as an accretion to the Distribution. Income shall be treated as arising when payable, so that no apportionment shall take place.
- (D) No Person who by virtue of Article 149(A) holds a Distribution on trust shall be under any obligation to invest the Distribution or to deposit it in an interest-bearing account.

- (E) No Person who by virtue of Article 149(A) holds a Distribution on trust shall be liable for any breach of trust unless due to his own wilful fraud or wrongdoing or, in the case of an incorporated Person, the fraud or wilful wrongdoing of its directors, officers or employees.

150. Obligation to dispose

- (A) If at any time, the Directors believe that:
 - (i) in respect of any Distribution declared or announced, the condition set out in Article 148(B) is satisfied in respect of any shares in the Company in relation to that Distribution;
 - (ii) a notice given by the Directors pursuant to Article 147(C) in relation to any shares in the Company has not been complied with to the satisfaction of the Directors within the period specified in such notice; or
 - (iii) any information, certificate or declaration provided by a Person in relation to any shares in the Company for the purposes of the preceding provisions of this Section was materially inaccurate or misleading,

the Directors may give notice in writing (a “**Disposal Notice**”) to any Persons they believe are Relevant Registered Shareholders in respect of the relevant shares requiring such Relevant Registered Shareholders within 21 days of the date of service of the notice (or such longer or shorter time as the Directors consider to be appropriate in the circumstances) to dispose of such number of shares the Directors may in such notice specify or to take such other steps as will cause that condition set out in Article 148(B) no longer to be satisfied. The Directors may, if they think fit, withdraw a Disposal Notice.

- (B) If:
 - (i) the requirements of a Disposal Notice are not complied with to the satisfaction of the Directors within the period specified in the relevant notice and the relevant Disposal Notice is not withdrawn; or
 - (ii) a Distribution is paid on a Substantial Shareholding and an Excess Charge becomes payable;

the Directors may arrange for the Company to sell all or some of the shares to which the Disposal Notice relates or, as the case may be, that form part of the Substantial Shareholding concerned. For this purpose, the Directors may make such arrangements as they deem appropriate. In particular, without limitation, they may authorise any officer or employee of the Company to execute any transfer or other document on behalf of the holder or holders of the relevant shares and, in the case of shares in uncertificated form, may make such arrangements as they think fit on behalf of the relevant holder or holders to transfer title to the relevant share through a relevant system.

- (C) Any sale pursuant to Article 150(B) above shall be at the price which the Directors consider is the best price reasonably obtainable and the Directors shall not be liable to the holder or holders of the relevant shares for any alleged deficiency in the amount of the sale proceeds or any other matter relating to the sale.
- (D) The net proceeds of the sale of any share under Article 150(B) (less any amount to be retained pursuant to Article 148(G) and the expenses of sale) shall be paid over by the Company to the former holder or holders of the relevant shares upon surrender of any certificate or other evidence of title relating to it, without interest. The receipt of the Company shall be a good discharge for the purchase money.
- (E) The title of any transferee of shares shall not be affected by an irregularity or invalidity of any actions purportedly taken pursuant to this Article 150.

151. General

- (A) The Directors shall be entitled to presume without enquiry, unless any Director has reason to believe otherwise, that a Person is not a Substantial Shareholder or a Relevant Registered Shareholder.
- (B) The Directors shall not be required to give any reasons for any decision or determination (including any decision or determination not to take action in respect of a particular Person) pursuant to this Section and any such determination or decision shall be final and

binding on all Persons unless and until it is revoked or changed by the Directors. Any disposal or transfer made or other thing done by or on behalf of the Board or any Director pursuant to this Section shall be binding on all Persons and shall not be open to challenge on any ground whatsoever.

- (C) Without limiting their liability to the Company, the Directors shall be under no liability to any other Person, and the Company shall be under no liability to any Member or any other Person, for identifying or failing to identify any Person as a Substantial Shareholder or a Relevant Registered Shareholder.
- (D) The Directors shall not be obliged to serve any notice required under this Section upon any Person if they do not know either his identity or his address. The absence of service of such a notice in such circumstances or any accidental error in or failure to give any notice to any Person upon whom notice is required to be served under this Section shall not prevent the implementation of or invalidate any procedure under this Section.
- (E) The provisions of Articles 135 to 140 shall apply to the service upon any Person of any notice required by this Section. Any notice required by this Section to be served upon a Person who is not a Member or upon a Person who is a Member but whose address is not within the United Kingdom and who has failed to supply to the company an address within the United Kingdom pursuant to Article 136, shall be deemed validly served if such notice is sent through the post in a pre-paid cover addressed to that Person or Member at the address if any, at which the Directors believe him to be resident or carrying on business or, in the case of a holder of depository receipts or similar securities, to the address, if any, in the register of holders of the relevant securities. Service shall, in such a case be deemed to be effected on the day of posting and it shall be sufficient proof of service if that notice was properly addressed, stamped and posted.
- (F) Any notice required or permitted to be given pursuant to this Section may relate to more than one share and shall specify the share or shares to which it relates.
- (G) The Directors may require from time to time any Person who is or claims to be a Person to whom a Distribution may be paid without deduction of tax under Regulation 7 of the Real Estate Investment Trusts (Assessment, Collection and Recovery of Tax) Regulations 2006 to provide such certificates or declarations as they may require from time to time.
- (H) This section may be amended by Special Resolution from time to time, including to give powers to the Directors to take such steps as they may require in order to ensure that the Company can satisfy Condition 4 of Section 106 of the Finance Act 2006 (as such section may be modified, supplemented or replaced from time to time) which relates to close company status, which powers may include the ability to arrange for the sale of shares on behalf of Members.”

By order of the Board

David Lanchester
Company Secretary
28 February 2007

Registered office:

Nations House
103 Wigmore Street
London
W1U 1AE

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 The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU or, in accordance with details on the Form of Proxy to Proxy Processing Centre, Telford Road, Bicester OX26 4LD by 10.30 a.m. on 21 March 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 21 March 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 21 March 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.