

THIS DOCUMENT AND ITS ENCLOSURES ARE IMPORTANT AND REQUIRE YOUR IMMEDIATE ATTENTION. If you are in any doubt as to the action you should take, you are recommended to seek your own personal financial advice immediately from your stockbroker, bank manager, solicitor, accountant, fund manager or other appropriate independent financial adviser, who is authorised under the Financial Services and Markets Act 2000 if you are in the United Kingdom, or, if not, from another appropriately authorised independent financial adviser.

If you sell or transfer or have sold or otherwise transferred all of your Existing Cattles Shares (other than ex-rights) before 12 May 2008 (the "ex-rights date"), please forward this document as soon as possible to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer is or was effected for delivery to the purchaser or transferee. However, this document should not be distributed, forwarded to or transmitted in, or into any jurisdiction where to do so might constitute a violation of local securities laws or regulations, including, but not limited to, subject to certain exceptions, the United States and the other Restricted Jurisdictions. Please refer to paragraph 7 of the section entitled "Terms and Conditions of the Rights Issue" in Part 3 of this document if you propose to send this document outside the United Kingdom. Instructions regarding split applications will be set out in the Provisional Allotment Letter.

The distribution of this document and/or the Provisional Allotment Letter, and/or the transfer of Nil Paid Rights, Fully Paid Rights and/or New Cattles Shares through CREST or otherwise, into jurisdictions other than the United Kingdom may be restricted by law and therefore persons into whose possession this document and/or the Provisional Allotment Letter come should inform themselves about and observe such restrictions. Any failure to comply with any such restrictions may constitute a violation of the securities laws or regulations of such jurisdictions. In particular, this document and the Provisional Allotment Letter should not be distributed, forwarded or transmitted to or into the United States (as defined in Regulation S under the US Securities Act of 1933, as amended) or, subject to certain exceptions, any other Restricted Jurisdiction.

This document comprises a prospectus relating to Cattles plc, the offer of the New Cattles Shares pursuant to the Rights Issue and the admission of the New Cattles Shares to the Official List of the UK Listing Authority and to trading on the London Stock Exchange's main market for listed securities, which has been prepared in accordance with the Listing Rules of the UK Listing Authority made under section 73A of FSMA and the Prospectus Rules made under Part VI of FSMA. This Prospectus will be made available to the public in accordance with the Prospectus Rules.

You should read the whole of this document and any documents incorporated herein by reference. In particular, when considering whether to take up your rights under the Rights Issue, you should take account of the risk factors described in this document.



(Incorporated under the Companies Act 1948 and registered in England and Wales with registered number 543610)

**Proposed 9 for 20 Rights Issue of up to 163,262,142 New Cattles Shares
at 128 pence per New Cattles Share**

and

Notice of Extraordinary General Meeting

Lazard	Citi	HSBC
Sole sponsor and joint financial adviser to the Rights Issue	Joint financial adviser and joint underwriter to the Rights Issue	Joint underwriter to the Rights Issue

The latest time for acceptance and payment in full of entitlements under the Rights Issue is 11.00 a.m. on 3 June 2008. The procedure for acceptance and payment is set out in the section entitled "Terms and Conditions of the Rights Issue" in Part 3 of this document and, for Qualifying non-CREST Shareholders only, will also be set out in the Provisional Allotment Letter. Qualifying CREST Shareholders should refer to paragraph 4 of the section entitled "Terms and Conditions of the Rights Issue" in Part 3 of this document.

The Existing Cattles Shares have been admitted to the Official List of the UK Listing Authority and to trading on the London Stock Exchange's main market for listed securities. Application has been made to the UK Listing Authority and the London Stock Exchange for the New Cattles Shares (nil and fully paid), to be issued in connection with the Rights Issue to which this document relates, to be admitted to the Official List of the UK Listing Authority and to trading on the London Stock Exchange's main market for listed securities. It is expected that Admission will become effective and that dealings in the New Cattles Shares will commence on the London Stock Exchange, nil paid, at 8.00 a.m. on 12 May 2008.

Qualifying non-CREST Shareholders, other than those with registered addresses, subject to certain exceptions, in the United States or any other Restricted Jurisdiction, will be sent a Provisional Allotment Letter (subject to the approval of the Resolution at the EGM). Qualifying CREST Shareholders, other than those with registered addresses, subject to certain exceptions, in the United States or any other Restricted Jurisdiction, are expected to receive a credit to their appropriate stock accounts in CREST in respect of the Nil Paid Rights to which they are entitled on 12 May 2008 (subject to the approval of the Resolution at the EGM). The Nil Paid Rights so credited are expected to be enabled for settlement by Euroclear as soon as practicable after Admission. Qualifying CREST Shareholders who are CREST sponsored members should refer to their CREST sponsors regarding the action to be taken in connection with this document and the Rights Issue.

The Directors, whose names appear on page 13, and the Company accept responsibility for the information contained in this document. To the best of the knowledge of the Directors and the Company, who have taken all reasonable care to ensure that such is the case, the information contained in this document is in accordance with the facts and contains no omission likely to affect its import.

Certain information in relation to Cattles has been incorporated by reference into this document. You should refer to the section of this document entitled "Financial Information in relation to Cattles" in Part 9 of this document for further details.

Dated 23 April 2008

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SUMMARY

This summary must be read as an introduction to, and in conjunction with, the full text of this document. Any decision to acquire New Cattles Shares and/or Nil Paid Rights and/or Fully Paid Rights and/or take up any entitlements under PALs should be based on consideration of the document as a whole including documents incorporated in this document. Following the implementation of the relevant provisions of the Prospectus Directive (Directive 2003/71/EC) in each Member State of the European Economic Area (“EEA”), no civil liability will attach to those persons responsible for this summary in any such Member State, including any translations of this summary, unless it is misleading, inaccurate or inconsistent when read together with the other parts of this document or documents incorporated by reference into this document. Where a claim relating to the information contained in this document is brought before a court in a Member State of the EEA, the claimant investor may, under the national legislation of the Member State where the claim is brought, be required to bear the costs of translating this document or documents incorporated in this document before legal proceedings are initiated.

1. Introduction

The Group announced today that it is proposing to raise approximately £200 million, net of expenses, by way of a Rights Issue. The Rights Issue will be of up to 163,262,142 New Cattles Shares at an issue price of 128 pence per New Cattles Share. The Rights Issue has been fully underwritten by the Underwriters, on and subject to the terms of the Underwriting Agreement.

2. Information on Cattles

Cattles is one of the UK’s largest consumer finance groups providing instalment credit and other financial services to consumers with non-standard credit profiles. Cattles is organised into three divisions: Welcome Financial Services; The Lewis Group and Cattles Invoice Finance. Welcome Financial Services accounted for approximately 93 per cent. of Cattles’ profits in 2007.

3. Background to and reasons for the Rights Issue

Given the strength of its business, Cattles intends to create a capital and funding structure which will support its long term organic growth prospects. Although the Group has been strongly supported in the bank and bond markets for many years, the “credit crunch” has illustrated the desirability of diversified funding. The Rights Issue together with the Group’s debt facilities and retained earnings, will be used to finance the Group’s long term growth.

The Board also believes that the Rights Issue will provide the Group with the appropriate capital strength to support an application to the FSA for a banking licence. Cattles believes that the ability to accept retail bank deposits will create additional source of funding for the Group. Cattles has commenced work on its application for a banking licence and would anticipate being permitted to raise retail deposits late this year or early in 2009.

Cattles has assessed the Group’s funding requirements for the next five years and, apart from the proposed Rights Issue, foresees no requirement for further new equity issuance to fund organic growth over that period.

4. Terms of the Rights Issue

The Rights Issue will be made to Qualifying Shareholders on the basis of 9 New Cattles Shares for every 20 Existing Cattles Shares.

The Rights Issue price is 128 pence per New Cattles Share. The Rights Issue is conditional, amongst other things, on Shareholders approving the Resolution at the EGM, certain conditions in the Underwriting Agreement being fulfilled before Admission and the Underwriting Agreement not having been terminated in accordance with its terms prior to Admission.

5. Key financial information on Cattles

The key financial information set out below is presented on the basis of the accounting policies of Cattles as applied in its 2007 audited financial statements. The financial information set out below has been extracted without material adjustment from Cattles’ audited financial statements for the years ended 31 December 2005, 2006 and 2007 (apart from net interest income which cannot be extracted directly from the 2005 and 2006 financial statements due to a change in the presentation of the income statement in the 2007 financial statements).

Shareholders should read the whole of this document and not just rely on the summarised financial information set out below.

	2005	2006	2007
	<i>£m</i>	<i>£m</i>	<i>£m</i>
<i>Revenue</i>	705.2	717.2	n/a
Net interest income	430.9	432.3	567.4
Profit before taxation	115.1	132.2	165.2
Profit after taxation	80.5	91.8	114.7
Basic earnings per share	24.6p	28.0p	32.3p
Dividend per share	15.7p	17.5p	19.3p
Loans and receivables	1,673.7	2,105.4	2,844.1
Net assets	360.9	416.9	595.1

6. Use of proceeds

The net proceeds of the Rights Issue will be used to provide the Group with the equity finance which, together with its debt facilities, will enable it to fund its planned long term organic growth and provide it with the capital strength necessary to support the Group's application for a banking licence. In the event that the Group does not obtain a banking licence, which the Board believes is unlikely, Cattles will use the net proceeds of the Rights Issue to fund its planned long term organic growth.

7. Current trading, prospects and strategy

Cattles has made a strong start to 2008. Demand for the Group's consumer finance products continues to be buoyant, the Group is achieving higher margins on its new lending volumes and impairment and arrears ratios are stable.

Cattles' strategy is to enhance Shareholder value through disciplined lending growth taking full account of customers' ability to repay, maintaining robust credit quality and a consistent funding strategy and improving operational and financial efficiency. While some lenders are withdrawing from Cattles' markets, the Group is continuing to focus on customer service and increasing its investment in the Group's branch network, IT and other infrastructure and in its employees.

8. Dividends and dividend policy

Assuming completion of the Rights Issue, Cattles intends to operate a progressive dividend policy whilst retaining a higher level of earnings and maintaining sufficient capital to support the business of the Group.

9. Risk factors

Risks relating to Cattles' businesses and markets

Prior to making any decisions to acquire New Cattles Shares, investors should carefully consider all risk factors, including those summarised below:

- Cattles' financial performance is affected by borrower credit quality which is influenced by general economic conditions in the UK;
- Operational risks are inherent in Cattles' businesses, which are dependent on the ability to process a large number of transactions efficiently and accurately;
- Cattles' businesses and, in particular, the proposed deposit taking business are subject to significant regulation, bringing associated regulatory risks, including the effects of changes in the laws;
- The outcome of the Competition Commission's ongoing investigation into, and the FSA's review of, payment protection insurance may adversely affect the Group, which currently offers such insurance;
- The continuing profitable growth of Cattles' lending business is subject to the availability of funding;
- Cattles may face increased competition from the larger mainstream banking and financial services providers;

- Cattles may face reputational damage and/or regulatory action due to the nature of the business it undertakes;
- The loss of key senior personnel could adversely impact upon the results of Cattles' operations;
- Cattles' defined benefit pension plan is currently in deficit;
- The possible failure of the IT systems;
- Defaults resulting in early repayment under the Group's lending facilities or other indebtedness;
- Possible volatility of the price of Cattles Shares – the market price can go down as well as up;
- Terms in agreements between Cattles and its customers are subject to unfair contract terms legislation and may be unenforceable if they are found to be unfair;
- Cattles will become subject to more extensive capital requirements if it becomes a bank; and
- The Group's application for a banking licence may be rejected, and there can be no guarantee of the amount of retail deposits if the application is successful.

Risks associated with the Rights Issue

- Shareholders who do not exercise their pre-emption rights will experience a dilution of their percentage ownership of Cattles Shares;
- Shareholders outside the United Kingdom may not be able to subscribe for New Cattles Shares in the Rights Issue;
- An active trading market for the Nil Paid Rights may not develop; and
- The share price of the Cattles Shares may be negatively affected if Shareholders do not exercise their pre-emption rights.

RISK FACTORS

The following are factors which may affect Cattles' business, financial condition, operating results and trading price. Prior to subscribing for any New Cattles Shares and/or Nil Paid Rights and/or Fully Paid Rights and/or taking up any entitlements under the Rights Issue, prospective investors should consider carefully the factors and risks associated with any investment in Cattles, the Group's business and the industry in which it operates, together with all other information contained in this document including, in particular, the risk factors described below. Additional risks and uncertainties relating to the Group that are not currently known to Cattles, or that it currently deems immaterial, may also have an adverse effect on Cattles' business, financial condition, operating results and trading price. If this occurs, the price of Cattles Shares may decline and investors could lose all or part of their investment. Investors and prospective investors should consider carefully whether an investment in Cattles is suitable for them in light of the information in this document (including the information incorporated by reference) and their personal circumstances.

1. Risks relating to Cattles' businesses and markets

Cattles' financial performance is affected by borrower credit quality which is influenced by general economic conditions in the UK

Risks arising from changes in credit quality and the recoverability of loans are inherent in Cattles' businesses. Adverse changes in the credit quality of Cattles' borrowers arising from a general deterioration in economic conditions or UK interest rates, unemployment or house price reductions, could affect the recoverability and value of Cattles' assets and require an increase in Cattles' loan loss charge and/or other provisions.

Operational risks are inherent in Cattles' businesses, which are dependent on the ability to process a large number of transactions efficiently and accurately

Cattles' businesses are dependent on the ability to process a large number of transactions efficiently and accurately. Operational risks are present in all of Cattles' businesses, including the risk of loss resulting from inadequate or failed internal and external processes, documentation, information technology and systems, fraud, failure to comply with regulatory requirements, human error, equipment failures, or from external events. Although Cattles has implemented risk controls and loss mitigation actions, and substantial resources are devoted to developing efficient procedures and to training staff, such controls, actions, resources and procedures may not be effective in controlling each of the operational risks faced by Cattles.

Cattles' businesses and, in particular, the proposed deposit taking business are subject to significant regulation, bringing associated regulatory risks, including the effects of changes in the laws

Cattles' businesses are subject to significant regulation, derived from both UK and EU legislation. The consumer credit industry is regulated in the UK by the OFT. The sale and distribution of the Group's insurance products are regulated in the UK by the FSA. The extension of the regulatory permission to cover deposit-taking would also impose greater regulatory requirements in respect of internal procedures, systems and controls. Future changes in laws, regulations, rules, policies, voluntary codes of practice and interpretations, which in some circumstances may be applied retrospectively, are unpredictable and beyond the control of Cattles. Such changes may result in Cattles having to alter its operations and products and could result in increased costs to Cattles.

The outcome of the Competition Commission's investigation into, and the FSA's review of, payment protection insurance may adversely affect the Group, which currently offers such insurance

The OFT commenced a market study into payment protection insurance ("PPI") in April 2006. PPI covers repayments on a variety of credit products (e.g. personal loans, credit cards and mortgages) if the borrower is unable to do so due to loss of earnings as a result of accident, sickness, unemployment or death. This study culminated in a decision by the OFT on 7 February 2007 to refer the PPI market (excluding store card PPI, which had already been assessed as part of the Competition Commission inquiry into the store cards market that ended in March 2006) to the Competition Commission for a market investigation. The Competition Commission inquiry into the sale of PPI commenced in February 2007 and is ongoing. On 6 November 2007 the Competition Commission published its emerging thinking – based on the evidence it has analysed to date – which indicated that, for the remainder of its inquiry, the Competition Commission intends to undertake further investigation into competition in the retail distribution of PPI, but does not propose to

consider further the extent of competition between underwriters of PPI, or the effect of companies being vertically integrated into both the distribution and underwriting of PPI products. The Company attended a private hearing on 6 March 2008, in order to provide further evidence to the Competition Commission.

The statutory deadline for the inquiry is 6 February 2009, although the Competition Commission's current administrative timetable envisages that its final report will be published in November/December 2008. Further details of the OFT decision and the Competition Commission inquiry can be found in Part 8 of this document.

If, as a result of its investigation, the Competition Commission finds that competition in the market is not working effectively, it has the power to introduce remedies designed to tackle the adverse effect on competition identified, or to recommend that action be taken by other bodies such as government, regulators and public authorities. Remedies that the Competition Commission has the power to impose on industry participants following any inquiry, include but are not limited to; the imposition of price caps; directions to cease or adopt certain behaviours; and monitoring remedies requiring the provision of information to the OFT or other relevant authority. No assurance can be given that any such remedies would not adversely impact on Cattles' business in the future.

As the industry regulator, the FSA has been monitoring the way PPI is sold since 2005, and continues to take action to address concerns such as mis-selling. In December 2007, the FSA published a new Insurance Conduct of Business Sourcebook ("ICOBS"), which takes into account the thematic work on PPI undertaken by the FSA. The FSA has stated that if the Competition Commission makes any proposals for remedies as a result of its assessment these may also need to be reflected in ICOBS. The FSA is following up the PPI review with remedial programmes with a number of firms and will continue to pursue formal disciplinary action against firms who fall below required standards. For further information on the FSA's PPI review, please see Part 8 of this document.

The sale of PPI products has been regulated by the FSA since 14 January 2005 and currently contributes around 10 per cent. of the Group's annual revenue. This part of Cattles' business may be adversely affected by the outcome of the Competition Commission's investigation, and the FSA's review potentially affecting the way in which the product is sold or priced.

The continuing profitable growth of Cattles' lending business is subject to the availability of funding

Cattles requires funding from various sources including banks, bondholders, shareholders and the private placement market to be able to lend to its customers. Cattles' ability to continue to grow its business profitability will depend on the availability of access to various sources of funding in the longer term.

Cattles' projections of organic growth may be at risk if it is unable to obtain the new funding it may require, although it would not affect the working capital statement made by Cattles in paragraph 11 of Part 11.

The significant rise in loan defaults experienced in the US sub-prime mortgages market has been well documented in recent months. Money lenders have faced particular changes in the consumer credit market and some have experienced deteriorating credit quality in 2007. The Board's strategy has been to try and deliver controlled growth whilst maintaining stable credit quality in the non-standard consumer finance market. Although control over operating costs through tight financial discipline continues to be an important focus for the Group, the current economic climate of the rising cost of borrowing may expose the Group to future volatility in the cost of borrowing.

As such, the availability of such funding could be adversely affected by a worsening of general economic conditions in the UK or globally. Factors such as the liquidity of the global financial markets, the level and volatility of equity prices and interest rates, investor sentiment, inflation, political unrest, war or acts of terrorism could significantly affect the desire of banks, bondholders or other institutions to lend Cattles money.

Cattles may face increased competition from the larger mainstream banking and financial services providers

Cattles' principal business of consumer lending is not currently subject to significant competition from certain of the larger mainstream banking and financial services providers. It is possible such providers will reconsider their policy in this respect and that Cattles will be subject to increased levels of competition as a result.

Cattles may face reputational damage and/or regulatory action due to the nature of the business it undertakes

Cattles focuses its activities on consumers with non-standard credit profiles. These are principally from poorer socio-economic groups, and the overall higher bad debt risk which such consumers represent is reflected in the terms which Cattles offers. Like all companies offering financial services to these groups, Cattles can therefore expect high levels of media and political interest. As well as a risk that this will result in stricter direct regulation, even of price and other product terms, there is also a possibility that even minor compliance lapses may lead to disproportionate reputational damage and/or regulatory action.

The loss of key senior personnel could adversely impact upon the results of Cattles' operations

Cattles' performance depends significantly on the efforts and expertise of its key senior personnel. The unexpected loss of the services of one or more of these individuals could have an adverse effect on the Group's operating results. There can be no assurance that Cattles will be able to replace quickly key senior personnel if necessary in the future.

Cattles' defined benefit pension plan is currently in deficit

Cattles operates a defined benefit scheme which was closed to new members in 1998. For accounting purposes as at 31 December 2007, under IAS19 and based on the actuarial assumptions used, the aggregate fair value of the assets in the CSPF was £58.8 million and the pension liabilities were assessed at £72.9 million, resulting in a net deficit under IAS19 of £14.1 million. Valuations of the CSPF are dependent on market conditions and actuarial methods and assumptions, including assumptions relating to mortality. CSPF's actual experience may differ from the actual assumptions used by the scheme actuary due to the interaction of, amongst other things, changing market and economic conditions or longer or shorter life expectancy.

The possible failure of the IT systems

A significant operational failure of the IT systems of Cattles might adversely impact the ability of Cattles to operate its business effectively.

In March 2008 Welcome Financial Services implemented new software for front-end processes of banking, account management, management information ("MI") and credit scoring. This saw the replacement of Welcome Financial Services' previous banking, account management and MI software systems known as Financier, MIDA and Infoview respectively with a Siebel system (a customer relationship management application). Whilst this new implementation was planned extensively with the aid of external specialist consultants, there is a risk that the anticipated benefits to the operating procedures in Welcome Financial Services will not be realised wholly or at all. In all cases, Welcome Financial Services may not be able to operate its business effectively.

Defaults resulting in early repayment under Cattles' lending facilities or other indebtedness

Any requirement for immediate repayment of indebtedness, including as a result of any default, could have a material adverse effect on Cattles' business, results, operations, profitability or financial condition.

Cattles' lending facilities contain a number of financial and other covenants that, amongst other things, require Cattles to maintain a certain minimum consolidated net worth. Should Cattles breach the financial covenants or otherwise default under its lending facilities, Cattles may be required to pay immediately the outstanding indebtedness under that facility.

Possible volatility of the price of Cattles Shares – the market price can go down as well as up

The market price of Cattles Shares may be affected by a variety of factors including, but not limited to, general market conditions, changes in sentiment regarding Cattles, variations in Cattles' operating results compared with the expectations of market analysts and investors, its business developments or those of its competitors, speculation about Cattles' business in the press, media or investment community and the publication of research reports by analysts or regulatory changes affecting Cattles' operations. Shareholders should be aware that the value of Cattles Shares could go down as well as up and may not always reflect the underlying asset values or prospects of Cattles.

Terms in agreements between Cattles and its customers are subject to unfair contract terms legislation and may be unenforceable if they are found to be unfair

The terms and conditions Cattles enters into with its customers are subject to the UK unfair contract terms legislation, as set out in the Unfair Terms in Consumer Contracts Regulations 1999 and the

Unfair Contract Terms Act 1977. This means that a term in an agreement may be challenged on the basis that it is “unfair” and therefore unenforceable.

The Consumer Credit Act 2006 has also introduced the test of an “unfair relationship” between the lender and the borrower as a ground for challenging a credit agreement.

The European Parliament and Council has adopted a directive on unfair business-to-consumer commercial practices (the “Unfair Commercial Practices Directive”), seeking to regulate unfair commercial practices across the EU by establishing uniform rules for the protection of consumers and introducing a general prohibition on treating consumers unfairly. The Consumer Protection from Unfair Trading Regulations implementing the Unfair Commercial Practices Directive in the UK are expected to come into force on 26 May 2008. No assurance can be given that the United Kingdom’s implementation of the Unfair Commercial Practices Directive will not adversely affect Cattles’ business.

Cattles will become subject to more extensive capital requirements if it becomes a bank

By extending its permission to cover deposit-taking activities, the Group will become subject to more extensive capital requirements. This regime is intended to enable banking groups to absorb any losses that may arise during the course of their business, and requires banks to maintain a level of capital, on both an individual and a group-wide basis, calculated by reference to the volume of its loan assets and other exposures. As a result of these requirements, Cattles will need to retain higher levels of capital than would otherwise have been the case; this may in certain circumstances have implications for Cattles’ dividend policy and these requirements will increase Cattles’ overall compliance costs.

The Group’s application for a banking licence may be rejected, and there can be no guarantee of the amount of retail deposits if the application is successful.

In order to become a bank, the Group will need to apply to the FSA for an extension of its permissions to carry on regulated activities to cover deposit-taking activities. There can be no assurance that the FSA will grant the Group’s application.

Even if the Group obtains a banking licence, there can be no guarantee of the amount of retail deposits it will be able to attract. This might jeopardise Cattles’ projections of organic growth, although would not affect the working capital statement made by Cattles in paragraph 11 of Part 11.

2. Risks associated with the Rights Issue

Shareholders who do not exercise their pre-emption rights will experience a dilution of their percentage ownership of Cattles Shares

The Underwriters have agreed, on and subject to the terms of the Underwriting Agreement, to use reasonable endeavours to procure subscribers for or, failing which, to subscribe for and underwrite the New Cattles Shares not taken up by Qualifying Shareholders under the Rights Issue. The Underwriters may sell such remaining New Cattles Shares in the public market or otherwise. Thus, to the extent that a Shareholder does not exercise his pre-emption rights, his proportionate ownership and voting interest in Cattles will be reduced, and the percentage of his Cattles Shares in Cattles’ increased ordinary share capital will be proportionately reduced after the completion of the Rights Issue. Even if an existing Shareholder elects to sell his unexercised Nil Paid Rights, the consideration he receives may not be sufficient to fully compensate him for the dilution of his percentage ownership of Cattles Shares that may be caused as a result of the Rights Issue.

Shareholders outside the United Kingdom may not be able to subscribe for New Cattles Shares in the Rights Issue

In the case of an allotment of Cattles Shares for cash, Shareholders have certain statutory pre-emption rights unless those rights are disapplied by a special resolution of the Shareholders at a general meeting and such an issue could dilute the interests of the then existing Shareholders. Securities laws of certain jurisdictions may restrict Cattles’ ability to allow participation by Shareholders in the Rights Issue. In particular, holders of Cattles Shares who are located in the US may not be able to exercise their pre-emption rights unless a registration statement under the US Securities Act is effective with respect to such rights or an exemption from the registration requirements is available thereunder. The Rights Issue will not be registered under the US Securities Act. Securities laws of certain other jurisdictions may restrict Cattles’ ability to allow participation by Shareholders in such jurisdictions in any future issue of shares carried out by the Company. Qualifying Shareholders who have a registered address in or who are resident in, or who are citizens

of, countries other than the United Kingdom should consult their professional advisers as to whether they require any governmental or other consents or need to observe any other formalities to enable them to take up their Nil Paid Rights or to acquire Fully Paid Rights or New Cattles Shares.

An active trading market for the Nil Paid Rights may not develop

The Nil Paid Rights will be admitted for trading on the London Stock Exchange. There can be no assurance that an active trading market in the Nil Paid Rights will develop. In addition, because the trading price of the Nil Paid Rights depends on the trading price of Cattles Shares, the volatility of Cattles Shares will magnify the volatility of the Nil Paid Rights.

The share price of the Cattles Shares may be negatively affected if Shareholders do not exercise their pre-emption rights

If Shareholders do not take up a material amount of their Nil Paid Rights and instead sell them in the market, nil paid, the share price might be negatively affected and the Nil Paid Rights might become worthless.

3. Investment in listed securities/market risks

Prospective investors should be aware that the value of an investment in Cattles may go down as well as up. The trading price of Cattles Shares may fluctuate as a result of a variety of factors, some of which are beyond Cattles' control, including performance of other companies and banks in the industries and markets in which the Group operates, speculation about the Group's businesses in the press, media or the investment community, changes to the Group's sales or profit estimates, the publication of research reports by analysts, and general market conditions.

GENERAL INFORMATION

Citi is acting exclusively for Cattles in relation to the Rights Issue and for no one else and will not be responsible to anyone other than Cattles for providing the protections afforded to clients of Citi or for providing advice in relation to the Rights Issue, the contents of this document or any matters referred to in this document.

HSBC is acting exclusively for Cattles in relation to the Rights Issue and for no one else and will not be responsible to anyone other than Cattles for providing the protections afforded to clients of HSBC or for providing advice in relation to the Rights Issue, the contents of this document or any matters referred to in this document.

The Underwriters, as underwriters of the Rights Issue, may engage in trading activity for the purpose of hedging its commitments under the Underwriting Agreement. Such activity may include purchases and sales of securities of Cattles and related or other securities or instruments (including Cattles Shares, Nil Paid Rights and Fully Paid Rights).

Lazard is acting exclusively for Cattles in relation to the Rights Issue and for no one else and will not be responsible to anyone other than Cattles for providing the protections afforded to clients of Lazard or for providing advice in relation to the Rights Issue, the contents of this document or any matters referred to in this document.

In connection with the Rights Issue, the Underwriters and Lazard and any of their respective affiliates, acting as an investor for their own account, may take up New Cattles Shares in the Rights Issue and in that capacity may retain, purchase or sell for its own account such securities and any New Cattles Shares or related investments and may offer or sell such New Cattles Shares or other investments otherwise than in connection with the Rights Issue. Accordingly, references in this document to New Cattles Shares being offered or placed should be read as including any offering or placement of New Cattles Shares to the Underwriters or Lazard or any of their respective affiliates acting in such capacity. Neither the Underwriters nor Lazard intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

A letter from the Chairman of Cattles, which contains the unanimous recommendation of the Directors of Cattles to vote in favour of the Resolution is set out in Part 1 of this document. A meeting to consider the proposals contained in this document will be held on 9 May 2008 at the offices of Welcome Financial Services Limited at Mere Way, Ruddington Fields Business Park, Ruddington, Nottingham NG11 6NZ.

This document does not constitute or form part of an offer to sell or issue, or the solicitation of an offer to acquire or subscribe for New Cattles Shares or to take up entitlements to Nil Paid Rights in any jurisdiction in which such an offer or solicitation is unlawful. None of the Existing Cattles Shares, the Nil Paid Rights, the Fully Paid Rights, the Provisional Allotment Letters or the New Cattles Shares have been or will be registered under the US Securities Act or under any relevant laws of any state or jurisdiction of the United States and may not, directly or indirectly, be offered, sold, transferred, exercised, renounced, taken up or delivered in, into or within the United States absent registration or an applicable exemption from the registration requirements of the US Securities Act and in compliance with the state securities laws. The New Cattles Shares, the Nil Paid Rights, the Fully Paid Rights and the Provisional Allotment Letters have not been approved or disapproved by the US Securities and Exchange Commission, any state securities commission in the United States or any other US regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering of the New Cattles Shares, the Nil Paid Rights, the Fully Paid Rights and the Provisional Allotment Letters or the accuracy or adequacy of this document. Any representation to the contrary is a criminal offence in the United States. This document does not constitute an offer of New Cattles Shares, Nil Paid Rights, Fully Paid Rights or Provisional Allotment Letters to any Shareholder with a registered address in, or who is resident in, the United States or in any of the other Restricted Jurisdictions. The Provisional Allotment Letters will not be posted to any person in the United States or, subject to certain exceptions, in any of the other Restricted Jurisdictions. Offers of New Cattles Shares, the Nil Paid Rights, the Fully Paid Rights and the Provisional Allotment Letters are being made outside the United States in offshore transactions within the meaning of and in accordance with Regulation S under the US Securities Act. The attention of recipients of this document who are residents or citizens of any country other than the United Kingdom or who have a contractual or other legal obligation to forward this document or the

Provisional Allotment Letter to a jurisdiction outside the United Kingdom is drawn to paragraph 7 of Part 3 of this document.

In relation to each member state of the European Economic Area which has implemented the Prospectus Directive (each, a “relevant member state”) (except for the United Kingdom), with effect from and including the date on which the Prospectus Directive was implemented in that relevant member state (the “relevant implementation date”) no New Cattles Shares, Nil Paid Rights or Fully Paid Rights have been offered or will be offered pursuant to the Rights Issue to the public in that relevant member state prior to the publication of a prospectus in relation to the New Cattles Shares, Nil Paid Rights and Fully Paid Rights which has been approved by the competent authority in that relevant member state or, where appropriate, approved in another relevant member state and notified to the competent authority in the relevant member state, all in accordance with the Prospectus Directive, except that with effect from and including the relevant implementation date, offers of New Cattles Shares, Nil Paid Rights or Fully Paid Rights may be made to the public in that relevant member state at any time:

- (a) to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;
- (b) to any legal entity which has two or more of (i) an average of at least 250 employees during the last financial year; (ii) a total balance sheet of more than €43,000,000; and (iii) an annual turnover of more than €50,000,000, as shown in its last annual or consolidated accounts; or
- (c) in any other circumstances falling within Article 3(2) of the Prospectus Directive, provided that no such offer of New Cattles Shares, Nil Paid Rights or Fully Paid Rights shall result in a requirement for the publication by the Company, the Underwriters or Lazard of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purpose of the expression an “offer of any New Cattles Shares, Nil Paid Rights or Fully Paid Rights to the public” in relation to any New Cattles Shares, Nil Paid Rights and Fully Paid Rights in any relevant member state means the communication in any form and by any means of sufficient information on the terms of the Rights Issue and any New Cattles Shares, Nil Paid Rights and Fully Paid Rights to be offered so as to enable an investor to decide to purchase any New Cattles Shares, Nil Paid Rights or Fully Paid Rights, as the same may be varied in that relevant member state by any measure implementing the Prospectus Directive in that relevant member state.

In the case of any New Cattles Shares, Nil Paid Rights or Fully Paid Rights being offered to a financial intermediary as that term is used in Article 3(2) of the Prospectus Directive, such financial intermediary will also be deemed to have represented, acknowledged and agreed that the New Cattles Shares, Nil Paid Rights and Fully Paid Rights acquired by it in the Rights Issue have not been acquired on a non-discretionary basis on behalf of, nor have they been acquired with a view to their offer or resale to persons in circumstances which may give rise to an offer of any New Cattles Shares, Nil Paid Rights or Fully Paid Rights to the public other than their offer or resale in a relevant member state to qualified investors as so defined or in circumstances in which the prior consent of the Company and the Underwriters has been obtained to each such proposed offer or resale. Each of the Company and the Underwriters and their respective affiliates, and others, will rely upon the truth and accuracy of the foregoing representation, acknowledgement and agreement. Notwithstanding the above, a person who is not a qualified investor and who has notified the Company and the Underwriters of such fact in writing may, with the consent of the Company and the Underwriters, be permitted to subscribe for or purchase New Cattles Shares, Nil Paid Rights or Fully Paid Rights in the Rights Issue.

No representation or warranty, express or implied, is made by the Underwriters or Lazard as to the accuracy, completeness or verification of the information set forth in this document, and nothing contained in this document is, or shall be relied upon as, a promise or representation in this respect, whether as to the past or the future. Neither the Underwriters nor Lazard assume any responsibility for its accuracy, completeness or verification and accordingly disclaim, to the fullest extent permitted by applicable law, any and all liability whether arising in tort, contract or otherwise which they might otherwise be found to have in respect of this document or any such statement.

The contents of this document should not be construed as legal, business or tax advice. Each prospective investor should consult his, her or its own legal adviser, financial adviser or tax adviser for advice. None of Cattles, the Underwriters or Lazard, or any of their respective representatives is making any representation to any offeree or purchaser of the New Cattles Shares regarding the

legality of an investment in the New Cattles Shares by such offeree or purchaser or acquirer under the laws applicable to such offeree or purchaser or acquirer.

Any reproduction or distribution of this document in whole or in part, and any disclosure of its contents or use of any information herein for any purpose other than in considering an investment in the New Cattles Shares offered or otherwise made available hereby, is prohibited. Each offeree of the New Cattles Shares by accepting delivery of this document agrees to the foregoing.

Information not contained in this document

No person has been authorised to give any information or make any representation other than those contained in this document and, if given or made, such information or representation must not be relied upon as having been so authorised. The delivery of this document shall not, under any circumstances, create any implication that there has been no change in the affairs of Cattles since the date of this document or that the information in this document is correct as of any time subsequent to the date hereof.

Recipients of this document acknowledge that: (i) they have not relied on the Underwriters or Lazard or any person affiliated with any of them in connection with any investigation of the accuracy of any information contained in this document or their investment decision; and (ii) they have relied only on the information contained in this document, and that no person has been authorised to give any information or to make any representation concerning Cattles or its subsidiaries, or the New Cattles Shares (other than as contained in this document) and, if given or made, any such other information or representation should not be relied upon as having been authorised by Cattles, the Underwriters or Lazard.

No incorporation of website information

The contents of Cattles' website or any website directly or indirectly linked to Cattles' website do not form part of this document and investors should not rely on it.

Information regarding forward-looking statements

This document includes forward-looking statements. The words "believe", "anticipate", "expect", "intend", "aim", "plan", "predict", "continue", "assume", "positioned", "may", "will", "should", "shall", "risk" and other similar expressions that are predictions of or indicate future events and future trends identify forward-looking statements. These forward-looking statements include all matters that are not historical facts. In particular, the statements under the headings "Summary", "Risk Factors", "The Business" and "Operating and Financial Review" regarding Cattles' strategy and other future events or prospects are forward-looking statements. You should not place undue reliance on forward-looking statements because they involve known and unknown risks, uncertainties and other factors that are in many cases beyond Cattles' control. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. We caution you that forward-looking statements are not guarantees of future performance and that Cattles' actual results of operations, financial condition and liquidity, and the development of the industry in which Cattles operates may differ materially from those made in or suggested by the forward-looking statements contained in this document. The cautionary statements set out above should be considered in connection with any subsequent written or oral forward-looking statements that Cattles, or persons acting on our behalf, may issue. Factors that may cause Cattles' actual results to differ materially from those expressed or implied by the forward-looking statements in this document include but are not limited to the risks described under "Risk Factors."

These forward-looking statements reflect the Company's judgment at the date of this document and are not intended to give any assurances as to future results. Save for those forward-looking statements required by the Listing Rules, Disclosure Rules and or/the Prospectus Rules, Cattles undertakes no obligation to update these forward-looking statements, and will not publicly release any revisions it may make to these forward-looking statements that may result from events or circumstances arising after the date of this document. The Company will comply with its obligations to publish updated information as required by law or by any regulatory authority but assumes no further obligation to publish additional information.

Presentation of financial information

Percentages in tables have been rounded and accordingly may not add up to 100 per cent. Certain financial data has been rounded. As a result of this rounding, the totals of data presented in this document may vary slightly from the actual arithmetic totals of such data.

Defined terms

Certain terms used in this document, including all capitalised terms and certain technical and other items, are defined and explained in the section headed “Definitions and Glossary”.

VOTING AND WHERE TO FIND HELP

VOTING

You will find enclosed with this document a Form of Proxy for use by Shareholders in respect of the EGM.

A reply-paid envelope for use in the UK is also enclosed for your convenience.

Whether or not you intend to be present at the meeting, please complete and return the Form of Proxy accompanying this document as soon as possible and in any event so as to arrive by not later than 48 hours before the time appointed for the meeting. A reply-paid envelope for use in the UK is enclosed for your convenience. The return of a completed Form of Proxy will not prevent you from attending the EGM and voting in person if you so wish.

You may appoint more than one proxy provided that each proxy is appointed to exercise the rights attached to a different share or shares held by you. To appoint more than one proxy, please refer to the notes on the Form of Proxy accompanying this document or contact Cattles' Registrars, Computershare, who will be able to advise you on how to do this.

Please note that, in relation to the Form of Proxy for the EGM, if you do not give specific voting instruction on the Resolution to be considered at the EGM by placing a mark in the appropriate box, your proxy will be free to vote or abstain in relation to the Resolution as he or she thinks fit. Unless you specifically instruct otherwise, your proxy may also vote or abstain as he or she thinks fit on any other business (including any amendments to the Resolution to be proposed at the EGM) which may properly come before the EGM.

CREST VOTING

If you are a CREST system user, you can appoint one or more proxies or give an instruction to a proxy by having an appropriate CREST message transmitted. To appoint a proxy or to give an instruction to a proxy (whether previously appointed or otherwise) via the CREST system, the CREST message must be received by Computershare (ID number 3RA50) not later than 48 hours before the time appointed for holding the meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp generated by the CREST system) from which Computershare is able to retrieve the message. CREST personal members or other CREST sponsored members should contact their CREST sponsor for assistance with appointing proxies via CREST. For further information on CREST procedures, limitations and system timings, please refer to the CREST Manual. Cattles may treat as invalid a proxy appointment sent by CREST in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

WHERE TO FIND HELP

If you have any questions relating to this document or the completion and return of the Form of Proxy and/or Provisional Allotment Letter, please **telephone 0870 889 4021 (+44 870 889 4021** if you are calling from outside the United Kingdom). This helpline is available from 9.00 a.m. to 5.00 p.m., Monday to Friday (excluding public holidays). Please note that calls may be monitored or recorded. For legal reasons, the helpline will only be able to provide you with advice on matters of procedure and cannot provide advice on the merits of the Rights Issue or the New Cattles Shares or give any financial, investment or tax advice.

DIRECTORS, SECRETARY, REGISTERED AND HEAD OFFICE AND ADVISERS

Directors

Norman N Broadhurst (Chairman)
David J Postings (Chief Executive)
James J Corr (Finance Director)
Mark W G Collins (Treasury and Risk Director)
Ian S Cummine (Chief Operating Officer)
David A Haxby (Non-Executive Director)
Frank R Dee (Non-Executive Director)
Alan J McWalter (Non-Executive Director)
Margaret A Young (Non-Executive Director)

Company Secretary

Roland C W Todd

Registered and head office of the Company

Kingston House
Centre 27 Business Park
Woodhead Road
Birstall, Batley
West Yorkshire WF17 9TD

Principal bankers to the Company

The Royal Bank of Scotland plc
HSBC Bank plc
Barclays Bank PLC
Lloyds TSB Bank plc

Sole sponsor and joint financial adviser to the Rights Issue

Lazard & Co., Limited
50 Stratton Street
London W1J 8LL

Joint underwriter

and joint financial adviser to the Rights Issue
Citigroup Global Markets UK Equity Limited
33 Canada Square
London E14 5LB

Joint underwriter to the Rights Issue

HSBC Bank plc
8 Canada Square
London E14 5HQ

Legal advisers to the Company

Freshfields Bruckhaus Deringer
65 Fleet Street
London EC4Y 1HS

Walker Morris
Kings Court
12 King Street
Leeds LS1 2HL

Legal adviser to the sponsor, the joint underwriters and the joint financial advisers to the Rights Issue

Linklaters LLP
One Silk Street
London EC2Y 8HQ

Auditors to Cattles

PricewaterhouseCoopers LLP
Benson House
33 Wellington Street
Leeds LS1 4JP

Registrars and receiving agents

Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol BS13 8AE

EXPECTED TIMETABLE OF PRINCIPAL EVENTS (ALL DATES 2008)

Existing Cattles Shares marked ‘ex dividend’ by the London Stock Exchange	8.00 a.m. Wednesday 26 March
Despatch of this document	23 April
Latest time and date for receipt of completed Form of Proxy for use at the Extraordinary General Meeting	12.45 p.m. on 7 May
Latest time and date for receipt of electronic proxy appointments for EGM via the CREST system [†]	12.45 p.m. on 7 May
Record Date for the entitlements under the Rights Issue	6.00 p.m. on 7 May
Extraordinary General Meeting[#]	12.45 p.m. on 9 May
Despatch of Provisional Allotment Letters (to Qualifying non-CREST Shareholders only*)	9 May
Dealings in New Cattles Shares, nil paid, commence on the London Stock Exchange	8.00 a.m. on 12 May
Existing Cattles Shares marked “ex-rights” by the London Stock Exchange	8.00 a.m. on 12 May
Nil Paid Rights credited to stock accounts in CREST (Qualifying CREST Shareholders only)	as soon as practicable after 8.00 a.m. on 12 May
Nil Paid Rights and Fully Paid Rights enabled in CREST	as soon as practicable after 8.00 a.m. on 12 May
Expected date for payment of proposed Cattles final dividend	13 May
Recommended latest time for requesting withdrawal of Nil Paid Rights or Fully Paid Rights from CREST (i.e. if your Nil Paid Rights or Fully Paid Rights are in CREST and you wish to convert them into certificated form)	4.30 p.m. on 28 May
Latest time and date for depositing renounced Provisional Allotment Letters, nil paid or fully paid, into CREST or for dematerialising Nil Paid Rights or Fully Paid Rights into a CREST stock account	3.00 p.m. on 29 May
Latest time and date for splitting Provisional Allotment Letters, nil paid or fully paid	3.00 p.m. on 30 May
Latest time and date for acceptance and payment in full and registration of renounced Provisional Allotment Letters	11.00 a.m. on 3 June
Dealings in New Cattles Shares, fully paid, commence on the London Stock Exchange and New Cattles Shares credited to CREST stock accounts (uncertificated holders only)	8.00 a.m. on 4 June
Despatch of definitive share certificates for New Cattles Shares (certificated holders only)	10 June

[†] CREST Shareholders should inform themselves of CREST’s requirements in relation to electronic proxy appointments

[#] To commence at the time fixed or, if later, immediately following the conclusion of the Company’s annual general meeting.

^{*} Subject to certain restrictions relating to Shareholders with registered addresses outside the United Kingdom (details of which are set out in the section entitled “Terms and Conditions of the Rights Issue” in Part 3 of this document).

The dates set out in the expected timetable of principal events above and mentioned throughout this document and the Provisional Allotment Letter may be adjusted by Cattles (with the agreement of Lazard and the Underwriters), in which event details of the new dates will be notified to the UK Listing Authority and to the London Stock Exchange and, where appropriate, to Shareholders.

RIGHTS ISSUE STATISTICS

Rights Issue Price per New Cattles Share	128 pence
Estimated net proceeds of the Rights Issue after expenses ⁽¹⁾	£197 million
Estimated expenses of the Rights Issue	£12 million
Number of New Cattles Shares to be issued by Cattles ⁽¹⁾	163,262,142
Number of Cattles Shares in issue immediately following the Rights Issue ⁽¹⁾	526,066,902
New Cattles Shares as a percentage of enlarged issued ordinary share capital of Cattles immediately following the Rights Issue ⁽¹⁾	31 per cent.

(1) Assuming no options granted under the Cattles Share Schemes are exercised between the date of this document and completion of the Rights Issue.

PART 1

LETTER FROM THE CHAIRMAN OF CATTLES PLC



Cattles plc Registered Office:
Kingston House, Centre 27 Business Park,
Woodhead Road, Birstall, Batley WF17 9TD
Telephone: 01924 444466
Fax: 01924 442255

Norman N Broadhurst (Chairman)
David J Postings (Chief Executive)
James J Corr (Finance Director)
Mark W G Collins (Treasury and Risk Director)
Ian S Cummine (Chief Operating Officer)
David A Haxby (Non-executive Director)
Frank R Dee (Non-executive Director)
Alan J McWalter (Non-executive Director)
Margaret A Young (Non-executive Director)

23 April 2008

To Qualifying Shareholders (in respect of the Rights Issue), to Shareholders (in respect of the EGM) and, for information only, to participants in the Cattles SIP

Proposed Rights Issue

1. Introduction

The Company announced today that it is proposing to raise approximately £200 million, net of expenses, by way of a Rights Issue. The Rights Issue will be of up to 163,262,142 New Cattles Shares at an issue price of 128 pence per New Cattles Share. The Rights Issue has been fully underwritten by the Underwriters, on and subject to the terms of the Underwriting Agreement.

The Rights Issue will be made to all Qualifying Shareholders on the terms set out in this document, on the basis of:

9 New Cattles Shares for every 20 Existing Cattles Shares

held on the Record Date, and so on in proportion to the number of Existing Cattles Shares then held.

The price of 128 pence per New Cattles Share represents a discount of 41.7 per cent. to the Closing Price of 219.5 pence per Existing Cattles Share on 22 April 2008, the last dealing day prior to the announcement of the Rights Issue.

A resolution to approve certain matters in relation to the Rights Issue will be proposed at an Extraordinary General Meeting of the Company to be held at 12.45 p.m. or, if later, immediately following the annual general meeting on 9 May 2008. The notice convening the Extraordinary General Meeting is set out at the end of this document.

The purpose of this document is to provide you with details of the Rights Issue and to explain why your Board considers it to be in the best interests of Cattles and its Shareholders and to recommend you to vote in favour of the Resolution at the Extraordinary General Meeting.

2. Information on Cattles

Cattles is one of the UK's largest consumer finance groups providing instalment credit and other financial services to consumers with non-standard credit profiles.

Cattles is organised into three divisions: Welcome Financial Services; The Lewis Group; and Cattles Invoice Finance. Welcome Financial Services accounted for approximately 93 per cent. of Cattles' profits in 2007.

Welcome Financial Services currently operates from a network of 235 business centres in the UK providing unsecured and secured loans and hire purchase facilities to over 750,000 customers,

comprising over 500,000 Welcome Finance customers and 266,000 Shopacheck customers. A variety of repayment methods is available to customers. These include repayments by weekly, fortnightly or monthly direct debit or Cattles' agents collecting repayments from customers at their homes.

Welcome Financial Services' two principal brand names are *Welcome Finance*, which offers loans with direct debit repayment methods, and *Shopacheck*, which offers loans with weekly home collection as part of its service. Welcome Finance customers represent 96 per cent. of gross receivables and Shopacheck 4 per cent.

Cattles' other two divisions are The Lewis Group and Cattles Invoice Finance. The Lewis Group provides debt recovery services to the Group and to third parties, including mainstream banks, on either a commission basis or through the purchase of debt portfolios. Cattles Invoice Finance provides invoice finance and working capital facilities to small and medium-sized businesses.

On 28 February 2008, Cattles reported net interest income of £567.4 million (2006: £432.3 million) and profit before tax of £165.2 million (2006: £132.2 million) for the year ended 31 December 2007 with net assets at that date of £595.1 million (2006: £416.9 million). Cattles' loans and receivables as at 31 December 2007 amounted to £2.8 billion.

Cattles has a workforce of around 5,000 employees and approximately 2,500 self-employed agents.

As at 22 April 2008, Cattles had a market capitalisation of approximately £800 million.

Further information on Cattles is set out in Part 4, Part 5 and Part 6 of this document.

3. Background to and reasons for the Rights Issue

Historically, Cattles has operated in circumstances where wholesale funding of its business was readily available but where it faced significant competition in the consumer finance market. Last year, competitive conditions improved considerably in the UK consumer finance market as other providers reduced their lending or left the market altogether. During 2007, Cattles improved its pricing and reduced risk through the application of tightened credit criteria and continues to do so.

However, in the second half of 2007, conditions in the wholesale funding market worsened significantly as a result of the impact of the "credit crunch". These market conditions have deteriorated further in 2008. Notwithstanding this, Cattles has been able to access the wholesale market for net new bank facilities of £200 million in the year to date and, because of the strength of its banking relationships, is confident of securing the additional £100 million of debt funding that it requires to finance its 2008 business targets. As described more fully in paragraph 6 below, current trading is strong with stable impairment and arrears ratios.

Given the strength of its business, Cattles intends to create a capital and funding structure which will support its long term organic growth prospects. Although the Group has been strongly supported in the bank and bond markets for many years, the "credit crunch" has illustrated the desirability of diversified funding. The Rights Issue together with the Group's debt facilities and retained earnings, will diversify its sources of funding and will be used to finance the Group's long term growth.

The Board also believes that the Rights Issue will provide the Group with the appropriate capital strength to support an application to the FSA for a banking licence. Cattles believes that the ability to accept retail deposits will create a valuable additional source of funding for the Group. Cattles has commenced work on its application for a banking licence and would anticipate being permitted to raise retail deposits late this year or early in 2009. Based on independent market analysis and its ability to pay attractive rates, Cattles believes it can raise around £1 billion of deposits by the end of 2010. Other new entrants to the UK retail savings market have been able to raise up to £4 billion via internet savings accounts over a period of two years with infrastructure provided by third party outsourcers.

Cattles has assessed the Group's funding requirements for the next five years and, apart from the proposed Rights Issue, foresees no requirement for further new equity issuance to fund organic growth over that period.

4. Financial effects of the Rights Issue

Adjusting for the Rights Issue, Cattles' illustrative unaudited net assets as at 31 December 2007 were £0.8 billion, which would have resulted in an implied gearing level (defined as borrowings as a multiple of net tangible assets) of 3.1 times.

If the proceeds of the Rights Issue were included in Cattles net assets as at 31 December 2007, and assuming the continuation of Cattles' existing and new gearing covenants, there would have been an implied additional borrowing headroom of £2.0 billion.

Given the continued strong demand for the Group's consumer finance products and assuming the ability to attract retail deposits following the anticipated receipt of a banking licence, the Directors believe the Rights Issue will be earnings enhancing in the medium term. Cattles is targeting a return on equity of around 20 per cent. in the medium term¹.

5. Use of proceeds

The net proceeds of the Rights Issue will be used to provide the Group with the equity finance which, together with its debt facilities, will enable it to fund its planned long term organic growth and provide it with the capital strength necessary to support the Group's application for a banking licence. In the event that the Group does not obtain a banking licence, which the Board believes is unlikely, Cattles will use the net proceeds of the Rights Issue to fund its planned long term organic growth as described above.

6. 2007 financial results, current trading and strategy

2007 final results

Cattles announced its financial results for the year ended 31 December 2007 on 28 February 2008. The consolidated financial statements of Cattles for the year to 31 December 2007 are incorporated by reference into this document as set out in Part 9. Selected Financial Information on Cattles is also set out in Part 5 of this document.

The financial results of Cattles for the year ended 31 December 2007 show strong income growth of 32.7 per cent. with pre-tax profits increasing by 24.9 per cent. to £165.2 million. Instalment arrears improved to 7.0 per cent. of receivables. (2006: 7.4 per cent.) Basic earnings per share increased by 15.3 per cent. to 32.3p.

Current trading

Cattles has made a strong start to 2008. Demand for the Group's consumer finance products continues to be buoyant, the Group is achieving higher margins on its new lending volumes and impairment and arrears ratios are stable. The Group is, however, experiencing a lower level of early customer loan redemptions.

The Group has been involved in discussions regarding a possible acquisition of a consumer finance business, which would have included a banking licence. The Board concluded that the proposed acquisition was not in the best interests of the Company and Shareholders and discussions were terminated. Related legal and due diligence fees of around £3 million will be charged in the first half of 2008.

While these discussions continued, the Group was effectively precluded from accessing the bank debt market. Following termination of the discussions, Cattles accessed this market successfully. The Company continues to progress its 2008 debt funding and has obtained £200 million net new bank facilities in two tranches in the year to date. Cattles is confident that it will obtain the remaining £100 million of net new debt funding which it requires to finance its 2008 business targets.

Strategy

Cattles' strategy is to enhance Shareholder value through disciplined lending growth taking full account of customers' ability to repay, maintaining robust credit quality and a consistent funding strategy and improving operational and financial efficiency. While some lenders are withdrawing from Cattles' markets, the Group is continuing to focus on customer service and increasing its investment in the Group's branch network, IT and other infrastructure and in its employees.

7. Dividend policy for the Group

Assuming completion of the Rights Issue, Cattles intends to operate a progressive dividend policy whilst retaining a higher level of earnings and maintaining sufficient regulatory capital to support the business of the Group.

¹ None of these statements should be interpreted to mean that future earnings per Cattles Share will necessarily match or exceed its historical published earnings per Cattles Share.

8. The Rights Issue

Under the Rights Issue, Qualifying Shareholders will be offered New Cattles Shares at a price of 128 pence per New Cattles Share on the following basis:

9 New Cattles Shares for every 20 Existing Cattles Shares

registered in their name on the Record Date and so on in proportion to the number of Existing Cattles Shares then held. Fractional entitlements to New Cattles Shares will not be allotted to Qualifying Shareholders but instead will be rounded down to the nearest whole number of New Cattles Shares. The New Cattles Shares will, when issued and fully paid, rank *pari passu* in all respects with the Existing Cattles Shares including the right to receive all dividends or other distributions declared, made or paid after the date of their issue save for the interim dividend which may be declared in respect of the first half of 2008. The New Cattles Shares will not include any right to receive the 13.1 pence per Existing Cattles Share payable, subject to Shareholder approval, in respect of the year ended 31 December 2007.

The price of 128 pence for each New Cattles Share represents a discount of 41.7 per cent. to the Closing Price of 219.5 pence per Existing Cattles Share on 22 April 2008. The Rights Issue will increase the Company's issued share capital by 45.0 per cent. and is fully underwritten by the Underwriters (on and subject to the terms of the Underwriting Agreement).

The Rights Issue is conditional, amongst other things, upon:

- (i) the passing of the Resolution at the Extraordinary General Meeting, and not, except with the written consent of Lazard and the Underwriters, at any adjournment thereof;
- (ii) admission of the New Cattles Shares in nil paid form to the Official List and to trading on the London Stock Exchange's market for listed securities becoming effective no later than 8.00 a.m. on 12 May 2008 (or such later time and/or date as the Company, the Underwriters and Lazard may agree); and
- (iii) certain conditions in the Underwriting Agreement being fulfilled before Admission and the Underwriting Agreement not having been terminated in accordance with its terms prior to Admission.

Further information on the Rights Issue, including its terms and conditions and details of the Underwriting Agreement, can be found in Parts 2 and 3 and in paragraph 6 of Part 11 respectively of this document.

9. Overseas Shareholders

The attention of Shareholders who have registered addresses outside the United Kingdom or who are citizens or residents of countries other than the United Kingdom or who are holding Cattles Shares for the benefit of such persons (including, without limitation, custodians, nominees, trustees and agents) or who have a contractual or other legal obligation to forward this document to such persons is drawn to paragraph 7 of Part 3 of this document for further details concerning the Rights Issue.

10. Taxation

The taxation consequences of the Rights Issue will depend upon the jurisdiction in which the relevant Shareholders are resident for tax purposes. Summaries of the UK tax consequences of the Rights Issue for Shareholders resident for tax purposes in the UK are set out in paragraph 8 of Part 11 of this document. This information is intended only as a general guide to the current UK tax position.

Shareholders who are in any doubt as to their tax position, or who are subject to tax in a jurisdiction other than the United Kingdom, should consult an appropriate professional adviser immediately.

11. Action to be taken in connection with the Rights Issue

Except for Shareholders with a registered address in, or resident in, any of the Restricted Jurisdictions, it is intended that (assuming the Resolution is passed):

- (i) Provisional Allotment Letters giving details of the Shareholders' entitlements to New Cattles Shares and containing instructions on how to take up their entitlements under the Rights Issue will be posted to Qualifying non-CREST Shareholders on 9 May 2008 after the EGM; and
- (ii) Qualifying CREST Shareholders' stock accounts will be credited with their entitlements to Nil Paid Rights on 12 May 2008 (they will not be sent a Provisional Allotment Letter).

If you sell or have sold or otherwise transferred all of your Existing Cattles Shares (other than ex-rights) held in certificated form, you should send this document and the Provisional Allotment Letter at once to the purchaser or transferee or the stockbroker, bank or other agent through whom the sale or transfer was effected for delivery to the purchaser or transferee. However, this document should not be distributed, forwarded to or transmitted in, or into any jurisdiction where to do so might constitute a violation of local securities laws or regulations, including, but not limited to, subject to certain exceptions, the United States and the other Restricted Jurisdictions. If you sell or have sold or otherwise transfer or have transferred part of your holding of Existing Cattles Shares (other than ex-rights) held in certificated form, you are referred to the instructions about split applications in Part 3 of this document and which will be set out in the Provisional Allotment Letter. If you sell or have sold or otherwise transfer or have transferred some or all of your Existing Cattles Shares held in uncertificated form, a claim transaction will automatically be generated by Euroclear which, on settlement, will transfer the appropriate number of Nil Paid Rights to the purchaser or transferee.

Qualifying CREST Shareholders should note that they will receive no further written communication from the Company in relation to the Rights Issue and accordingly such Shareholders should retain this document throughout the period of the Rights Issue for, *inter alia*, details of the action they should take. Further, such Shareholders who are CREST sponsored members should refer to their CREST sponsors regarding the action to be taken in connection with this document and the Rights Issue.

The latest time and date for acceptance and payment in full under the Rights Issue will be 11.00 a.m. on 3 June 2008. The procedure for acceptance and payment depends on whether, at the time at which acceptance and payment is made, the Nil Paid Rights are in certificated form (that is, are represented by a Provisional Allotment Letter) or in uncertificated form (that is, are in CREST). The procedures for acceptance and payment are set out in Part 3 of this document. Further details will also be set out in the Provisional Allotment Letters that will be sent to Qualifying non-CREST Shareholders.

12. Cattles Share Schemes

Under the rules of the Cattles Share Schemes, adjustments may, and where required shall, be made by the Directors to the exercise price of existing options and awards and to the number of Cattles Shares comprised under the options or awards, to take account of the Rights Issue.

Any such adjustments shall be made in accordance with the rules of the relevant scheme, and where required by the rules of the relevant scheme, such adjustments shall be made with the written concurrence of the Company's auditors that, in their opinion, the proposed adjustments are fair and reasonable. Where the relevant scheme is approved by HM Revenue & Customs, any such adjustments shall be subject to the prior approval of HM Revenue & Customs.

The effect of the Rights Issue on options and awards made or granted under the Cattles Share Schemes will depend on the Cattles Share Scheme under which they were granted or awarded. A summary of the effect of the Rights Issue on options and awards under the Cattles Share Schemes is set out in paragraph 13 of Part 10 of this document.

Further details of any adjustments will be sent to participants shortly.

13. Directors' intentions

The Directors currently beneficially own, in aggregate, 329,080 Existing Cattles Shares representing approximately 0.1 per cent. of the issued ordinary share capital of Cattles as at 21 April 2008. Each of the Directors holding Existing Cattles Shares intends, to the extent that he or she is able, either to take up his or her rights to subscribe for New Cattles Shares under the Rights Issue or to sell sufficient of his or her Nil Paid Rights during the nil paid dealing period to meet the costs of taking up the balance of his or her entitlements to New Cattles Shares.

14. Recommendation

Your Board, which has received financial advice in relation to the Rights Issue from Citi and Lazard, considers that the terms of the Rights Issue are fair and reasonable. In providing its advice to the Board, each of Citi and Lazard has placed reliance upon the Board's commercial assessment of the Rights Issue and the Group's funding requirements.

The Board considers the terms of the Rights Issue and the passing of the Resolution to be in the best interests of Shareholders as a whole.

Accordingly, the Board unanimously recommends to Shareholders that they vote in favour of the Resolution to be proposed at the EGM as the Directors intend to do in respect of their own beneficial holdings of Existing Cattles Shares. You are strongly urged to complete and return your Form of Proxy as soon as possible, whether or not you intend to attend the EGM in person.

15. Extraordinary General Meeting

Set out on pages 123 and 124 of this document is a notice convening the Extraordinary General Meeting to be held at 12.45p.m. or, if later, immediately following the conclusion of the Company's annual general meeting, on 9 May 2008 at the offices of Welcome Financial Services Limited at Mere Way, Ruddington Fields Business Park, Ruddington, Nottingham NG11 6NZ at which the Resolution will be proposed. The Resolution to be proposed at the EGM is set out in full in the notice of the Extraordinary General Meeting.

The Rights Issue is conditional, among other things, on the Underwriting Agreement becoming unconditional. The Underwriting Agreement may not become unconditional for various reasons including the Resolution not having been passed.

The Resolution being proposed is an ordinary resolution:

- (i) to increase the authorised share capital of Cattles; and
- (ii) to authorise the allotment of New Cattles Shares required in connection with the Rights Issue.

For further information in relation to the Resolution to be proposed at the Extraordinary General Meeting, see Part 11 of this document.

16. Further information

Your attention is drawn in particular to the risk factors set out in this document and the notice of EGM set out at the end of this document.

If you have any questions relating to this document or the completion and return of the Form of Proxy and/or Provisional Allotment Letter (which is proposed to be despatched after the EGM to Qualifying non-CREST Shareholders only), please telephone Computershare on 0870 889 4021 (+44 870 889 4021 if you are calling from outside the United Kingdom). This helpline is available from 9.00 a.m. to 5.00 p.m., Monday to Friday (excluding public holidays). Please note that calls may be monitored or recorded. For legal reasons, the helpline will only be able to provide you with advice on matters of procedure and cannot provide advice on the merits of the Rights Issue or the New Cattles Shares or give any financial, investment or tax advice.

Yours sincerely



Norman N Broadhurst
Chairman
Cattles plc

PART 2

SOME QUESTIONS AND ANSWERS ON THE RIGHTS ISSUE

These questions and answers are split into sections.

Section A answers questions you may have of a general nature.

Section B answers questions you may have in respect of the procedures for Shareholders who hold their Cattles Shares in certificated form. Note Sections A and D may still apply to you.

Section C answers questions you may have in respect of the equivalent procedures for Shareholders who hold their Cattles Shares in CREST. Note Sections A and D may still apply to you.

Section D answers some detailed questions about your rights and the actions you may need to take and is applicable to Cattles Shares whether held in certificated form or in CREST.

The questions and answers set out in this Part 2 are intended to be generic only and, as such, you should read Part 3 of this document. For full details of what action you should take, please consult your stockbroker, bank, solicitor, accountant, fund manager or other appropriate financial adviser.

If you do not know whether you hold your Cattles Shares in certificated form or in CREST, you should contact the Shareholder helpline on 0870 889 4021 (+44 870 889 4021 if you are calling from outside the United Kingdom).

Section A: General

1. What is a rights issue?

Rights issues are a way for companies to raise money. They do this by issuing shares and giving their existing shareholders a right of first refusal to buy these shares in proportion to their existing shareholdings. For example, a 1 for 3 rights issue means that a shareholder is entitled to buy one new share for every three currently held. This Rights Issue is 9 for 20; that is, an offer of 9 New Cattles Shares for every 20 Existing Cattles Shares held at the close of business on 7 May 2008 (the Record Date for the Rights Issue).

New shares are typically offered in a rights issue at a discount to the current share price. Because of this discount, the right to buy the new shares is potentially valuable. In this Rights Issue, the Rights Issue Price represents a 41.7 per cent. discount to the Closing Price of 219.5 pence per Cattles Share on 22 April 2008 (the last dealing day before the announcement of the Rights Issue).

If you do not want to buy the New Cattles Shares to which you are entitled, you can instead sell your rights to those shares and receive the net proceeds in cash. This is referred to as dealing “nil paid”.

Section B: Cattles Shares in certificated form

2. What are my options and what should I do with the Provisional Allotment Letter?

After the EGM, and assuming the Resolution is passed, it is intended that Qualifying non-CREST Shareholders (unless your registered address is in the United States, Australia, Canada or Japan) will receive a Provisional Allotment Letter. This shows:

- (i) in Box 1: how many Cattles Shares you held at the close of business on 7 May 2008 (the Record Date for the Rights Issue);
 - (ii) in Box 2: how many New Cattles Shares you are entitled to buy; and
 - (iii) in Box 3: how much you need to pay if you want to take up your rights in full.
- (a) If you want to take up your rights in full

If you want to take up your rights in full to subscribe for the New Cattles Shares to which you are entitled, all you need to do is send the Provisional Allotment Letter, together with your cheque for the full amount shown in Box 3 of the Provisional Allotment Letter, payable to “The Royal Bank of Scotland plc re: Cattles plc Rights Issue” and crossed “A/C payee only”, to the address shown on the front of the Provisional Allotment Letter to arrive before 11.00 a.m. on 3 June 2008, the latest time and date for acceptance and payment in full. You can use the enclosed reply-paid envelope. Paragraph 3 of Part 3 of this document has full instructions on how to accept and pay for your New Cattles Shares. These instructions will also be set out in the Provisional Allotment Letter. You will be required to pay in full for all the rights you take up. You will only need your Provisional Allotment Letter to be returned to you if you want to deal in your Fully Paid Rights. Your Provisional

Allotment Letter will not be returned to you unless you tick Box 4 on page 1 of the Provisional Allotment Letter. Your definitive share certificate for the New Cattles Shares you buy is expected to be despatched to you by 10 June 2008.

(b) If you do not want to take up your rights at all

If you do not want to take up your rights, you do not need to do anything. If you do not return your Provisional Allotment Letter by 11.00 a.m. on 3 June 2008, we have made arrangements under which the Underwriters will try to find investors to take up your rights by 3.00 p.m. on 5 June 2008. If they do find investors and are able to achieve a premium over the Rights Issue Price and the related expenses of procuring those investors (including any value added tax), you will be sent a cheque for the amount of that premium provided that this is £5.00 or more. Cheques are expected to be despatched by 10 June 2008 and will be sent to your address appearing on Cattles' register of members.

(c) If you want to take up some but not all of your rights

If you want to take up some but not all of your rights and wish to sell some or all of those you do not want to take up, you should first apply for split Provisional Allotment Letters by completing Form X on page 4 of the Provisional Allotment Letter, and returning it to Computershare Investor Services PLC, Corporate Actions Projects, The Pavilions, Bridgwater Road, Bristol BS99 6AH to be received by 3.00 p.m. on 30 May 2008, the latest time and date for splitting Provisional Allotment Letters, nil paid, together with a covering letter stating the number of split Provisional Allotment Letters required and the number of Nil Paid Rights to be comprised in each split Provisional Allotment Letter. You should then deliver the split Provisional Allotment Letter representing the New Cattles Shares in respect of which you wish to take up your rights together with your cheque to Computershare to be received by 11.00 a.m. on 3 June 2008, the latest time and date for acceptance and payment in full.

Alternatively, if you want only to take up some of your rights, you should complete Form X on page 4 of the Provisional Allotment Letter and return it to Computershare Investor Services PLC, Corporate Actions Projects, The Pavilions, Bridgwater Road, Bristol BS99 6AH, together with a covering letter confirming the number of New Cattles Shares in respect of which you wish to take up your rights, together with a cheque to pay for the appropriate number of shares. In this case, the Provisional Allotment Letter and cheque must be received by Computershare by 3.00 p.m. on 30 May 2008, the latest time and date for splitting Provisional Allotment Letters, nil paid.

3. How do I transfer my rights into the CREST system?

If you are a Qualifying non-CREST Shareholder, but are a CREST member and want your New Cattles Shares to be in uncertificated form, you should complete Form X and the CREST Deposit Form (both on page 4 of the Provisional Allotment Letter), and ensure it is delivered to the CREST Courier and Sorting Service to be received by 3.00 p.m. on 29 May 2008 at the latest. CREST personal members should arrange for their CREST sponsors to do this.

If you have transferred your rights into the CREST system, you should refer to paragraph 4 of Part 3 of this document for details on how to pay for the New Cattles Shares.

4. How do I know if I am eligible to participate in the Rights Issue?

If you receive a Provisional Allotment Letter after the EGM then you should be eligible to participate in the Rights Issue (as long as you have not sold all of your Cattles Shares before 7 May 2008 (the ex-rights date)).

5. What if I have not received a Provisional Allotment Letter?

If you have not received a Provisional Allotment Letter after the EGM, and you do not hold your shares in CREST, this probably means that you are not eligible to participate in the Rights Issue. Some Qualifying Shareholders, however, will not receive a Provisional Allotment Letter but may still be able to participate in the Rights Issue, namely:

- (i) Qualifying CREST Shareholders (please see section C below);
- (ii) Qualifying non-CREST Shareholders who bought Cattles Shares before 12 May 2008 but were not registered as the holders of those Cattles Shares at the close of business on 7 May 2008 (see question 6 below); and

- (iii) certain Overseas Shareholders who can prove that the offer under the Rights Issue can lawfully be made to them without contravention of any relevant legal requirements (see question 24 below).

If you have not received a Provisional Allotment Letter but think that you should have received one, please contact the Shareholder helpline on 0870 889 4021 (+44 870 889 4021 if you are calling from outside the United Kingdom).

6. If I buy or have bought Cattles Shares before 12 May 2008 (the date that trading in the Nil Paid Rights commences) will I be eligible to participate in the Rights Issue?

If you buy or have bought Cattles Shares before 12 May 2008 but were not registered as the holder of those Cattles Shares on the Record Date for the Rights Issue (7 May 2008), you may still be eligible to participate in the Rights Issue. If you are in any doubt, please consult your stockbroker, bank or other appropriate financial adviser, or whoever arranged your share purchase, to ensure you claim your entitlement.

You will not be entitled to Nil Paid Rights in respect of any Cattles Shares acquired on or after 12 May 2008.

7. What should I do if I sell or have sold or transferred all or some of the shares shown in Box 1 of the Provisional Allotment Letter before 7 May 2008?

If you sell or have sold or transferred all of your Cattles Shares before 7 May 2008, you should complete Form X on page 4 of the Provisional Allotment Letter and send the entire Provisional Allotment Letter together with this document to the stockbroker, bank or other appropriate financial adviser through whom you made the sale or transfer.

If you sell or have sold or otherwise transferred only some of your holding of Cattles Shares before 7 May 2008, you will need to complete Form X on page 4 of the Provisional Allotment Letter and consult the stockbroker, bank or other appropriate financial adviser through whom you made the sale or transfer, before taking any action, with regard to the balance of rights due to you.

8. How many New Cattles Shares am I entitled to acquire?

Box 2 on page 1 of the Provisional Allotment Letter shows the number of New Cattles Shares you are entitled to acquire if you are a Qualifying non-CREST Shareholder, assuming the Resolution is passed.

9. What should I do if I think my holding of Cattles Shares (as shown in Box 1 on page 1 of the Provisional Allotment Letter) is incorrect?

If you buy or sell Cattles Shares shortly before the Record Date, your transaction may not be entered on the register of members before the Record Date for the Rights Issue. See questions 5 and 6 above for what you should do in this case.

Otherwise, if you are concerned about the figure in Box 1, please call the Shareholder helpline on 0870 889 4021 (+44 870 889 4021 if you are calling from outside the United Kingdom).

10. If I take up my rights, when will I receive my new share certificate?

If you take up your rights under the Rights Issue, share certificates for the New Cattles Shares are expected to be posted by 10 June 2008.

Section C: Cattles Shares in uncertificated form (that is, in CREST)

11. How do I know if I am eligible to participate in the Rights Issue?

If you are a Qualifying CREST Shareholder (save as mentioned below), your CREST stock account(s) will be credited with your entitlement to Nil Paid Rights. The stock account(s) to be credited will be the account(s) under the participant ID and member account ID that apply to your Cattles Shares on the Record Date. Assuming the Resolution is passed, the Nil Paid Rights are expected to be credited to your CREST stock account(s) and enabled shortly after 8.00 a.m. on 12 May 2008. If you are a CREST personal member, you should consult your CREST sponsor if you wish to check that your account has been credited with your entitlement to Nil Paid Rights. The CREST stock accounts of Overseas Shareholders with registered addresses in the United States, Australia, Canada or Japan will not be credited with Nil Paid Rights. Overseas Shareholders should refer to paragraph 7 of Part 3 of this document.

12. How do I take up my rights using the CREST system?

If you are a Qualifying CREST Shareholder you should refer to paragraph 4 of Part 3 of this document for details on how to take up and pay for your rights.

If you are a CREST member, you should ensure that a Many-to-Many (“MTM”) instruction has been input by 11.00 a.m. on 3 June 2008. If your Cattles Shares are held by a nominee or you are a CREST personal member, you should speak directly to the stockbroker who looks after your stock or your CREST sponsor (as appropriate) who will be able to help you. If you have further questions, particularly of a technical nature regarding acceptance through the CREST system, you should telephone the CREST Service Desk on 0845 9645 648 (+44 845 9645 648, if you are calling from outside the United Kingdom).

13. If I buy or have bought Cattles Shares before 12 May 2008 (the date that trading in the Nil Paid Rights commences), will I be eligible to participate in the Rights Issue?

If you buy or have bought Cattles Shares before 12 May 2008, but were not registered as the holder of those Cattles Shares at the Record Date for the Rights Issue (7 May 2008), you may still be eligible to participate in the Rights Issue. Euroclear will raise claims in the normal manner in respect of your purchase and your Nil Paid Rights will be credited to your stock account(s) on settlement of those claims.

You will not be entitled to Nil Paid Rights in respect of any Cattles Shares acquired on or after 12 May 2008.

14. What should I do if I sell or have sold or transferred all or some of my Cattles Shares before 7 May 2008?

You do not have to take any action except, where you sell or have sold or transferred all of your Cattles Shares, to send this document to the purchaser or transferee or to the stockbroker, bank or other financial adviser through whom you made the sale or transfer. A claim transaction in respect of that sale or transfer will automatically be generated by Euroclear which, in settlement, will transfer the appropriate number of Nil Paid Rights to the purchaser or transferee.

15. How many New Cattles Shares am I entitled to acquire?

Your stock account will be credited with Nil Paid Rights in respect of the number of New Cattles Shares to which you are entitled based on the number of Cattles Shares you held on the Record Date. You can also view the claim transactions in respect of purchases/sales effected after this date. If you are a CREST personal member, you should consult your CREST sponsor.

16. What should I do if I think my holding of Cattles Shares is incorrect?

If you buy or sell Cattles Shares shortly before the Record Date, your transaction may not be entered on the register of members before the Record Date for the Rights Issue.

If you are concerned about the number of Nil Paid Rights with which your stock account has been credited, please call the Shareholder Helpline on 0870 889 4021 (+44 0870 889 4021 if you are calling from outside the United Kingdom).

17. If I take up my rights, when will New Cattles Shares be credited to my CREST stock account(s)?

If you take up your rights under the Rights Issue, New Cattles Shares will be credited to the CREST stock account(s) in which you hold your Fully Paid Rights on 4 June 2008.

Section D: Further procedures for Cattles Shares whether in certificated form or in CREST

18. What happens if the number of Cattles Shares I hold is not exactly divisible by the rights issue ratio of 9 for 20? Am I entitled to fractions of the shares?

Your entitlement is calculated by multiplying your holding of Cattles Shares by 9 and dividing the result by 20. If the result is not a whole number, your entitlement will be rounded down, meaning that you will not receive a New Cattles Share in respect of the fractional entitlement.

19. Will I be taxed if I take up or sell my rights or if my rights are sold on my behalf?

Subject to the more detailed description contained in paragraph 8 of Part 11 of this document and the limitations set out in that paragraph, if you are resident in the United Kingdom for tax purposes, you should not have to pay UK tax if you take up your rights in full, although the Rights Issue will

affect the amount of UK tax you may pay when you sell your Cattles Shares. However, you may be subject to capital gains tax on any proceeds you receive from the sale of your rights (including where you allow your rights to lapse) (unless, generally, the proceeds do not exceed whichever is the greater of £3,000 or five per cent. of the market value (as at the date of disposal or lapse) of the Cattles Shares in respect of which the rights arose, although in that case the amount of UK tax you may pay when you sell your Cattles Shares will be affected).

Further information for Qualifying Shareholders who are resident in the United Kingdom for tax purposes is contained in paragraph 8 of Part 11 of this document. Qualifying Shareholders who are in any doubt as to their tax position, or who are subject to tax in any other jurisdiction, should consult their professional adviser as soon as possible.

20. I understand that there is a period when there is trading in the Nil Paid Rights. What does this mean?

If you do not want to buy the New Cattles Shares being offered to you under the Rights Issue, you can instead sell or transfer your rights (called “Nil Paid Rights”) to those New Cattles Shares and receive the net proceeds of the sale or transfer in cash. This is referred to as dealing “nil paid”. This means that, between 12 May 2008 and 3 June 2008, you can either purchase Cattles Shares (which will not carry any entitlement to participate in the Rights Issue) or you can trade in the Nil Paid Rights.

If you sell or transfer all or some of your Nil Paid Rights and you hold your Cattles Shares in certificated form, you will need to complete Form X, the form of renunciation, on page 4 of the Provisional Allotment Letter and send it to the stockbroker, bank or other agent, through or by whom the sale or transfer was effected, to be forwarded to the purchaser or transferee.

If you buy Nil Paid Rights, you are buying an entitlement to take up the New Cattles Shares, subject to your paying for them in accordance with the terms of the Rights Issue. Any seller of Nil Paid Rights who holds his Cattles Shares in certificated form will need to forward to you his Provisional Allotment Letter (with Form X completed) for you to complete and return, with your cheque, by 11.00 a.m. on 3 June 2008, in accordance with the instructions on the Provisional Allotment Letter. If you are a CREST member or CREST personal member and you wish to hold your Nil Paid Rights in uncertificated form in CREST, then you should send the Provisional Allotment Letter with Form X and the CREST Deposit Form on page 4 completed (in the case of a CREST member) to the CREST Courier and Sorting Service or (in the case of a CREST personal member) to your CREST sponsor by 3.00 p.m. on 29 May 2008 at the latest.

Qualifying CREST Shareholders and, subject to dematerialisation of their Nil Paid Rights as set out in the Provisional Allotment Letter, Qualifying non-CREST Shareholders who are CREST members or CREST personal members, can transfer Nil Paid Rights, in whole or in part, by means of CREST in the same manner as any other security that is admitted to CREST. Please consult your CREST sponsor or stockbroker, bank or other appropriate financial adviser, or whoever arranged your share purchase, for details.

21. What if I want to sell the New Cattles Shares I have paid for?

If you are a Qualifying non-CREST Shareholder, provided the New Cattles Shares have been paid for and you have requested the return of the receipted Provisional Allotment Letter, you can transfer the Fully Paid Rights by completing Form X, the form of renunciation, on the back of the receipted Provisional Allotment Letter in accordance with the instructions set out on page 4 of the Provisional Allotment Letter until 11.00 a.m. on 3 June 2008. See paragraph 3.5 of Part 3 of this document for more details.

After that date, you will be able to sell your New Cattles Shares in the normal way. However, the share certificate relating to your New Cattles Shares is not expected to be despatched to you until 10 June 2008. Pending despatch of such share certificate, instruments of transfer may be certified by Computershare against the register.

If you hold your New Cattles Shares and/or rights in CREST, you may transfer them in the same manner as any other security that is admitted to CREST. See paragraph 4.5 of Part 3 of this document for more details. Please consult your stockbroker, bank or other appropriate financial adviser, or whoever arranged your share purchase, for details.

22. Are the New Cattles Shares to be issued under the Rights Issue entitled to a final dividend?

No. The New Cattles Shares to be issued under the Rights Issue will not be eligible for the 2007 final dividend but will rank *pari passu* in all other respects with Existing Cattles Shares including the right to receive all dividends or other distributions declared, made or paid after the date of their issue save for the interim dividend which may be declared in respect of the first half of 2008. The New Cattles Shares will not include any right to receive the 13.1 pence per Existing Cattles Share payable, subject to Shareholder approval, in respect of the year ended 31 December 2007.

23. Do I need to comply with the Money Laundering Regulations 2007 (as set out in paragraphs 3.3 and 4.3 of Part 3 of this document)?

If you are a Qualifying non-CREST Shareholder, you do not need to follow these procedures if the value of the New Cattles Shares you are subscribing for is less than €15,000 (approximately £11,800) or if you pay for them by a cheque drawn on an account in your own name and that account is one which is held with an EU or United Kingdom regulated bank or building society. If you are a Qualifying CREST Shareholder, you will not generally need to comply with the Money Laundering Regulations 2007 unless you apply to take up all or some of your entitlement to Nil Paid Rights as agent for one or more persons and you are not an EU or United Kingdom regulated financial institution.

Qualifying non-CREST Shareholders should refer to paragraph 3.3 of Part 3 of this document and Qualifying CREST Shareholders should refer to paragraph 4.3 of Part 3 of this document for a fuller description of the requirements of the Money Laundering Regulations 2007.

24. What should I do if I live outside the United Kingdom?

Your ability to take up rights to New Cattles Shares may be affected by the laws of the country in which you live and you should take professional advice about any formalities you need to observe. Shareholders resident outside the United Kingdom should refer to paragraph 7 of Part 3 of this document – particularly those resident in the United States, Australia, Canada or Japan.

25. What do I do if I have any further queries about the Rights Issue or what action I should take?

If you have any other questions, please telephone the Shareholder Helpline on 0870 889 4021 (+44 870 889 4021 if you are calling from outside the United Kingdom). This Helpline is available from 9.00 a.m. to 5.00 p.m., Monday to Friday. If you hold your Cattles Shares in CREST and you have any questions regarding the CREST procedures, please telephone the CREST Service Desk on 0845 9645 648 (+44 845 9645 648 if you are calling from outside the United Kingdom). The CREST Service Desk is available from 9.00 a.m. to 5.00 p.m. Monday to Friday (excluding public holidays). Please note that calls may be monitored or recorded. For legal reasons, the Shareholder Helpline or CREST Service Desk will only be able to provide you with information contained in this document (other than information relating to the Cattles' register of members and CREST processes respectively) and as such will be unable to give advice on the merits of the Rights Issue or to provide financial advice. Shareholder Helpline staff can explain the options available to you, which forms you need to fill in and how to fill them in correctly.

Your attention is drawn to the further terms and conditions of the Rights Issue in Part 3 of this document and (in the case of Qualifying non-CREST Shareholders) in the Provisional Allotment Letter, which it is proposed to be sent out immediately following the EGM (assuming the Resolution is passed).

PART 3

TERMS AND CONDITIONS OF THE RIGHTS ISSUE

1. Terms and conditions of the Rights Issue

Subject to the terms and conditions set out below, up to 163,262,142 New Cattles Shares will be offered for subscription by way of rights to all Qualifying Shareholders, on the following basis:

9 New Cattles Shares at 128 pence per New Cattles Share
for every 20 Existing Cattles Shares

held and registered in their name at 6.00 p.m. on the Record Date and so on in proportion for any other number of Existing Cattles Shares then held by each Qualifying Shareholder.

The Rights Issue Price of 128 pence per New Cattles Share represents a discount of approximately 41.7 per cent. to the Closing Price of 219.5 pence per Existing Cattles Share on 22 April 2008, the last business day prior to the date of announcement of the Rights Issue.

Holdings of Existing Cattles Shares in certificated and uncertificated form will be treated as separate holdings for the purpose of calculating entitlements under the Rights Issue. Entitlements to New Cattles Shares will be rounded down to the nearest whole number and the aggregated fractions will not be allotted. Such fractions will be aggregated and, if possible, sold as soon as practicable after commencement of dealings in the Nil Paid Rights. The net proceeds of such sales (after deduction of expenses) will be aggregated and will ultimately accrue for the benefit of Cattles. Accordingly, Qualifying Shareholders with fewer than 3 Existing Cattles Shares will not be entitled to any New Cattles Shares.

The attention of Shareholders with a registered address in, or who are residents in or who are citizens of, countries other than the United Kingdom, or who are holding Cattles Shares for the benefit of such a person, and any person who has a contractual or other legal obligation to forward this document into a jurisdiction other than the United Kingdom (including, without limitation, custodians, nominees and trustees) is drawn to paragraphs 7 and 8 of this Part 3. In particular, subject to the provisions of paragraph 7 of this Part 3, Qualifying Shareholders with a registered address in the United States or any of the other Restricted Jurisdictions will not be sent Provisional Allotment Letters and will not have their CREST stock accounts credited with Nil Paid Rights.

Application has been made to the UK Listing Authority for the New Cattles Shares (nil and fully paid) to be admitted to the Official List, and to the London Stock Exchange for the New Cattles Shares (nil and fully paid) to be admitted to trading on the London Stock Exchange's main market for listed securities. It is expected that Admission will become effective on 12 May 2008 and that dealing in the New Cattles Shares will commence on the London Stock Exchange, nil paid, at 8.00 a.m. on that date.

The ISIN code for the Nil Paid Rights is GB00B2PTNQN09 and for the Fully Paid Rights is GB00B2PTQS53.

The Rights Issue is conditional upon, amongst other things:

- (i) the passing of the Resolution at the EGM and not, except with the written consent of the Underwriters and Lazard, at any adjournment thereof;
- (ii) Admission becoming effective by not later than 8.00 a.m. on 12 May 2008 (or such later time and/or date as the Underwriters, Lazard and Cattles may agree); and
- (iii) the Underwriting Agreement otherwise having become unconditional in all respects and not having been terminated in accordance with its terms prior to Admission.

If the Resolution is passed at the EGM, Provisional Allotment Letters in respect of the New Cattles Shares will be despatched to Qualifying non-CREST Shareholders (other than, subject to certain exceptions, such Shareholders with a registered address in the United States or any of the other Restricted Jurisdictions) at their own risk. Provisional Allotment Letters constitute temporary documents of title.

None of the New Cattles Shares are being made available to the public other than in relation to the Rights Issue.

The Existing Cattles Shares are already held in CREST. No further application to CREST is required for the New Cattles Shares and all the Cattles Shares when issued and fully paid may be held and transferred by means of CREST. Applications have been made for the Nil Paid Rights and the Fully

Paid Rights to be admitted to CREST. Euroclear requires Cattles to confirm to it that certain conditions are satisfied before Euroclear will admit the Nil Paid Rights and the Fully Paid Rights to CREST. It is expected that these conditions will be satisfied on Admission. As soon as practicable after satisfaction of the conditions, Cattles will confirm this to Euroclear.

The Underwriters have agreed to fully underwrite the Rights Issue in accordance with the terms and subject to the conditions in the Underwriting Agreement. The Underwriting Agreement is conditional upon certain customary matters being satisfied or not breached prior to Admission and may also be terminated by the Underwriters prior to Admission upon the occurrence of certain customary specified events, in which case the Rights Issue will not proceed. The Underwriters may arrange sub-underwriting for some, all or none of the New Cattles Shares which they have underwritten. A summary of certain terms and conditions of the Underwriting Agreement is set out in paragraph 6 of Part 11 of this document.

Subject to the conditions referred to above being satisfied and save as provided in paragraph 7 of this Part 3, it is expected that:

- (i) Provisional Allotment Letters (which constitute temporary documents of title) in respect of Nil Paid Rights will be despatched to Qualifying non-CREST Shareholders (other than, subject to certain exceptions, such Qualifying non-CREST Shareholders with a registered address in the United States or any of the other Restricted Jurisdictions) at their own risk on 9 May 2008;
- (ii) Computershare will instruct Euroclear to credit the appropriate stock accounts of Qualifying CREST Shareholders (other than, subject to certain exceptions, such Qualifying CREST Shareholders with a registered address in the United States or any of the other Restricted Jurisdictions) with such Shareholders' entitlements to Nil Paid Rights, with effect from 8.00 a.m. on 12 May 2008;
- (iii) the Nil Paid Rights and the Fully Paid Rights will be enabled for settlement by Euroclear on 12 May 2008, as soon as practicable after Cattles has confirmed to Euroclear that all the conditions for admission of such rights to CREST have been satisfied;
- (iv) New Cattles Shares will be credited to the appropriate stock accounts of relevant Qualifying CREST Shareholders (or their renounees) who validly take up their rights as soon as practicable after 8.00 a.m. on 4 June 2008; and
- (v) share certificates for the New Cattles Shares will be despatched to relevant Qualifying non-CREST Shareholders (or their renounees), who validly take up their rights by 10 June 2008, at their own risk.

The offer will be made to Qualifying non-CREST Shareholders by way of the Provisional Allotment Letter (as described in (i) above) and by way of the enablement of the Nil Paid Rights and Fully Paid Rights (as described in (iii) above), and such Shareholders' stock accounts having been credited (as described in (ii) above).

Shareholders taking up their rights by completing a Provisional Allotment Letter or by sending an MTM instruction to Euroclear will be deemed to have given the representations and warranties set out in paragraph 8 of this Part 3, unless such requirement is waived by Cattles and the Underwriters.

The New Cattles Shares to be issued under the Rights Issue will rank *pari passu* with Existing Cattles Shares including the right to receive all dividends or other distributions declared, made or paid after the date of their issue save for the interim dividend which may be declared in respect of the first half of 2008. The New Cattles Shares will not include any right to receive the 13.1 pence per Existing Cattles Share payable, subject to Shareholder approval, in respect of the year ended 31 December 2007. The rights attaching to the New Cattles Shares are governed by the Articles (as they may be amended at the annual general meeting of the Company to be held on 9 May 2008), a summary of which is set out in paragraph 2 of Part 11 of this document.

All documents and cheques posted to or by Qualifying Shareholders and/or their transferees or renounees (or their agents, as appropriate) will be posted at their own risk.

2. Action to be taken

The action to be taken in respect of New Cattles Shares depends on whether, at the relevant time, the Nil Paid Rights or Fully Paid Rights in respect of which action is to be taken are in certificated form (that is, are represented by Provisional Allotment Letters) or are in uncertificated form (that is, are in CREST).

If you have any queries about the Rights Issue or on the procedure for acceptance and payment you should call the Shareholder helpline on 0870 889 4021 (or +44 870 889 4021 if you are calling from outside the United Kingdom). The helpline is available between the hours of 9.00 a.m. to 5.00 p.m., Monday to Friday (excluding public holidays). If you hold your Cattles Shares in CREST and you have any questions regarding the CREST procedures, please telephone the CREST Service Desk on 0845 9645 648 (+44 845 9645 648 if you are calling from outside the United Kingdom). The CREST Service Desk is available from 8.00 a.m. to 8.00 p.m. Monday to Friday. Please note that calls may be monitored or recorded. For legal reasons, the Shareholder helpline or CREST Service Desk will only be able to provide you with information contained in this document (other than information relating to the Cattles' register of members and CREST processes respectively) and as such will be unable to give advice on the merits of the Rights Issue or to provide financial advice. Shareholder helpline staff can explain the options available to you, which forms you need to fill in and how to fill them in correctly.

If you are a Qualifying non-CREST Shareholder and have received a PAL, and do not have a registered address in the United States or, subject to certain exceptions, any of the other Restricted Jurisdictions, please refer to paragraphs 3 and 5 to 11 (inclusive) of this Part 3.

If you are a Qualifying CREST Shareholder, and do not have a registered address in, subject to certain exceptions, the United States or any of the other Restricted Jurisdictions, please refer to paragraphs 4 to 11 (inclusive) of this Part 3 and to the CREST Manual for further information on the CREST procedures referred to below.

If you are a Qualifying non-CREST Shareholder or a Qualifying CREST Shareholder with a registered address in the United States or any of the other Restricted Jurisdictions, please refer to paragraphs 7 and 8 of this Part 3.

CREST sponsored members should refer to their CREST sponsors, as only their CREST sponsors will be able to take the necessary actions specified below to take up the entitlements or otherwise to deal with the Nil Paid Rights or Fully Paid Rights of CREST sponsored members.

3. Action to be taken by Qualifying non-CREST Shareholders in relation to Nil Paid Rights represented by Provisional Allotment Letters

3.1 General

The Provisional Allotment Letter will set out:

- (i) the holding of Existing Cattles Shares on which the Qualifying non-CREST Shareholder's entitlement to New Cattles Shares has been based;
- (ii) the aggregate number of New Cattles Shares provisionally allotted to such Qualifying non-CREST Shareholder;
- (iii) the procedures to be followed if the Qualifying non-CREST Shareholder wishes to dispose of all or part of his entitlement or to convert all or part of his entitlement into uncertificated form; and
- (iv) instructions regarding acceptance and payment, consolidation, splitting and registration of renunciation.

If the Rights Issue is delayed so that the Provisional Allotment Letters cannot be despatched on 9 May 2008, the expected timetable as set out in the section entitled "Expected Timetable of Principal Events" of this document will be adjusted accordingly and the revised dates will be set out in the Provisional Allotment Letter.

On the basis that PALs are posted on 9 May 2008, and that dealings in the New Cattles Shares, nil paid, commence on 12 May 2008, the latest time and date for acceptance and payment in full will be 11.00 a.m. on 3 June 2008.

3.2 Procedure for acceptance and payment

3.2.1 *Qualifying non-CREST Shareholders who wish to accept in full*

Holders of PALs who wish to take up all of their Nil Paid Rights must return the PAL, together with a cheque or banker's draft, made payable to "The Royal Bank of Scotland plc re: Cattles plc Rights Issue" and crossed "A/C payee only" for the full amount payable on acceptance, in accordance with the instructions printed on the PAL, by post or hand (during normal business hours only), to Computershare Investor Services PLC, Corporate Actions Projects, The Pavilions, Bridgwater Road, Bristol BS99 6AH, so as to arrive as soon as possible and in any event so as to be

received by not later than 11.00 a.m. on 3 June 2008. A reply-paid envelope will be enclosed with the PAL for use within the United Kingdom only. If you post your PAL within the United Kingdom by first class post, it is recommended that you allow at least four days for delivery.

3.2.2 Qualifying non-CREST Shareholders who wish to accept in part

Holders of PALs who wish to take up some but not all of their Nil Paid Rights and wish to sell some or all of those which they do not want to take up, should first apply for split PALs by completing Form X on page 4 of the PAL, and returning it by hand (during normal business hours only) or by post to Computershare Investor Services PLC, Corporate Actions Projects, The Pavilions, Bridgwater Road, Bristol BS99 6AH so as to be received no later than 3.00 p.m. on 30 May 2008, the latest time and date for splitting Nil Paid Rights, together with a covering letter stating the number of split PALs required and the number of Nil Paid Rights to be comprised in each split PAL. Once they have received these, they should then deliver the split PAL representing the New Cattles Shares they wish to take up together with a cheque or a banker's draft for the appropriate amount made payable to "The Royal Bank of Scotland plc: Cattles plc Rights Issue" and crossed "A/C payee only" by 11.00 a.m. on 3 June 2008, the latest time and date for acceptance. The other PALs (representing the New Cattles Shares you do not wish to take up) will be required in order to sell those rights.

Alternatively, Qualifying non-CREST Shareholders who wish to take up some of their Nil Paid Rights (but not sell the remainder), should complete Form X on page 4 of the PAL and return it to the address noted above with a cheque or banker's draft for the appropriate amount, together with an accompanying letter indicating the number of New Cattles Shares they wish to take up, in accordance with the provisions set out in section 2 on page 3 of the PAL. In this case, the PAL and payment must be received by Computershare by 3.00 p.m. on 30 May 2008, the latest time and date for splitting Nil Paid Rights.

3.2.3 Company's discretion as to validity of acceptances

If payment is not received in full by 11.00 a.m. on 3 June 2008, the provisional allotment will be deemed to have been declined and will lapse. However, Cattles may, with the agreement of the Underwriters and Lazard, but shall not be so obliged, treat as valid (i) PALs and accompanying remittances which are received through the post not later than 11.00 a.m. on the first dealing day after 3 June 2008 (the cover bearing a legible postmark not later than 11.00 a.m. on 3 June 2008) and (ii) applications in respect of which remittances are received prior to 11.00 a.m. on 4 June 2008 from an authorised person (as defined in section 31(2) of FSMA) specifying the number of New Cattles Shares to be acquired and an undertaking by that person to lodge the relevant PAL duly completed in due course.

Cattles may also (in its sole discretion) treat a PAL as valid and binding on the person(s) by whom or on whose behalf it is lodged even if it is not completed in accordance with the relevant instructions or is not accompanied by a valid power of attorney (where required).

3.2.4 Payments

All payments must be in pounds sterling and cheques or banker's drafts should be made payable to "The Royal Bank of Scotland plc re. Cattles plc Rights Issue" and crossed "A/C payee only". Cheques or banker's drafts must be drawn on a bank or building society or branch of a bank or building society in the United Kingdom or Channel Islands which is either a settlement member of the Cheque and Credit Clearing Company Limited or the CHAPS Clearing Company Limited or which has arranged for its cheques and banker's drafts to be cleared through the facilities provided by any of those companies or committees and must bear the appropriate sort code in the top right hand corner. All documents and cheques sent through the post to and from the Shareholder will be sent at their own risk.

Cheques drawn on most major high street banks and building societies in the United Kingdom will be satisfactory. Cheques or banker's drafts will be presented for payment upon receipt. Cattles reserves the right to instruct Computershare to seek special clearance of cheques and banker's drafts to allow full value for remittances at the earliest opportunity. No interest will be allowed on payments made before they are due and any interest on such payments will be retained by Cattles for the benefit of Shareholders generally. It is a term of the Rights Issue that cheques shall be honoured on first presentation and Cattles may elect to treat as invalid acceptances in respect of which cheques are notified to it or to its agents as not having been honoured.

3.3 Money Laundering Regulations

To ensure compliance with the Money Laundering Regulations, the Receiving Agent may require, at its absolute discretion, verification of the identity of the person lodging the Provisional Allotment Letter and, where relevant, its beneficial owner or ultimate controller and/or of any person on whose behalf the Provisional Allotment Letter is lodged with payment and, where relevant, its beneficial owner or ultimate controller (which requirements are referred to below as the “*verification of identity requirements*”). If an application is made by a UK regulated broker or intermediary acting as agent and which is itself subject to the Money Laundering Regulations, any verification of identity requirements are the responsibility of such broker or intermediary and not of the Receiving Agent. In such case, the lodging agent’s stamp should be inserted on the Provisional Allotment Letter.

The person lodging the Provisional Allotment Letter with payment (the “*applicant*”), including any person who appears to the Receiving Agent to be acting on behalf of some other person, shall thereby be deemed to agree to provide the Receiving Agent with such information and other evidence as the Receiving Agent may require to satisfy the verification of identity requirements. Return of the Provisional Allotment Letter with the appropriate remittance will constitute a warranty from the applicant that the Money Laundering Regulations will not be breached by acceptance of such remittance.

If the Receiving Agent determines that the verification of identity requirements apply to any applicant or application, the relevant New Cattles Shares (notwithstanding any other term of the Rights Issue) will not be issued to the relevant applicant unless and until the verification of identity requirements have been satisfied in respect of that applicant or application. The Receiving Agent is entitled, in its absolute discretion, to determine whether the verification of identity requirements apply to any applicant or application and whether such requirements have been satisfied, and none of the Receiving Agent, the Company, the Underwriters or Lazard will be liable to any person for any loss or damage suffered or incurred (or alleged), directly or indirectly, as a result of the exercise of such discretion.

If the verification of identity requirements apply, failure to provide the necessary evidence of identity within a reasonable time may result in delays and potential rejection of an application. If, within a reasonable period of time following a request for verification of identity, the Receiving Agent has not received evidence satisfactory to it as aforesaid, the Company and the Underwriters may, in their absolute discretion, treat the relevant application as invalid, in which event the application moneys will be returned (at the applicant’s risk) without interest to the account of the bank or building society on which the relevant cheque or banker’s draft was drawn.

The requirement of identity requirements will not usually apply if:

- (i) the applicant is a regulated UK broker or intermediary acting as agent and is itself subject to the Money Laundering Regulations; or
- (ii) the applicant is an organisation required to comply with the EU Money Laundering Directive (2005/60/EC); or
- (iii) the applicant is a company whose securities are listed on a regulated market subject to specified disclosure obligations; or
- (iv) the applicant (not being an applicant who delivers his/her application in person) makes payment through an account in the name of such applicant with a credit institution which is subject to the EU Money Laundering Directive (2005/60/EC) or with a credit institution situated in a non-EEA state which imposes requirements equivalent to those laid down in the EU Money Laundering Directive (2005/60/EC); or
- (v) the aggregate subscription price for the relevant New Ordinary Shares is less than €15,000 (or its pounds sterling equivalent).

Where the verification of identity requirements apply, please note the following, as this will assist in satisfying the requirements. Satisfaction of these requirements may be facilitated in the following ways:

- (i) payments must be made by cheque or banker’s draft in pounds sterling drawn on a branch in the UK of a bank or building society and bear a UK bank sort code number in the top right hand corner. Cheques, which must be drawn on the personal account of the individual investor where they have sole or joint use of the funds, should be made payable to The Royal Bank of Scotland plc re Cattles plc Rights Issue. Third party cheques will not be accepted with the exception of building society cheques or bankers’ drafts where the building society or bank has

confirmed the name of the account holder by stamping or endorsing the building society cheque/bankers' draft to such effect. The account name should be the same as that shown on the application; or

- (ii) if the Provisional Allotment Letter is lodged with payment by an agent which is an organisation of the kind referred to in sub-paragraph (ii) above or which is subject to anti-money laundering regulations in a country which is a member of the Financial Action Task Force (the non-EU members of which are Argentina, Australia, Brazil, Canada, members of the Gulf Co-operation Council (being Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates), Hong Kong, Iceland, Japan, Mexico, Luxembourg, New Zealand, Norway, the Russian Federation, Singapore, South Africa, Switzerland, Turkey and the US), the agent should provide written confirmation that it has that status with the Provisional Allotment Letter(s) and written assurances that it has obtained and recorded evidence of the identity of the person for whom it acts and that it will on demand make such evidence available to the Receiving Agent and/or any relevant regulatory or investigatory authority; or
- (iii) if a Provisional Allotment Letter is lodged by hand by the applicant in person, he/she should ensure that he/she has with him/her evidence of identity bearing his/her photograph (for example, his/her passport) and evidence of his/her address.

In order to confirm the acceptability of any written assurance referred to in sub-paragraph (ii) above, or in any other case, the applicant should contact the Receiving Agent. The telephone number of the Receiving Agent is 0870 889 4102 or +44 870 889 4102 if calling from outside the UK.

3.4 Dealings in Nil Paid Rights

Assuming the Rights Issue becomes unconditional, dealings on the London Stock Exchange in the Nil Paid Rights are expected to commence at 8.00 a.m. on 12 May 2008. A transfer of Nil Paid Rights can be made by renunciation of the PAL in accordance with the instructions printed on it and delivery of the letter to the transferee. The latest time and date for registration of renunciation of PALs, nil paid, is 11.00 a.m. on 3 June 2008.

3.5 Dealings in Fully Paid Rights

After acceptance of the provisional allotment and payment in full in accordance with the provisions set out in this document and (in the case of Qualifying non-CREST Shareholders) the PAL, the Fully Paid Rights may be transferred by renunciation of the relevant fully paid PAL and lodging it, by hand (during normal business hours only) or by post, with Computershare Investor Services PLC, Corporate Actions Project, The Pavilions, Bridgwater Road, Bristol BS99 6AH, by not later than 11.00 a.m. on 3 June 2008, and delivery of the letter from Computershare to the transferee. To do this, a Qualifying non-CREST Shareholder will need to have their fully paid PAL returned to them after the acceptance has been effected by Computershare. However, fully paid PALs will not be returned to Shareholders unless their return is requested by ticking Box 4 on page 1 of the PAL.

After 8.00 a.m. on 4 June 2008, the New Cattles Shares will be in registered form and transferable in the usual way (see paragraph 3.10 of this Part 3).

3.6 Renunciation and splitting of Provisional Allotment Letters

Qualifying non-CREST Shareholders who wish to transfer all of their Nil Paid Rights or, after acceptance of the provisional allotment and payment in full, Fully Paid Rights comprised in a PAL may (save as required by the laws of certain overseas jurisdictions) renounce such allotment by completing and signing Form X on page 4 of the PAL (if it is not already marked "Original Duly Renounced") and passing the entire PAL to their stockbroker or bank or other appropriate financial adviser or to the transferee. Once a PAL has been renounced, it will become a negotiable instrument in bearer form. The latest time and date for registration of renunciation of PALs, fully paid, is 11.00 a.m. on 3 June 2008 and after such date, the New Cattles Shares will be in registered form, transferable by written instrument of transfer in the usual common form or, if they have been issued in or converted into uncertificated form, in electronic form under CREST.

If a holder of a PAL wishes to have only some of the New Cattles Shares registered in his name and to transfer the remainder, or wishes to transfer all the Nil Paid Rights, or (if appropriate) Fully Paid Rights but to different persons, he may have the PAL split, for which purpose he must complete and sign Form X on page 4 of the PAL. The PAL must then be delivered by hand (during normal business hours only) or by post to Computershare Investor Services PLC, Corporate Actions Project, The Pavilions, Bridgwater Road, Bristol BS99 6AH by not later than 3.00 p.m. on 3 June 2008 (whether nil or fully paid) to be cancelled and exchanged for the split PALs required. The number of

split PALs required and the number of Nil Paid Rights or (as appropriate) Fully Paid Rights to be comprised in each split PAL should be stated in an accompanying letter. Form X on page 4 on split PALs will be marked “Original Duly Renounced” before issue.

Alternatively, Qualifying non-CREST Shareholders who wish to take up some of their rights, without transferring the remainder, should complete Form X on page 4 of the PAL and return it by hand (during normal business hours only) or post to Computershare, together with an accompanying letter confirming the number of New Cattles Shares to be taken up and a cheque for the appropriate amount to pay for this number of New Cattles Shares. In this case, the PAL and cheque must be received by Computershare by 3.00 p.m. on 30 May 2008, the latest time and date for splitting Nil Paid Rights.

Cattles and the Underwriters reserve the right to refuse to register any renunciation in favour of any person in respect of which Cattles and the Underwriters believe such renunciation may violate applicable legal or regulatory requirements including (without limitation) any renunciation in the name of any person with an address outside the United Kingdom.

3.7 Registration in names of Qualifying Shareholders

A Qualifying Shareholder who wishes to have all the New Cattles Shares to which he is entitled registered in his name must accept and make payment for such allotment in accordance with the provisions set out in this document and the PAL, but need take no further action.

3.8 Registration in names of persons other than Qualifying Shareholders originally entitled

In order to register Fully Paid Rights in certificated form in the name of someone other than the Qualifying Shareholder(s) originally entitled, the renouncee or his agent(s) must complete Form Y on page 4 of the PAL (unless the renouncee is a CREST member who wishes to hold such New Cattles Shares in uncertificated form, in which case Form X and the CREST Deposit Form (both on page 4 of the PAL) must be completed (see paragraph 3.6 of this Part 3) and send the entire PAL, when fully paid, by hand (during normal business hours only) or by post to Computershare Investor Services PLC, Corporate Actions Project, The Pavilions, Bridgwater Road, Bristol BS99 6AH by not later than 11.00 a.m. on 3 June 2008.

3.9 Deposit of Nil Paid Rights or Fully Paid Rights into CREST

The Nil Paid Rights or Fully Paid Rights represented by a PAL may be converted into uncertificated form, that is, deposited into CREST (whether such conversion arises as a result of a renunciation of those rights or otherwise). Similarly, Nil Paid Rights or Fully Paid Rights held in CREST may be converted into certificated form, that is, withdrawn from CREST. Subject as provided in the next following paragraph or in the PAL, normal CREST procedures and timings apply in relation to any such conversion. You are recommended to refer to the CREST Manual for details of such procedures.

The procedure for depositing the Nil Paid Rights or Fully Paid Rights represented by a PAL into CREST, whether such rights are to be converted into uncertificated form in the name(s) of the person(s) whose name(s) and address(es) appear on page 1 of the PAL or in the name of a person or persons to whom the PAL has been renounced, is as follows: Form X and the CREST Deposit Form (both on page 4 of the PAL) will need to be completed and the PAL deposited with the CREST Courier and Sorting Service (“CCSS”); in addition, the normal CREST Stock Deposit procedures will need to be carried out, except that (a) it will not be necessary to complete and lodge a separate CREST Transfer Form (prescribed under the Stock Transfer Act 1963) with the CCSS; and (b) only the whole of the Nil Paid Rights or Fully Paid Rights represented by the PAL may be deposited into CREST. If you wish to deposit some only of the Nil Paid Rights or Fully Paid Rights represented by the PAL into CREST, you must first apply for split PALs. If the rights represented by more than one PAL are to be deposited, the CREST Deposit Form on each PAL must be completed and deposited. The Consolidation Listing Form on page 4 of the PAL must not be used.

A holder of the Nil Paid Rights represented by a PAL who is proposing to convert those rights into uncertificated form (whether following a renunciation of such rights or otherwise) is recommended to ensure that the conversion procedures are implemented in sufficient time to enable the person holding or acquiring the Nil Paid Rights in CREST following the conversion to take all necessary steps in connection with taking up the entitlement prior to 11.00 a.m. on 3 June 2008.

In particular, having regard to normal processing times in CREST and on the part of Computershare, the latest recommended time for depositing a renounced PAL (with Form X and the CREST Deposit Form on page 4 of the PAL duly completed), with the CCSS (in order to enable the

person acquiring the Nil Paid Rights in CREST as a result of the conversion to take all necessary steps in connection with taking up the entitlement prior to 11.00 a.m. on 3 June 2008) is 3.00 p.m. on 29 May 2008.

When Form X and the CREST Deposit Form (both on page 4 of the PAL) have been completed, the title to the Nil Paid Rights or Fully Paid Rights represented by the PALs will cease to be renounceable or transferable by delivery, and for the avoidance of doubt any entries in Form Y will not subsequently be recognised or acted upon by Computershare. All renunciations or transfers of Nil Paid Rights or Fully Paid Rights must be effected through the CREST system once such Nil Paid Rights or Fully Paid Rights have been deposited into CREST.

CREST sponsored members should contact their CREST sponsor.

3.10 Issue of New Cattles Shares in definitive form

Definitive share certificates in respect of the New Cattles Shares to be held in certificated form are expected to be despatched by post by 10 June 2008 to accepting Qualifying non-CREST Shareholders or their renounees at their registered address (unless lodging agent details have been completed on page 4 of the PAL). After despatch of definitive share certificates, PALs will cease to be valid for any purpose whatsoever. Pending despatch of definitive share certificates, instruments of transfer of the New Cattles Shares may be certified by Computershare against the register.

4. Action to be taken in relation to Nil Paid Rights or Fully Paid Rights in CREST

4.1 General

Subject as provided in paragraph 7 of this Part 3 in relation to certain Overseas Shareholders, each Qualifying CREST Shareholder is expected to receive a credit to his CREST stock account of his entitlement to Nil Paid Rights on 12 May 2008. The CREST stock account to be credited will be an account under the participant ID and member account ID that apply to the Existing Cattles Shares held at 5.00 p.m. on the Record Date by the Qualifying CREST Shareholder in respect of which the Nil Paid Rights are provisionally allotted.

The Nil Paid Rights will constitute a separate security and can accordingly be transferred, in whole or in part, by means of CREST in the same manner as any other security that is admitted to CREST.

If for any reason it is impracticable to credit the Nil Paid Rights to the stock accounts of Qualifying CREST Shareholders or to enable the Nil Paid Rights by 11.00 a.m. on 12 May 2008, Provisional Allotment Letters shall, unless Cattles and the Underwriters agree otherwise, be sent out in substitution for the Nil Paid Rights which have not been so credited or enabled and the expected timetable as set out in this document may be adjusted as appropriate. References to dates and times in this document should be read as subject to any such adjustment. The Company will make an appropriate announcement to a Regulatory Information Service approved by the UK Listing Authority giving details of the revised dates but Qualifying CREST Shareholders may not receive any further written communication.

CREST members who wish to take up all or part of their entitlements in respect of, or otherwise to transfer all or part of their Nil Paid Rights or Fully Paid Rights held by them in CREST should refer to the CREST Manual for further information on the CREST procedures referred to below. If you are a CREST sponsored member you should consult your CREST sponsor if you wish to take up your entitlement as only your CREST sponsor will be able to take the necessary action to take up your entitlements or otherwise to deal with your Nil Paid Rights or Fully Paid Rights.

4.2 Procedure for acceptance and payment

4.2.1 *Many-to-Many or MTM instructions*

CREST members who wish to take up all or part of their entitlement in respect of Nil Paid Rights in CREST must send (or, if they are CREST sponsored members, procure that their CREST sponsor sends) a Many-To-Many (“MTM”) instruction to Euroclear which, on its settlement, will have the following effect:

- (i) the crediting of a stock account of Computershare under the participant ID and member account ID specified below, with the number of Nil Paid Rights to be taken up;

- (ii) the creation of a settlement bank payment obligation (as this term is defined in the CREST Manual), in accordance with the RTGS payment mechanism (as this term is defined in the CREST Manual), in favour of the RTGS settlement bank of Computershare in pounds sterling in respect of the full amount payable on acceptance in respect of the Nil Paid Rights referred to in sub-paragraph (i) above; and
- (iii) the crediting of a stock account of the accepting CREST member (being an account under the same participant ID and member account ID as the account from which the Nil Paid Rights are to be debited on settlement of the MTM instruction) of the corresponding number of Fully Paid Rights to which the CREST member is entitled on taking up his Nil Paid Rights referred to in sub-paragraph (i) above.

4.2.2 *Contents of MTM instructions*

The MTM instruction must be properly authenticated in accordance with Euroclear's specifications and must contain, in addition to the other information that is required for settlement in CREST, the following details:

- (i) the number of Nil Paid Rights to which the acceptance relates;
- (ii) the participant ID of the accepting CREST member;
- (iii) the member account ID of the accepting CREST member from which the Nil Paid Rights are to be debited;
- (iv) the participant ID of Computershare, in its capacity as a CREST receiving agent. This is 3RA37;
- (v) the member account ID of Computershare, in its capacity as a CREST receiving agent. This is CATTLES;
- (vi) the number of Fully Paid Rights that the CREST member is expecting to receive on settlement of the MTM instruction. This must be the same as the number of Nil Paid Rights to which the acceptance relates;
- (vii) the amount payable by means of the CREST assured payment arrangements on settlement of the MTM instruction. This must be the full amount payable on acceptance in respect of the number of Nil Paid Rights to which the acceptance relates;
- (viii) the intended settlement date (which must be on or before 11.00 a.m. on 3 June 2008);
- (ix) the nil paid ISIN number. This is GB00B2PTQN09;
- (x) the fully paid ISIN number. This is GB00B2PTQS53;
- (xi) the Corporate Action Number for the Rights Issue. This will be available by viewing the corporate action details in CREST;
- (xii) input with a standard MTM delivery instruction priority of 80; and
- (xiii) contact name and telephone number in the shared note field.

4.2.3 *Valid acceptance*

An MTM instruction complying with each of the requirements as to authentication and contents set out in paragraph 4.2.2 will constitute a valid acceptance where either:

- (i) the MTM instruction settles by not later than 11.00 a.m. on 3 June 2008; or
- (ii) at the discretion of the Company:
 - (a) the MTM instruction is received by Euroclear by not later than 11.00 a.m. on 3 June 2008; and
 - (b) the number of Nil Paid Rights inserted in the MTM instruction is credited to the CREST stock member account of the accepting CREST member specified in the MTM instruction at 11.00 a.m. on 3 June 2008; or
 - (c) the relevant MTM instruction settles by 11.00 a.m. on 3 June 2008 (or such later date as Cattles and the Underwriters have determined).

An MTM instruction will be treated as having been received by Euroclear for these purposes at the time at which the instruction is processed by the Network Providers' Communications Host (as this term is defined in the CREST Manual) at Euroclear of the network provider used by the CREST member (or by the CREST sponsored member's CREST sponsor). This will be conclusively

determined by the input time stamp applied to the MTM instruction by the Network Providers' Communications Host.

4.2.4 Representations, warranties and undertakings of CREST members

A CREST member or CREST sponsored member who makes a valid acceptance in accordance with this paragraph 4.2 represents, warrants and undertakes to Cattles and the Underwriters that he has taken (or procured to be taken), and will take (or will procure to be taken), whatever action is required to be taken by him or by his CREST sponsor (as appropriate) to ensure that the MTM instruction concerned is capable of settlement at 11.00 a.m. on 3 June 2008 and remains capable of settlement at all times after that until 2.00 p.m. on 3 June 2008 (or until such later time and date as Cattles and the Underwriters may determine). In particular, the CREST member or CREST sponsored member represents, warrants and undertakes that at 11.00 a.m. on 3 June 2008 and at all times thereafter until 2.00 p.m. on 3 June 2008 (or until such later time and date as Cattles and the Underwriters may determine), there will be sufficient Headroom within the Cap (as those terms are defined in the CREST Manual) in respect of the cash memorandum account to be debited with the amount payable on acceptance to permit the MTM instruction to settle. CREST sponsored members should contact their CREST sponsor if they are in any doubt.

If there is insufficient Headroom within the Cap in respect of the cash memorandum account of a CREST member or CREST sponsored member for such amount to be debited or the CREST member's or CREST sponsored member's acceptance is otherwise treated as invalid and New Cattles Shares have already been allotted to such CREST member or CREST sponsored member, the Company may (in its absolute discretion as to the manner, timing and terms) make arrangements for the sale of such shares on behalf of that CREST member or CREST sponsored member and hold the proceeds of sale (net of the Company's reasonable estimate of any loss that it has suffered as a result of the acceptance being treated as invalid and of the expenses of sale including, without limitation, any stamp duty or SDRT payable on the transfer of such shares, and of all amounts payable by the CREST member or CREST sponsored member pursuant to the provisions of this Part 3 in respect of the acquisition of such shares) on behalf of such CREST member or CREST sponsored member. Neither the Company nor the Underwriters nor Lazard nor any nor any other person shall be responsible for, or have any liability for, any loss, expense or damage suffered by such CREST member or CREST sponsored member as a result.

4.2.5 CREST procedures and timings

CREST members and CREST sponsors (on behalf of CREST sponsored members) should note that Euroclear does not make available special procedures in CREST for any particular corporate action. Normal system timings and limitations will therefore apply in relation to the input of an MTM instruction and its settlement in connection with the Rights Issue. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST sponsored member, to procure that his CREST sponsor takes) the action necessary to ensure that a valid acceptance is received as stated above by 11.00 a.m. on 3 June 2008. In this connection CREST members and (where applicable) CREST sponsors are referred in particular to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

4.2.6 CREST member's undertaking to pay

A CREST member or CREST sponsored member, who makes a valid acceptance in accordance with the procedures set out in this paragraph 4.2, (a) undertakes to pay to Cattles, or procure the payment to Cattles of, the amount payable in sterling on acceptance in accordance with the above procedures or in such other manner as Cattles may require (it being acknowledged that, where payment is made by means of the RTGS payment mechanism (as defined in the CREST Manual) the creation of a RTGS settlement bank payment obligation in sterling in favour of Computershare's RTGS settlement bank (as defined in the CREST Manual), in accordance with the RTGS payment mechanism shall, to the extent of the obligation so created, discharge in full the obligation of the CREST member (or CREST sponsored member) to pay to Cattles the amount payable on acceptance); and (b) requests that the Fully Paid Rights and/or New Cattles Shares, to which they will become entitled, be issued to them on the terms set out in this document and subject to the memorandum of association of Cattles and the Articles (as they may be amended at the annual general meeting of the Company to be held on 9 May 2008).

4.2.7 Discretion as to rejection and validity of acceptances

Cattles may:

- (i) reject any acceptance constituted by an MTM instruction, which is otherwise valid, in the event of breach of any of the representations, warranties and undertakings set out or referred to in this paragraph 4.2. Where an acceptance is made as described in this paragraph 4.2 which is otherwise valid, and the MTM instruction concerned fails to settle by 2.00 p.m. on 3 June 2008 (or by such later time and date as Cattles and the Underwriters may determine), Cattles and the Underwriters shall be entitled to assume, for the purposes of its right to reject an acceptance as described in this paragraph 4.2, that there has been a breach of the representations, warranties and undertakings set out or referred to in this paragraph 4.2;
- (ii) treat as valid (and binding on the CREST member or CREST sponsored member concerned) an acceptance which does not comply in all respects with the requirements as to validity set out or referred to in this paragraph 4.2;
- (iii) accept an alternative properly authenticated dematerialised instruction from a CREST member or (where applicable) a CREST sponsor as constituting a valid acceptance in substitution for, or in addition to, an MTM instruction and subject to such further terms and conditions as Cattles and the Underwriters may determine;
- (iv) treat a properly authenticated dematerialised instruction (in this sub-paragraph, the “first instruction”) as not constituting a valid acceptance if, at the time at which Computershare receives a properly authenticated dematerialised instruction giving details of the first instruction, either Cattles or Computershare has received actual notice from Euroclear of any of the matters specified in Regulation 35(5)(a) of the CREST Regulations in relation to the first instruction. These matters include notice that any information contained in the first instruction was incorrect or notice of lack of authority to send the first instruction; and
- (v) accept an alternative instruction or notification from a CREST member or (where applicable) a CREST sponsor, or extend the time for acceptance and/or settlement of an MTM instruction or any alternative instruction or notification, if, for reasons, or due to circumstances, outside the control of any CREST member or CREST sponsored member or (where applicable) CREST sponsor, the CREST member or CREST sponsored member is unable validly to take up all or part of his Nil Paid Rights by means of the above procedures. In normal circumstances, this discretion is only likely to be exercised in the event of any interruption, failure or breakdown of CREST (or of any part of CREST) or on the part of facilities and/or systems operated by Computershare in connection with CREST.

4.3 Money Laundering Regulations

If you hold your Nil Paid Rights in CREST and apply to take up all or part of your entitlement as agent for one or more persons and you are not a UK or EU regulated person or institution (e.g. a UK financial institution), then, irrespective of the value of the application, Computershare is required to take reasonable measures to establish the identity of the person or persons on whose behalf you are making the application. You must therefore contact Computershare before sending any MTM instruction or other instruction so that appropriate measures may be taken.

Submission of an MTM instruction which constitutes, or which may on its settlement constitute, a valid acceptance as described above constitutes a warranty and undertaking by the applicant to provide promptly to Computershare any information Computershare may specify as being required for the purposes of the Money Laundering Regulations. Pending the provision of evidence satisfactory to Computershare as to identity, Computershare, having where time allows consulted with Cattles and the Underwriters and having taken into account their comments, may take, or omit to take, such action as they may determine to prevent or delay settlement of the MTM instruction. If satisfactory evidence of identity has not been provided within a reasonable period of time, then Computershare will not permit the MTM instruction concerned to proceed to settlement but without prejudice to the right of Cattles to take proceedings to recover any loss suffered by it as a result of failure by the applicant to provide satisfactory evidence.

4.4 Dealings in Nil Paid Rights

Assuming the Rights Issue becomes unconditional, dealings in the Nil Paid Rights on the London Stock Exchange are expected to commence at 8.00 a.m. on 12 May 2008. A transfer (in whole or in part) of Nil Paid Rights can be made by means of CREST in the same manner as any other security that is admitted to CREST. The Nil Paid Rights are expected to be disabled in CREST after the close of CREST business on 3 June 2008.

4.5 Dealings in Fully Paid Rights

After acceptance of the provisional allotment and payment in full in accordance with the provisions set out in this document, the Fully Paid Rights may be transferred by means of CREST in the same manner as any other security that is admitted to CREST. The latest time and date for settlement of any transfer of Fully Paid Rights in CREST is expected to be 11.00 a.m. on 3 June 2008. The Fully Paid Rights are expected to be disabled in CREST after the close of CREST business on 3 June 2008.

After 3 June 2008, the New Cattles Shares will be registered in the name(s) of the person(s) entitled to them in Cattles' register of members and will be transferable in the usual way (see paragraph 4.7 of this Part 3).

4.6 Withdrawal of Nil Paid Rights or Fully Paid Rights from CREST

Nil Paid Rights or Fully Paid Rights held in CREST may be converted into certificated form, that is, withdrawn from CREST. Normal CREST procedures (including timings) apply in relation to any such conversion.

The recommended latest time for receipt by Euroclear of a properly authenticated dematerialised instruction requesting withdrawal of Nil Paid Rights from CREST is 4.30 p.m. on 28 May 2008, so as to enable the person acquiring or (as appropriate) holding the Nil Paid Rights following the conversion to take all necessary steps in connection with taking up the entitlement prior to 11.00 a.m. on 3 June 2008. You are recommended to refer to the CREST Manual for details of such procedures.

4.7 Issue of New Cattles Shares in CREST

New Cattles Shares will be issued in uncertificated form to those persons registered as holding Fully Paid Rights in CREST at the close of business on the date on which the Fully Paid Rights are disabled. Computershare will instruct Euroclear to credit the appropriate stock accounts of those persons (under the same participant ID and member account ID that applied to the Fully Paid Rights held by those persons) with their entitlements to New Cattles Shares with effect from the next Business Day (expected to be 4 June 2008).

4.8 Right to allot/issue in certificated form

Despite any other provision of this document, Cattles reserves the right to allot and to issue any Nil Paid Rights, Fully Paid Rights or New Cattles Shares in certificated form. In normal circumstances, this right is only likely to be exercised in the event of an interruption, failure or breakdown of CREST (or of any part of CREST) or on the part of the facilities and/or systems operated by Computershare in connection with CREST.

5. Procedure in respect of New Cattles Shares not taken up (whether certificated or in CREST) and withdrawal rights

5.1 Procedure in respect of New Cattles Shares not taken up

If an entitlement to New Cattles Shares is not validly taken up in accordance with the procedure laid down for acceptance and payment, then that provisional allotment will be deemed to have been declined and will lapse. The Underwriters will each use reasonable endeavours to procure, by not later than 3.00 p.m. on 5 June 2008 (being the second dealing day after 3 June 2008), subscribers for any New Cattles Shares which have not been taken up, at a net price per New Cattles Share equal to or exceeding the Rights Issue Price after deducting or providing for all expenses of procuring such subscribers (including any applicable brokerage and commissions and amounts in respect of value added tax).

Notwithstanding the above, the Underwriters may cease to endeavour to procure any such subscribers if at any time after 11.00 a.m. on 3 June 2008, in the opinion of the Underwriters, there is no reasonable likelihood that any such subscribers can be so procured at such a price by 3.00 p.m. on the second dealing day after 3 June 2008. If and to the extent that subscribers cannot be procured on the basis outlined above, the Underwriters shall each procure subscribers or itself subscribe at the Rights Issue Price for the New Cattles Shares not taken up in accordance with the terms of the Underwriting Agreement.

Any premium over the aggregate of the Rights Issue Price and the expenses of procuring subscribers (including any applicable brokerage and/or commissions and/or amounts in respect of value added tax) shall be paid (subject as provided in this paragraph 5.1):

- (i) where the Nil Paid Rights were, at the time they lapsed, represented by a Provisional Allotment Letter, to the person whose name and address appeared on page 1 of the Provisional Allotment Letter;
- (ii) where the Nil Paid Rights were, at the time they lapsed, in uncertificated form, to the person registered as the holder of those Nil Paid Rights at the time of their disablement in CREST; and
- (iii) where an entitlement to New Cattles Shares was not taken up by an Overseas Shareholder, to that Overseas Shareholder.

New Cattles Shares for which subscribers are procured on this basis will be re-allotted to such subscribers and the aggregate of any premiums (being the amount paid by such subscribers after deducting the Rights Issue Price and the expenses of procuring such subscribers including any applicable brokerage and commissions and amounts in respect of value added tax), if any, will be paid (without interest) to those persons entitled (as referred to above) *pro rata* to the relevant lapsed provisional allotments, save that if the net proceeds due to any person do not exceed £5 per holder, the proceeds will not be so paid but will be retained by Cattles for the benefit of Shareholders generally. Holdings of Existing Cattles Shares in certificated and uncertificated form will be treated as being held by different persons for these purposes.

Any transactions undertaken pursuant to this paragraph 5.1 shall be deemed to have been undertaken at the request of the persons entitled to the lapsed provisional allotments and none of Cattles, the Underwriters or any other person procuring subscribers shall be responsible for any loss or damage (whether actual or alleged) arising from the terms of or timing of any such subscription, any decision not to endeavour to procure subscribers or the failure to procure subscribers on the basis described above. Cheques for the amounts due will be sent by post, at the risk of the person(s) entitled, to their registered addresses (the registered address of the first named in the case of joint holders), provided that where any entitlement concerned was held in CREST, the amount due will, unless Cattles (in its absolute discretion) otherwise determines, be satisfied by Cattles procuring the creation of an assured payment obligation in favour of the relevant CREST member's (or CREST sponsored member's) RTGS settlement bank in respect of the cash amount concerned in accordance with the RTGS payment mechanism.

5.2 Withdrawal rights

Persons wishing to exercise statutory withdrawal rights after the issue by Cattles of a supplementary prospectus (if any) must do so by lodging a written notice of withdrawal (which may include a notice sent by facsimile or any other form of electronic communication) with Computershare Investor Services PLC at Corporate Actions Project, The Pavilions, Bridgwater Road, Bristol BS99 6AH, so as to be received no later than two Business Days after the date on which the supplementary prospectus is published. Notice of withdrawal given by any other means or which is received by Computershare after expiry of such period will not constitute a valid withdrawal.

The exercise of withdrawal rights will not be permitted after payment by the relevant person of its subscription in full and the allotment of the New Cattles Shares to such person becoming unconditional. In such circumstances, Shareholders are advised to consult their professional advisers.

Provisional allotments of entitlements to New Cattles Shares which are the subject of a valid withdrawal notice will be deemed to be declined. Such entitlements to New Cattles Shares will be subject to the provisions of paragraph 5.1 of this Part 3 above as if the entitlement had not been validly taken up.

6. Taxation

Information on taxation in the United Kingdom with regard to the Rights Issue is set out in paragraph 8 of Part 11 of this document. Shareholders who are in any doubt as to their tax position or who are subject to tax in any other jurisdiction should consult an appropriate professional adviser immediately.

7. Overseas Shareholders

The attention of Overseas Shareholders is drawn to the following in connection with the Rights Issue.

7.1 General

The offer of New Cattles Shares to persons resident in, or who are citizens of, or who have a registered address in countries other than the United Kingdom may be affected by the laws of the relevant

jurisdiction. Those persons should consult their professional advisers as to whether they require any governmental or other consents or need to observe any other formalities to enable them to take up their rights.

Subject to the Rights Issue becoming unconditional, the New Cattles Shares will be provisionally allotted to all Qualifying Shareholders, including Overseas Shareholders. However, Provisional Allotment Letters will not be sent to, and Nil Paid Rights will not be credited to CREST accounts of, Overseas Shareholders with a registered address in the United States or any of the other Restricted Jurisdictions or to their agent or intermediary, except in any such case where Cattles and the Underwriters are satisfied that such action would not result in a contravention of any applicable registration or other legal or regulatory requirement in the relevant jurisdiction.

Receipt of this document and/or a Provisional Allotment Letter or the crediting of Nil Paid Rights to a stock account in CREST does not and will not constitute an offer in those jurisdictions in which it would be illegal to make an offer and, in those circumstances, this document and/or a Provisional Allotment Letter must be treated as sent for information only and should not be copied or redistributed. No person who has received or receives a copy of this document and/or a Provisional Allotment Letter and/or who receives a credit of Nil Paid Rights to a stock account in CREST in any jurisdiction other than the United Kingdom may treat the same as constituting an invitation or offer to him, nor should he in any event use the Provisional Allotment Letter or deal with Nil Paid Rights or Fully Paid Rights in CREST unless, in the relevant jurisdiction, such an invitation or offer could lawfully be made to him or the Provisional Allotment Letter or Nil Paid Rights or Fully Paid Rights could lawfully be used or dealt with without contravention of any registration or other legal or regulatory requirements. In such circumstances, their document and the PAL are to be treated as for information only and should not be copied or redistributed.

Accordingly, persons who have received a copy of this document and who receive a Provisional Allotment Letter or whose stock account in CREST is credited with Nil Paid Rights or Fully Paid Rights should not, in connection with the Rights Issue, distribute or send the same in or into, or transfer Nil Paid Rights or Fully Paid Rights to any person in the United States or any of the other Restricted Jurisdictions or any other jurisdiction in each case where to do so would or might contravene local securities laws or regulations. If a Provisional Allotment Letter or a credit of Nil Paid Rights or Fully Paid Rights in CREST is received by any person in any such jurisdiction, or by his agent or nominee, he must not seek to take up the rights referred to in the Provisional Allotment Letter or in this document or renounce the Provisional Allotment Letter or transfer the Nil Paid Rights or Fully Paid Rights in CREST unless Cattles and the Underwriters determine that such actions would not violate applicable legal or regulatory requirements. Any person who does forward this document or a Provisional Allotment Letter in or into any such jurisdictions (whether under a contractual or legal obligation or otherwise) should draw the recipient's attention to the contents of this paragraph 7.

Subject to paragraphs 7.3 and 7.4 of this paragraph 7, any person (including, without limitation, agents, nominees and trustees) outside the United Kingdom wishing to take up their rights under the Rights Issue must satisfy themselves as to full observance of the applicable law of any relevant jurisdiction including obtaining any requisite governmental or other consents, observing any other requisite formalities and paying any issue, transfer or other taxes due in such jurisdictions. **The comments set out in this paragraph 7 are intended as a general guide only and any Shareholder who is in any doubt as to their position should consult their professional adviser without delay.**

The Company and the Underwriters may treat as invalid any acceptance or purported acceptance of the offer of Nil Paid Rights, Fully Paid Rights or New Cattles Shares which appears to Cattles and the Underwriters or their respective agents to have been executed, effected or despatched in a manner which may involve a breach of the laws or regulations of any jurisdiction or if in the case of a Provisional Allotment Letter it provides for an address for delivery of the PALs or the share certificates for New Cattles Shares in or, in the case of a credit of New Cattles Shares in CREST, the CREST member or CREST sponsored member whose registered address would be in the United States, any other Restricted Jurisdiction or any other jurisdiction outside the United Kingdom in which it would be unlawful to deliver such PALs or share certificates or make such a credit or if Cattles and the Underwriters believe or their respective agents believe that the same may violate applicable legal or regulatory requirements. The attention of Qualifying Shareholders with registered addresses in the United States or any of the other Restricted Jurisdictions or holding Cattles Shares on behalf of persons with such addresses is drawn to paragraphs 7.3, 7.4 and 7.5 of this paragraph 7.

Despite any other provision of this document or the Provisional Allotment Letter, Cattles and the Underwriters reserve the right to permit any Qualifying Shareholder (including Overseas Shareholders) to take up his rights if Cattles and the Underwriters in their sole and absolute discretion are satisfied that the transaction in question is exempt from or not subject to the legislation or regulations giving rise to the restrictions in question. If Cattles and the Underwriters are so satisfied, Cattles will arrange for the relevant Qualifying Shareholder to be sent a Provisional Allotment Letter if he or she is a Qualifying non-CREST Shareholder or, if he or she is a Qualifying CREST Shareholder, arrange for Nil Paid Rights to be credited to the relevant CREST stock account.

Those Shareholders who wish, and are permitted, to take up their entitlement should note that payments must be made in pounds sterling as described in paragraph 3 (“Qualifying non-CREST Shareholders”) and paragraph 4 (“Qualifying CREST Shareholders”) of this Part 3.

The provisions of paragraph 5 of this Part 3 will apply to Overseas Shareholders who do not or are unable to take up New Cattles Shares provisionally allotted to them on the basis that such action would result in a contravention of applicable legal or regulatory requirements in the relevant jurisdiction. Accordingly, such Overseas Shareholders will be treated as unexercising holders and the Underwriters will use reasonable endeavours to procure on behalf of such unexercising holders, subscribers for the relevant New Cattles Shares. Neither the Company nor the Underwriters or any of its or their respective affiliates or any other person shall be responsible or have any liability whatsoever for any loss or damage (actual or alleged) arising from the terms or timing of the subscription or the procuring of or any failure to procure subscribers.

Specific restrictions relating to certain jurisdictions are set out below.

7.2 Notice in the London Gazette

In accordance with section 90(5) of the Companies Act 1985, an offer by way of rights to Qualifying Shareholders who have no registered address within the United Kingdom and who have not given to Cattles an address within the United Kingdom for the service of notices, will (provided the Resolution is passed and subject to the other conditions of the Rights Issue) be made by Cattles publishing a notice in the London Gazette on the day following the date the Provisional Allotment Letters are despatched, stating where copies of this document and the Provisional Allotment Letters may be inspected, or in certain circumstances, obtained on personal application, by or on behalf of such Qualifying Shareholders. However, in order to facilitate acceptance of the offer by way of rights made to such Qualifying Shareholders by virtue of such publication, Provisional Allotment Letters will be posted to such Qualifying Shareholders or Nil Paid Rights will be credited to the stock accounts in CREST of such Qualifying Shareholders, as appropriate (other than those Qualifying Shareholders referred to in paragraphs 7.3 and 7.4 of this Part 3 or in any jurisdiction in which the offer by way of rights would be unlawful). Accordingly, Qualifying Shareholders who have no registered address within the United Kingdom and who have not given Cattles an address within the United Kingdom for service of notices may, if it is lawful for them to do so, accept the offer by way of rights either by returning the Provisional Allotment Letters posted to them in accordance with the instructions printed thereon (or subject to surrendering the original Provisional Allotment Letters so posted to them) by obtaining copies thereof (or, in the case of persons referred to in paragraphs 7.3 and 7.4 of this Part 3, originals thereof) from Computershare Investor Services PLC, Corporate Actions Projects, The Pavilions, Bridgwater Road, Bristol BS13 8AE or by following the relevant procedures for acceptance in the case of Qualifying CREST Shareholders whose Nil Paid Rights have been credited to their stock accounts.

7.3 United States

The New Cattles Shares, the Nil Paid Rights, the Fully Paid Rights and the Provisional Allotment Letters have not been and will not be registered under the US Securities Act or under any relevant securities laws of any state or other jurisdiction of the United States and may not be offered, sold, taken up, exercised, resold, renounced, transferred or delivered, directly or indirectly, into or within the United States.

The New Cattles Shares, the Nil Paid Rights, the Fully Paid Rights and the Provisional Allotment Letters will be distributed, offered, or sold, as the case may be, outside the United States in offshore transactions within the meaning of and in accordance with Regulation S under the US Securities Act.

Each person to which New Cattles Shares, the Nil Paid Rights, the Fully Paid Rights and the Provisional Allotment Letters are distributed, offered or sold outside the United States will be deemed by its subscription for, or purchase of, the Nil Paid Rights, the Fully Paid Rights or the New Cattles Shares to have represented and agreed, on its behalf and on behalf of any investor accounts for

which it is subscribing for or purchasing the Nil Paid Rights, the Fully Paid Rights or the New Cattles Shares, as the case may be, that:

- (i) it is acquiring the Nil Paid Rights, the Fully Paid Rights or the New Cattles Shares from the Company or the Underwriters in an “offshore transaction” as defined in Regulation S under the US Securities Act; and
- (ii) the Nil Paid Rights, the Fully Paid Rights and the New Cattles Shares have not been offered to it by the Company or the Underwriters by means of any “directed selling efforts” as defined in Regulation S under the US Securities Act.

Each subscriber or purchaser acknowledges that the Company and the Underwriters will rely upon the truth and accuracy of the foregoing representations and agreements, and agrees that if any of the representations and agreements deemed to have been made by such subscriber or purchaser by its subscription for, or purchase of, the Nil Paid Rights, the Fully Paid Rights or the New Cattles Shares, as the case may be, are no longer accurate, it shall promptly notify the Company and the Underwriters. If such subscriber or purchaser is subscribing for, or purchasing, the Nil Paid Rights, the Fully Paid Rights or the New Cattles Shares as a fiduciary or agent for one or more investor accounts, each subscriber or purchaser represents that it has sole investment discretion with respect to each such account and full power to make the foregoing representations and agreements on behalf of each such account.

The provisions set out in paragraph 5 of this Part 3 will apply to the rights of Qualifying Shareholders with registered addresses in the United States that are not taken up.

7.4 Restricted Jurisdictions

Due to restrictions under the securities laws of the Restricted Jurisdictions, neither this document nor the Provisional Allotment Letter will be sent to, and no Nil Paid Rights or Fully Paid Rights will be credited to a stock account in CREST of Qualifying Shareholders with a registered address in, and the New Cattles Shares may not be transferred or sold to or renounced or delivered in, the United States or any of the other Restricted Jurisdictions. Accordingly, no offer of New Cattles Shares is being made by virtue of this document or the Provisional Allotment Letters into the United States or any of the other Restricted Jurisdictions.

Notwithstanding the foregoing, if a Qualifying Shareholder with a registered address, or resident in any of the Restricted Jurisdictions can demonstrate to the satisfaction of Cattles that receipt, or acceptance, of the offer in such jurisdiction will not breach local securities law then Cattles in its absolute discretion may either arrange for them to be sent a Provisional Allotment Letter or if he is a Qualifying non-CREST Shareholder or, if he is a Qualifying CREST Shareholder, arrange for Nil Paid Rights to be credited to the relevant CREST stock account.

Until 40 days after the commencement of the Rights Issue, an offer, sale or transfer of the New Cattles Shares, Nil Paid Rights, Fully Paid Rights or Provisional Allotment Letters within the United States by a dealer (whether or not participating in the Rights Issue) may violate the registration requirements of the US Securities Act.

The provisions set out in paragraph 5 of this Part 3 will apply to the rights of Qualifying Shareholders with registered addresses in the Restricted Jurisdictions that are not taken up.

7.5 Overseas jurisdictions other than the United States or the other Restricted Jurisdictions

Subject to the passing of the Resolution, the Provisional Allotment Letters will be posted to Qualifying non-CREST Shareholders that are Overseas Shareholders (other than, subject to certain exceptions, those Qualifying non-CREST Shareholders who have a registered address in the United States or any of the other Restricted Jurisdictions) and Nil Paid Rights will be credited to the CREST stock accounts of Qualifying CREST Shareholders that are Overseas Shareholders (other than, subject to certain exceptions, those Qualifying non-CREST Shareholders who have a registered address in the United States or any of the other Restricted Jurisdictions). Such Qualifying Shareholders may, subject to the laws of their relevant jurisdiction, accept their rights under the Rights Issue in accordance with the instructions set out in this document and, in the case of Qualifying non-CREST Shareholders only, the Provisional Allotment Letter.

In cases where Overseas Shareholders do not take up or are unable to take up the Nil Paid Rights provisionally allotted to them, the provisions of paragraph 5 of this Part 3 will apply.

Qualifying Shareholders who have a registered address in or who are resident in, or who are citizens of, countries other than the United Kingdom should consult their professional advisers as to whether

they require any governmental or other consents or need to observe any other formalities to enable them to take up their Nil Paid Rights or to acquire Fully Paid Rights or New Cattles Shares.

If you are in any doubt as to your eligibility to accept the offer of New Cattles Shares or to deal with Nil Paid Rights or Fully Paid Rights, you should contact your professional adviser immediately.

7.6 Transfer restrictions

Due to the following restrictions, investors are advised to consult legal counsel prior to making any offer for the resale, pledge or other transfer of Fully Paid Rights, Nil Paid Rights or New Cattles Shares.

The Fully Paid Rights, Nil Paid Rights and the New Cattles Shares have not been and will not be registered under the US Securities Act and may not be offered, sold or pledged or otherwise transferred in the United States except in reliance on an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act.

Your ability to take up rights to New Cattles Shares may be affected by the laws of the country in which you live and you should take professional advice as to whether you require any governmental or other consents or need to observe any other formalities to enable you to take up your rights.

8. Representations and warranties relating to Overseas Shareholders

8.1 Qualifying non-CREST Shareholders

Any person accepting and/or renouncing a Provisional Allotment Letter or requesting registration of the New Cattles Shares comprised therein represents and warrants to Cattles and the Underwriters that, except where proof has been provided to Cattles' satisfaction that such person's use of the Provisional Allotment Letter will not result in the contravention of any applicable legal or regulatory requirement in any jurisdiction: (a) such person is not accepting and/or renouncing the Provisional Allotment Letter, or requesting registration of the relevant New Cattles Shares, from within the United States or any of the other Restricted Jurisdictions; (b) such person is not in any jurisdiction in which it is unlawful to make or accept an offer to acquire New Cattles Shares or to use the Provisional Allotment Letter in any manner in which such person has used or will use it; (c) such person is not acting on a non-discretionary basis for a person located within the United States, any of the other Restricted Jurisdictions or any jurisdiction referred to in (b) above at the time the instruction to accept or renounce was given; and (d) such person is not acquiring New Cattles Shares with a view to the offer, sale, resale, transfer, delivery or distribution, directly or indirectly, of any such New Cattles Shares into the United States, any of the other Restricted Jurisdictions or any jurisdiction referred to in (b) above. Cattles and the Underwriters may treat as invalid any acceptance or purported acceptance of the allotment of New Cattles Shares comprised in, or renunciation or purported renunciation of, a Provisional Allotment Letter if it (a) appears to Cattles and the Underwriters to have been executed in or despatched from the United States, the other Restricted Jurisdictions or otherwise in a manner which may involve a breach of the laws of any jurisdiction or if they or their respective agents believe the same may violate any applicable legal or regulatory requirement; (b) provides an address in the United States or any of the other Restricted Jurisdictions for delivery of definitive share certificates for New Cattles Shares (or any jurisdiction outside the United Kingdom in which it would be unlawful to deliver such certificates); or (c) purports to exclude the warranty required by this paragraph.

8.2 Qualifying CREST Shareholders

A CREST member or CREST sponsored member who makes a valid acceptance in accordance with the procedures set out in paragraph 4 of this Part 3 represents and warrants to Cattles and the Underwriters that, except where proof has been provided to Cattles' and the Underwriters' satisfaction that such person's acceptance will not result in the contravention of any applicable legal or regulatory requirement in any jurisdiction, (a) he is not within the United States or any of the other Restricted Jurisdictions; (b) he is not in any jurisdiction in which it is unlawful to make or accept an offer to acquire or subscribe for Nil Paid Rights, Fully Paid Rights or New Cattles Shares; (c) he is not accepting on a non-discretionary basis for a person located within the United States, any of the other Restricted Jurisdictions or any jurisdiction referred to in (b) above at the time the instruction to accept was given; and (d) he is not acquiring Nil Paid Rights, Fully Paid Rights or New Cattles Shares with a view to the offer, sale, re-sale, transfer, delivery or distribution, directly or indirectly, of any such Nil Paid Rights, Fully Paid Rights or New Cattles Shares into the United States, any of the other Restricted Jurisdictions, or any jurisdiction referred to in (b) above.

8.3 Waiver

The provisions of this paragraph 8 and of any other terms of the Rights Issues relating to Overseas Shareholders may be waived, varied or modified as regards specific Shareholder(s) or on a general basis by Cattles and the Underwriters in their absolute discretion. Subject to this, the provisions of this paragraph 8 supersede any terms of the Rights Issue inconsistent herewith. Reference in this paragraph 8 to a Shareholder include references to the person or persons executing a PAL and in the event of more than one person executing a PAL, the provisions of this paragraph 8 shall apply to them jointly and to each of them.

9. Times and dates

Cattles shall in its discretion and after consultation with its financial and legal advisers (and with the consent of the Underwriters) be entitled to amend the dates that Provisional Allotment Letters are despatched or dealings in Nil Paid Rights commence and amend or extend the latest date for acceptance under the Rights Issue and all related dates set out in this document and in such circumstances shall notify the UK Listing Authority and a Regulatory Information Service and, if appropriate, Shareholders. Notwithstanding the foregoing, Qualifying Shareholders may not receive any further written communication.

If a supplementary prospectus is issued by Cattles two days or fewer prior to the date specified in this document as the latest date for acceptance under the Rights Issue (or such later date as may be agreed between Cattles and the Underwriters), the latest date of acceptance under the Rights Issue shall be extended to the date which is three Business Days after the date of issue of the supplementary prospectus (and the dates and times of principal events due to take place following such date shall be extended accordingly).

10. Governing law

The terms and conditions of the Rights Issue as set out in this document and in the Provisional Allotment Letter shall be governed by, and construed in accordance with, the laws of England and Wales.

11. Jurisdiction

The Courts of England and Wales are to have exclusive jurisdiction to settle any dispute which may arise out of or in connection with the Rights Issue, this document and/or the Provisional Allotment Letter. By accepting rights under the Rights Issue in accordance with the instructions set out in this document and, in the case of Qualifying non-CREST Shareholders only, the Provisional Allotment Letter, Qualifying Shareholders irrevocably submit to the jurisdiction of the Courts of England and Wales and waive any objection to proceedings in any such court on the ground of venue or on the ground that proceedings have been brought in an inconvenient forum.

PART 4

THE CATTLES BUSINESS

1. Overview

Cattles is one of the UK's largest consumer finance groups providing instalment credit and other financial services to consumers with non-standard credit profiles. In addition, Cattles has a debt recovery business and a corporate business providing invoice factoring services to small and medium-sized businesses.

2. History

The following is an outline of the important events in the development of Cattles' business.

The business was founded in Hull in 1927 by Joseph Cattle. Initially engaged in retailing, its activities were extended into weekly home collected credit as an aid to increasing retail sales.

During the 1960s and 1970s Cattles acquired many similar businesses, thereby establishing a wider UK coverage. The emphasis of the business was then becoming more heavily weighted towards the provision of weekly home collected credit through an agency force. In 1963, Cattles' shares were listed on the London Stock Exchange. Following this, the important events in the development of Cattles' business were as follows:

Shopacheck

This network of home collected credit businesses, which had its own regional headquarters and local administration, was reorganised in the early 1980s into one business under the Shopacheck brand with administration centralised in new headquarters in Hull.

The Group acquired Compass Credit Limited in 1990 from the Standard Chartered Bank and merged it with Shopacheck. This firmly established Shopacheck as the number two player in the UK weekly home collected credit market.

Disposal of ancillary businesses

Several ancillary businesses were acquired in the late 1970s and the 1980s, including retailing, insurance broking and travel agents. In the strategic review which followed the Compass Credit acquisition, the largest of these, Rosebys, was separately listed on the London Stock Exchange in 1992 with Cattles retaining a significant stake. This remaining interest was fully disposed of through an institutional placing in 1997. All the remaining ancillary businesses were sold or closed in 1993 and 1994.

Welcome Financial Services

Cattles acquired Welcome Financial Services Limited and Welcome Finance Limited from London and Manchester Group plc in 1994. Welcome did not have any agency force and all business was carried out by monthly repayment, primarily through direct debit. The strategic objective of this acquisition was to introduce another significant income stream to the Group.

Cattles Invoice Finance

Also in 1994 Cattles acquired Cattles Invoice Finance (formerly Reedham Factors Limited), a Manchester based business to provide factoring to the small business sector. In 1997 Cattles Invoice Finance acquired Argent Commercial Services Limited (now Cattles Invoice Finance (Oxford) Limited), a business based in Oxford providing similar services. In 2005 Cattles sold its asset finance and leasing businesses, Cattles Commercial Finance and Cattles Commercial Leasing, to Close Brothers Limited for £69 million.

The Lewis Group

In 1997, Cattles acquired Lewis. Lewis, which is now one of the main operators in the consumer debt recovery sector in the UK, has a current field force of approximately 1,000 collectors. Lewis has an established third party business dealing with banks, credit card providers and retailers. Lewis also supports Welcome by more effectively collecting default debt in its receivables portfolio.

Dial4aloan

Cattles acquired Dial4aloan Limited, a national broker of secured and unsecured loans, in 2002. Cattles' objective was to increase Dial4aloan's focus on marketing smaller unsecured loans to provide

additional customer recruitment for Welcome, whilst existing secured loan business generated continued to be passed to one of Dial4loan's panel of financial institutions. In 2005, Dial4loan's business was repositioned to focus on providing consumer credit division customers with assistance in seeking re-mortgage facilities with external providers.

Welcome Car Finance

In July 2003, Cattles launched its Welcome Car Finance operation, a direct distribution motor finance business. This broadened Welcome's distribution channels for hire purchase and its customer base, whilst building upon its significant lending experience.

Phoenix IT system

The Group successfully implemented a major new IT system across Welcome in June 2006. These major new information technology and customer relationship management systems support and significantly enhance Welcome's direct repayment customer selection and underwriting processes, enabling it to match customers' evolving credit status and needs to the Group's product range. Further significant IT developments in 2007 enabled introducers to link electronically into Welcome's systems, and to build closer and more efficient relationships with the business.

3. Cattles' divisions

Cattles is firmly focused on being a provider of financial services to consumers within the UK who either choose not to use, or do not have access to, mainstream facilities and to companies which require a personal and flexible service. Cattles is organised into three divisions, Welcome Financial Services, The Lewis Group and Cattles Invoice Finance. Welcome Financial Services accounts for approximately 93 per cent. of Cattles' profits.

Welcome Financial Services

Welcome Financial Services currently operates from a network of 235 business centres in the UK providing, mainly, unsecured loans to over 750,000 customers.

The product range includes unsecured and secured personal loans, and hire purchase facilities. A variety of repayment methods are available to customers via the mainstream banking system, the post office or personal visits by Cattles' agents. These include repayments by weekly, fortnightly or monthly direct debit or Cattles' agents collecting repayments from customers at their homes.

Of Welcome Finance's customers, approximately two-thirds borrow from Cattles on an unsecured basis, approximately 20 per cent. borrow through hire purchase and the remainder through secured loans. Unsecured and hire purchase borrowings each represent around one-third of Welcome's receivables at typical APR rates of respectively 64 per cent. and 33 per cent. per annum, the balance being represented by secured borrowings with a typical APR of 25 per cent. per annum.

The two principal brand names are *Welcome Finance* which offers loans with direct debit repayment methods and *Shopacheck* which offers loans with weekly home collection as part of its service.

The business has changed significantly over the past five years. Specifically, Cattles' business mix, as measured by the level of gross customer receivables, has changed such that Welcome Finance customers now represent 96 per cent. of gross receivables and Shopacheck 4 per cent.

● ***Welcome Finance***

Welcome Finance commenced trading approximately 18 years ago and has been part of Cattles since 1994. Progress in terms of increasing volume, profits and profitability, as measured by the return on receivables, has been significant. This has been achieved by means of a controlled development and expansion programme. Operating efficiencies, the benefits of scale and lower funding costs have all contributed towards this performance.

Welcome Finance is principally engaged in providing unsecured and secured personal loans and hire purchase facilities to over 500,000 customers in the C and D socio-economic groupings. Welcome Finance's customers must be in employment and have a bank account at the time the advance is made. It is probable that many of Welcome Finance's customers may be unable or unwilling to seek credit from mainstream lenders due to their use of rigid credit scoring models. The typical Welcome Finance customer does not have accumulated capital or the savings capacity to fund major purchases and may have an impaired credit record due to previous payment default or county court judgments.

The C and D socio-economic groupings constitute a major sector of the UK population, accounting for in excess of 30 million adults. A feature of bank and mainstream lending in the UK in recent

years has been a concentration on targeting customers from the higher socio-economic categories. The Welcome Finance customer base currently stands at just over 500,000 and management believes that there should be favourable opportunities for continued growth in both customers and revenues.

With headquarters in Nottingham, Welcome Finance currently operates from an extensive national network of small branches, usually located in secondary retail positions. The sourcing of new customers is predominantly by means of referrals from a nationwide network of credit brokers as well as through its direct on-line offering. To provide a consistent standard of underwriting, the referrals from credit brokers are handled at Customer Sales and Service Centres located in Hull and Nottingham.

Welcome Finance continues to provide direct repayment customers with its traditional product range of small unsecured personal loans, which averaged about £2,100, hire purchase £6,000 and secured loans £9,300 for the year ended 31 December 2007. Welcome Finance's outstanding direct repayment customers' loans and receivables totalled £2.5 billion at 31 December 2007 with an average customer balance of around £5,500.

Welcome Finance also offers optional payment protection insurance to those eligible customers who value the comfort which this single premium product provides, particularly in times of sickness and unemployment.

Competition Commission Inquiry into payment protection insurance (PPI)

The OFT, the Competition Commission and the FSA have been considering the PPI sector. Information on the OFT decision, the Competition Commission inquiry and the FSA review can be found in Part 8 – "Supervision and Regulation of Cattles".

If, as a result of its investigation, the Competition Commission finds that competition in the market is not working effectively, it has the power to introduce remedies designed to tackle the adverse effect on competition identified, or to recommend that action be taken by other bodies such as government, regulators and public authorities. Remedies that the Competition Commission has the power to impose on industry participants following any inquiry include, but are not limited to, the imposition of price caps, directions to cease or adopt certain behaviours, and monitoring remedies requiring the provision of information to the OFT or other relevant authority. No assurance can be given that any such remedies would not adversely impact on Cattles' business in the future.

Credit quality

With many years experience of operating in the non-standard consumer finance market and continuing investment in bespoke credit profiling software, underwriting technology and collection processes, Welcome Finance has consistently maintained stable customer credit quality.

This investment has also enabled Welcome Finance to strengthen its overall management of risk and operational control over regulated activities, by continuing to transfer the responsibility for the selection and underwriting of new customers from the branch network to Welcome Finance's specialist Customer Sales and Service Centres. The centralisation of credit quality control and customer selection processes has also provided national distributors and partners with the speed and consistency of service they require in an increasingly competitive and regulated environment.

The granting of credit is conducted through a formal application, investigation and verification process. Prospective customers complete an application, which requests certain personal, employment, income and outgoings information. The information is verified and management will request sight of supporting payslips, bank statements and other relevant documentation. All applications are subject to a credit scoring process, which was built by Experian and introduced in 1999. The Customer Sales and Service Centres also undertake credit reference checks.

Maintaining customer relationships and arrears management is now the major role played by Welcome Finance's branch network. Once a loan is approved and advanced, the majority of customers are contacted by a customer account manager based in their local branch to begin the process of establishing a close working relationship. This is a key strength of Welcome Finance's overall arrears management processes.

● *Welcome Car Finance*

Welcome Car Finance, a direct distribution motor finance business, was launched in 2003, to broaden Welcome Finance's distribution channels and customer base whilst building upon its significant lending experience. Welcome Car Finance customers are primarily sourced through press advertising

and funded in-house by Welcome Finance. During 2007, just under 14,000 vehicles were sold by Welcome Car Finance from its network of twelve branches.

- *Dial4aloan*

Dial4aloan, the Group's specialist consumer credit broker, acquired in 2002, is now fully integrated into Welcome Finance. In 2005, its business was repositioned to focus on providing Welcome Finance's customer base with third party remortgage facilities under the trading name Welcome Mortgages. During late 2007 the Group closed Welcome Mortgages because, as a result of issues affecting the global credit market, external mortgage lenders were unable to provide the products required by Welcome Finance's customers.

- *Shopacheck*

The Group also operates in the weekly home collected credit market, under the brand of Shopacheck, with an agency force of approximately 1,500 part time, self-employed agents who are remunerated by commission, primarily based upon the amount of collections made. A typical agent will call on around 150 households, collecting up to £2,200 per week.

A typical loan will be for an amount averaging around £250, repayable weekly over a short period, generally between 30 to 50 weeks. Whilst the stated APR on such transactions may appear high (up to several hundred per cent.) the calculation of an APR for a loan of such short duration, which needs to cover the cost of loan origination, loan collection, administration and payment defaults within the total charge for credit, provides for a less than meaningful comparison with other forms of credit. Once the loan has been issued, no further charges are added, regardless of the subsequent payment performance.

The weekly home collected credit market is characterised by personal interaction between a large agency force and a wide customer base taking place primarily at the customer's home. The majority of customers are categorised within the D and E socio-economic groupings. In general terms, they are likely to have only limited access to traditional bank financing and little, poor or no credit history which potentially makes them unsuitable for mainstream credit.

The credit granting process for weekly home collected credit is not based on a strict formulaic or credit scoring technique but is part subjective, using past experience, customer records, local management and agents' knowledge, together with tiered credit underwriting limits. The control of credit is further protected by initially lending small amounts (typically £100) to any one customer and extending further credit only as a favourable track record emerges.

In December 2004, the Competition Commission began an inquiry into competition in the home-collected credit sector, following reference by the OFT. Cattles made a submission to and cooperated fully with the Competition Commission as part of this inquiry. The Competition Commission published its final report in November 2006. The report identified several features of the market that gave rise to an adverse effect on competition, and set out a package of remedies to address this. Those remedies include: data sharing between lenders on customers' payment records, publication of prices on websites, a recommendation to the DTI (now part of BERR) that it ensures that certain information is included in consumer statements, and requirements that all home credit lenders provide an "early settlement credit" which is as generous as those based on the formula set out in the Consumer Credit (Early Settlement) Regulations 2004 and, when calculating the minimum rebate, do not defer the settlement date beyond 13 days or use actual repayments rather than contractual repayments as the basis for their calculations. Cattles is part way through implementing the Competition Commission's recommendations in accordance with the published timetable. The impact of the remedies is not material to the business with the annual impact on group profits estimated not to be in excess of £1 million.

The Lewis Group

Cattles acquired Lewis in September 1997. Lewis is now one of the UK's largest consumer debt collectors, with over 250 employees and approximately 1,000 self-employed collection agents.

It was envisaged at the time Lewis was acquired that its prime function would be to benefit Welcome Financial Services by more effectively and efficiently managing and collecting default debt occurring in its receivables portfolio. It would also continue to provide a full debt recovery service for external clients.

Benefits have been realised by Welcome Financial Services in the handling of default debt and Lewis has been particularly successful in growing its third party customer base. It continues to provide a commission based consumer credit debt collection service to third party credit providers such as banks, credit card providers and retailers. Lewis also provides a range of ancillary services including tracing and the collection of fines and penalties on behalf of public bodies.

The financial support of Cattles has placed Lewis in a stronger position in the market to acquire portfolios of default debt. With its significant database and experience of achievable recovery levels, it is able to tender for bulk debt and be in a position to collect out profitably on the debt acquired. Around £70 million has been spent on acquiring such debt portfolios in each of the last two years.

The majority of Lewis's activities are administered from Cleckheaton in West Yorkshire with smaller sub-offices in Glasgow and Belfast. Lewis is organised to ensure that a debt recovery service can be provided nationwide.

Cattles Invoice Finance

Cattles Invoice Finance provides invoice factoring services to small and medium-sized businesses.

Cattles Invoice Finance has full recourse to the client. Cattles Invoice Finance provides a draw down facility to the client of up to 80 per cent. of the value of a client's approved invoices, with the balance (less administration and finance charges) becoming available to the client when full payment for the approved invoices is received from the client's customers.

Cattles Invoice Finance's average client sales size is around £1.4 million per annum. There is a varied selection of business and industry types within the client portfolio, which is spread throughout the UK.

4. Organisational structure

Cattles is the parent company of the Group. A list of Cattles' principal subsidiaries, including their name, country of incorporation and proportion of ownership interest, is set out in paragraph 4 of Part 11 of this document.

5. Strategy

Cattles' strategy is to enhance shareholder value through disciplined lending growth taking full account of customers' ability to repay, maintaining robust credit quality and a consistent funding strategy and improving operational and financial efficiency. While some lenders are withdrawing from Cattles' markets, the Group is continuing to focus on customer service and increasing its investment in the Group's branch network, IT and other infrastructure and in its employees.

PART 5

SELECTED FINANCIAL INFORMATION ON CATTLES

The selected financial information set out in sections 1 and 3 of this Part 5 has been extracted without adjustment from the audited consolidated financial statements of Cattles for each of the years ended 31 December 2005, 2006 and 2007 which are incorporated by reference into this document as set out in Part 9.

IAS 8 “Accounting policies, changes in accounting estimates and errors” requires entities to change accounting policies if the change results in the financial statements providing reliable and more relevant information about the entity’s financial position or performance. In accordance with IAS 8, the Directors of Cattles have changed the presentation of Cattles’ income statement in its audited 2007 financial results (including restating the 2006 comparative income statement to the 2007 format). Cattles will continue to use this presentation going forward. The nature of the restatement is to provide additional detail on the face of the income statement and to provide readers of Cattles’ financial statements with greater ability to compare with those of other financial institutions, in particular those of banks.

The selected financial information set out in section 2 of this Part 5 is presented on the basis of the accounting policies of Cattles as applied in its 2007 audited financial statements and the 2006 unaudited restated comparatives. As the accounting policies applied in the 2005 audited financial statements are different than those applied for the 2007 financial statements (and 2006 comparatives), the 2005 selected financial information is also presented, for illustrative purposes only, in accordance with the 2007 accounting policies in order to provide a meaningful comparative to 2006 and 2007.

The selected financial information set out in section 2 of this Part 5 that is identified as unaudited has been extracted from Cattles’ accounting records. All other financial information in this section has been extracted without adjustment from the audited consolidated financial statements of Cattles for each of the years ended 31 December 2005, 2006 and 2007 which are incorporated by reference into this document as set out in Part 9.

The changes in the revised presentation adopted in respect of the audited 2007 financial statements compared to the presentation used in the 2006 and 2005 financial statements are that (i) Revenue has been divided into Interest income, Fee and related income, Revenue from sale of goods and Other operating income, with Total income being shown after Interest expense, (ii) Finance costs are now described as Interest expense, (iii) The heading Other cost of sales has been replaced. The cost for the Purchase of goods and the Loan loss charge, previously included in this heading, are now shown separately. Other items previously included in this heading are included with Other operating expenses and (iv) Administrative expenses have been split into either Staff costs or Other operating expenses.

1. *Income statement*

Cattles’ income statement included in the financial statements for the years ended 31 December 2005 and 31 December 2006 is summarised as follows:

	<i>2005</i>	<i>2006</i>
	<i>£m</i>	<i>£m</i>
Revenue	705.2	717.2
Finance costs	(88.3)	(97.6)
Other cost of sales	(289.7)	(274.3)
	<hr/>	<hr/>
Gross profit	327.2	345.3
Administrative expenses	(212.1)	(213.1)
	<hr/>	<hr/>
Profit before taxation	115.1	132.2
Taxation	(34.6)	(40.4)
	<hr/>	<hr/>
Profit for the year attributable to equity holders of the parent	80.5	91.8
	<hr/>	<hr/>
Earnings per share		
– Basic	24.56p	28.01p
– Diluted	24.52p	27.98p

2. Revised presentation of the income statement

Cattles' income statement (presented on the basis of the accounting policies applied in the 2007 financial statements) for the years ended 31 December 2005, 2006 and 2007 is summarised as follows:

	2005 £m	2006 £m	2007 £m
Interest income	519.2	529.9	700.0
Interest expense	(88.3)	(97.6)	(132.6)
Net interest income	430.9	432.3	567.4
Fee and related income	99.4 ¹	103.9 ¹	125.9
Revenue from sale of goods	51.4	66.9	110.5
Other operating income	35.2 ¹	16.5 ¹	18.4
Total income	616.9	619.6	822.2
Purchase of goods	(41.1) ¹	(44.6) ¹	(68.0)
Loan loss charge	(209.4)	(191.4)	(296.9)
Staff costs	(130.7)	(124.8)	(145.3)
Other operating expenses	(120.6) ¹	(126.6) ¹	(146.8)
Profit before taxation	115.1	132.2	165.2
Taxation	(34.6)	(40.4)	(50.5)
Profit for the year attributable to equity holders of the parent	80.5	91.8	114.7
Earnings per share			
– Basic	24.56p	28.01p	32.30p
– Diluted	24.52p	27.98p	32.26p

3. Balance sheet

Cattles' balance sheet included in the audited financial statements for the years ended 31 December 2005, 2006 and 2007 is summarised as follows:

	2005 £m	2006 £m	2007 £m
ASSETS			
Non-current assets			
Goodwill	39.5	39.5	39.5
Other intangible assets	22.4	40.6	57.7
Property, plant and equipment	26.9	23.1	22.5
Loans and receivables	984.5	1,269.3	1,778.5
Trade and other receivables	0.1	—	—
Deferred tax assets	28.5	15.7	11.3
Derivative financial instruments	0.3	7.5	2.7
	<u>1,102.2</u>	<u>1,395.7</u>	<u>1,912.2</u>
Current assets			
Inventories	3.5	7.2	12.6
Loans and receivables	689.2	836.1	1,065.6
Trade and other receivables	34.9	47.9	44.1
Derivative financial instruments	—	0.3	0.6
Cash and cash equivalents	96.1	34.1	49.8
	<u>823.7</u>	<u>925.6</u>	<u>1,172.7</u>
Total assets	<u><u>1,925.9</u></u>	<u><u>2,321.3</u></u>	<u><u>3,084.9</u></u>

¹ Unaudited. All other figures in this table are audited.

	2005 £m	2006 £m	2007 £m
LIABILITIES			
Current liabilities			
Borrowings	(245.7)	(170.8)	(81.2)
Current tax liabilities	(34.1)	(46.7)	(53.4)
Derivative financial instruments	(0.3)	(0.2)	(7.8)
Trade and other payables	(111.6)	(45.8)	(53.9)
Provisions	(2.4)	(0.6)	—
	<u>(394.1)</u>	<u>(264.1)</u>	<u>(196.3)</u>
Non-current liabilities			
Borrowings	(1,111.5)	(1,584.0)	(2,238.1)
Retirement benefit obligation	(34.7)	(23.8)	(14.1)
Derivative financial instruments	(20.2)	(26.4)	(27.4)
Trade and other payables	(3.3)	(4.3)	(11.7)
Provisions	(1.2)	(1.8)	(2.2)
	<u>(1,170.9)</u>	<u>(1,640.3)</u>	<u>(2,293.5)</u>
Total liabilities	<u>(1,565.0)</u>	<u>(1,904.4)</u>	<u>(2,489.8)</u>
Net assets	<u>360.9</u>	<u>416.9</u>	<u>595.1</u>
SHAREHOLDERS' EQUITY			
Share capital	32.9	33.0	36.3
Share premium account	142.0	143.9	269.5
Other reserves	(8.8)	1.1	(5.8)
Retained earnings	194.8	238.9	295.1
Total shareholders' equity	<u>360.9</u>	<u>416.9</u>	<u>595.1</u>

PART 6

OPERATING AND FINANCIAL REVIEW

The operating and financial review contained in this Part 6 includes forward-looking statements based on assumptions about Cattles' future business. Cattles' actual results could differ materially from those contained in these forward-looking statements. The operating and financial review contained in this Part 6 is based on, and should be read together with, Cattles' Financial Statements for each of the three years ended 31 December 2007, 31 December 2006 and 31 December 2005 which are incorporated by reference in this document as provided in Part 9 – "Financial Information in relation to Cattles" together with the selected financial information on Cattles (including the restated 2006 and 2005 selected financial information of Cattles) which is set out in Part 5.

Introduction

Cattles is a consumer finance group specialising in providing consumer credit to customers in the UK with non-standard credit profiles. Cattles also provides working capital finance for small and medium sized businesses and debt recovery services to external clients and to Welcome Financial Services.

The Group has three operating divisions.

Welcome Financial Services: provides personal loans, hire purchase for cars and second charge secured loans. It serves more than 500,000 customers with direct repayment loans from 183 branches across the UK and 266,000 customers with short-term home collected loans from a network of 52 branches.

Lewis: provides debt recovery and investigation services both to external clients and to Welcome Financial Services. It also purchases non-performing debt from third parties.

Cattles Invoice Finance: provides working capital finance to small and medium sized businesses and operates through six regional offices in England and Scotland.

Presentation of financial information

As explained fully in Part 5 above, Cattles has changed the presentation of its income statement in its consolidated audited financial results for the year ended 31 December 2007. It will continue to use this presentation going forward.

The changes in the revised presentation compared to the presentation used in the 2006 and 2005 financial statements are that (i) Revenue has been divided into Interest income, Fee and related income, Revenue from sale of goods and Other operating income, with Total income being shown after Interest expense, (ii) Finance costs are now described as Interest expense, (iii) The heading Other cost of sales has been replaced. The cost for the Purchase of goods and the Loan loss charge, previously included in this heading, are now shown separately. Other items previously included in this heading are included with Other operating expenses and (iv) Administrative expenses have been split into either Staff costs or Other operating expenses. The Operating and Financial Review set out in this Part 6 is based upon the Financial Statements of Cattles for the years ended 31 December 2007, 31 December 2006 and 31 December 2005 which are incorporated by reference into this Prospectus as set out in Part 9. Further analysis is provided with respect to the revised presentation of the Group's income statement for the year ended 31 December 2006 and 31 December 2005 as set out in Part 5.

Factors affecting Cattles' results of operations

- Credit quality of borrowers: an essential element of Cattles' consumer lending strategy and risk management is the goal of maintaining stable credit quality. Cattles' long established target has been to maintain direct repayment arrears at 8-10 per cent. of receivables, and it has consistently operated at or slightly below this level for many years. The principal method for so doing is a bespoke credit scoring and underwriting process, supported by the close relationships that local community branches maintain with customers so as to provide timely assistance to those who experience difficulties. In July 2004 improved credit scorecards and other enhancements to customer selection technology and arrears management techniques were introduced. The combined effect of these was to bring arrears below the target range. As at 31 December 2007 the level was 7.0 per cent. (2006: 7.4 per cent.).

- General economic conditions and trends: during times of economic growth, customers are more likely to take out loans and meet their repayment obligations under those loans. Whilst a general economic downturn in the UK may result in a greater level of repayment arrears, Cattles believes that the credit scoring and other systems that it utilises and which are described above should help to minimise the impact of any such general downturn on its profitability.
- Ability to raise equity and debt financing: Cattles' funding covenant permits borrowings of up to six times the value of its shareholders' funds. Growth in lending therefore depends upon the ability of the Group to fund such lending through an increase in shareholders' funds, for example by way of share placings (such as that carried out in the first quarter of 2007) or the Rights Issue, as well as consequent increased borrowings.

Significant accounting policies

Revenue recognition

Revenue comprises the fair value receivable for the sale of goods and services, net of value added tax, and is recognised as follows:

- **Interest income**

Interest income is recognised in the income statement for all financial assets measured at amortised cost using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period. The EIR is the rate that exactly discounts estimated future cash flows through the expected life, or contractual term if shorter, of the financial asset to the net carrying amount of the financial asset. When calculating the EIR, the Group estimates cash flows considering all contractual terms of the financial instruments, such as early settlement options, but does not include an expectation for future credit losses. The calculation includes all fees charged to customers, such as acceptance or similar fees, and direct and incremental transaction costs, such as broker commissions and certain agents' remuneration. All income relating to payment protection insurance is regarded as being part of the Group's economic return on the loans, hence the commission element is a constituent part of the EIR and is included within interest income.

Renegotiated loans refers to circumstances under which an existing Welcome Finance or Shopacheck loan agreement has been formally rewritten. The rewrite of an agreement can only occur where the customer has demonstrated a willingness to pay but their circumstances have sufficiently changed from the time at which the loan was originally issued. The debt is rescheduled to an affordable payment, albeit still at a commercial rate, under a new rewritten agreement. Interest income on rewritten loans is recognised in the same way as non-rewritten loans using the effective interest method. The unamortised fees and costs relating to the first agreement continue to be recognised over the original contractual term.

In respect of purchased debt, the EIR calculation is based on an estimate of expected collections from the debt and takes account of any initial costs, such as court fees.

Amounts due from lessees under finance leases and hire purchase contracts are recorded as receivables at the amount of the group's net investment in the lease. Finance income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment (before tax) outstanding in respect of the lease.

Interest income continues to be recognised at the EIR once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, irrespective of the terms of the loan and whether interest has been suspended on the customer's account. This is referred to as the 'gross-up adjustment' to income and is offset by a corresponding 'gross-up adjustment' to the loan loss charge (refer to the accounting policy entitled 'Impairment of loans and receivables').

- **Fee and related income**

Welcome Finance offers payment protection and other insurance products, such as health, life and mechanical breakdown insurance, to its customers for which a commission is received from third party insurers.

As set out in the accounting policy above entitled 'Interest income', commission received in relation to the sale of payment protection insurance is included as part of the EIR of the associated loans. Commission received for the brokering of the sale of other insurance products, for which the Group

does not bear any underlying insurance risk, is recognised and credited to the income statement when the brokerage service has been provided.

Income from insurance profit share arrangements with the insurer is recognised on an effective interest method in respect of payment protection insurance and is recognised in line with the incidence of risk in respect of other insurance products.

- **Revenue from sale of goods**

Revenue from the sale of goods, principally vehicles, is recognised when the Group entity has delivered the product to the customer, the customer has accepted the product and collectability of the related receivable is reasonably assured.

- **Other operating income**

Other operating income primarily comprises commissions charged to clients from the collection of debts and commissions charged to third party lenders for the introduction of new customers. These commissions are credited to the income statement when the collection or brokerage services have been provided.

Impairment of loans and receivables

In respect of loans and receivables, including receivables under hire purchase contracts, the Group assesses on an ongoing basis whether there is objective evidence that a loan asset or a group of loan assets is impaired. A loan asset or a group of loan assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and the loss event has an impact on the estimated future cash flows of the loan asset or group of loan assets that can be reliably estimated. The Group first assesses whether objective evidence of impairment exists individually for loan assets that are individually significant, and either individually or collectively for loan assets that are not individually significant.

Welcome Financial Services determines that there is objective evidence of an impairment loss at the point at which they are not prepared to offer any further credit to a customer who has got into serious repayment difficulties. In Welcome Finance this is assessed by reference to the number of days an account is contractually in arrears. When an account has reached 120 days in arrears, there is an acceptance that the original contractual relationship has broken down. At this stage specialist account managers in Local Collection Units seek to establish a different working relationship with the customer, focusing instead on recovering part payments over a rescheduled repayment plan. At this point, interest on the account is suspended and no longer added to the outstanding balance. In Shopacheck, the point at which no further credit will be offered is assessed by reference to the value of contractual payments made in the preceding 13-week period. When an account has paid less than 50% of the contractually agreed amount over the previous 13 weeks it is considered impaired.

Cattles Invoice Finance determines that there is objective evidence of an impairment loss as part of a process termed "collect out". This process commences should a client have served notice that they wish to end their facility or when management became aware that the client is encountering trading difficulties. At this point the client's facilities are withdrawn, no further funds are made available and client managers begin the process of recovering the outstanding balance. Where, based upon an individual assessment of each client in collect out, it is apparent that there are no further routes to recovery and that as a consequence funds will not be recovered in full, a provision is made which is equivalent to the expected shortfall.

If there is objective evidence that an impairment loss has occurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, excluding future credit losses that have not been incurred, discounted at the loan asset's original EIR. The carrying amount of the asset is reduced through the use of a loan loss provision. The amount of the loss is recognised in the income statement as a loan loss charge, except in the case of purchased debt, where any impairment adjustment is taken to interest income.

For the purposes of a collective evaluation of impairment, loan assets are grouped on the basis of similar credit risk characteristics. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated. Future cash flows for a group of loan assets that are collectively evaluated for impairment are estimated on the basis of the contractual

cash flows of the assets and historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

Where interest income continues to be recognised on impaired loans, which cannot be collected from the customer due to the interest being fixed at the outset or interest having been suspended on the customer's account, referred to as the 'gross-up adjustment' to income, a corresponding loan loss charge is made. This is referred to as the 'gross-up adjustment' to the loan loss charge (refer to the revenue recognition accounting policy entitled 'Interest income').

Loans and receivables (and the related loan loss provision) are normally written off when there is no realistic prospect of recovery of these amounts.

Results of operations for the years ended 31 December 2007 and 31 December 2006

Group

During the period, interest income increased by 32.1 per cent. to £700.0 million (2006: £529.9 million) while Net interest income increased by 31.2 per cent. to £567.4 million (2006: £432.3 million) reflecting the buoyant demand for the Group's products.

Total income increased by 32.7 per cent. to £822.2 million (2006: £619.6 million) reflecting the increase in Net interest income as well as increases in Fee and related income of 21.2 per cent. to £125.9 million (2006: £103.9 million), in Revenue from sale of goods of 65.2 per cent. to £110.5 million (2006: £66.9 million) and in Other operating income of 11.1 per cent. to £18.4 million (2006: £16.5 million) all as a result of the continued strong demand for the Group's products.

Profit before taxation increased 24.9 per cent. to £165.2 million (2006: £132.2 million) which was underpinned by strong income growth, robust credit quality and efficiency improvements with the cost income ratio falling to 31.4 per cent. (2006: 35.5 per cent). Profit after taxation increased by 24.9 per cent. to £114.7 million (2006: £91.8 million).

Welcome Financial Services

Welcome Financial Services' pre-tax profit rose 21.0 per cent. to £164.8 million (2006: £136.1 million). This growth was achieved through income and receivables growth and robust management of credit quality.

Welcome Finance

The number of Welcome Finance's customers increased by 105,000 to 514,000 over the year – representing growth of 25.7 per cent. compared with 14.2 per cent. in 2006. The number of new agreements written during 2007 increased by 65,000 to 208,000 (2006: 143,000). Welcome Finance's loan volumes grew by 42.5 per cent. in the year overall to £1.4 billion (2006: £988.3 million).

Welcome Finance also achieved a further reduction in the number of customers settling their agreements early during the year. These fell by 1,000 to 34,000 (2006: 35,000), reducing the early settlement ratio to 8.3 per cent. (2006: 9.8 per cent.).

The overall average advance to new Welcome Finance customers during the year remained broadly consistent at £3,900 (2006: £3,800). Unsecured personal loans increased on average to around £2,100 (2006: £1,900), while secured loans increased slightly to around £9,300 (2006: £8,700). Hire purchase loans for second-hand cars increased to around £6,000 (2006: £5,700); this reflects continuing improvement in the quality of vehicles financed, particularly those introduced by the Welcome Car Finance business and some larger national car retailers who have joined our distribution network.

Welcome Finance loans and receivables increased by 37.9 per cent. to £2.5 billion (2006: £1.8 billion), after allowance for loan loss provisions. There has been no significant change in customers' average outstanding balances during the year, which stood at around £5,500 at the year end (2006: £5,200).

The loan loss ratio increased to 8.6 per cent. (2006: 7.4 per cent.) of closing net receivables. Although higher, this was within the target range of 8-9 per cent. and reflected the changing mix in the loan book, as the proportion of unsecured personal loans was increased. These deliver a slightly higher margin, partially offset by an increase in the default rate.

At the year end, instalment arrears levels improved to 7.0 per cent. (2006: 7.4 per cent.) of loans and receivables, still just outside the target range of 8-10 per cent. Welcome Finance consistently operated

within this range until 2004, when improved credit scorecards, enhanced customer selection technology and better arrears management techniques brought arrears below the target range. Since then Cattles has been aiming to bring arrears gradually back within the target range.

Unsecured personal loans

Many mainstream lenders tightened their underwriting criteria during the year, and some left the unsecured personal loans market altogether, as they continued to experience deteriorating credit quality. This led to shrinkage in the market for the second year running – down 19.5 per cent. in 2007, according to the Finance & Leasing Association (FLA). However, Welcome Finance was able to take full advantage of its extensive experience in the non-standard consumer finance sector, supported by new customer selection systems and bespoke credit scorecards: applications rose sharply, enabling Welcome Finance to lift loan volumes by 56.7 per cent. to £559 million (2006: £357 million) without relaxing credit criteria.

Hire purchase

In hire purchase, too, Welcome Finance's extensive experience and long-term commitment to the market enabled it to grow as the market remained flat overall. Cattles grew its volumes by 41.5 per cent. to £416 million (2006: £294 million). This strong performance reflected the continuing success of the hire purchase field sales team, supported by the Hull Customer Sales and Service Centre, in building a national distribution network of external introducers for used car finance.

Welcome Finance's own second-hand car retailer, Welcome Car Finance, remains the division's largest introducer of hire purchase customers. It increased its total unit sales for the year by 53.0 per cent. to 13,763 (2006: 8,993) despite the overall UK second-hand car market remaining flat. Key factors in its performance were strong management focus, close working relationships with Welcome Finance colleagues, and a substantial marketing campaign with advertising on radio, TV, press, online and direct mail. It opened a 12th site, at Luton, during the year.

Secured loans

Welcome Finance grew its secured lending volumes by 28.5% to £434.0 million (2006: £337.8 million) during 2007, an outstanding performance in a UK market which, according to FLA figures, experienced a supply led overall reduction of 5.2% in 2007. The business has maintained its strategy of not offering large balance, low rate second charge secured loans, as these do not meet its risk profile.

Welcome Finance does not write first charge mortgages. Its second charge secured loans are underwritten on the same basis as an unsecured loan and the focus is on assessing and verifying a customer's ability to repay rather than the equity in their property. In Welcome Finance's experience however registering a legal charge on the customer's property leads to the customer placing a higher priority on meeting their loan repayments.

Shopacheck

Shopacheck customer numbers and receivables were slightly lower as Cattles continued to disengage from uneconomic sectors of the home collected credit market. Total advances fell by 2.4 per cent. to £118.8 million (2006: £121.7 million). Revenue (excluding gross-up adjustment) decreased by £5.1 million to £80.0 million and the loan loss charge increased by £0.4 million to £22.3 million. At the year end, home collected credit receivables amounted to £101.3 million (2006: £113.8 million), representing 4 per cent. (2006: 6 per cent.) of Welcome Financial Services's total receivables. During 2007 total customers reduced to 266,000 (2006: 307,000) and the average customer balance was £471 (2006: £466).

The Lewis Group

Profit before tax more than doubled to £10.2 million (2006: £4.9 million), reflecting the large increase in investment in purchased debt portfolios over the past two years. Debt purchases during 2007 totalled £74 million (2006: £69 million), making Lewis one of the top players in the UK purchased debt market.

Receivables, comprising purchased debt portfolios, grew 46 per cent. during the year to £132.9 million (2006: £91.0 million). Commission-based activity generated income of £7.2 million (2006: £6.6 million) – of which around 80 per cent. related to third parties and the remainder to Welcome Financial Services.

In September 2007, Lewis acquired a substantial portfolio of UK credit card, loan and overdraft receivables for approximately £25 million. This transaction involved about 32,000 individual accounts. It supplements the large portfolio acquired in December 2006, which has performed well and will continue to provide a weekly flow of smaller tranches of debt until at least the middle of 2009.

Cattles Invoice Finance

CIF increased its client base by 11.4 per cent. to 725 during 2007 (2006: 651) and its net receivables by 23.9 per cent. to £99.4 million (2006: £80.2 million). As a consequence, CIF delivered double-digit income growth of 15.6% to £16.9 million (2006: £14.6 million) and improved its net interest margin to 4.3% (2006: 4.0%).

This strong income growth did not translate into CIF's pre-tax profit of £2.5 million (2006: £2.7 million¹) largely as a result of the quantum of provisions taken on three specific accounts. The loan loss charge increased to £2.5 million (2006: £1.0 million) and its loan loss ratio rose to 2.2% (2006: 1.2%).

Results of operations for the years ended 31 December 2006 and 31 December 2005

Group

Interest income increased by 2.1 per cent. to £529.9 million (2005: £519.2 million) while Net interest income only increased by 0.3 per cent. to £432.3 million (2005: £430.9 million) reflecting strong growth in direct repayment receivables offset by reductions in other businesses in the division.

Profit before taxation increased 14.9 per cent. to £132.2 million (2005: £115.1 million) reflecting strong growth in receivables – up 25.8 per cent. and Welcome Finance volumes – up 20.2 per cent., stable instalment arrears at 7.4 per cent. (2005: 7.6 per cent.) and continued control of costs. Profit after taxation increased by 14.1 per cent. to £91.8 million (2005: £80.5 million).

Welcome Financial Services

Welcome Financial Services' pre-tax profit increased by 15.5 per cent. during 2006 to £136.1 million (2005: £117.9 million). This was achieved through a combination of controlled volume and receivables growth and careful management of credit quality.

Welcome Finance generated strong growth in its customer numbers during 2006, which had increased by 51,000 to 409,000 customers by 31 December 2006. This represents growth of 14.2 per cent. in customer numbers during 2006, compared with 6.2 per cent. in the previous year.

The number of new agreements written during 2006 increased by 32,000 to 143,000 (2005: 111,000). Welcome Finance also achieved a substantial reduction in the number of customers settling their agreements early during the year, which fell by 10,000 to 35,000 customers (2005: 45,000), reducing the early settlement ratio to 9.8 per cent. (2005: 13 per cent.).

The overall average advance to new Welcome Finance customers during 2006 increased by £500 to £3,800. Small unsecured personal loans increased to around £1,900 (2005: £1,500), with secured loans reducing slightly to around £8,700 (2005: £9,000).

Welcome Finance loans and receivables, after allowance for loan loss provisions, increased by £381 million to £1.8 billion (2005: £1.4 billion), an increase of 26.5 per cent. There was no significant change in customers' average outstanding balances during the year, which remained at around £5,200 at 31 December 2006.

The loan loss ratio improved to 7.4 per cent. (2005: 8.9 per cent.) of closing net receivables. This success reflected the group's significant investment in customer selection processes over several years and the continuing customer relationships maintained by our local branch staff.

At 31 December 2006, instalment arrears levels were 7.4 per cent. (2005: 7.6 per cent.) of loans and receivables, slightly below the target range of 8-10 per cent. Welcome Finance consistently operated within this range until 2004, when the introduction of improved credit scorecards, together with enhancements to our customer selection technology and arrears management techniques, brought arrears below the target range.

¹ Net of prior year disposal profit of £0.8 million.

Unsecured personal loans

Many mainstream lenders tightened their underwriting criteria during 2006 as they continued to experience deteriorating credit quality. This led to a 9.1 per cent. reduction for the unsecured personal lending market in the UK as a whole, as reported by the FLA.

Welcome Finance's experience in the non-standard finance sector, together with the benefits being realised from investment in new customer selection systems and bespoke credit scorecards, resulted in a significant increase in the number of customer applications being received by the business and enabled it to increase substantially its unsecured loan volumes by 33.8 per cent. during the year to £357 million (2005: £267 million).

Hire purchase

Building on previous experience and long-term commitment to the hire purchase sector, volumes continued to grow strongly throughout the year, increasing by 39.7 per cent. to £294 million (2005: £210 million).

This was a strong performance in a UK market which, according to FLA figures, experienced an overall reduction of around 10 per cent. during 2006. It reflects the success of Welcome Finance's hire purchase field sales team, supported by the Hull Customer Sales and Service Centre, in building a national distribution network of external introducers for used car finance.

Welcome Car Finance was the division's largest introducer of hire purchase customers. Operating from 11 sites across the UK, Welcome Car Finance increased its sales of used cars by 24.7 per cent. during the year to 8,993 (2005: 7,209).

Secured loans

Second charge secured lending in the UK reached an all-time high during 2006, rising at an annual rate of 16.9 per cent., as reported by the FLA. This increase reflected many providers preferring to make secured loans, after incurring higher bad debts from unsecured lending.

In this environment, interest rates available to higher credit quality customers with equity in their properties fell and commissions payable to brokers for introducing such business increased. Conversely, Welcome Finance maintained the strategy of not offering large balance, low rate second mortgage products, which do not meet its risk profile. However, as a consequence of improved performance in the second half of 2006, secured lending volumes, which at June 2006 were down 19.3 per cent. on 2005, finished the year 2.1 per cent. down at £338 million (2005: £345 million).

Although Welcome Financial Services did not offer first mortgage loan products, Welcome Mortgages introduced existing customers requiring such products to third party lenders, on a commission basis. New business placed by Welcome Mortgages in 2006 amounted to approximately £100 million.

Shopcheck

Cattles' disengagement from uneconomic sectors of this market continued during 2006 and total advances made to home collected customers fell by 8.5 per cent. to £121.7 million (2005: £133.0 million). Revenue also decreased by £12.1 million to £85.2 million and the home collected loan loss charge reduced by £7.2 million to £21.9 million. At 31 December 2006, home collected credit receivables amounted to £114 million (2005: £123 million), representing 6 per cent. (2005: 8 per cent.) of Welcome Financial Services's total receivables.

Welcome Financial Services had 307,000 (2005: 308,000) home collected credit customers at 31 December 2006, which included around 15,000 customers transferred from Lewis, following the acquisition of certain debt portfolios in the year. The average customer balance at 31 December 2006 was £466 (2005: £521).

The Lewis Group

Lewis increased its profit before tax by 76.8 per cent. to £4.9 million (2005: £2.8 million).

Receivables, comprising purchased debt portfolios, more than doubled during the year to £91 million (2005: £44 million). Debt purchases during 2006 totalled £69 million (2005: £32 million), making Lewis one of the top three players in the UK purchased debt market. Improved collections performance during 2006 resulted in a positive revaluation of £1.7 million in Lewis' purchased debt portfolios at 31 December 2006.

Commission based activity during 2006 remained little changed from the previous year, generating income of £6.6 million (2005: £6.4 million) – of which 80 per cent. related to third parties and the remainder to Welcome Financial Services.

In July 2006, Lewis acquired an unsecured debt portfolio of £52.2 million from a third party credit provider, for a consideration of £8.0 million. A portfolio of UK credit card debt receivables was also acquired in December 2006 under an agreement which provides Lewis with a ‘forward flow’ of smaller tranches of debt during the next three years. The total debt portfolio investment under this agreement will be approximately £65 million.

Cattles Invoice Finance

Cattles Invoice Finance increased its customer base during the year to 651 (2005: 619), an increase of 5.2 per cent. and net receivables grew by 21.1 per cent. to £80.2 million (2005: £66.2 million), with a loan loss ratio of 1.2 per cent. (2005: 0.5 per cent.).

Cattles Invoice Finance made pre-tax profits of £2.7 million² in 2006 (2005: £4.3 million). One of its six offices was adversely impacted by a competitor seeking to gain market share at prices considered to be uneconomic. Each of its other five offices performed strongly during 2006, delivering increased profits over the previous year.

Capital Resources

The table below summarises Cattles’ cash flows for the three years ended 31 December 2005, 2006 and 2007:

	<i>2005</i>	<i>2006</i>	<i>2007</i>
	<i>£m</i>	<i>£m</i>	<i>£m</i>
Cash outflow from operations	(103.7)	(376.2)	(537.4)
Tax paid	(22.1)	(20.8)	(37.6)
Net cash outflow from operating activities	(125.8)	(397.0)	(575.0)
Net cash inflow/(outflow) from investing activities	58.9	(22.3)	(22.4)
Net cash inflow from financing activities	73.3	351.8	611.1
Net increase/(decrease) in cash and cash equivalents	6.4	(67.5)	13.7
Cash and cash equivalents at end of period	89.6	22.1	35.8

Cash outflow from operations

The cash outflow from operations reflects the growth achieved in Cattles’ loans and receivables book. Excluding the growth in the loans and receivables book, it has generated cash inflows from operations in the three years ended 31 December 2005, 2006 and 2007 as shown below:

	<i>2005</i>	<i>2006</i>	<i>2007</i>
	<i>£m</i>	<i>£m</i>	<i>£m</i>
Cash outflow from operations	(103.7)	(376.2)	(537.4)
Increase in loans and receivables	255.7	431.6	738.7
Cash inflow from operations before increase in loans and receivables	152.0	55.4	201.3

Net cash inflow from financing activities

The net cash inflow from financing activities in the year ended 31 December 2007 primarily related to new share capital of £133.2 million, new borrowings of £679.0 million, less repayment of borrowings of £131.5 million and dividends paid to shareholders of £65.3 million.

The net cash inflow from financing activities in the year ended 31 December 2006 primarily related to new borrowings of £408.1 million, less repayment of borrowings of £4.9 million and dividends paid to shareholders of £53.4 million.

The net cash inflow from financing activities in the year ended 31 December 2005 primarily related to new borrowings of £127.0 million, less repayment of borrowings of £5.2 million and dividends paid to shareholders of £47.5 million.

² Net of disposal profit of £0.8 million (2005: £0.4 million).

Borrowings

Funding and treasury policies and objectives

The Group uses the bank, public bond and private placement markets, as well as its operating cash flows, as its principal sources of funding. Total borrowings increased by £564.5 million during 2007 to £2.3 billion at 31 December 2007 (2006: £1.8 billion), of which £0.1 billion was due within one year (2006: £0.2 billion).

The Group has in place a risk management programme that seeks to limit adverse effects on its financial performance by using financial instruments, such as interest rate and cross-currency swaps to fix interest rates. The Group's standard policy is to swap out all currency risk to avoid exposure to exchange rate movements. The Group's fixed rate funding totalled £985.5 million at 31 December 2007 (2006: £703.8 million). As at 31 December 2007 around 85 per cent. of the Group's borrowings were protected against future interest rate volatility, either through fixed rate borrowing or by using interest rate swaps.

The Group maintains a mixture of long-term and short-term committed facilities that are designed to ensure that the Group has sufficient available funds for current operations and planned growth. The Group had bank facilities of £1.5 billion at 31 December 2007 (2006: £1.4 billion) and unutilised headroom within those facilities of £226 million (2006: £349 million). In addition, on 17 April 2008, the Group entered into a new £350 million loan facilities agreement with, *inter alia*, The Royal Bank of Scotland plc as mandated lead arranger and as facility agent. These loan facilities have been arranged and underwritten by The Royal Bank of Scotland plc and will be syndicated to a group of lenders.

At 21 April 2008 (being the latest practicable date prior to the date of this prospectus), Cattles' borrowings amounted to £2.5 billion. This consisted primarily of:

	<i>Interest rate</i>	<i>Maturity date</i>	<i>Available</i>	<i>Drawn down</i>
			<i>£m</i>	<i>£m</i>
Public bonds	6.875 per cent.	January 2014	350	350
	7.125 per cent.	July 2017	400	400
Private bonds	From 5.89 per cent. to 7.8 per cent.	Various dates from December 2008 to February 2021	214	214
Syndicated bank loan	LIBOR + 1.25 per cent.	July 2009	500	500
Syndicated bank loan	LIBOR + 1.0 per cent.	July 2011 ¹	800	800
Bi-lateral bank loan	LIBOR + 1.25 per cent.	July 2011	75	70
Bi-lateral bank loan	LIBOR + 1.25-1.50 per cent.	December 2008	60	60
Syndicated bank loan	LIBOR + 2.25-2.75	Up to April 2013	350	95
Other funding	—	—	23	23
Bank overdraft		On demand	13	
			<u>2,785</u>	<u>2,512</u>

1. £785 million has been extended to July 2012

Certain of the bank loans referred to above include financial covenant provisions. These include requirements to maintain a minimum level of consolidated tangible net worth and interest cover and a limit on permitted gearing (the ratio of borrowings to tangible net worth). The Group is presently operating well within these limits. Gearing at the end of 2007 was 4.6 times (2006: 5.1 times), well within the covenant of six times..

The average maturity of the Group's borrowings at 31 December 2007 was 4.8 years (2006: 4.4 years). This compares to the average maturity of the loans and receivables balances of around 3 years (2006: around 2.5 years).

PART 7

CAPITALISATION AND INDEBTEDNESS

The following table shows the capitalisation of the Group as at 31 December 2007 and the indebtedness of the Group as at 29 February 2008.

	<i>£m</i>
Indebtedness	
Total current debt (note 1)	
Guaranteed	—
Secured	—
Unguaranteed/Unsecured (note 2)	58.6
Total	58.6
Total non-current debt	
Guaranteed	—
Secured	—
Unguaranteed/Unsecured (note 3)	2,394.3
Total	2,394.3
Total indebtedness	2,452.9
Shareholders' Equity	
Share Capital	36.3
Legal Reserve (share premium)	269.5
Other Reserves (excluding profit and loss reserve)	(5.8)
Total capitalisation	300.0
Total capitalisation and indebtedness	2,752.9

There have been no material changes in the Company's capitalisation since 31 December 2007, the date to which this information has been prepared.

The following table sets out the net consolidated financial indebtedness of the Group as at 29 February 2008.

	<i>£m</i>
Net financial indebtedness	
Cash	33.0
Cash equivalents	29.8
Trading securities	—
Liquidity	62.8
Current financial receivable	
Current bank debt	(8.0)
Current portion of non-current debt	(1.4)
Other current finance debt	(49.2)
Current financial debt	(58.6)
Net current financial indebtedness	4.2
Non-current bank loans	(1,476.4)
Bonds issued	(911.9)
Other non-current loans	(6.0)
Non current financial indebtedness	(2,394.3)
Net financial indebtedness	(2,390.1)

Bonds issued includes Bonds of £742.4 million and Private Placings totalling £167.5 million.

Notes:

1	The indebtedness information is unaudited.	
2	The following table analyses total indebtedness:	<i>£m</i>
	Current debt	
	<i>Unsecured bank borrowings and overdrafts</i>	9.4
	<i>Unsecured debenture loans and other borrowings</i>	47.4
	<i>Obligations under finance leases and hire purchase contracts</i>	1.8
		<hr/> 58.6
3	Non-current debt	
	<i>Unsecured bank borrowings and overdrafts</i>	1,476.4
	<i>Unsecured debenture loans and other borrowings</i>	914.1
	<i>Obligations under finance leases and hire purchase contracts</i>	3.8
		<hr/> 2,394.3
	<i>Total indebtedness</i>	<hr/> <hr/> 2,452.9

4 Shareholders' equity does not include the profit and loss account reserve.

5 Contingent liabilities:

Cattles remains as guarantor of a proportion of the leases for properties held and utilised by Homestyle Group plc (formerly Rosebys PLC) entered into when that company was a wholly owned subsidiary undertaking. The maximum liability under these guarantees amounts to £0.5 million at 29 February 2008.

Cattles also has derivative financial instruments not reflected in the analysis above. The fair value of these instruments at 29 February 2008 were £0.4 million included in current assets, £1.4 million included in non-current assets, £7.7 million included in current liabilities and £28.8 million included in non-current liabilities.

PART 8

SUPERVISION AND REGULATION OF CATTLES

Non-standard lending in the UK is under constant regulatory scrutiny. UK regulation and legislation is intended to create a robust and fair lending market and stringent requirements are made on lenders to comply.

1. Consumer Credit Regulation

The provision of credit to individuals in the UK is heavily regulated. The Group's consumer credit operations are regulated under the Consumer Credit Act 1974 (the "CCA"). Various Cattles subsidiaries are licensed under the CCA and are members of trade associations including the Consumer Credit Association of the UK, the Consumer Credit Trade Association and the FLA.

The current regulatory regime for Consumer Credit

Consumer Credit Act 1974

Prior to 6 April 2008, a credit agreement was regulated by the CCA where: (a) the borrower is or includes an "individual", as defined in the CCA; (b) the amount of "credit" as defined in the CCA does not exceed the financial limit, which is £25,000 for credit agreements made on or after 1 May 1998, or lower amounts for credit agreements made before that date; and (c) the credit agreement is not an exempt agreement under the CCA.

Any credit agreement that is wholly or partly regulated by the CCA or treated as such has to comply with requirements under the CCA as to licensing of lenders and brokers, documentation and procedures of credit agreements, and (in so far as applicable) pre-contract disclosure. If it does not comply with those requirements, then to the extent that the credit agreement is regulated by the CCA or treated as such, it is unenforceable against the borrower:

- (a) without an order of the OFT, if the lender or any broker does not hold the required licence at the relevant time; or
- (b) in other cases, without a court order. In exercising its discretion whether to make the order, the court would take into account any prejudice suffered by the borrower and any culpability of the lender.

Under Section 75 of the CCA, in certain circumstances: (a) the lender is liable to the borrower in relation to misrepresentation and breach of contract by a supplier in a transaction financed by the lender, where the related credit agreement is or is treated as entered into under pre-existing arrangements, or in contemplation of future arrangements, between the lender and the supplier; and (b) the lender has a statutory indemnity from the supplier against such liability, subject to any agreement between the lender and the supplier. The borrower may set off the amount of such claim against the lender against the amount owing by the borrower under the loan.

Consumer Credit Act 2006

The Consumer Credit Act 2006 (the "CCA 2006") was passed on 30 March 2006. Provisions of the CCA 2006 have, or will, come into force in stages. In particular, the CCA 2006 amends the CCA by, *inter alia*: (a) changing the definition of a credit agreement regulated by the CCA to that where: (i) the borrower is or includes an individual, save for partnerships of four or more partners; (ii) irrespective of the amount of credit (although the financial limit will remain for certain business-to-business lending); and (iii) the credit agreement is not an exempt agreement; and (b) repealing the previous rule that, to the extent that a credit agreement is regulated by the CCA or treated as such, and is not signed by the borrower or omits or misstates a "prescribed term" it will be totally unenforceable.

The CCA 2006 also amends the CCA by, *inter alia*: (a) strengthening the licensing regime; (b) changing the grounds for challenging a credit agreement, from the narrow test of an "extortionate credit bargain", to the much broader and less certain test of an "unfair relationship" between the lender and the borrower, with retrospective effect in respect of existing agreements; and (c) extending the jurisdiction of the Ombudsman to licence-holders under the CCA.

The Consumer Credit Act 2006 (Commencement No. 1) Order 2006, brought into force: (a) certain provisions of the CCA 2006 enabling the relevant minister to make orders and regulations, and others relating to the jurisdiction of the Ombudsman with effect from 16 June 2006; and (b) certain other

miscellaneous provisions with effect from 1 October 2006. On 6 April 2007 the following provisions (amongst others) were brought into force: (a) the new “unfair relationships” test, and (b) access to the Financial Services Ombudsman Service. The (a) removal of the financial limit applicable to consumer credit agreements; (b) introduction of high-net worth business exemptions; and (c) new licensing system and appeals mechanism, were brought into force on 6 April 2008. The new rules governing the post-contractual information to be provided by lenders will apply from 1 October 2008, as will the provisions relating to new categories of debt administration and credit information services business.

Some of the detail under the CCA 2006 has been added to by secondary legislation and will include (a) the Consumer Credit (Exempt Agreements) Order 2007, and (b) the Consumer Credit (Information Requirements and Duration of Licences and Charges) Regulations 2007, both of which came into force on 6 April 2008.

Office of Fair Trading

The OFT has responsibility for the issue of licences under the CCA and the monitoring of activities of licence-holders. If the OFT considers that a licence-holder is no longer fit to hold his licence, the OFT can commence formal proceedings for the revocation of the licence. In the event that a consumer credit licence is revoked, the former licence-holder will no longer be able to carry on activities licensable under the CCA. The OFT may review businesses and operations, provide guidelines to follow, and take action when necessary with regard to the consumer credit market in the United Kingdom.

EU Consumer Credit Directive

A 1987 Directive on consumer credit established the European Community framework for consumer credit with a view to promoting the setting-up of a common market for credit and establishing minimum European Community rules to protect consumers. Following a review of the legislation, the European Commission concluded that the Directive no longer reflected the current consumer credit market and was in need of revision.

The Commission proposed a new directive on consumer credit in autumn 2002. Following lengthy debate on the scope of the directive, the European Parliament finally adopted at second reading on 16 January 2008 the new directive aiming to stimulate the European market while still protecting consumers. The Council of the European Union approved the European Parliament’s amendments to the directive on 7 April 2008. With the acceptance of the Parliament’s amendments, the legal act is deemed to be adopted.

The new directive aims to harmonise consumer credit contracts in a number of areas, such as standard information to be included in advertising provided to consumers before contracts are signed and when they are concluded, calculations of the total cost of a loan, the right to cancel and the right to pay off a loan early. It will cover consumer loans between €200 and €75,000 which have to be repaid within more than one month. It will only cover credit contracts, not guarantors and other aspects of credit agreement law. The directive will apply only to loan contracts on which interest is paid, and not products such as deferred payment cards (charge cards) or mortgage credit.

The directive will enter into force after its publication in the Official Journal of the European Union. Member States will then have two years from the date of the entry into force for implementing the directive.

Until the details of United Kingdom implementing legislation are published, it is not certain what effect the adoption and implementation of the directive will have on Cattles. No assurance can be given that the finalised directive and the United Kingdom implementing legislation will not adversely affect the business of Cattles. However, Cattles does not anticipate that the new directive will have a significant effect on its business.

In common with other responsible lenders, Cattles fully supports all balanced and proportionate regulatory regimes that are consistently enforced. Cattles continues to contribute to the consultation process at the UK level.

2. Mortgage, banking and general insurance regulation

The sale and distribution of the Group’s mortgages and third party insurance products has been regulated by the FSA since October 2004 and January 2005 respectively. WFS is authorised to conduct mortgage business and insurance intermediation by the FSA.

FSMA requires the FSA to regulate financial services firms to standards set under FSMA and related secondary legislation. The FSA has been granted extensive powers to make rules governing the way in which authorised firms are to carry on business and to investigate and intervene in their affairs.

The FSA's enforcement powers, which may be exercised against both authorised firms and approved persons, include public censure, imposing unlimited fines and, in serious cases, the revocation or variation of permission to carry on regulated activities or of an approved person's approved status. In addition, the FSA is able to apply sanctions for market abuse and has the power to prosecute criminal offences arising under the FSMA, insider dealing under Part V of the Criminal Justice Act 1993 and breaches of money laundering regulations. The FSA's stated policy is to pursue criminal prosecution in all appropriate cases.

The FSA's Conduct of Business Rules apply to every authorised firm carrying on regulated activities and regulate the day-to-day standards to be observed by authorised persons in carrying on regulated activities. These rules also govern the circumstances and manner in which authorised firms may communicate and approve "financial promotions", which are communications in the course of business that constitute invitations or inducements to engage in investment activity.

The FSA regulates and supervises the conduct of the businesses and the management of Welcome Financial Services generally and through the "approved persons" regime, under which the FSA approves persons to perform certain controlled functions within authorised firms.

In addition, all authorised firms are required to comply with the FSA's Principles for Business, which are a general statement of their fundamental obligations and relate to conducting their business with integrity, skill, care and diligence, taking reasonable care to organise and control their affairs responsibly and effectively with adequate risk management systems, maintaining adequate financial resources, observing proper standards of market conduct, paying due regard to the interests of its customers and treating them fairly, paying due regard to the information needs of customers and communicating information to them in a way which is clear, fair and not misleading. Firms are also required to manage conflicts of interest fairly (both between themselves and their customers and between a customer and another client), take reasonable care to ensure the suitability of their advice and discretionary decisions for any customer who is entitled to rely upon their judgement, arrange adequate protection for clients' assets when responsible for them, deal with their regulators in an open and cooperative manner and disclose to the FSA appropriately anything relating to the firm of which the FSA would reasonably expect notice.

The FSA has moved towards a more "Principles-based" approach to regulation in terms of which the FSA is seeking to achieve a regulatory regime that focuses on authorised firms' own responsibilities to ensure compliance with high-level requirements including the Principles for Business, as opposed to dictating to authorised firms' their conduct through numerous detailed requirements where possible. Such approach places an emphasis on achieving desired regulatory outcomes and the role and responsibility of senior management. The FSA has implemented the TCF initiative as part of this approach, which initiative focuses on the obligations of firms in retail financial services markets, including in respect of insurance and regulated mortgage contracts. The key areas of TCF which apply to insurance and mortgage contracts include product design, marketing strategy, developing product literature and training implications, disclosure (which includes an assessment of whether product literature is easily understood) as well as remuneration strategy. The FSA has indicated that where a consumer contract contains an unfair contract term this will be a clear example of a firm not treating its customers fairly.

Under Section 150 of the FSMA, a person is entitled to claim damages for loss suffered as a result of any contravention by an authorised person of an FSA rule. In the case of such contravention by Welcome Financial Services, a person may claim such damages against Welcome Financial Services.

The FSA has significant regulatory flexibility to alter its rules and to provide guidance on existing rules. No assurance can be given that the FSA will not change its rules or guidance or take a particular regulatory approach, which may adversely affect the Group.

Mortgages

On and after 31 October 2004 (the date known as N(M)), most first-charge residential mortgage business in the United Kingdom is regulated by the FSA under the FSMA and brought within the jurisdiction of the Financial Ombudsman Service (the "Ombudsman").

The scope of the statutory regime is set out in the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (SI2001/544) as amended (the "Order"). The Order provides that

the following are regulated activities: (a) entering into a regulated mortgage contract; (b) advising on a regulated mortgage contract; (c) administering a regulated mortgage contract; (d) arranging regulated mortgage contracts (including arranging and advising on variations to such contracts); and (e) agreeing to carry on any of these activities.

A “regulated mortgage contract” is a contract entered into or varied on or after N(M), where, at the time the contract is entered into on or after N(M) (or varied sufficiently to amount to a new contract): (a) the borrower is an individual or trustee; (b) the contract provides for the obligation of the borrower to repay to be secured by a first ranking legal mortgage (or, in Scotland, a first ranking standard security) on land (other than timeshare accommodation) in the United Kingdom; and (c) at least 40 per cent. of that land is used, or is intended to be used, as or in connection with any dwelling by the borrower or (in the case of credit provided to trustees) by an individual who is a beneficiary of the trust, or by a related person.

The main effect of the statutory regime is that each person carrying on a regulated activity must be authorised by and have permission from the FSA to carry on that activity, unless an exemption is available. Generally, each financial promotion relating to a regulated mortgage contract will have to be issued or approved by an authorised person. If requirements as to authorisation and permission of lenders and intermediaries or as to issue and approval of financial promotions are not complied with, the regulated mortgage contract may be unenforceable against the borrower except with the approval of a court with potential compensation payable to the borrower.

Mortgage contracts entered into before N(M) and subsequently varied will not be regulated under these rules. However, mortgage contracts that are entered into before N(M), but are subsequently changed such that a new contract is entered into, and contracts entered into after N(M) (complying with certain conditions as set out earlier) will be regulated mortgage contracts under the FSMA.

Welcome Financial Services is required to hold permission to enter into, administer, arrange and advise on regulated mortgage contracts to the extent it carries out these activities.

The FSA Mortgages and Home Finance: Conduct of Business Sourcebook (the “MCOB”) sets out detailed rules in respect of regulated mortgage activities. These rules cover, *inter alia*, pre-contract, start-of-contract and post-sale disclosures, rules on contract changes, charges, arrears and repossessions, requirements in relation to responsible lending and certain pre-origination matters, such as financial promotions and pre-application illustrations (the “Key Facts Illustration”). MCOB came into force on N(M). The FSA can impose a wide range of sanctions ranging from fines, limitation on business activities and ultimately, withdrawal of the firm’s permission for failure to comply with these rules.

Prudential and authorisation requirements placed on authorised persons in respect of regulated mortgage activities also came into force on N(M), together with rules extending the appointed representatives regime (which previously applied to investment business) to cover mortgages.

To avoid dual regulation, Article 90 of the Order states that regulated mortgage contracts under the FSMA will not be regulated by the CCA. This carve-out only affects regulated mortgage contracts entered into on or after N(M), and contracts made before N(M) but subsequently changed such that a new contract is entered into on or after N(M) and constitutes a regulated mortgage contract. A court order under Section 126 of the CCA will, however, be necessary to enforce a land mortgage or standard security securing a regulated mortgage contract that would otherwise be regulated by the CCA.

In March 2001, the European Commission published a recommendation to member states urging their lenders to subscribe to the code issued by the European Mortgage Federation (the “EMF Code”). On 26 July 2001, the Council of Mortgage Lenders (“CML”) decided to subscribe to the code collectively on behalf of its members. Lenders had until 30 September 2002 to implement the EMF Code, an important element of which is the provision to consumers of a European Standardised Information Sheet (an “ESIS”) similar to the key facts illustration required by the FSA. The CML has informed the European Commission and the European Mortgage Federation that United Kingdom lenders would only be in a position to provide ESIS to consumers with effect from N(M). While compliance with the EMF Code is voluntary, the European Commission is currently considering a directive on mortgage credit.

In July 2005, the European Commission published a Green Paper on mortgage credit launching a consultation lasting until 30 November 2005. The consultation was intended to clarify that loans secured by a land mortgage will be excluded from the abovementioned directive but will be covered

by any initiatives from the Green Paper process and sought views on the integration and harmonisation of the European Mortgage Market. The European Commission has recently published the reports of two expert groups established in April 2006 in order to explore in detail the issues of mortgage funding and consumer protection. These issues had been particularly highlighted as deserving specific attention in the contributions received as a result of the Green Paper. As part of the European Commission's ongoing work in this area it published a White Paper on mortgage credit in December 2007.

Self-regulation under the Mortgage Code

Until 31 October 2004, residential mortgage business in the United Kingdom was self-regulated under the mortgage code (the "Mortgage Code") sponsored by the Council of Mortgage Lenders (the "CML") and policed by the Mortgage Code Compliance Board (the "MCCB"). Membership of the CML and compliance with the Mortgage Code were voluntary. The Mortgage Code set out a minimum standard of good mortgage business practice. Since 30 April 1998, lender-subscribers to the Mortgage Code were not able to accept mortgage business introduced by intermediaries who were not registered with (before 1 November 2000) the Mortgage Code Register of Intermediaries or (on or after 1 November 2000 until 31 October 2004) the MCCB. The Mortgage Code ceased to apply on 31 October 2004 and the MCCB ceased its regulatory operations. However, MCOB includes transitional arrangements which apply in respect of firms which are now authorised for mortgage activities regarding complaints about mortgages sold under the Mortgage Code which arise after 31 October 2004.

Non-Status Lending Guidelines for Lenders and Brokers and Responsible Lending

The Non-Status Lending Guidelines for Lenders and Brokers (the "Guidelines") issued by the OFT in July 1997 and revised in November 1997 apply to all secured loans made to "Non-Status Borrowers", defined for the purposes of the Guidelines as borrowers with a low or impaired credit rating or who might otherwise find it difficult generally to obtain finance from traditional sources on normal terms and conditions.

The Guidelines are not legislation. They set out certain "principles" to be applied in the context of the non-status residential mortgage market that are considered by the OFT to be good business practice for lenders and brokers to adopt in order that their fitness to hold a consumer credit licence is not brought into question.

The Guidelines regulate the activities of lenders and brokers in the non-status secured lending market in areas such as advertising and marketing, loan documentation and contract terms, selling methods, underwriting, dual interest rates, flat interest rates and early redemption payments. The Guidelines are designed to promote transparency in all dealings with borrowers, requiring clear contract terms and conditions to be provided promptly with full explanations of all fees and charges payable by the borrower in connection with the mortgage.

According to the Guidelines, advertising and other promotional material must be clear and not misleading, and the Guidelines prohibit unfair sales tactics.

The relationship between lenders and brokers is also addressed by the Guidelines. Brokers are obliged to disclose at the outset of the transaction their status with regard to the borrower and the lender, together with details of any fee or commission payable to them as broker. Lenders must take all reasonable steps to ensure that brokers and other intermediaries which market their products do not engage in unfair business practices or act unlawfully, that they serve the best interests of the borrowers and explain clearly the documentation and consequences of any breach or early repayment by the borrowers.

The actions of any broker or other intermediary involved in marketing a lender's products can jeopardise the lender's fitness to hold a consumer credit licence, and the Guidelines make clear that lenders must take all reasonable steps to ensure that such brokers and other intermediaries comply with the Guidelines and all relevant statutory requirements. This is so even if the lender has no formal or informal control or influence over the broker.

The Guidelines require that lenders carry on responsible lending, with all underwriting decisions being subject to a proper assessment of the borrower's ability to repay, taking into account all relevant circumstances, such as the purpose of the loan, the borrower's income, outgoings, employment and previous credit history. Lenders must take all reasonable steps to verify the accuracy of information provided by borrowers in respect of or in support of the loan application, and all underwriting staff must be properly trained and supervised.

The Guidelines emphasise prompt notification to borrowers of any changes in the terms and conditions of the mortgage. For example, the lender may not change the borrower's monthly payment date unilaterally unless at least two months' written notice has been given, and the borrower must be given written notice of any increase in interest rates at least fourteen days before the date on which the relevant payment falls due.

Charges payable on any early redemption (in whole or in part) are also dealt with in the Guidelines. Essentially, partial repayments must be permitted and any early repayment charges must do no more than cover the costs reasonably incurred by the lender in processing the payments and cover reasonable losses arising from the prepayment. The Guidelines state that lenders should discontinue the use of the Rule of 78 (a way in which some lenders calculate early repayment charges) in non-status loans unregulated by the CCA on the basis that it can be unfair and oppressive.

The Guidelines also state that inclusion of an annual flat interest rate, in cases where the amount of interest component of the payment made by the borrower on each payment date under the loan is calculated on the basis of the full amount drawn under the loan, rather than the principal amount outstanding from time to time under the loan, should be avoided.

In addition, the Guidelines discourage lenders from charging a higher interest rate on default on the basis that it is unfair and oppressive. Any administrative charges incurred on default must be reasonable, covering the lender's administrative costs only, and must be set out in the documentation.

Arrears must be dealt with sympathetically and positively and monitored closely, with repossession taking place only as a last resort. Additionally, the requisite court proceedings should not be instituted unless all other avenues have failed.

Lenders regulated under the FSMA are subject to "responsible lending" requirements. They are obliged to take account of the borrower's ability to repay before deciding to enter into a regulated mortgage contract (or to make further advances on such a contract). They must also put in place, and operate in accordance with, a written responsible lending policy.

Banking

Cattles' proposed extension of the regulatory permission to cover deposit taking would make it subject to greater regulatory requirements. The FSA is responsible for banking supervision and regulation in the United Kingdom and has wide discretionary powers in relation to the banks it regulates. A primary objective of the FSA in this area is to fulfil its responsibilities under the FSMA regime relating to the safety and soundness of banks with the aim of strengthening, but not guaranteeing, the protection of depositors.

The FSA requires all firms it regulates to maintain an appropriate level of regulatory capital. Among other things, this is to protect the business in the event of shocks to the financial system. In accordance with its rules, the FSA requires banks to maintain a certain minimum capital adequacy ratio of total capital to risk-weighted assets and to report large exposures. Banks operating in the United Kingdom must also maintain sufficient liquidity so that they are able to conduct business in a prudent manner and meet their obligations as they fall due. Where a bank is part of a larger group, the FSA also applies "consolidated supervision" to the group as a whole. This helps the FSA to evaluate the overall strength of a group and to understand the extent to which activities carried on elsewhere in the group could prejudice the banking business. Among other things, it involves the FSA applying its capital requirements to the group as a whole as well as to the bank individually. If the Group acquires a banking licence, it will become subject to a more intensive regulatory regime than hitherto. This will increase Cattles' overall compliance costs, and, as a result of these requirements, Cattles will need to retain higher levels of capital than would otherwise have been the case.

As part of its supervision, the FSA requires the banks subject to its supervision to provide it with information that the FSA may reasonably require to perform its functions under the FSMA regime.

Payment Protection Insurance

The sale of PPI products currently contributes around 10 per cent. of Cattles' annual revenue. Insurance intermediation carried on in the United Kingdom is supervised by the FSA under the FSMA. All firms that sell, arrange or advise on non-investment insurance contracts (such as payment protection insurance), either directly or as an intermediary, must be authorised by the FSA (or be an appointed representative) and comply with applicable FSA rules, including Principles for Businesses, Senior Management Systems and Controls, Insurance Conduct of Business Rules, and Training and Competence. The rules govern most aspects of the business of insurance intermediaries, including (but

not limited to) (i) treating customers fairly; (ii) process for assessing suitability; (iii) inducements; (iv) product disclosure; and (v) compliance monitoring.

PPI is an insurance product designed to cover repayments on credit products if the borrower is unable to do so due to loss of earnings as a result of accident, sickness, unemployment or death. PPI is sold to cover a variety of financial products, but over 90 per cent. of PPI sold in the UK in 2006 was either: personal loan PPI, credit card PPI, mortgage PPI or second-charge mortgage PPI.

The OFT commenced a market study into PPI in April 2006. This study culminated in a decision by the OFT on 7 February 2007 to refer the PPI market (excluding store card PPI, which had already been assessed as part of the Competition Commission investigation into the store cards market that ended in March 2006) to the Competition Commission for a market investigation. The OFT's decision was based on the identification of several features of the market that, the OFT had reasonable grounds to suspect, have an adverse effect on competition and lead to poor value for consumers. These features were stated to include (among others): a lack of product information for consumers prior to the point of sale; the competitive advantage enjoyed by PPI distributors at the "point of sale"; the complex nature of PPI products, which makes it difficult for consumers to compare policies; and the high degree of vertical integration among existing PPI providers. The OFT was also concerned that the conduct of PPI providers (such as practices in giving refunds, lack of provision of information and selling techniques) could adversely affect competition, and also that competition might be weakened by the conduct of consumers themselves.

The Competition Commission inquiry into the sale of PPI commenced in February 2007 and is ongoing. Cattles has provided all information requested and attended private hearings in June 2007 and March 2008, to provide further evidence to the Competition Commission.

On 6 November 2007 the Competition Commission published its emerging thinking – based on the evidence it has analysed to date – on competition in the supply of PPI (except store card PPI) to non-business customers in the UK. This document identifies the areas in which the Competition Commission is seeking additional evidence and the issues on which it intends to concentrate in the period prior to the planned publication of its provisional findings in May 2008. The emerging thinking indicates that the Competition Commission intends to undertake further investigation into competition in the retail distribution of PPI, as opposed to the extent of competition between underwriters of PPI, or the effect of companies being vertically integrated into both the distribution and underwriting of PPI products.

The statutory deadline for the inquiry is 6 February 2009, although the Competition Commission's current administrative timetable envisages that its final report will be published in November/December 2008.

If, as a result of its investigation, the Competition Commission finds that competition in the market is not working effectively, it has the power to introduce remedies designed to tackle the adverse effect on competition identified, or to recommend that action be taken by other bodies, such as government, regulators and public authorities. Remedies that the Competition Commission has the power to impose on industry participants following any inquiry include, but are not limited to, the imposition of price caps, directions to cease or adopt certain behaviours, and monitoring remedies requiring the provision of information to the OFT or other relevant authority.

As the industry regulator, the FSA has been monitoring the way PPI is sold since 2005, and continues to take action to address concerns such as mis-selling. Within the past two years the FSA has, as part of its thematic review of the PPI sector, visited 214 firms selling PPI.

The results of the FSA's first phase of thematic review of the PPI sector were published in November 2005 and included the following findings: (i) sale of PPI posed a high overall risk to the FSA's consumer protection objective; (ii) there was a risk of inappropriate sales in respect of failures to ensure customers did not buy policies they could claim on or which provided only limited cover; (iii) there were inadequate controls in place for non-advised sales, which could lead to firms providing advice when they did not intend to; (iv) advice was often of poor quality; (v) inducements and targets could encourage mis-selling in some firms; (vi) there was a reliance on product documents rather than oral explanations to customers; (vii) product and price disclosures were insufficient or misleading; (viii) training and competence of staff was insufficient; (ix) compliance monitoring was of variable quality.

A further review of the sales processes and systems and controls relating to the sale of PPI policies followed up the work undertaken in 2005. The FSA published its results from this review in October

2006, where it identified certain areas of concern, including (i) a lack of clear information being given to customers, (ii) customers not being made fully aware that there may be parts of the policy under which they cannot claim and failures to establish whether the policies are suitable, and (iii) where customers are sold single premium policies, this is not always done with the best interest of the customer in mind.

A third phase of the FSA's thematic review took place in 2007 and was designed to test industry progress on ensuring that customers: (i) are told that PPI is optional, where this is the case; (ii) receive clear information about the product and what it will cost; (iii) are given the assistance they need to be clear about what they are eligible for under the policy and what the exclusions are; (iv) are, where advice is given, recommended a policy that meets their needs; and (v) are offered a fair refund if they cancel their policy.

The FSA published its findings from the third phase of its thematic review in September 2007 and found that: (i) there had been improvements in making clear that PPI is optional and providing refunds, but little or no improvement relating to disclosure of price and policy details as well as firms' consideration of eligibility and suitability; (ii) many firms failed to meet the FSA's Insurance Conduct of Business requirements; (iii) many firms failed to ensure that customers are given the basic information necessary to make an informed decision; and (iv) many PPI products did not appear to be designed to meet the needs of the customers to whom they were sold. The FSA stated that it expected firms to take active steps to ensure they are meeting the five outcomes they identified above and in their previous PPI reports; assess their corporate culture against the FSA's expectations and deliver any cultural change needed to ensure fair treatment of customers; and review the FSA's guidance on the product design process and carefully consider whether their existing products meet their customers' needs. If the products do not, firms should consider what changes they may need to make to the product design to meet their TCF obligations.

In light of their findings, the FSA decided to: (i) conduct further mystery shopping on firms to gather additional information on PPI sales and use the mystery shopping results as part of future enforcement proceedings against firms where appropriate; (ii) undertake further assessment through visits to firms where they have identified potential failings; and (iii) seek to impose higher fines for firms in the PPI market where standards fall below required levels.

The FSA is following up the review with remedial programmes with a number of firms and will continue to pursue formal disciplinary action against firms who fall below required standards.

The FSA has also announced that it will publish comparative tables for PPI, including price, in Spring 2008. This is designed to enable customers to shop around for PPI.

The Competition Commission is continuing to work closely with the FSA to ensure that both organisations pay appropriate regard to ongoing work in the area. The Competition Commission has, for example, publicly stated that it is paying close attention to the FSA's work relating to selling standards and ensuring that customers are treated fairly, as well as various industry initiatives in response to the FSA's work.

In December 2007, the FSA published new Insurance Conduct of Business rules (*ICOBS*), which take into account the thematic work on PPI undertaken by the FSA. The rules differentiate between protection products (which include PPI) and other products, and also include specific rules for PPI. In essence, by July 2008 firms selling PPI and pure protection contracts (term, income protection and critical illness insurance) have to meet requirements to: (i) tell customers in non-advised sales that the customer is solely responsible for deciding whether the policy is suitable for his needs; and (ii) tell their customers orally about the main characteristics of a policy (significant benefits, limitations and exclusions, duration and price) during sales conversations before the customer makes any decision on a purchase. Firms selling PPI have to: (i) take reasonable steps to check that customers are eligible for benefits under policies before they sell the insurance, and tell customers if they would not be able to claim under one or more elements of a policy; (ii) remind customers (orally if there is oral disclosure of any main characteristics of the policy) of their right to cancel the policy within 30 days and that they should check the policy documentation during the cancellation period; and (iii) for single premium PPI, tell customers during any sales discussion of the monthly and total price of the cover and that interest will be payable.

The FSA has stated that if the Competition Commission makes any proposals for remedies as a result of its assessment these may also need to be reflected in *ICOBS*.

Both the outcome of the Competition Commission's market investigation and the FSA's review may affect the regulation of PPI products and the way in which they are sold or priced, and consequently may affect that part of the Group's business.

3. Unfair Contract Terms Legislation

Most of the terms and conditions the Group enter into with their customers are subject to the UK unfair contract terms legislation, as set out in the Unfair Terms in Consumer Contracts Regulations 1999 (the "Regulations") and the Unfair Contract Terms Act 1977. This can in certain circumstances result in terms being unenforceable if they do not satisfy the required standards of fairness and reasonableness.

The effect of the Regulations is that: (a) a term in an agreement may be challenged on the basis that it is "unfair" within the meaning of the Regulations and therefore not binding; and (b) the OFT, the FSA and any other "qualifying body" (as defined in the Regulations) may seek an injunction (or, in Scotland, interdict) preventing a business from relying on an unfair term, although the rest of the agreement will remain enforceable if it is capable of continuing in existence without the unfair term. If the contract is unable to continue in existence without the relevant unfair term, the contract will be treated as *void ab initio* and consequently both parties would be released.

In February 2000, the OFT issued a guidance note (the "Guidance Note") on what the OFT considers to be "fair" or "unfair" within the Regulations for interest variation terms. Where the interest variation term does not provide for precise and immediate tracking of an external rate outside the lender's control, and if the borrower is locked in, for example by an early repayment charge that is considered to be a penalty, the term is likely to be regarded as being "unfair" under the Regulations unless the lender: (a) notifies the affected borrower in writing at least 30 days before the rate change; and (b) permits the affected borrower to repay the whole loan during the next three months after the rate change without incurring an early repayment charge. The Guidance Note has been withdrawn from the OFT website. The FSA has agreed with the OFT to take responsibility for the enforcement of the Regulations in mortgage agreements and the FSA may take the Guidance Note into account.

In May 2005, the FSA issued a statement of good practice on fairness of terms in consumer contracts. The statement applies exclusively to the conduct of firms authorised and regulated by the FSA in relation to products and services within the FSA's regulatory scope. This statement provides, *inter alia*, that the power to vary interest rates during the lifetime of a contract is not inherently unfair. The statement sets out the FSA's views on how firms may approach drafting so as to avoid the risk of terms being unfair. Accordingly, interest rate variation clauses must be justified on valid reasons (e.g., to allow lenders to respond proportionately to changes in the Bank of England base rate), lenders must notify consumers of the change in advance of entering into the contract and before or immediately after the change occurs and, in particular, lenders must ensure that variation clauses where consumers are "locked-in" are fair.

Under a concordat agreed between the FSA and the OFT with effect from 31 July 2006, the FSA will consider the fairness under the Regulations of standard terms in financial services contracts issued by authorised firms or their appointed representatives for regulated activities. This will include contracts for mortgages and the selling of mortgages and insurance and the selling of insurance. The OFT will consider fairness in relation to contracts governed by the CCA and where entered into by persons not authorised by the FSA nor their appointed representatives. It should be noted that the OFT on 5 April 2006, publicly announced that the principles the OFT considers should be applied in assessing the fairness of credit card default charges, shall apply (or are likely to apply) also to analogous default charges in other agreements including those for mortgages.

In August 2002, the Law Commission for England and Wales and the Scottish Law Commission published a Joint Consultation Paper proposing changes to the Regulations, including rationalising the provisions of the Regulations and the Unfair Contract Terms Act 1977 into a single piece of legislation. A final report, together with a draft bill on unfair terms, was published in February 2005. The proposals are primarily to simplify the legislation on unfair terms and preserve the existing level of consumer protection. It is not proposed that there should be any significant increase in the extent of controls over terms in consumer contracts. Some changes are proposed, however, such as that in claims brought by consumers, the burden of proof will universally lie on the business to show that the term is fair and reasonable. In July 2006 the Government indicated its agreement in principle with the proposal for unifying the two regimes, although it indicated that this was subject to a regulatory

impact assessment which is yet to be carried out. It is too early to tell how the proposals, if enacted, would affect the business of Cattles.

On 11 May 2005, the European Parliament and Council adopted a directive on unfair business-to-consumer commercial practices (the “Unfair Commercial Practices Directive”). The Unfair Commercial Practices Directive seeks to regulate unfair commercial practices across the EU by establishing uniform rules for the protection of consumers. The Unfair Commercial Practices Directive would apply to all consumer contracts (to the exclusion of provisions relating to health and safety) and contains a wide prohibition on “Unfair Commercial Practices” with examples of practices which would violate this principle by virtue of being “misleading” or “aggressive”. Examples of such conduct include the dissemination of false information at any stage of the relationship or conduct involving harassment, coercion or undue influence. In the event of a conflict between the provisions of the Unfair Commercial Practices Directive and other pre-existing EU measures, the latter will prevail.

The Unfair Commercial Practices Directive was due to be implemented by member states by 12 June 2007 and the implementing provisions came into force by 12 December 2007, subject to a transitional period until 12 June 2013. In December 2005, the DTI published a consultation paper considering how the Unfair Commercial Practices Directive should be transposed into United Kingdom domestic law. A subsequent consultation was published as to applicable criminal offences and on 29 May 2007 a further consultation was published on the draft Consumer Protection from Unfair Trading Regulations. The regulations prohibit unfair commercial practices that distort consumers’ decisions and introduce a general duty (on businesses that deal with consumers) not to trade unfairly. The regulations set out prohibitions on misleading and aggressive practices and specify certain practices that will always be considered unfair. It is anticipated that the regulations implementing the Unfair Commercial Practices Directive will come into force on 26 May 2008. No assurance can be given that the United Kingdom’s implementation of the Unfair Commercial Practices Directive will not adversely affect their businesses.

4. Distance Marketing Regulations

With effect from 31 October 2004, the Distance Marketing of Financial Services Directive (the “DMD”) was implemented in the United Kingdom by way of the Financial Services (Distance Marketing) Regulations 2004 (the “DMD Regulations”), as amended, and amendments to the FSA’s Mortgage Conduct of Business Sourcebook (“MCOB”) and the FSA’s Insurance Conduct of Business Sourcebook (ICOB, now in the FSA’s new Insurance Conduct of Business Sourcebook (“ICOBS”)). In essence the DMD requires that in respect of distance contracts (i.e., those contracts made as part of an organised distance sales regime where there is no face-to-face contact with the consumer), consumers have the right to receive certain information and, for some financial services, a right to cancel.

The DMD Regulations and (in respect of suppliers of regulated services in relation to regulated mortgage contracts and non-investment insurance contracts under the FSMA) MCOB or ICOBS, as applicable, require suppliers of financial services by way of distance communication to provide certain information to consumers. This information generally has to be provided before the consumer is bound by a distance contract for the supply of the financial services in question and includes, but is not limited to, general information in respect of the supplier and the financial service, certain contractual terms and conditions and whether or not there is a right of cancellation. In general, consumers of distance contracts have a right to cancel contracts for financial services during a set period after commencement of the contract. However, cancellation rights will not apply, amongst other circumstances, in the case of contracts for financial services where (i) the price of the service depends on fluctuations in the financial market outside the supplier’s control (such as interest rate changes); (ii) the supplier provides credit to a consumer and the consumer’s obligation to repay is secured by a legal mortgage on land (or, in Scotland, a standard security); or (iii) it is a restricted-use credit agreement (within the meaning of the CCA) to finance the purchase of land or an existing building, or an agreement for a bridging loan in connection with the purchase of land or an existing building, provided the requisite information has been given to the consumer. The above provisions may be enforced by way of injunction (or, in Scotland, interdict). Any term in a distance contract will be void and unenforceable if, and to the extent that, it is inconsistent with the application of a provision of the DMD Regulations.

5. Financial Ombudsman Service

Under FSMA, the Ombudsman is required to make decisions on, *inter alia*, complaints relating to the terms in agreements on the basis of what, in the Ombudsman's opinion, would be fair and reasonable in all the circumstances of the case, taking into account, *inter alia*, law and guidance. Complaints brought before the Ombudsman for consideration must be decided on a case-by-case basis, with reference to the particular facts of any individual case. Each case would first be adjudicated by an adjudicator. Either party to the case may appeal against the adjudication. In the event of an appeal, the case proceeds to a final decision by the Ombudsman. The Ombudsman may order a money award. Any such award may adversely affect the business of Cattles.

PART 9

FINANCIAL INFORMATION IN RELATION TO CATTLES

The following documents, which have been previously published and approved by the FSA or filed with it and are available for inspection in accordance with paragraph 16 of Part 11 “Additional Information”, contain information which is relevant to this document:

Cattles’ Annual Reports for each of the three years ended 31 December 2005, 31 December 2006 and 31 December 2007.

The table below sets out the sections of the above documents, which contain information incorporated by reference into, and forming part of this document. Only information in the parts of the above documents identified in the list below is incorporated into and forms part of this document. Information in other parts of the above documents is either covered elsewhere in this document or is not relevant to an investor’s assessment of the assets and liabilities, financial position, profit and losses and prospects of Cattles.

Information incorporated into this document by reference	Location of incorporation
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The Consolidated Financial Statements of Cattles for the financial year ended 31 December 2007, including Consolidated Income Statement, Consolidated Balance Sheet and Consolidated Cash Flow Statement and the Notes to the financial statements and the Independent Auditors Report thereon by PricewaterhouseCoopers	Pages 68 to 118 (inclusive) of the Cattles Annual Report 2007.
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The Consolidated Financial Statements of Cattles for the financial year ended 31 December 2006, including Consolidated Income Statement, Consolidated Balance Sheet and Consolidated Cash Flow Statement and the Notes to the Financial Statements and the Independent Auditors Report thereon by PricewaterhouseCoopers	Pages 36 to 78 (inclusive) of the Cattles Annual Report 2006.
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The Consolidated Financial Statements of Cattles for the financial year ended 31 December 2005, including Consolidated Income Statement, Consolidated Balance Sheet and Consolidated Cash Flow Statement and the Notes to the Financial Statements and the Independent Auditors Report thereon by PricewaterhouseCoopers	Pages 36 to 108 (inclusive) of the Cattles Annual Report 2005.
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Copies of the documents of which part or all are incorporated herein are available (a) in electronic format through the Company’s corporate website at www.cattles.co.uk or (b) in printed format from the Company’s registered office at Kingston House, Centre 27 Business Park, Woodhead Road, Birstall, Batley, West Yorkshire WF17 9TD.

PART 10

DIRECTORS, RESPONSIBLE PERSONS, CORPORATE GOVERNANCE AND EMPLOYEES

1. Persons responsible

The Directors, whose names appear below, and the Company accept responsibility for the information contained in this document. To the best of the knowledge of the Directors and the Company, who have taken all reasonable care to ensure that such is the case, the information contained in this document is in accordance with the facts and contains no omission likely to affect its import.

2. Directors

The following table sets out information relating to each of the Directors as at the date of this document. The business address of each of the Directors is c/o Cattles plc, Kingston House, Centre 27 Business Park, Woodhead Road, Birstall, Batley, West Yorkshire WF17 9TD.

<i>Name</i>	<i>Age</i>	<i>Position</i>
Norman N Broadhurst	66	Non-Executive Chairman
Executive Directors:		
David J Postings	48	Chief Executive
James J Corr	54	Finance Director
Mark W G Collins	54	Treasury & Risk Director
Ian S Cummine	54	Chief Operating Officer
Non-Executive Directors:		
David A Haxby	66	Non-Executive Director
Frank R Dee	57	Non-Executive Director
Alan J McWalter	54	Non-Executive Director
Margaret A Young	53	Non-Executive Director

Directors' profiles

The names, business experience and principal business activities outside Cattles of the current Board, as well as the dates of their initial appointment as directors of Cattles, are set out below.

Norman N Broadhurst FCA, FCT

Norman Broadhurst has been a Non-Executive Director since 2001 and Chairman since May 2006. He is also chairman of Chloride Group plc and Freightliner Limited and a non-executive director of Old Mutual plc and United Utilities plc. He was previously finance director of Railtrack plc.

David J Postings

David Postings was appointed as an Executive Director on 1 September 2007 and as chief executive on 1 October 2007. Previously he was managing director of Lloyds TSB Commercial and prior to that he held a number of roles at Barclays including managing director of Enable and senior positions in corporate banking.

James J Corr CA

James Corr has been an Executive Director since 2001. Prior to joining the Company he was finance director of Polypipe plc. He previously held senior finance positions in a variety of listed and private companies. He qualified in 1976 as a member of the Institute of Chartered Accountants of Scotland.

Mark W G Collins FCA

Mark Collins has been an Executive Director since 1998. He is also a CBI council member for Yorkshire and Humber. Prior to joining the Company he was finance director of Brooke Industrial (Holdings) plc and group financial controller at Sheffield Insulations Group plc. He qualified in 1977 as a member of the Institute of Chartered Accountants of England and Wales.

Ian S Cummine

Ian Cummine has been an Executive Director since 1998. He joined the Company in 1994 on the acquisition of Welcome. Prior to the setting up of Welcome, of which he was a co-founder, in 1989

he was deputy managing director of Avco Financial Services Limited and held other senior positions in the credit industry.

David A Haxby LLB, FCA

David Haxby became a Non-Executive Director in 1999 and currently serves as senior independent Non-Executive Director. He is also a non-executive director of SIG plc. From 1991 until his retirement in 1995 he was the managing partner of the London office of Arthur Andersen.

Frank R Dee

Frank Dee became a Non-Executive Director in 2004. He is also a non-executive director of Speedy Hire plc. He was previously a non-executive director of Leeds Building Society and before that he held a number of senior executive and non-executive roles in a variety of companies in the retail sector.

Alan J McWalter

Alan McWalter became a Non-Executive Director in 2005. He is also a non-executive director of Alphameric plc, Trafficmaster Limited and Haygarth Holdings Limited and non-executive chairman of Constantine Holdings Limited. He was previously marketing director of Marks & Spencer plc.

Margaret A Young MBA

Margaret Young became a Non-Executive Director in 2006. She was previously a non-executive director of Uniq plc and Royal Numico NV, a managing director of Credit Suisse First Boston and a director of NatWest Markets Corporate Finance Limited.

3. Directors' interests in share capital

3.1 The interests in the share capital of the Company of the Directors (all of which are beneficial) are as follows:

<i>Director</i>	<i>As at 21 April 2008</i>		<i>Immediately following the Rights Issue*</i>	
	<i>Number of Cattles Shares</i>	<i>Percentage of issued share capital[†]</i>	<i>Number of Cattles Shares</i>	<i>Percentage of issued share capital[†]</i>
N N Broadhurst	1,000	0.0003%	1,450	0.0003%
D J Postings	—	—	—	—
J J Corr	76,601 ¹	0.02%	111,071	0.02%
M W G Collins	90,877 ²	0.03%	131,771	0.03%
I S Cummine	137,285 ³	0.04%	199,063	0.04%
F R Dee	10,000	0.003%	14,500	0.003%
D A Haxby	8,317	0.002%	12,059	0.002%
A J McWalter	—	—	—	—
M A Young	5,000	0.001%	7,250	0.001%

[†] Figures rounded to first significant figure.

* Assuming that (i) each Director takes up his full entitlement under the Rights Issue and (ii) no options granted under, or awards made under, the Cattles Share Schemes are exercised between the date of this document and completion of the Rights Issue.

1. 4,454 of J J Corr's Cattles Shares are appropriated under the Cattles SIP and 938 of J J Corr's Cattles Shares are held in the name of the trustees of a pension scheme of which J J Corr is the beneficiary.
2. 4,454 of M W G Collins' Cattles Shares are appropriated under the Cattles SIP.
3. 4,561 of I S Cummine's Cattles Shares are appropriated under the Cattles SIP.

3.2 The interests in Cattles Shares set out above include Cattles Shares appropriated to the Executive Directors under the Cattles SIP (as set out in notes 1 to 3 above) but exclude awards under the Cattles LTIP, the Cattles DSBP, in respect of D J Postings only the DJP RSA, and options over Cattles Shares held by the Executive Directors. Details of awards under the Cattles LTIP, the Cattles DSBP, the DJP RSA and options over Cattles Shares held by the Executive Directors are set out in paragraph 4 of this Part 10.

3.3 Save as disclosed in this paragraph 3 and paragraph 4 of this Part 10, no Director nor any of their immediate families, nor any person connected with any Director within the meaning of section 252 of the 2006 Act has any interests (beneficial or non-beneficial) in the share capital of the Company or any of its subsidiaries.

4. Directors' long term incentive schemes

4.1 The Cattles LTIP

The Cattles LTIP has two elements, an award of 'Performance Shares' and an award of 'Matching Shares' linked to an investment in Cattles Shares (together "Awards"). Awards will normally vest following the third anniversary of the date of grant provided that challenging performance conditions have been satisfied and the participant remains in employment.

In normal circumstances Awards of Performance Shares may not be granted to any participant in any financial year under the Cattles LTIP if it would cause the aggregate market value of those shares to exceed 100 per cent. of the participant's basic salary. However, to provide the Remuneration Committee with a market standard degree of flexibility to operate the LTIP in the best interests of Shareholders and to take account of particular circumstances as they may arise, in exceptional circumstances Awards of Performance Shares worth up to 200 per cent. of basic salary may be granted.

Awards of Matching Shares will be granted to the extent that participants acquire Cattles Shares using their annual bonus ("Investment Shares"). Cattles Shares awarded under the Cattles DSBP are treated as Investment Shares, which qualify for the grant of Matching Shares. Participants are allowed to invest their cash bonus (but no other funds) on a voluntary basis into Cattles Shares and treat those shares as Investment Shares. The maximum aggregate pre-tax value of bonus invested on both a compulsory and voluntary basis per annum is 37.5 per cent. of the individual's salary. Matching Shares can be awarded up to a maximum award ratio of 2:1 (free Matching Shares to Investment Shares), on a gross basis. If a participant sells his Investment Shares at any time during the three year performance period, this will reduce (on a pro-rata basis) the number of Matching Shares that may be transferable to him on vesting.

The vesting of Awards will depend on the Company's performance over a single fixed three year performance period (i.e. with no 're-testing' facility) which will commence with the financial year in which the Awards are granted. Awards will (subject to the "adjuster" referred to below) vest by reference to the Company's EPS growth in excess of RPI over the three year performance period, comparing the Company's EPS in the financial year prior to grant with its EPS in the third year following grant. For these purposes, EPS is calculated on the same basis as stated in the Company's annual report and accounts, subject to the Remuneration Committee using its discretion to take account of any material short-term effect arising from an acquisition or any exceptional item of profit or loss in a particular year, or to take account of changes in accounting standards.

Subject to the adjuster referred to below, the performance conditions relating to Awards made in 2005 and 2007 are:

<i>EPS growth of the company over the three year performance period</i>	<i>Percentage of the award that vests</i>
Less than RPI +20 per cent.	0 per cent.
RPI +20 per cent.	30 per cent.
RPI +35 per cent. or more	100 per cent.
Between RPI +20 per cent. and RPI +35 per cent.	Between 30 per cent. and 100 per cent. on a straight line basis

Subject to the adjustment referred to below, the performance conditions relation to Awards made in 2006 are:

<i>EPS growth of the company over the three year performance period</i>	<i>Percentage of the award that vests</i>
Less than RPI +15 per cent.	0 per cent.
RPI +15 per cent.	30 per cent.
RPI +30 per cent. or more	100 per cent.
Between RPI +15 per cent. and RPI +30 per cent.	Between 30 per cent. and 100 per cent. on a straight line basis

In order to provide a comparative element to the performance conditions, the performance conditions will be adjusted by reference to the Company's EPS performance over the performance period relative to an 'average' EPS growth of companies comprised in the FTSE 250 (the "Index"), calculated by dividing the Index by the price/earnings ratio of the Index.

If the Company's EPS growth over the performance period is lower than the average EPS growth of the Index, the level of vesting of Awards will reduce by one per cent. for every four per cent. (subject to a maximum reduction of 25 per cent.) that the Company's EPS growth is lower than the Index 'average'. To the extent that the Company's EPS growth is higher, the level of vesting of Awards will increase by one per cent. for every four per cent. up to (but not exceeding) the maximum level of vesting.

After a review during 2007, the Remuneration Committee continues to consider that the use of EPS in the Cattles LTIP is appropriate as it encourages the Company's senior management team to deliver sustained exceptional EPS growth (and, therefore, returns to Shareholders), with EPS being a widely used statistic.

The Cattles LTIP operates in conjunction with an employee benefit trust ("Trust"), the trustee of which is Cattles Trustee Limited, a wholly owned subsidiary of the Company. The directors of the trustee company are three of the members of the Remuneration Committee, all of whom are independent Non-Executive Directors and none of whom is a beneficiary under the Trust or the Cattles LTIP. On the grant or before the vesting of Awards, the Trust purchases sufficient Cattles Shares in the market to satisfy such awards, hence there is no issue of new Cattles Shares. On the vesting of Awards, the Trust transfers the appropriate number of Cattles Shares to the participants. The Trust will at no time hold more than five per cent. of the issued share capital of the Company. The Cattles LTIP is funded by loans from the Company to the Trust, which then acquires Cattles Shares for the purpose of the Cattles LTIP.

4.2 The DJP RSA

On 17 September 2007 the Company made a restricted share award of 274,160 Cattles Shares to D J Postings as an exceptional award which the Remuneration Committee considered necessary to recruit D J Postings as successor to S P Mahon as chief executive and was therefore made under the exemption in paragraph 9.4.2(2) of the Listing Rules which allows one-off awards to be made following the recruitment of a Director without Shareholder approval. 50 per cent. of the award will normally vest on 9 October 2009 and the remaining 50 per cent. will normally vest on 9 October 2011, providing that D J Postings continues to be employed by a member of the Group. Vesting of the award (which is not pensionable) is not subject to performance conditions. On a change in control or the winding up of the Company (except as part of an internal reorganisation), the award will vest in full. On cessation of employment for "good leaver" reasons (which include death), the award will vest on cessation and will be pro-rated on a time basis unless the Remuneration Committee, acting fairly and reasonably, decides otherwise. On cessation of employment for other reasons or the transfer, assignment, charging or other disposal of the award, it will lapse. In the event of any variation in the share capital of the Company or a demerger, special dividend or other similar event which affects the market price of Cattles Shares to a material extent, the Remuneration Committee may make such adjustments to the award as it considers appropriate to the number of Cattles Shares comprised in the award. No alteration shall be made to the terms of the award to the advantage of D J Postings without prior Shareholder approval. The Remuneration Committee made the award on the same terms as, and in order to compensate D J Postings for, the Lloyds TSB non-performance linked long-term incentive plan award which lapsed when he left Lloyds TSB Bank plc to join the Company. The Remuneration Committee was satisfied that this share-based award over Cattles Shares of a similar value to the award D J Postings was foregoing when joining the Company and which only vests subject to continued employment, was a more appropriate way of compensating D J Postings than a straight immediate unconditional cash payment.

The DJP RSA operates in conjunction with a trust in the same way as the Cattles LTIP.

4.3 The Cattles DSBP

The Cattles DSBP was adopted by the Company in March 2006. Participation in the Cattles DSBP is open to any employee whose bonus is in excess of 75 per cent. (or such other amount as the Remuneration Committee shall specify) of their basic salary.

The size of any award under the Cattles DSBP is limited to the number of Cattles Shares that could be acquired with that part of the relevant employee's gross bonus which is in excess of 75 per cent. of their basic salary. The award will generally vest in the employee on the third anniversary of the grant date. The vesting of the award is not subject to the satisfaction of any performance conditions.

The Cattles DSBP operates in conjunction with a trust in the same way as the Cattles LTIP.

4.4 Directors' long term incentives

The Directors' participation in the Cattles LTIP, the Cattles DSDP and, in the case of D J Postings only, the DJP RSA, as at 21 April 2008 (the latest practicable date prior to the publication of this document) are as follows:

<i>Director</i>	<i>Award</i>	<i>No. of Cattles Shares notionally held</i>	<i>Notional award date</i>	<i>Earliest vesting date</i>
D J Postings	Cattles LTIP	267,737	17.09.07	17.09.10
	DJP RSA	137,080	17.09.07	09.10.09
	DJP RSA	137,080	17.09.07	09.10.11
J J Corr	Cattles LTIP	90,768	23.05.05	23.05.08
	Cattles LTIP	135,082	23.11.06	23.11.09
	Cattles LTIP	130,663	24.04.07	24.04.10
	Cattles DSBP	10,903	23.03.07	23.03.10
	Cattles LTIP	78,104	29.06.07	29.06.10
M W G Collins	Cattles LTIP	90,768	23.05.05	23.05.08
	Cattles LTIP	135,082	23.11.06	23.11.09
	Cattles LTIP	130,663	24.04.07	24.04.10
	Cattles DSBP	10,903	23.03.07	23.03.10
	Cattles LTIP	78,104	29.06.07	29.06.10
I S Cummine	Cattles LTIP	111,320	23.05.05	23.05.08
	Cattles LTIP	163,029	23.11.06	23.11.09
	Cattles LTIP	158,542	24.04.07	24.04.10
	Cattles DSBP	12,827	23.03.07	23.03.10
	Cattles LTIP	94,750	29.06.07	29.06.10

4.5 Directors' share options

As at 21 April 2008 (the latest practicable date prior to the publication of this document), the following Directors had options to subscribe for Cattles Shares under the Cattles Sharesave Scheme (which is summarised in paragraph 12 below):

<i>Director</i>	<i>Number of Cattles Shares</i>	<i>Exercise price (p)</i>	<i>Date from which exercisable</i>	<i>Expiry date</i>
M W G Collins	5,633	298.2	01.12.12	01.06.13
J J Corr	5,549	285.6	01.12.08	01.06.09
I S Cummine	3,418	285.6	01.12.08	01.06.09
I S Cummine	2,163	298.2	01.12.12	01.06.13

5. Directors' service contracts and remuneration

5.1 Chairman's letter of appointment

The Chairman is paid an annual fee and the contractual notice period is not less than six months by either party. The Chairman receives no other remuneration or benefit from the Company.

5.2 Service contracts

The Executive Directors' service contracts have common terms and are rolling contracts requiring a written notice period of not less than one year to be given by the Company and not less than six months to be given by the relevant Executive Director, save in the case of D J Postings who is required to give not less than 12 months' written notice. The Company has the right to terminate an Executive Director's employment by paying to the relevant Executive Director the remuneration which

he would have been entitled to receive from the Company in respect of the relevant period of notice. If an Executive Director ceases to be employed, for any reason, by the Company before the end of the financial year, any bonus payment will be at the sole discretion of the Remuneration Committee. When determining the amount of any compensation paid to a departing Executive Director, the Remuneration Committee will take into account the relevant Executive Director's obligation to mitigate his loss, to the extent it is possible to do so under the terms of the relevant contract.

5.3 Non-Executive Directors

The Non-Executive Directors do not have service contracts but are appointed pursuant to letters of appointment. Either the Company or the relevant Non-Executive Director may terminate the appointment by giving not less than six months' written notice. The Non-Executive Directors are paid an annual fee but otherwise receive no remuneration or benefit from the Company, save that reasonable expenses incurred by a Non-Executive Director in furtherance of their duties are repaid by the Company.

5.4 Directors' remuneration

The following table sets out the basic salary, benefits in kind, annual bonus, expense allowances and other remuneration for each of the Executive Directors and the fees of each of the Non-Executive Directors in respect of the year ended 31 December 2007.

	<i>Basic salary</i> £'000	<i>Fees</i> £'000	<i>Benefits in kind</i> £'000	<i>Annual bonus</i> £'000	<i>Expense allowances</i> £'000	<i>Other</i> £'000	<i>Total</i> £'000
Executive Directors							
D J Postings	167	—	—	200	34	59	460
J J Corr	305	—	28	259	—	—	592
M W G Collins	305	—	22	259	—	—	586
I S Cummine	370	—	30	315	—	—	715
Non-Executive Directors							
N N Broadhurst	—	175	—	—	—	—	175
D A Haxby	—	55	—	—	—	—	55
F R Dee	—	45	—	—	—	—	45
A J McWalter	—	48	—	—	—	—	48
M A Young	—	55	—	—	—	—	55
Total	1,147	378	80	1,033	34	59	2,731

D J Postings was appointed as an Executive Director on 1 September 2007 and as chief executive on 1 October 2007.

A J McWalter became the Chairman of the Welcome ROC on 1 September 2007 and at that time his fee increased from £45,000 to £55,000.

The bonuses earned by M W G Collins, J J Corr and I S Cummine in respect of 2007 were 85 per cent. out of a maximum of 100 per cent. of 2007 basic salary. The bonuses earned in excess of 75 per cent. of 2008 basic salary will be deferred into Cattles Shares and will not be received by the relevant directors for a further three years.

The bonus earned by D J Postings in respect of 2007 was a guaranteed £200,000 which was agreed when he joined the Company.

The expense allowances received by D J Postings are comprised of his car and fuel allowance and relocation expenses.

The other remuneration received by D J Postings is comprised of a salary supplement of 25 per cent. of his basic salary in lieu of a pension contribution and cash sum which he received in compensation for his awards of Lloyds TSB deferred shares, SAYE options and share incentive plan shares which lapsed when he joined the Company.

Committees of the Board agreed the following changes to the annual salaries of the Executive Directors and the fees of the Non-Executive Directors with effect from 1 January 2008:

Director

	<i>Annual remuneration £'000</i>
N N Broadhurst	185
D J Postings	525
J J Corr	320
M W G Collins	320
I S Cummine	390
D A Haxby	50
F R Dee	57.5
A J McWalter	57.5
M A Young	57.5

5.5 Executive Directors' annual bonus

The Remuneration Committee sets targets which trigger annual cash bonuses which may be payable to the Executive Directors. For 2007 these targets comprised the following three measures of performance: (i) the Group's actual EPS growth; (ii) funds utilisation efficiency as measured against budget; and (iii) the achievement of each Director's personal objectives.

The maximum potential bonus payment to Executive Directors in respect of 2007 is restricted to 100 per cent. of basic salary, with a maximum of 75 per cent. being payable in respect of EPS growth, 15 per cent. in respect of funds utilisation efficiency and 10 per cent. in respect of the achievement of personal objectives. Any bonus earned over 75 per cent. of basic salary must be deferred into Cattles Shares which will not be received by the relevant Executive Directors for a further three years. As referred to in paragraph 4.1 of this Part 10, any such deferred shares would count for the purposes of the 'Matching Shares' element of the Cattles LTIP but would not be subject to further performance conditions. The Remuneration Committee has retained this structure for the 2008 Executive Directors' annual cash bonuses except that the funds utilisation efficiency as measured against budget element of the annual bonus has been replaced by a profit to borrowings ratio.

Bonuses do not form part of pensionable earnings.

5.6 Benefits and protections

The Executive Directors receive certain benefits in kind, being a car and fuel provision (or a payment in lieu of a car and fuel provision), private medical insurance and permanent health insurance. No benefits are pensionable.

The Executive Directors' pension and life assurance arrangements are summarised in paragraph 6 of this Part 10.

The Executive Directors participate in the Cattles LTIP, the Cattles DSBP, the Cattles Sharesave Scheme and the Cattles SIP. In addition, D J Postings participates in the DJP RSA.

The Company has entered into qualifying third party indemnity provisions (as defined in sections 232 to 239 of the Companies Act 2006) with each Director indemnifying him or her to the maximum extent permitted by law against liabilities attaching to them as directors of the Company and (where relevant) its subsidiaries.

6. Executive Directors' pension and life assurance arrangements

D J Postings receives an amount equal to 25 per cent. of his basic salary in lieu of any pensionable payments by the Company. J J Corr and I S Cummine have individual personal pension plans into which the Company contributes 20 per cent. of basic salary. M W G Collins is a member of the Cattles Staff Pension Fund and under its rules is subject to a cap based on the previous statutory pensions cap. He therefore receives payments representing 20 per cent. of the difference between his basic salary and that cap for contribution to additional pension schemes. No other payments to Directors are pensionable.

The Cattles Staff Pension Fund is a funded, HM Revenue & Customs approved, final salary occupational pension scheme with a contribution rate of 5 per cent. of pensionable salary from the employee. Its main features, which apply to all members on the same terms, are:

- (i) pension is payable at normal pension age of 65 at 1/60th of final pensionable salary for each year of pensionable service up to a maximum of 40/60ths;
- (ii) death in service life assurance cover is provided at four times pensionable salary; and
- (iii) pension is payable in the event of early retirement due to ill health and to a spouse on death of a member.

The Executive Directors are provided with death in service life assurance cover of four times basic salary.

The Company's contributions in respect of the Executive Directors' pensions during the year ended 31 December 2007 were as follows:

Executive Director	£'000
J J Corr	61
M W G Collins	39
I S Cummine	74

Details of the Cattles Staff Pension Fund benefits to which M W G Collins is entitled at 31 December 2007 are set out below:

Executive Director	Additional accrued benefits earned in the year ended 31 December 2007 (net of inflation) £'000	Additional accrued benefits earned in the year ended 31 December 2007 (net of inflation) £'000	Transfer value of additional accrued benefits earned in the year ended 31 December 2007 (net of inflation) less Director's contribution £'000	Accrued pension entitlement at 31 December 2007 £'000	Transfer value of accrued pension entitlement at 31 December 2007 £'000	Transfer value of accrued pension entitlement at 31 December 2006 £'000	Increase in transfer value of accrued pension entitlement £'000	Increase in accrued pension entitlement less Director's contribution £'000
M W G Collins	2	2	12	20	206	150	56	50

The accrued pension entitlement shown in respect of M W G Collins is the amount that would be paid each year to him in the form of a pension on retirement at age 65 in the event of him having left service at the end of the year. The accrued pension entitlement includes, where relevant, entitlements earned as an employee, prior to becoming a Director, as well as those earned for qualifying services after becoming a Director. The increase in the accrued pension entitlement is the difference between the accrued benefit at the year end and that at the previous year end. Transfer values have been calculated on the basis of actuarial advice in accordance with Actuarial Guidance Note GN11.

The transfer values of the additional accrued benefits and of the accrued pension entitlement in respect of qualifying services represent the value of assets that the pension scheme would need to transfer to another pension provider on transferring the scheme's liability in respect of the Director's pension benefits that he earned in respect of qualifying services. They do not represent sums payable to the Director and, therefore, cannot be added meaningfully to annual remuneration.

The transfer value of the additional accrued benefits earned in the year less Director's contribution is the transfer value of the additional accrued benefits in respect of qualifying services earned in the year after deducting the Director's pension contribution to the scheme during the year.

The increase in the transfer value less Director's contribution is the increase in the transfer value of the accrued benefits in respect of qualifying services during the year after deducting the Director's personal contributions to the scheme.

7. Directors' confirmations

None of the Directors has during the last five years:

- (i) been convicted in relation to a fraudulent offence;
- (ii) been associated with any bankruptcy, receivership or liquidation while acting in the capacity of a member of the administrative, management or supervisory body or of senior manager of any company;
- (iii) been subject to any official public incrimination and/or sanction by statutory or regulatory authorities (including designated professional bodies); or
- (iv) been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of any issuer or from acting in the management or conduct of the affairs of any issuer.

8. Conflicts of interest

As at 21 April 2008 (being the latest practicable date before the publication of this document), no Director had any actual or potential conflicts of interest between duties he or she had to the Company, either in respect of the Rights Issue or otherwise, and the private interests and/or other duties he or she may also have.

9. Directorships and partnerships

Save as set out below, the Directors have not been a member of the administrative, management or supervisory body of any company, other than of the Company and its subsidiaries, or been a partner in a partnership at any time in the five years prior to the date of this document:

<i>Director</i>	<i>Current</i>	<i>Former</i>
N N Broadhurst	Chloride Group plc Freightliner Acquisitions Limited Freightliner Group Limited Freightliner Heavy Haul Limited Freightliner Limited Management Consortium Bid Limited Old Mutual plc United Utilities plc	Bryant Pensions Trust Limited Skandia Insurance Co. Taylor Wimpey plc Team Nominees Limited Tomkins plc
D J Postings		AMC Bank Limited Lloyds TSB Commercial Finance Limited The Agricultural Mortgage Corporation plc
D A Haxby	Harrogate International Festival Limited North Yorkshire Cultural Events Limited SIG plc 47/48 Queen's Gate Gardens Limited	Cyberes plc
F R Dee	Speedy Hire plc	3 Dee (Shopping Centres) Limited Eaglet Investment Trust plc Chasemount Limited Just for Pets Limited Leeds Building Society Leeds Financial Services Limited Leeds Financial Services (Overseas) Limited Marr Foods Limited Original FS Holdings Limited Pinegain Limited

<i>Director</i>	<i>Current</i>	<i>Former</i>
A J McWalter	Alphameric plc Constantine Holdings Limited Haygarth Holdings Limited Trafficmaster Limited	The Factory Shop Group Limited Domestic & General Group Limited Incorporated Society of British Advertisers Limited Nationwide Autocentres Limited The Big Food Group Limited EasyCar Limited
M A Young		Uniq plc Royal Numico NV Numico (Koninklijke) NV

10. Corporate governance

The Board aims to maintain the highest standards of corporate governance in the belief that such standards are essential to the process of delivering long term growth in profits and dividends. Throughout the year ended 31 December 2007, the Company complied with the provisions of the Combined Code, except that in September 2007 the Company did not comply with Combined Code provision A.3.2 because, during that month, there were four independent Non-Executive Directors and five Executive Directors after D J Postings was appointed pending S P Mahon's retirement. The Company intends to comply with the provisions of the Combined Code going forward.

The Board

Cattles is managed by the Board. The Board's main roles are to provide entrepreneurial leadership of Cattles within a framework of prudent and effective controls which enables risk to be assessed and managed, to set Cattles' strategic aims and to ensure that the necessary financial and human resources are in place for Cattles to meet its objectives and so increase Shareholder value.

There are usually seven regularly scheduled meetings of the Board a year and a day devoted to reviewing the Group's business strategy. Additional meetings are held as required. All Directors attended each of the seven regular meetings held during 2007 (except for D A Haxby who missed one meeting due to illness). There are a number of matters specifically reserved for Board approval, which include approval of the Group's overall business strategy, planning and annual budgets, assessment of internal controls and risk management, senior management appointments, approval of major contracts and significant acquisitions, investment and capital expenditure decisions and corporate governance practices, as well as the Group's financing and dividend policies.

At each regularly scheduled Board meeting, there is a full financial and business review and discussion, which includes the comparison of trading performance to date against the annual budget and any other financial plan which has been previously approved by the Board for that year. Each Board member receives a comprehensive Board pack prior to each meeting, which incorporates a formal agenda, separate reports from the chief executive and each of the other Executive Directors on their specific areas of responsibility, together with supporting papers for items to be discussed at the meeting. Board papers are usually sent out one week before the meeting to give the Directors sufficient time to prepare for a comprehensive review of the relevant issues at the meeting.

The Board has delegated the following responsibilities to the Executive Directors: the development and recommendation of strategic plans for consideration by the Board that reflect the longer-term objectives and priorities established by the Board; implementation of the strategies and policies of the Group as determined by the Board; monitoring the operating and financial results against plans and budgets; monitoring the quality of the investment process against objectives; prioritising the allocation of capital, technical and human resources; and developing and implementing risk management systems.

The roles of the Chairman and chief executive

The division of responsibilities between the Chairman, N N Broadhurst, and the chief executive, D J Postings, is clearly defined in writing and has been approved by the Board.

The Chairman leads the Board in the determination of its strategy and in the achievement of its objectives. The Chairman is responsible for organising the business of the Board, ensuring its effectiveness and setting its agenda. The Chairman has no involvement in the day to day business of the Group.

The chief executive has direct charge of the management of the Group on a day to day basis and is accountable to the Board for the financial and operational performance of the Group.

Senior independent Director

The Board has appointed D A Haxby as senior independent Director. D A Haxby is available to meet Shareholders on request and to ensure that the Board is aware of Shareholder concerns not resolved through the existing mechanisms for investor communication.

Directors and Directors' independence

The Board currently comprises the Chairman, four Executive Directors and four independent Non-Executive Directors. The names of the Directors together with their biographical details are set out in paragraph 2 of this Part 10. The Board includes independent Non-Executive Directors who constructively challenge and help develop proposals on strategy, and bring strong, independent judgement, knowledge and experience to the Board's deliberations. The independent Directors are of sufficient calibre and number that their views carry significant weight in the Board's decision making.

Independent professional advice is provided at Cattles' expense, when the Directors deem it necessary in order for them to carry out their responsibilities.

Details of the Chairman's professional commitments are included in the Chairman's biography. The Chairman holds the chairmanship of one other listed company and one private company and two other non-executive directorships but the Board is satisfied that these do not interfere with the performance of his duties to the Company which are based around a commitment of approximately 80 days per annum.

The Board considers all its other Non-Executive Directors to be independent in character and judgement. No independent Non-Executive Director:

- (i) has been an employee of the Group within the last five years;
- (ii) has, or has had within the last three years, a material business relationship with the Group;
- (iii) has received or receives remuneration, other than a Director's fee, participates in the Cattles Share Schemes, or is a member of any Cattles pension scheme;
- (iv) has close family ties with any of the Group's advisers, other Directors or senior employees;
- (v) holds cross-directorships or has significant links with other Directors through involvement in other companies or bodies;
- (vi) represents a significant Shareholder; or
- (vii) has served on the Board for more than nine years.

D A Haxby will have served as a Non-Executive Director for nine years on 1 July 2008 but the other Directors have determined that in spite of this he will continue to be considered to be an independent Non-Executive Director because he continues to be independent in character and judgement and none of the other relationships or circumstances set out in provision A.3.1. of the Combined Code apply to him.

Professional development

On appointment, the Directors take part in an induction programme when they receive information about the Group, the role of the Board and the matters reserved for its decision, the terms of reference and membership of the principal Board committees, together with the powers delegated to those committees, the Group's corporate governance practices and procedures, and the latest financial information about the Group. This is supplemented by visits to key locations and meetings with key senior executives. Throughout their period in office the Directors are regularly updated on the Group's business, the competitive, legal and regulatory environment in which it operates and other changes affecting the Group and the financial services industry by written briefings and Board presentations by senior executives. Directors are also updated on changes to their legal and other duties and obligations as directors of a listed company. At the November 2007 board meeting the Company's legal advisers provided training to the Directors on directors' duties and derivative actions under Companies Act 2006.

Performance evaluation

The Board has established a formal process led by the Chairman for the annual evaluation of the performance of the Board, its principal committees and the individual Directors, with particular attention being paid to those who are due for re-appointment. The Directors are made aware, on appointment, that their performance will be subject to an evaluation.

In 2006 the Directors completed a questionnaire which was circulated by the Company secretary and was designed to gain an insight into how well the Board and its committees were meeting their objectives. The questionnaire included the former Chairman's summary of progress made during 2005 against the matters identified for attention in the 2004 self-evaluation process and asked the Directors to state whether or not those matters had been addressed. The Company secretary then collated the completed results from the questionnaires and presented the consolidated results to the Chairman.

In 2007 the Directors reviewed the consolidated results of the 2006 self-evaluation questionnaires and agreed that good progress had been made in various areas identified during the 2006 self-evaluation exercise as well as identifying specific matters, where action would be taken during 2008.

The Chairman conducts the annual appraisals of the four Executive Directors in relation to their duties as Directors and the four other Non-Executive Directors. These appraisals are conducted in separate meetings between the Chairman and each Director, at which the Director's contribution to Board proceedings is reviewed and the Director's views on his own performance and the operation of the Board are discussed. The Chairman reports to the Board on any issues requiring Board consideration.

Led by the senior independent Director, the Non-Executive Directors meet annually, without the presence of the Chairman, to conduct a performance evaluation of the Chairman. The senior independent Director subsequently has a meeting with the Chairman on a similar basis as the Chairman's meeting with each of the other Directors.

Individual written personal objectives in relation to their management roles are prepared at the beginning of the financial year by each Executive Director. After agreement with the chief executive, and in the case of the chief executive with the Chairman, these objectives are submitted to the Remuneration Committee for consideration and approval on behalf of the Board. The chief executive conducts an annual appraisal of the performance of the other Executive Directors which includes an assessment of their individual performance against their personal objectives set at the beginning of the accounting period and a formal interview. The same process is conducted by the Chairman in respect of the chief executive. The extent to which Executive Directors' personal objectives have been achieved is determined during this review process, the results of which are submitted to, and taken into account by, the Remuneration Committee in finalising the Executive Directors' bonuses for the year.

Re-election

Subject to the Articles (as amended from time to time), the Companies Acts and satisfactory performance evaluation, Non-Executive Directors are appointed for an initial period of three years, but may be invited to serve one or two additional three year terms if the Nomination Committee believes this to be appropriate. The re-appointment of Directors who have served for more than nine years is subject to annual review and re-election by the Shareholders.

The Company secretary

The Company secretary is responsible for advising the Board, through the Chairman, on all governance matters. The Directors have access to the advice and services of the Company secretary. The Articles and the schedule of matters reserved to the Board for decision provide that the appointment and removal of the Company secretary is a matter for the full Board.

Standing committees of the Board

The Board has established three standing committees, being the Audit Committee, the Remuneration Committee and the Nomination Committee. The Company secretary acts as secretary to all three standing committees.

Audit Committee

Current members

M A Young (Chairman), D A Haxby, F R Dee and A J McWalter.

Membership

All members of the Audit Committee are independent Non-Executive Directors.

The Chairman of the committee, M A Young, has significant, relevant and up to date financial and accounting knowledge and experience. M A Young qualified as a Chartered Accountant and was previously the chairman of the audit committee of Uniq plc.

Role of the Audit Committee

The Audit Committee's terms of reference are reviewed annually by the Committee and any changes are approved by the Board.

The main duties of the Audit Committee set out in its terms of reference are:

- (i) monitoring the integrity of the Company's financial statements;
- (ii) keeping under review the effectiveness of the Company's internal controls and risk management systems;
- (iii) reviewing the Company's arrangements for its employees to raise concerns, in confidence, about possible wrongdoing in financial reporting and other matters;
- (iv) monitoring and reviewing the effectiveness of the Company's internal audit function in the context of the Company's overall risk management systems;
- (v) considering and making recommendations to the Board in relation to the appointment, re-appointment and removal of the Company's external auditors; and
- (vi) overseeing the relationship with the external auditors, including (but not limited to) approving their remuneration, assessing annually their independence and objectivity taking into account relevant professional and regulatory requirements and the relationship with the auditors as a whole, including the provision of any non-audit services.

Remuneration Committee

Current members

F R Dee (Chairman), D A Haxby, A J McWalter, N N Broadhurst and M A Young

Membership

The Remuneration Committee comprises the Chairman and the other four independent Non-Executive Directors, under the chairmanship of F R Dee. The chief executive attends meetings of the Committee, unless he has a conflict of interest.

Role of the Remuneration Committee

The Remuneration Committee's terms of reference are reviewed annually by the Committee and any changes are approved by the Board.

The main duties of the Remuneration Committee set out in its terms of reference are:

- (i) determining and agreeing with the Board the broad policy for the remuneration of the Chairman, the Executive Directors, the Company secretary and certain other members of the senior management;
- (ii) reviewing the design of all share incentive plans for approval by the Board and Shareholders and making any awards and setting performance targets under such plans;
- (iii) determining the policy for, and the scope of, pension arrangements for each Executive Director; and
- (iv) determining the total individual remuneration package of each Executive Director, the Chairman and the Company secretary. The Chairman does not attend any committee meetings (or parts thereof) at which his remuneration is discussed.

Nomination Committee

Current members

N N Broadhurst (Chairman), D J Postings, D A Haxby, F R Dee, A J McWalter and M A Young.

Membership

The Nomination Committee comprises the Chairman, the other four independent Non-Executive Directors and the chief executive under the chairmanship of the Chairman of the Board, N N Broadhurst.

Role of the Nomination Committee

The Nomination Committee's terms of reference are reviewed annually by the committee and any changes are approved by the Board. The Nomination Committee's terms of reference include preparing a description of the role and capabilities required for a new Board appointment in light of the balance of skills, knowledge and experience on the Board and the Company's requirements, identifying and nominating candidates for appointment to the Board for the approval of the Board and reviewing the succession plans for the Group's Board and senior management.

Internal control and risk management

The Board has overall responsibility for the Group's internal control system to safeguard Shareholders' investment and the Company's assets, which embraces all risks faced by the Group, including business, financial, operational and compliance risks. The Directors recognise, however, that there are inherent limitations in any system of internal control and as such the controls can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The Group has continued to comply with the guidance provided by the Financial Reporting Council in a document entitled "Internal Control: Revised Guidance for Directors on the Combined Code (October 2005)" ("Turnbull guidance"), through an on-going process to identify and evaluate key areas of risk, both financial and non-financial, the Group's perceived tolerance or commercial appetite towards such risks and the policies and procedures which should be adopted in order to manage the likely exposure. This process is regularly reviewed by the Board and accords with the Turnbull guidance.

The Audit Committee has primary responsibility to the Board to ensure that the major business risks facing Cattles are identified and that appropriate policies are developed for the management of those risks and for reviewing the operation and effectiveness of the Group's internal control system on at least a six monthly basis. The principal features of the Group's internal control system can be summarised as follows:

- (i) primary responsibility of the Board to ensure that the major business risks facing the Group are identified and that appropriate policies are developed for the management of those risks. The Board, however, recognises that the internal control system is designed to manage rather than eliminate the risk of failure to achieve business objectives;
- (ii) a clearly defined organisational structure with lines of responsibility and delegation of authority to divisional executive management supported by established policies and procedures;
- (iii) the engagement of a leading firm of professional advisers for the provision of a complete range of internal audit and risk assurance services, with a direct reporting link to the Audit Committee;
- (iv) a "Risk Management Group", comprising the Executive Directors and other key members of senior management including risk specialists, reviews key Group risks together with the effectiveness of the Group's controls to manage and reduce the impact of these risks. The Risk Management Group meets twice yearly, reporting to the Audit Committee;
- (v) delegation of the responsibility for on-going maintenance of the system of internal control procedures to the executive management, specifically designated "Risk Champions" for all business areas and appropriate working parties. The system ensures that successive assurances are provided to ascending levels of management and changes in the risk profiles for all business areas are monitored and reported on a monthly basis;
- (vi) arrangements by which staff of the Company may in confidence raise concerns about possible improprieties in matters of financial reporting or other matters, together with arrangements for the proportionate and independent investigation of such matters and for appropriate follow-up action and reporting to the Board;

- (vii) operation of a comprehensive planning and financial reporting system, which covers income, expenditure, cash flows and balance sheets. Annual budgets and medium term plans are approved by the Board and monitored against actual performance on a monthly basis to identify any significant deviation from approved plans. The annual budget is reviewed and reforecast on a regular basis;
- (viii) adoption of a schedule of matters specifically reserved for the approval of the Board ensuring that it maintains full and effective control over appropriate financial, strategic, organisational and compliance issues. The Board has identified a number of key areas, which are subject to regular reporting to the Board; and
- (ix) selective use of insurance in limiting risks across the Group.

The Group is continuing to develop further its risk management framework to ensure that risk monitoring and reporting is embedded at all levels of management and throughout all areas of the Group's operations.

Welcome ROC

In 2007, following discussions with the FSA about Welcome Financial Services' corporate governance arrangements, the Company and Welcome Financial Services established the Welcome ROC.

The purpose of the Welcome ROC, as set out in its terms of reference, is to provide oversight to the operation of Welcome Financial Services, including:

- (i) providing an independent challenge and support to Welcome Financial Services' board on the development of its strategic and operational plans, policies, procedures and budgets in the light of the board's regulatory responsibilities and, in particular, to ensure that the risk of customer detriment, financial loss or mismanagement is minimised;
- (ii) providing an independent assessment of Welcome Financial Services' compliance with the FSA's regulation, guidance and principles, as well as other legal and statutory obligations, with particular regard to any customer detriment; and
- (iii) agreeing actions and monitoring performance against these actions, in order to ensure that any issues that may arise are appropriately dealt with by Welcome Financial Services' board.

The Welcome ROC comprises A J McWalter, one of the independent Non-Executive Directors, who chairs the committee, M W G Collins, Cattles' Treasury & Risk Director, the managing director, the risk and compliance director and the sales and marketing director of Welcome Financial Services and one other Welcome Financial Services director on a rotating basis. The Company secretary acts as secretary to the Welcome ROC.

The Welcome ROC held its inaugural meeting in September 2007 and met again in December 2007 and March 2008. It is intended that the Welcome ROC will meet quarterly during 2008. The chairman of the Welcome ROC reports to the Board and Welcome Financial Services' board on its proceedings and minutes of meetings of the meetings are circulated to the directors of both companies.

11. Employees

The average monthly number of persons employed by the Group for the following periods were:

	<i>2007</i>	<i>2006</i>	<i>2005</i>
Welcome Financial Services	4,267	3,903	4,454
The Lewis Group	270	245	228
Cattles Invoice Finance	151	139	134
Central Support Services	31	50	50
Total	<u>4,719</u>	<u>4,337</u>	<u>4,866</u>

As at 21 April 2008 (the latest practicable date prior to the publication of this document), the Group employed approximately 5,274 persons. Of these 5,274 employees, approximately 90.2 per cent. were employed in Welcome Financial Services, 5.8 per cent. in Lewis, 3.3 per cent. in Cattles Invoice Finance and 0.7 per cent. in Central Support Services.

In addition, Cattles has around 2,500 self-employed collection agents.

12. Cattles Share Schemes

The Group maintains nine share award and share option plans: the Cattles LTIP; the Cattles ESOS 1994; the Cattles ESOS 1996; the Cattles ESOS 2005; the Cattles Sharesave Scheme; the Cattles SIP; the Cattles DSBP; the Cattles MSP; and the DJP RSA.

The Cattles LTIP

The rules of the Cattles LTIP are summarised in paragraph 4 of this Part 10. Participation in the Cattles LTIP is restricted to the Executive Directors and certain senior managers.

The Cattles ESOS 1994, the Cattles ESOS 1996 and the Cattles ESOS 2005 (together “Cattles ESOSs”)

The Executive Directors and relevant senior managers have not participated in the Cattles ESOSs since being invited to participate in the Cattles LTIP.

Grants of options to certain executives of the Cattles Group have been made by the Remuneration Committee under the Cattles ESOS 1994, an HM Revenue & Customs approved scheme, and the Cattles ESOS 1996, which have both now expired. The exercise of options under both schemes is dependent upon the achievement of EPS-based performance criteria, as set by the Remuneration Committee.

Shareholder approval was obtained at the annual general meeting in May 2005 for the establishment of the Cattles ESOS 2005 to replace the Cattles ESOS 1994 and the Cattles ESOS 1996. The maximum award level under the Cattles ESOS 2005 is 100 per cent. of salary, although it is likely that awards will be made at lower levels. Vesting of the options is subject to the satisfaction of performance criteria specified by the Remuneration Committee. Currently, options will be subject to EPS growth targets over a single three year period. The Executive Directors and senior managers who participate in the Cattles LTIP will not be granted options under the Cattles ESOS 2005, save where exceptional circumstances exist (such as senior recruitment) which result in the Remuneration Committee considering it appropriate to grant both options under the Cattles ESOS 2005 and the Cattles LTIP, in which case the performance conditions set will take full account of market and best practice.

The Cattles SIP

Introduction

The Cattles SIP is an HM Revenue & Customs approved all employee scheme under which employees must generally participate on similar terms. The main features of the Cattles SIP are set out below.

Employee eligibility

The Directors may from time to time provide that Free or Matching Shares may be appropriated to, and Partnership and Dividend Shares may be acquired by, eligible employees. Generally, all employees (including executive directors) of participating companies are eligible to participate in the Cattles SIP. The directors have the discretion to set a minimum service requirement of up to 18 months in order for an employee or executive director to be eligible to participate.

Principal features

The Cattles SIP allows eligible employees to obtain Cattles Shares in up to four ways: through the award of Free Shares, Partnership Shares, Matching Shares and Dividend Shares, the principal features of which are set out below. The Directors have discretion to use any or all parts of the Cattles SIP subject to complying with the Association of British Insurers' guidelines on shareholder dilution (as incorporated in the rules of the Cattles SIP).

Benefits under the Cattles SIP in the form of Free, Matching or Dividend Shares are not pensionable. Any salary used to acquire Partnership Shares continues to be treated as pensionable income.

Cattles Shares acquired pursuant to the Cattles SIP rank *pari passu* with other Cattles Shares subject to the provisions of the Cattles SIP.

The Free, Matching and Dividend Shares are subject to holding periods of at least three years in an employee benefit trust which has been established by Cattles in conjunction with the Cattles SIP. The holding period for Free and Matching Shares can be set at between three and five years, at the discretion of the directors.

Subject to the forfeiture provisions mentioned below, all shares must be released to the employee from the Cattles SIP if the employee ceases to be employed by Cattles or any other associated company.

Invitations to participate in any element of the Cattles SIP and awards of shares under the Cattles SIP may not be made at any time when this would not be in accordance with the Model Code for Securities Transactions of Listed Companies issued by the UK Listing Authority.

Free Shares

Up to £3,000 of shares may be awarded to each eligible employee each tax year. The Directors may choose to make the award of shares subject to the prior satisfaction of performance targets. Provided certain conditions are met such performance targets need not be on the same terms. At the discretion of the Directors, shares may be subject to forfeiture if the employee leaves within three years of the award. The forfeiture provisions do not apply in certain defined circumstances including where employment ceases due to injury, disability, redundancy, retirement, death or by reason of a change in control of the company by which the individual is employed or business for which he works.

Partnership Shares

Eligible employees may be given the opportunity to purchase up to £1,500 of shares each tax year out of their pre-tax employment income. The Directors may set a savings period of up to 12 months in duration. In such circumstances the price at which shares will be deemed to be acquired by eligible employees will be the lower of the market value of the shares at the beginning of the savings period set by the Directors and the market value of the shares at the end of such period. If no savings period is set, shares will be acquired at market value on the acquisition date. Once acquired, shares may be withdrawn from the Cattles SIP by the employee at any time and will not be capable of forfeiture under any circumstances. To date, partnership shares have not been offered to employees.

Matching Shares

Partnership Shares purchased by eligible employees may, at the discretion of the Directors, attract an award of further shares at a ratio of up to 2:1, that is, the Directors have power to award Matching Shares to eligible employees with a value of up to £3,000 each tax year. Such shares may, at the discretion of the Directors, be subject to forfeiture if the employee leaves (other than in the circumstances mentioned above) within three years of the award or if Partnership Shares are withdrawn from the Cattles SIP earlier than three years after they are acquired by the eligible employee.

Dividend Shares

Eligible employees may be given the opportunity to use any cash dividend income received on the shares which have been awarded to them, and are held in the trust, to acquire Dividend Shares up to an annual limit of £1,500 per tax year. The Dividend Shares can be withdrawn from the Cattles SIP by the eligible employee after three years. Dividend Shares are not capable of forfeiture in any circumstances.

Shareholder dilution

The rules of the Cattles SIP provide that no more than 10 per cent. of the issued ordinary share capital of Cattles, adjusted for scrip and bonus issues and rights issues, should be issued for all share incentive schemes operated by Cattles in any rolling 10 year period. The Directors will ensure that appropriate policies regarding flow-rates exist in order to spread the potential issue of new shares over the life of the Cattles SIP.

Source of shares and employee trust

All shares that are awarded to eligible employees under the Cattles SIP must, initially, be held in a UK resident employee benefit trust. Shares can either be provided by subscription from Cattles or through market purchases.

Amendments to the Cattles SIP

The Directors may amend any of the provisions of the Cattles SIP following HM Revenue & Customs approval. Any such change will not have effect until approved by HM Revenue & Customs.

The provisions in the Cattles SIP relating to:

- (i) the persons to whom, or for whom, securities, cash or other benefits are provided under the Cattles SIP (the “participants”);
- (ii) the limitations on the number or amount of the securities, cash or other benefits subject to the Cattles SIP;
- (iii) the maximum entitlement for any one participant; and
- (iv) the basis for determining a participant’s entitlement to, and the terms of, securities, cash or other benefit to be provided and for the adjustment thereof (if any) if there is a capitalisation issue, rights issue or open offer, sub-division or consolidation of shares or reduction of capital or any other variation of capital

cannot be altered to the advantage of participants without the prior approval of Shareholders in general meeting (except for minor amendments to benefit the administration of the Cattles SIP, to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for participants in the Cattles SIP or for Cattles or for members of the Group).

The Cattles Sharesave Scheme

Introduction

The Cattles Sharesave Scheme is an HM Revenue & Customs approved all employee savings related share option scheme which allows employees and directors of participating companies in the Group to obtain Cattles Shares.

Employee eligibility

The grantor (the Directors or the trustees of any employee trust created by Cattles) may from time to time issue invitations to eligible employees to apply for the grant of options. Generally, all UK employees of the Group (including executive directors who are contracted to work at least 25 hours per week for the Group) are eligible to participate. The grantor has the discretion to set a minimum service requirement of up to five years in order for an employee or executive director to be eligible to participate in a particular offer.

Issue of invitations and grant of options

Invitations for the grant of options may only be issued within the period of 42 days beginning with the dealing day following the preliminary announcement of the final results or announcement of the interim results or outside this period in circumstances which the Directors consider sufficiently exceptional to justify the issue of invitations at that time.

Options may only be granted during the period of 30 days following the earliest of the dealing days used to calculate the option exercise price (or, if option applications are scaled down, 42 days).

No option may be granted more than 10 years after the adoption of the Cattles Sharesave Scheme.

Savings contract

When an employee accepts an invitation to participate in an issue of options he is required to enter into a savings contract for a period of three or five years under which he must make a monthly savings contribution of not less than an amount determined by the Directors and in accordance with the legislation (currently of not less than £5), nor, when taken together with any other savings contract linked to this or any other savings related share option scheme, greater than £250 (or any other maximum amount determined by the Directors and permitted by the legislation). These contributions are deducted from the employee’s salary.

If the participant ceases to make contributions before the third or fifth anniversary of the commencement of the savings contract, the option will lapse, except as provided below.

Benefits derived under the Cattles Sharesave Scheme are not pensionable.

Non-transferability of options

Options may not be assigned, charged or otherwise transferred other than to the participant’s legal personal representatives in the event of his death.

Option exercise price

The option exercise price is determined by the grantor and can be not less than 80 per cent. of the market value of a Cattles Share (or, in the case of an option to be satisfied by the issue of shares, the nominal value of a Cattles Share, if higher), at the date of invitation.

Exercise of option

During the period of six months following the end of the savings contract, the participant may exercise his option to acquire Cattles Shares up to the total value of his monthly savings contributions plus any bonus or interest paid thereon. Alternatively, the participant may withdraw his contributions and any bonus or interest.

On the exercise of options, shares can be provided through either the issue of shares by Cattles or by the transfer of shares by the trustees of an employee trust.

Cattles Shares allotted or transferred pursuant to the exercise of an option will rank *pari passu* with other Cattles Shares.

Termination of employment

If a participant ceases to be employed within the Group during the savings period, and within three years from the date of grant, his option will lapse except where the cessation is due to death, injury, disability, redundancy or retirement or because the undertaking within which the participant works ceases to be part of the Group in which case the participant, or his personal representative, will be able to exercise his option within six months (or in the case of death, 12 months) from the date of cessation of employment, but only to the extent of his accrued savings plus any interest or bonus accrued.

Takeover, reconstruction, amalgamation and winding up

In the event of a takeover or reconstruction of Cattles, participants may exercise options early to the extent of their accrued savings plus any interest or bonus accrued to the date of exercise within a specified period. Alternatively, where Cattles is taken over by another company, participants may be given the opportunity to exchange their options for new options over shares in the acquiring company within a specified period.

In the event of an amalgamation or voluntary winding up of Cattles, options may be exercised early within a specified period.

Options not exercised (or, where appropriate, not exchanged for new options) within a specified period will automatically lapse unless in the case of a takeover the grantor determines otherwise.

Shareholder dilution

The rules of the Cattles Sharesave Scheme provide that an option may not be granted if the result of granting the option would be that the number of Cattles Shares placed under option under the Cattles Sharesave Scheme or placed under option or issued under any other employee share schemes in the preceding 10 year period would exceed 10% of Cattles issued ordinary share capital at that time. The Directors will ensure that appropriate policies regarding flow-rates exist in order to spread the potential issue of new shares over the life of the Cattles Sharesave Scheme.

Amendments to the Cattles Sharesave Scheme

The Directors may amend any provisions of the Cattles Sharesave Scheme following HM Revenue & Customs approval. Any such change will not have effect until approved by HM Revenue & Customs.

The provisions in the Cattles Sharesave Scheme relating to:

- (i) the persons to whom, or for whom, securities, cash or other benefits are provided under the Cattles Sharesave Scheme (the “participants”);
- (ii) the limitations on the number or amount of the securities, cash or other benefits subject to the Cattles Sharesave Scheme;
- (iii) the maximum entitlement for any one participant; and
- (iv) the basis for determining a participant’s entitlement to, and the terms of, securities, cash or other benefit to be provided and for the adjustment thereof (if any) if there is a capitalisation issue, rights issue or open offer, sub-division or consolidation of shares or reduction of capital or any other variation of capital

cannot be altered to the advantage of participants without the prior approval of Shareholders in general meeting (except for minor amendments to benefit the administration of the Cattles Sharesave Scheme, to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for participants in the Cattles Sharesave Scheme or for Cattles or for members of the Group).

The Cattles DSBP

The rules of the Cattles DSBP are summarised in paragraph 4 of this Part 10. Participation in the Cattles DSBP is open to any employee whose bonus is in excess of 75 per cent. (or such other amount as the Remuneration Committee shall specify) of their basic salary.

The Cattles MSP

The Cattles MSP was adopted in June 2007. Participation is at the discretion of the Remuneration Committee and participants include senior executives who are best placed to influence the performance of the Group, but exclude the Executive Directors. Participants are awarded Cattles Shares which will normally vest in the proportions and on the dates specified by the Remuneration Committee at the time of making the award, provided that the participant remains in employment. The vesting of awards is not subject to performance conditions. The Cattles MSP operates in conjunction with a trust in the same way as the Cattles LTIP.

The DJP RSA

The rules of the DJP RSA are summarised in paragraph 4 of this Part 10. Participation in the DJP RSA is restricted to D J Postings only.

13. Effect of the Rights Issue on the options and awards under the Cattles Share Schemes

The effect of the Rights Issue on options and awards granted or made under the Cattles Share Schemes depends on the scheme under which they were granted.

13.1 The Cattles LTIP, the Cattles DSBP, the Cattles MSP and the DJP RSA

Under the rules of the above schemes, to take account of the Rights Issue, adjustments may be made by the Remuneration Committee to the exercise price of existing options and awards and to the number of Cattles Shares comprised under the options or awards.

13.2 The Cattles SIP

Participants in the Cattles SIP, for whom awards of Cattles Shares are held in the Cattles SIP, will be entitled to participate in the Rights Issue either by (i) taking up the rights allocated to them in full, (ii) selling their rights or (iii) selling sufficient Nil Paid Rights to obtain sufficient funds to enable the balance of their Nil Paid Rights to be taken up. Any New Cattles Shares acquired as a result of method (iii) will be held in the Cattles SIP and treated as Cattles SIP shares acquired at the same time as the shares in respect of which the Rights Issue was offered.

13.3 The Cattles ESOS 1994, the Cattles ESOS 1996 and the Cattles Sharesave Scheme

Under the rules of the Cattles ESOS 1994 and the Cattles ESOS 1996, to take account of the Rights Issue, adjustments shall be made by the Directors to the exercise price of existing options and to the number of Cattles Shares comprised under the options. The adjustments will also be subject to confirmation from the auditors of the Company that the adjustments are fair and reasonable and, where necessary, will also be subject to the prior approval of HM Revenue & Customs.

Under the Cattles Sharesave Scheme, the Directors, or the Directors together with the trustees where the trustees granted the option, may make adjustments to the exercise price of existing options and to the number of Cattles Shares comprised under the options to take account of the Rights Issue. The Directors, or where relevant the Directors together with the trustees, may seek confirmation from the auditors of the Company that the adjustments are fair and reasonable. Any adjustments will also be subject to the prior approval of HM Revenue & Customs.

13.4 The Cattles ESOS 2005

No options have been granted under this scheme.

PART 11

ADDITIONAL INFORMATION

1. The Company and its share capital

1.1 The Company

- 1.1.1 The Company was incorporated and registered in England and Wales on 21 January 1955 with registered number 543610 as a limited company under the Companies Act 1948 with the name Cattle's (Holdings) Limited. Its name was changed to Cattle's (Holdings) p.l.c. on 5 March 1982, when it was re-registered as a public company under the Companies Acts 1948 to 1980. Its name was changed to Cattles plc on 5 June 1995.
- 1.1.2 The principal legislation under which the Company operates, and pursuant to which the New Cattles Shares have been or will be created, are the Companies Act 1985 and the Companies Act 2006 and regulations made thereunder.
- 1.1.3 The Company is domiciled in England and Wales and its registered and head office is at Kingston House, Centre 27 Business Park, Woodhead Road, Birstall, Batley, West Yorkshire WF17 9TD (telephone number 01924 444 466).
- 1.1.4 Cattles Shares are listed on the Official List. The ISIN of Existing Cattles Shares is GB0001803666. The New Cattles Shares will be in registered form and may be held in either certificated or uncertificated form.

1.2 Share capital

1.2.1 Current share capital information

- 1.2.1.1 The following table shows the authorised and issued share capital of the Company as at 21 April 2008 (the latest practicable date prior to the publication of this document), and the authorised and issued share capital of the Company immediately following completion of the Rights Issue:

	<i>As at 21 April 2008</i>		<i>Immediately following the Rights Issue*</i>	
	<i>Cattles Shares</i>		<i>Cattles Shares</i>	
	<i>Number</i>	<i>£</i>	<i>Number</i>	<i>£</i>
Authorised	500,000,000	50,000,000	700,000,000	70,000,000
Issued and fully paid	362,804,760	36,280,476	526,066,902	52,606,690

*Assuming that no options granted under, or awards made under, the Cattles Share Schemes are exercised between the date of this document and completion of the Rights Issue.

The issue of the 163,262,142 New Cattles Shares would represent a 45 per cent. dilution of the issued Cattles share capital as at 21 April 2008 (the latest practicable date prior to the publication of this document).

Based on the assumption noted above and assuming that the resolution summarised in paragraph 1.2.1.5(i) of this Part 11, which is to be proposed at the annual general meeting of the Company to be held on 9 May 2008, is passed, immediately following the Rights Issue, 173,933,098 Cattles Shares will remain authorised but unissued, and the Directors will have authority to allot 120,934,920 of such shares, representing approximately 23 per cent. of the total number of issued Cattles Shares at that time. The Directors have no present intention of issuing any of such authorised but unissued share capital other than upon the exercise of options or awards under the Cattles Share Schemes.

For a Shareholder who duly exercises their rights, there will be no dilution upon completion of the Rights Issue. For a Shareholder who does not take up any of the New Cattles Shares offered to them, the percentage dilution will be 31 per cent. upon completion of the Rights Issue.

1.2.1.2 As at 21 April 2008 (the latest practicable date prior to the publication of this document), the following Cattles Shares were held by employee benefit trusts of the Company:

<i>Shareholder</i>	<i>Number of Cattles Shares</i>	<i>Percentage of issued share capital</i>
Cattles Trustee Limited (Cattles Shares held in trust on behalf of the Cattles LTIP, the Cattles DSBP, the Cattles MSP and the DJP RSA)	281,741	0.08
Computershare Trustees Limited (Cattles Shares held in trust on behalf of the Cattles SIP)	1,919,265	0.53

1.2.1.3 The following is a reconciliation of the number of Cattles Shares under option on 1 January 2008 and on 21 April 2008 (the latest practicable date prior to the publication of this document):

<i>Name of plan</i>	<i>As at 1 January 2008</i>	<i>As at 21 April 2008</i>	<i>Earliest date of exercise</i>	<i>Expiry date</i>	<i>Exercise price (p)</i>
Cattles ESOS 1994	37,400	37,400	30.03.02	31.03.09	363.95
	4,000	4,000	05.10.02	05.10.09	326.40
	500	500	10.04.03	10.04.10	220.10
	12,000	12,000	11.04.04	11.04.11	281.90
	7,000	7,000	01.10.04	01.10.11	221.60
	8,000	8,000	17.04.05	17.04.12	331.90
Cattles ESOS 1996	2,400	2,400	13.10.01	13.10.08	241.75
	46,000	46,000	01.04.02	01.04.09	361.35
Cattles Sharesave Scheme	347,484	330,619	01.12.08	01.06.09	285.60
	670,514	654,208	01.12.10	01.06.11	243.20
	423,685	407,792	01.12.10	01.06.11	298.20
	257	257	01.01.11	01.07.11	298.20
	744,891	714,701	01.12.12	01.06.13	298.20
	1,126	1,126	01.01.13	01.07.13	298.20

1.2.1.4 At the annual general meeting of the Company held on 11 May 2007, Shareholders resolved that:

- (i) the Directors be authorised to exercise all powers of the Company to allot, grant options over, offer or otherwise deal with or dispose of relevant securities (within the meaning of section 80 of the Companies Act 1985) up to an aggregate nominal amount of £12,092,390. The authority so conferred will expire at the conclusion of Cattles' next annual general meeting or, if sooner, on 11 August 2008 (or such later date as the Shareholders may by ordinary resolution prescribe) but may be previously revoked, varied or renewed by ordinary resolution. The authority so conferred enables the Company to make any offer or agreement before the expiry of such authority that would or might require relevant securities to be allotted after such authority expires and the Directors may allot relevant securities in pursuance of any such offer or agreement up to the maximum amount permitted by this authority as if it had not expired;
- (ii) the Directors be empowered, pursuant to section 95 of the Companies Act 1985, to allot equity securities (as defined in section 94 of the Companies Act 1985) pursuant to the authority conferred by the resolution referred to in paragraph 1.2.1.4(i) above as if section 89(1) of the Companies Act 1985 did not apply to any such allotment, provided that the power so conferred shall be limited to:
 - (a) the allotment of equity securities in connection with a rights issue, open offer or other pre-emptive offer; and

- (b) the allotment wholly for cash (otherwise than pursuant to (a) above) of equity securities up to an aggregate nominal amount of £906,929.

The power so conferred will expire at the conclusion of Cattles' next annual general meeting or, if sooner, on 11 August 2008 (or such later date as the Company may by special resolution prescribe) but may be previously revoked, varied or renewed by special resolution. The power so conferred enables the Company to make any offer or agreement before the expiry of such power that would or might require equity securities to be allotted after such power expires and the Directors may allot equity securities in pursuance of any such offer or agreement up to the maximum amount permitted by this power as if it had not expired.

This power applies in relation to a sale of shares which is an allotment of equity securities by virtue of section 94(3A) of the Companies Act 1985; and

- (iii) Cattles be authorised for the purposes of section 166 of the Companies Act 1985 to make one or more market purchases (within the meaning of section 163(3) of the Companies Act 1985) on the London Stock Exchange of Cattles Shares provided that:
 - (a) the maximum aggregate number of Cattles Shares authorised to be purchased is 36,277,172 (representing 10 per cent. of the Company's issued ordinary share capital as at the date the resolution was passed);
 - (b) the minimum price which may be paid for such shares is 10p per Cattles Share; and
 - (c) the maximum price which may be paid for a Cattles Share shall not be more than the higher of (aa) five per cent. above the average of the middle market quotations for a Cattles Share as derived from the Daily Official List for the five business days immediately preceding the date on which the Cattles Share is purchased; and (bb) that stipulated by Article 5(1) of the Buy-back and Stabilisation Regulation.

Unless previously renewed, varied or revoked, the authority so conferred shall expire at the conclusion of Cattles' next annual general meeting or, if sooner, on 11 August 2008. The authority so conferred enables the Company to make a contract or contracts to purchase Cattles Shares under such authority prior to the expiry of such authority which will or may be executed wholly or partly after the expiry of such authority and may make a purchase of Cattles Shares in pursuance of any such contract or contracts.

1.2.1.5 At the annual general meeting of the Company to be held on 9 May 2008, resolutions will be proposed to Shareholders:

- (i) to authorise the Directors to exercise all powers of the Company to allot, grant options over, offer or otherwise deal with or dispose of relevant securities (within the meaning of section 80 of the Companies Act 1985) up to an aggregate nominal amount of £12,093,492. This authority, if conferred, would expire at the conclusion of Cattles' next following annual general meeting or, if sooner, on 30 June 2009 (or such later date as the Shareholders may by ordinary resolution prescribe) but may be previously revoked, varied or renewed by ordinary resolution. This authority, if conferred, would enable the Company to make any offer or agreement before the expiry of such authority that would or might require relevant securities to be allotted after such authority expires and the Directors would be authorised to allot relevant securities in pursuance of any such offer or agreement up to the maximum amount permitted by the authority as if it had not expired;
- (ii) to empower the Directors, pursuant to section 95 of the Companies Act 1985, to allot equity securities (as defined in section 94 of the Companies Act 1985) pursuant to the authority conferred by the resolution referred to in paragraph 1.2.1.5(i) above (if passed) as if section 89(1) of the Companies Act 1985 did not apply to any such allotment, provided that the power, if conferred, would be limited to:

- (a) the allotment of equity securities in connection with a rights issue, open offer or other pre-emptive offer; and
- (b) the allotment wholly for cash (otherwise than pursuant to (a) above) of equity securities up to an aggregate nominal amount of £907,011.

The power, if conferred, would expire at the conclusion of Cattles' next following annual general meeting or, if sooner, on 30 June 2009 (or such later date as the Company may by special resolution prescribe) but may be previously revoked, varied or renewed by special resolution. The power, if conferred, would enable the Company to make any offer or agreement before the expiry of such power that would or might require equity securities to be allotted after such power expires and the Directors would be empowered to allot equity securities in pursuance of any such offer or agreement up to the maximum amount permitted by this power as if it had not expired.

This power would apply in relation to a sale of shares which is an allotment of equity securities by virtue of section 94(3A) of the Companies Act 1985; and

- (iii) to authorise Cattles, for the purposes of section 166 of the Companies Act 1985, to make one or more market purchases (within the meaning of section 163(3) of the Companies Act 1985) on the London Stock Exchange of Cattles Shares provided that:
 - (a) the maximum aggregate number of Cattles Shares authorised to be purchased would be 36,280,476;
 - (b) the minimum price which may be paid for such shares would be 10p per Cattles Share; and
 - (c) the maximum price which may be paid for a Cattles Share would not be more than the higher of (aa) five per cent. above the average of the middle market quotations for a Cattles Share as derived from the Daily Official List for the five business days immediately preceding the date on which the Cattles Share is purchased; and (bb) that stipulated by Article 5(1) of the Buy-back and Stabilisation Regulation.

Unless previously renewed, varied or revoked, the authority, if conferred, would expire at the conclusion of Cattles' next following annual general meeting or, if sooner, on 30 June 2009. The authority, if conferred, would enable the Company to make a contract or contracts to purchase Cattles Shares under such authority prior to the expiry of such authority which will or may be executed wholly or partly after the expiry of such authority and may make a purchase of Cattles Shares in pursuance of any such contract or contracts.

1.2.1.6 For the purposes of effecting the Rights Issue, the Resolution to be proposed at the Extraordinary General Meeting will propose:

- (i) to increase the Company's authorised share capital from £50,000,000 to £70,000,000 by the creation of 200,000,000 additional Cattles Shares (representing an increase of 40 per cent.); and
- (ii) that (in addition to all existing authorities to allot relevant securities granted to the Directors) the Directors be authorised to exercise all powers of the Company to allot relevant securities (within the meaning of section 80 of the Companies Act 1985) up to an aggregate nominal amount of £16,326,214.20 in connection with the Rights Issue, such authority to expire on 31 December 2008 (unless previously revoked, varied or extended by the Company in general meeting) save that the Company may make any offer or agreement before the expiry of such authority that would or might require relevant securities to be allotted after such authority expires and the Directors may allot relevant securities in pursuance of any such offer or agreement up to the maximum amount permitted by this resolution as if the authority conferred had not expired.

- 1.2.1.7 As at 21 April 2008 (the latest practicable date prior to the publication of this document), the Company has no outstanding convertible securities, exchangeable securities or securities with warrants.
- 1.2.1.8 A maximum of 2,226,003 Cattles Shares will be reserved for issue in respect of the exercise of options granted under the Cattles Share Schemes (before any adjustment for the Rights Issue). Accordingly, immediately following completion of the Rights Issue and on the basis that the resolution referred to in paragraph 1.2.1.5(i) of this Part 11 is passed, assuming no options granted under the Cattles Share Schemes are exercised between the date of this document and completion of the Rights Issue, at that time 118,708,917 Cattles Shares representing approximately 17 per cent. of the Company's authorised share capital will remain unissued and unreserved.
- 1.2.1.9 Save as disclosed in paragraph 1.2.1.8 and paragraph 1.2.2.2 of this Part 11:
- (i) no share or loan capital of the Company has, within three years of the date of this document, been issued or agreed to be issued, or is now proposed to be issued (other than pursuant to the Rights Issue), fully or partly paid, either for cash or for a consideration other than cash, to any person;
 - (ii) no commissions, discounts, brokerages or other special terms have been granted by the Company in connection with the issue or sale of any share or loan capital in the Company; and
 - (iii) no share or loan capital of the Company is under option or agreed conditionally or unconditionally to be put under option.
- 1.2.1.10 The Company will be subject to the continuing obligations of the UK Listing Authority with regard to the issue of shares for cash. The provisions of section 89 of the Companies Act 1985 (which confer on Shareholders rights of pre-emption in respect of the allotment of equity securities which are, or are to be, paid up in cash other than by way of allotment to employees under an employees' share scheme as defined in section 743 of the Companies Act 1985) apply to the authorised but unissued share capital of the Company in respect of which the Directors are seeking authority (pursuant to the Resolution at the EGM) to make allotments pursuant to section 80 of the Companies Act 1985 as referred to in paragraph 1.2.1.6 of this Part 11.
- 1.2.1.11 As at 21 April 2008 (the latest practicable date prior to the publication of this document), the Company has no treasury shares.

1.2.2 History of Cattles' share capital

1.2.2.1 Authorised share capital

As at 1 January 2005, the first day covered by the historical financial information in this document, the authorised share capital of the Company was £50,000,000 divided into 500,000,000 ordinary shares of 10p each.

1.2.2.2 Issued share capital

As at 1 January 2005, the first day covered by the historical financial information contained in this document, 328,679,318 Cattles Shares were issued and fully paid up. Since 1 January 2005, during the period covered by the historical financial information in this document, the following changes have occurred to the issued share capital of the Company:

<i>Cattles Shares</i>	<i>Issued share capital</i>	
	<i>Number of shares</i>	<i>Nominal value (£)</i>
At 1 January 2005	328,679,318	32,867,931.80
Issues of Cattles Shares under the Cattles Sharesave Scheme	138,163	13,816.30
Issues of Cattles Shares under the Cattles ESOS 1994	51,500	5,150.00
Issues of Cattles Shares under the Cattles ESOS 1996	—	—

<i>Cattles Shares</i>	<i>Issued share capital</i>	
	<i>Number of shares</i>	<i>Nominal value (£)</i>
At 31 December 2005	328,868,981	32,886,898.10
Issues of Cattles Shares under the Cattles Sharesave Scheme	705,354	70,535.40
Issues of Cattles Shares under the Cattles ESOS 1994	106,450	10,645.00
Issues of Cattles Shares under the Cattles ESOS 1996	52,150	5,215.00
At 31 December 2006	329,732,935	32,973,293.50
Issues of Cattles Shares under the Cattles Sharesave Scheme	47,339	4,733.90
Issues of Cattles Shares under the Cattles ESOS 1994	39,500	3,950.00
Issues of Cattles Shares under the Cattles ESOS 1996	6,000	600.00
Issues of Cattles Shares pursuant to a non-pre-emptive cash placing	32,978,986	3,297,898.60
At 31 December 2007	362,804,760	36,280,476.00
From 1 January 2008 until 21 April 2008 (the latest practicable date prior to the publication of this document), no Cattles Shares have been issued.		

2. Memorandum of association, Articles and proposed amendments to the Articles

- 2.1 The memorandum of association of the Company provides that its objects include among others carrying on business as a general commercial company. The objects of the Company are set out in full in clause 4 of the memorandum of association which is available for inspection at the address specified in paragraph 16 of this Part 11.

The Articles include provisions to the following effect (capitalised terms used in this paragraph 2 which are not defined in the section of this document entitled “Definitions and Glossary” have the meanings they are given in the Articles):

2.1.1 *Share rights*

Subject to the provisions of the Companies Acts and without prejudice to any rights attached to any class of shares, any share in the Company may be issued with such rights or restrictions as the Company may by ordinary resolution determine or, if there has not been any such determination or so far as the resolution does not make specific provision, as the Board may determine.

Subject to the provisions of the Companies Acts, the Board may issue, with the sanction of a special resolution, shares liable to be redeemed at the option of the Company or the member. Subject to the provisions of the Companies Acts and the Articles, the unissued shares of the Company are at the disposal of the Board.

2.1.2 *Voting rights*

Subject to any special terms as to voting upon which any shares may be issued or may for the time being be held, on a show of hands every member who is present in person at a general meeting of the Company shall have one vote, and on a poll every member who is present in person or by proxy shall have one vote for every share of which he is the holder. The provisions of the Articles dealing with the rights of proxies are now subject to certain provisions of the Companies Act 2006 which came into force on 1 October 2007. The provisions of the Companies Act 2006 provide that a member who is present by proxy at a general meeting of the Company shall have the same number of votes on a show of hands as his appointor would have had if he were present at the meeting. Accordingly, the provision of the Articles referred to above restricting the ability of proxies to vote on a show of hands is void and the provisions of the 2006 Act apply.

No member shall, unless the Board otherwise determines, be entitled to be present or to vote at any general meeting unless all calls or other sums presently payable by him in respect of shares in the Company have been paid.

2.1.3 *Dividends and other distributions*

Subject to the provisions of the Companies Acts, the Company may by ordinary resolution from time to time declare dividends to be paid to the members according to their rights and interests in the profits available for distribution, but no dividend shall be declared in excess of the amount recommended by the Board.

Unless and to the extent that the rights attached to any shares or the terms of issue of any shares otherwise provide, all dividends shall (as regards any shares not fully paid throughout the period in respect of which the dividend is paid) be apportioned and paid *pro rata* according to the amounts paid on the shares during any portion or portions of the period in respect of which the dividend is paid.

The Board may retain any dividend (or part of a dividend) or other moneys payable on or in respect of a share on which the Company has a lien, and may apply it or them in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists. The Board may, with the sanction of an ordinary resolution of the Company, offer members the right to elect to receive shares, credited as fully paid, in whole or in part, instead of cash in respect of such dividend or dividends as are specified by such resolution.

2.1.4 *Variation of rights*

Rights attached to any class of shares may from time to time be varied or abrogated with the written consent of the holders of not less than three-quarters in nominal value of the issued shares of that class or with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of the shares of the class.

2.1.5 *Lien and forfeiture*

The Company shall have a first and paramount lien on every share (not being a fully paid share) for all moneys, whether presently payable or not, called or payable in respect of such share. The Company may sell, in such manner as the Board may think fit, any share on which the Company has a lien, but no sale shall be made unless some sum in respect of which the lien exists is presently payable nor until the expiration of 14 days after a notice in writing has been served on the holder for the time being of the share.

The Board may from time to time make calls upon the members in respect of any moneys unpaid on their shares. Each member or person entitled to a share by transmission shall (subject to the Company serving upon him at least 14 days' notice specifying the time or times and place of payment) pay to the Company at the time or times and place so specified the amount called on his shares. A call may, before receipt by the Company of a sum due under the call, be revoked or postponed in whole or in part as the Board may determine. A member or person entitled to a share by transmission shall remain liable for calls made upon him notwithstanding the subsequent transfer of the shares in respect of which the call was made.

If a member fails to pay any call or instalment of a call on or before the day appointed for payment of it, the Board may at any time afterwards during such time as any part of such call or instalment remains unpaid serve a notice on him requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and any expenses incurred by the Company by reason of such non-payment. Interest shall be payable at the rate of 25 per cent. per annum (or such lower rate as the Board may determine) from the date of forfeiture until payment.

2.1.6 *Transfer of shares*

A member may transfer all or any of his certificated shares by an instrument of transfer in the usual common form or in any other form which the Board may approve. The instrument of transfer of a certificated share shall be signed by or on behalf of the transferor and (in the case of a partly paid share) the transferee.

The Board may, in its absolute discretion and without assigning any reason, decline to register any transfer of any certificated share that is not a fully paid up share (provided that this discretion will not be exercised so as to prevent dealings in the shares on the London Stock Exchange taking place on an open and proper basis) or of a share on which the Company has a lien. The Company may refuse to register a transfer of an uncertificated share to the extent it is permitted to do so by the Regulations (save where to do so would disturb the market in the shares on the London Stock Exchange).

No transfer of any share shall be made to a minor, bankrupt or person who is mentally disordered or a patient for any purpose of any statute relating to mental health.

The Board may also decline to register any transfer of a certificated share (save where to do so would disturb the market in the shares on the London Stock Exchange) unless:

- (i) the instrument of transfer, duly stamped, is lodged with the Company accompanied by the certificate for the shares to which it relates, and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer;
- (ii) the instrument of transfer is in respect of only one class of share; and
- (iii) in the case of a transfer to joint holders, the number of joint holders to whom the share is to be transferred does not exceed four.

If the Board declines to register a transfer it shall send to the transferee notice of the refusal.

2.1.7 Alteration of share capital

The Company may by ordinary resolution increase its share capital, consolidate and divide any of its share capital into shares of a larger amount, cancel any unissued shares, diminish the amount of its capital by the amount of the shares so cancelled, and subdivide its shares into shares of a smaller amount. Subject to the provisions of the Companies Acts, the Company may by special resolution reduce its share capital, share premium account or other undistributable reserve in any manner.

2.1.8 Winding up

Except as provided by the rights and restrictions attached to any class of shares, the holders of the Company's shares will under general law be entitled to participate in any surplus assets in a winding up in proportion to their shareholding. A liquidator may, with the authority of an extraordinary resolution, divide among the members in specie or kind the whole or any part of the assets of the Company and may, for such purposes, set such values as he deems fair upon any assets to be so divided and may determine how such division shall be carried out as between the members or different classes of members.

2.1.9 Disclosure of member's interests

The Company may by notice in writing (a "disclosure notice") require any member or other person appearing to be interested or appearing to have been interested in any shares in the Company to disclose to the Company in writing such information as the Company shall be entitled to require relating to interests in the shares in question and, in the event of such a failure to comply with a disclosure notice, the Board may impose any or all of the following sanctions:

- (i) in respect of the shares in relation to which the default occurred (the "relevant shares") the relevant member shall have no right to attend or vote at any general meeting of the Company or at any separate general meeting of the holders of any class of shares or to exercise any other right in relation to any meeting of the Company or any class of shareholders of the Company; and/or
- (ii) (if the relevant shares constitute 0.25 per cent. or more in number of the issued shares in the capital of the Company) in respect of the relevant shares the relevant member shall have no right to receive any dividend (including any shares issued in lieu of dividend) or other moneys payable until the sanctions have ceased to apply; and/or
- (iii) (if the relevant shares constitute 0.25 per cent. or more in number of the issued shares in the capital of the Company) the Board may decline to register any transfer of relevant shares other than (i) a transfer made in respect of a dealing (not being a put-through) on a recognised investment exchange (as defined in the FSMA) or other recognised market on which securities of the same class as the relevant shares are regularly traded or (ii) a transfer made in respect of an acceptance of a takeover offer which is subject to and complies with the City Code or (iii) a transfer made pursuant to the provisions of the Companies Acts conferring powers of compulsory purchase in respect of takeover offers.

2.1.10 Purchase of own shares

Subject to the provisions of the Companies Acts and the Articles and to any confirmation or consent required by law, the Company may from time to time purchase its own shares (including any redeemable shares) provided that if there are in issue any convertible shares of the Company then no purchase by the Company of any of its own shares shall take place unless it has been sanctioned by an extraordinary resolution passed at a separate class meeting of the holders of each class of convertible shares.

2.1.11 General meetings

The Board shall convene and the Company shall hold general meetings as annual general meetings in accordance with the requirements of the Companies Acts at such times and places as the Board shall appoint.

The Board may, whenever it thinks fit, and in accordance with the Companies Acts, convene an extraordinary general meeting and, on the requisition of members under the Companies Acts, shall forthwith proceed to convene an extraordinary general meeting in accordance with the Companies Acts.

2.1.12 Directors

2.1.12.1 Appointment and removal of Directors

Subject to the provisions of the Articles, the Company may by ordinary resolution appoint any person to be a Director, either to fill a casual vacancy or as an addition to the existing Board, but so that the total number of Directors shall not at any time exceed any maximum number fixed by or in accordance with the Articles.

The Board shall have power at any time and from time to time to appoint any person to be a Director, either to fill a casual vacancy or as an addition to the existing Board, but so that the total number of Directors shall not at any time exceed any maximum number fixed by or in accordance with the Articles. Any Director so appointed by the Board shall hold office only until the next following annual general meeting and shall then be eligible for reappointment but shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at such meeting.

2.1.12.2 Age of Directors

No person shall be disqualified from being appointed a Director and no Director shall be required to vacate that office by reason only of the fact that he has attained the age of 70 years or any other age, nor shall it be necessary to give special notice under the Companies Acts of any resolution appointing or approving the appointment of a Director by reason of his age, but where the Board convenes any general meeting of the Company at which (to the knowledge of the Board) a person will be proposed for appointment as a Director who has at the date of such meeting attained the age of 70 years or more, the Board shall give notice of his having attained such age in the notice convening the meeting.

2.1.12.3 No share qualification

A Director shall not be required to hold any shares in the capital of the Company by way of qualification.

2.1.12.4 Retirement of Directors by rotation

Subject to the provisions of the Articles, at every annual general meeting one third of the Directors for the time being or, if their number is not a multiple of three, then the number nearest to but not less than one third shall retire from office.

The Directors so to retire shall include any Director who wishes to retire and not to offer himself for re-election and shall otherwise be those who have been longest in office since their last appointment or reappointment but as between persons who became or were last appointed Directors on the same day those to retire shall (unless they otherwise agree among themselves) be determined by lot. A Director who retires at an annual general meeting shall be eligible for re-election.

2.1.12.5 *Remuneration of Directors*

Executive Directors shall receive such remuneration as the Board or any committee authorised by the Board may determine, either in addition to or in lieu of their remuneration as a Directors.

The remuneration of the Non-Executive Directors for their services as officers of the Company (excluding amounts payable under any other provision of the Articles) shall be determined by the Board but shall not exceed in aggregate the sum of £500,000 in any financial year (which figure shall be subject to upward only adjustment in line with any percentage increase in the retail prices index (as defined in section 989 of the Income Tax Act 2007)) or such greater sums as the Company may from time to time determine by ordinary resolution.

In addition to any remuneration to which the Directors are entitled under the Articles, each Director may be paid his reasonable travelling, hotel and incidental expenses of attending and returning from meetings of the Board or committees of the Board or general meetings or separate meetings of the holders of any class of shares or of debentures of the Company and shall be paid all expenses properly and reasonably incurred by him in the conduct of the Company's business or in the discharge of his duties as a Director.

The Board shall have the power to purchase and maintain insurance for or for the benefit of any persons who are or were at any time Directors, officers, employees or auditors of the Company.

2.1.12.6 *Permitted interests of Directors*

A Director may hold any other office or place of profit with the Company (except that of Auditor) in conjunction with his office of Director for such period, subject to the provisions of the Companies Acts, and upon such terms as the Board may determine, and may be paid such additional remuneration (whether by way of salary, commission, participation in profits or otherwise) as the Board may determine.

A Director may act by himself or his firm in a professional capacity for the Company (otherwise than as Auditor) and he or his firm shall be entitled to remuneration for professional services as if he were not a Director.

A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or in which the Company may be interested or as regards which it has any power of appointment, and shall not be liable to account to the Company or the members for any remuneration, profit or other benefit received by him as a director or officer of or from his interest in such other company. The Board may also cause the voting power conferred by the shares in any other company held or owned by the Company or any power of appointment to be exercised in such manner in all respects as it thinks fit, including the exercise of it in favour of the appointment of the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

A Director shall not vote or be counted in the quorum on any resolutions of the Board concerning his own appointment as the holder of any office or place of profit with the Company or any other company in which the Company is interested (including the arrangement or variation of the terms of such appointment, or its termination).

Where arrangements are under consideration by the Board concerning the appointment (including its arrangement or variation of its terms, or its termination) of two or more Directors to offices or places of profit with the Company or any other company in which the Company is interested, a separate resolution may be put in relation to each Director and in such case each of the Directors concerned shall be entitled to vote (and be counted in the quorum) in respect of each resolution except that concerning his own appointment (or the arrangement or variation of its terms, or its termination) and except (in the case of an office or place of profit with any such other company as referred to above) where the other company is a company in which the Director owns one per cent. or more.

Subject to the provisions of the Companies Acts and the Articles, no Director or proposed or intending Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or of the fiduciary relationship established as a result.

2.1.12.7 *Restrictions on voting*

Save as otherwise provided by the Articles, a Director shall not vote (nor be counted in the quorum) on any resolution of the Board in respect of any contract, arrangement or other proposal in which he (together with any person connected with him) has to his knowledge a material interest and, if he shall do so, his vote shall not be counted, but subject to the provisions of the Companies Acts and in the absence of some other material interest, this prohibition shall not apply to any of the following matters, namely:

- (i) any transaction for giving to such Director any guarantee, security or indemnity in respect of money lent by him or obligations undertaken by him at the request or for the benefit of the Company or any of its subsidiaries;
- (ii) any transaction for the giving by the Company or any of its subsidiaries of any guarantee, security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries in respect of which such Director has himself given an indemnity or which he has guaranteed or secured in whole or in part;
- (iii) any transaction by such Director to subscribe for shares, debentures or other securities of the Company or any of its subsidiaries issued or to be issued pursuant to any offer or invitation to members or debenture holders of the Company or any class of them or to the public or any section of it, or to underwrite or sub-underwrite any such shares, debentures or other securities;
- (iv) any transaction in which such Director is interested by virtue of his interest in shares or debentures or other securities of the Company or by reason of any other interest in or through the Company;
- (v) any transaction concerning any other company (not being a company in which such Director and persons connected with him to his knowledge owns one per cent. or more within the meaning of Article 37.9) in which he is interested directly or indirectly whether as an officer, shareholder, creditor or otherwise howsoever;
- (vi) any proposal concerning the adoption, modification or operation of a scheme or arrangement for the benefit of employees of the Company or of any of its subsidiary undertakings and that does not accord to any Director as such any privilege or advantage not generally accorded to the employees to whom such scheme or arrangement relates; and
- (vii) any proposal concerning any insurance which the Company is empowered to purchase and/or maintain for or for the benefit of any Directors.

2.1.12.8 *Borrowing powers*

Subject as provided below and to the provisions of the Companies Acts, the Board may exercise all the powers of the Company to borrow money and to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company and to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

The Board shall restrict the borrowings of the Company and exercise all voting and other rights or powers of control exercisable by the Company in relation to its subsidiary undertakings (if any) so as to secure that the aggregate principal amount

from time to time outstanding of all borrowings by the Group shall not, without the previous sanction of an ordinary resolution of the Company, at any time exceed an amount equal to six times the Adjusted Capital and Reserves.

2.1.12.9 Indemnity of officers

Subject to the provisions of the Companies Acts, every Director, alternate Director, Auditor, Secretary or other officer of the Company shall be entitled to be indemnified by the Company against all costs, charges, losses, expenses and liabilities incurred by him in the execution and discharge of his duties or in relation to those duties.

2.2 Proposed amendments to the Articles

A resolution to amend the Articles will be proposed at the annual general meeting of the Company to be held on 9 May 2008. If that resolution is approved by the requisite majority of Shareholders, the Articles will be amended, primarily to reflect the provisions of the Companies Act 2006. Full copies of the proposed amendments to the Articles will be available for inspection at the annual general meeting of the Company. The principal differences are described below and the amended Articles, on the assumption that the resolution referred to above is duly passed, are referred to as the “Amended Articles” for the purpose of this paragraph 2.2. Where the differences between the Articles and the Amended Articles are of a minor or technical nature, these have not been included in the summary below.

2.2.1 Articles which duplicate statutory provisions

Provisions in the Articles which replicate provisions contained in the Companies Act 1985 will generally be amended to bring them into line with the Companies Act 2006. Certain examples of such provisions, for example those dealing with proxies, are detailed below.

2.2.2 Extraordinary general meetings and extraordinary resolutions

The Companies Act 2006 dispenses with the concepts of “extraordinary general meetings” and “extraordinary resolutions” and accordingly the Amended Articles will remove all references to these. Matters that formerly required the passing of an extraordinary resolution will instead require the passing of a special resolution under the Amended Articles.

2.2.3 Quorum requirements

The Companies Act 2006 makes it possible for a member to appoint more than one proxy or corporate representative. The Companies Act 2006 provides that in general terms the quorum for a general meeting be calculated by reference to the numbers of “qualifying persons” who are present at the meeting, which includes an individual who is a member of the Company, a person authorised under the Companies Act 2006 to act as the representative of a corporation, and a person appointed as proxy of a member. The Amended Articles will provide that there will be no double counting for qualifying persons who are representatives of the same corporation or proxies of the same member.

2.2.4 Proxies and corporate representatives

A proxy has a statutory right under the Companies Act 2006 to speak at any general meeting. This right is not reflected in the Articles. The Companies Act 2006 also confers on proxies the right to vote on a show of hands whereas under the Articles proxies are only entitled to vote on a poll. Multiple proxies may be appointed provided that each proxy is appointed to exercise the rights attached to a different share held by the member. The Amended Articles will reflect these new rules.

The Companies Act 2006 states that a company’s articles of association cannot require the appointment of a proxy to be made more than 48 hours before the time of the meeting. However, the Companies Act 2006 also makes clear that, provided their articles of association so permit, companies may exclude weekends and bank holidays from this 48-hour period, and it will be provided in the Amended Articles that Directors have the discretion to do this. Provisions will also be included in the Amended Articles dealing with the termination of a proxy appointment.

2.2.5 *Age of Directors*

The Articles require a Director's age to be disclosed, if he or she has attained the age of 70 years or more, in the notice convening a meeting at which the Director is proposed to be appointed. It is considered that such provision could fall foul of the recently introduced Employment Equality (Age) Regulations 2006 and so this provision will not be retained in the Amended Articles.

2.2.6 *Conflicts of interest*

Under the relevant provisions of the Companies Act 2006, when brought into force, a director must avoid a situation where he or she has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the company's interests. Conflict situations could arise, for example, where a director is a director of another company which becomes a competitor of, or major supplier to, the company or where he or she represents a major shareholder or has a position with one of the company's advisers. The Companies Act 2006 states that the duty applies in particular to the exploitation of property, information or opportunity, whether or not the company could itself take advantage of it.

Under the Companies Act 2006, when the relevant provisions come into force, conflicts of interest may be authorised by the independent members of the board provided, in the case of public companies, there is a provision in the articles of association permitting this. The Companies Act 2006 also allows the articles of association to contain other provisions for dealing with directors' conflicts of interest to avoid a breach of duty. The Amended Articles will give the Directors authority to approve such situations and to include other provisions to allow conflicts of interest to be dealt with in a similar way to the current position.

There are safeguards which will apply when Directors decide whether to authorise a conflict or potential conflict. These include, first, only independent Directors (i.e. those who have no interest in the matter being considered) will be able to take the relevant decision, and second, in taking the decision the Directors must, under the Companies Act 2006, act in a way they consider, in good faith, will be most likely to promote the Company's success. The Directors will be able to impose limits or conditions when giving authorisation or subsequently if they think this is appropriate. The Amended Articles will include provisions allowing the Directors to impose conditions relating to confidential information and attendance at board meetings to protect a Director being in breach of duty if a conflict of interest or potential conflict of interest arises. These provisions will only apply where the position giving rise to the potential conflict has previously been authorised by the Directors.

Subject to the resolution to amend the Articles at the annual general meeting to be held on 9 May 2008 being passed, these provisions in the Amended Articles will take effect from 1 October 2008 (or such other date, earlier or later, as the relevant provisions of the Companies Act 2006 come into force). Until that time, the provisions in the Amended Articles dealing with conflicts of interest will be identical to those in the Articles.

2.2.7 *Directors' indemnities*

The legislation relating to the indemnification of directors changed in 2005 and since then market practice has been developing with regard to the provision of indemnities to Directors. The Amended Articles expand the provisions regarding indemnities in favour of Directors contained in the Articles to reflect the wording now contained in the Companies Act 2006 and also to allow a Director to vote and be counted in the quorum at a board meeting in respect of any resolution concerning any indemnification by the Company in relation to the performance of his or her duties on behalf of the Company or any of its subsidiaries. This will clarify the ability of the Board to adopt indemnities in favour of Directors in accordance with the revised legislation.

2.2.8 *Governing law and jurisdiction*

The Companies Act 2006 has changed the law regarding derivative actions, the procedure by which aggrieved minority shareholders can bring an action on behalf of the Company. The Amended Articles will provide that any proceedings involving the Company and the members or Directors will be governed by English law and will be subject to the exclusive jurisdiction of the English courts.

3. Major Shareholders

3.1 In so far as it is known to the Company as at 21 April 2008 (the latest practicable date prior to the publication of this document), the following persons are interested directly or indirectly in three per cent. or more of the issued share capital of the Company:

	<i>Number of Cattles Shares</i>	<i>Percentage of current issued share capital</i>
Standard Life Investments Limited	40,013,517	11.03
F&C Asset Management plc	22,877,446	6.92
UBS Global Asset Management	21,711,248	5.98
Lloyds TSB Group plc	17,882,900	4.93
FMR Corp/Fidelity International	17,000,000	4.68
Legal & General Group plc	12,854,593	3.54

3.2 Save as disclosed above, the Directors are not aware of any person who is interested, directly or indirectly, in three per cent. or more of the issued share capital of the Company. As at 21 April 2008 (the latest practicable date prior to the publication of this document), the Company is not aware of any person or persons who directly or indirectly, jointly or severally, exercise or could exercise control over the Company, nor is it aware of any arrangements, the operation of which may at a subsequent date result in a change in control of the Company.

3.3 None of the Company's major Shareholders has different voting rights attached to its Cattles Shares.

4. Subsidiaries and principal establishments

4.1 Subsidiaries

The principal subsidiaries of the Company are as follows:

<i>Name</i>	<i>Class of shares</i>	<i>Shareholder</i>	<i>Percentage owned/voting power held</i>	<i>Nature of business</i>
Welcome Financial Services Limited	Ordinary £1 shares	Cattles Holdings Limited	100	Instalment credit (including the Welcome brands)
	Ordinary 1p shares	Cattles Holdings Limited		
	A Preference 1p shares	Progressive Insurance Company Limited		
	B Preference 1p shares	Progressive Insurance Company Limited		
	Irredeemable Preference 1p shares	Compass Credit Limited		
The Lewis Group Limited	Ordinary £1 shares	Lewis Group (Holdings) Limited	100	Debt collection and investigation services
C L Finance Limited	Ordinary £1 shares	Lewis Group (Holdings) Limited	100	Debt purchase
Cattles Invoice Finance Limited	Ordinary £1 shares	Recordpoint Limited	9.65	Invoice factoring
		Statusclaim Limited	36.14	
		Supremeaccess Limited	18.07	
		Westernissue Limited	36.14	
Cattles Invoice Finance (Oxford) Limited	Ordinary £1 shares	Cattles Invoice Finance	100	Invoice factoring

The registered office of all of the above companies (all of which, save for The Lewis Group Limited, were incorporated in England and Wales) is Kingston House, Centre 27 Business Park, Woodhead Road, Birstall, Batley, West Yorkshire WF17 9TD. The Lewis Group Limited was incorporated in Scotland and has its registered office at Rowan House, 70 Buchanan Street, Glasgow G1 3JF.

Cattles indirectly holds 100 per cent. of the shares and holds all the voting power in these subsidiaries.

4.2 *Principal establishments*

The following are the principal establishments of the Group:

<i>Location</i>	<i>Tenure</i>	<i>Rent per annum</i>	<i>Term</i>
Kingston House, Batley	Leasehold	£147,000	2011
Ruddington Fields, Nottingham	Freehold	N/A	N/A
Abbeyfields, Nottingham	Leasehold	£526,776	2020
Apex House, Nottingham	Leasehold	£135,000	2015
Iridium Court, Hull	Leasehold	£144,000	2014
Iridium Court, Hull	Leasehold	£71,000	2013
Willerby Hill, Hull	Leasehold	£183,525	2014
Haltemprice Court, Hull	Freehold	N/A	N/A
Lawrence House, Cleckheaton	Leasehold	£280,424	2015
St James' House, Manchester	Leasehold	£155,232	2016

In addition, the Group occupies approximately a further 300 properties in the United Kingdom. These properties are primarily offices and local business centres, which are usually located in secondary retail positions and include 12 sites used for the sale of motor vehicles by Welcome Car Finance. These properties are mainly small leasehold premises on generally short leases and are not material on an individual basis.

5. **Auditors**

The auditors of the Company for each of the three financial years ended 31 December 2005, 2006 and 2007 have been PricewaterhouseCoopers LLP, which is a member of the Institute of Chartered Accountants in England and Wales. PricewaterhouseCoopers has audited the consolidated annual financial statements of the Company for each of the three financial years ended 31 December 2005, 2006 and 2007 in accordance with auditing standards and have made a report under section 235 of the Companies Act 1985 in respect of each of those sets of statutory accounts and such reports were unqualified and did not contain a statement under sections 237(2) or (3) of the Companies Act 1985.

6. **Summary of the Underwriting Agreement**

On 23 April 2008, Cattles entered into an underwriting agreement with Lazard (as sponsor) and Citi and HSBC (“the Underwriters”), pursuant to which the Underwriters have agreed, subject to certain terms and conditions, to underwrite the issue of the New Cattles Shares. The Underwriters will use their reasonable endeavours to procure subscribers for any New Cattles Shares not taken up under the Rights Issue at a premium to the Rights Issue Price and the Underwriters’ expenses and, failing this, the Underwriters have agreed to subscribe themselves (or procure subscribers) for any such shares at the Rights Issue Price. In consideration of the Underwriters underwriting the Rights Issue as set out in the Underwriting Agreement, Cattles has agreed to pay the Underwriters a commission of 4 per cent. of the total value of the New Cattles Shares at the Rights Issue Price (the “Rights Proceeds”) and a potential further commission of 0.125 per cent. for each additional period of seven days or part thereof from and including 6 June 2008 to and including the date when the Underwriters’ obligations are terminated, lapse or otherwise cease to be capable of becoming unconditional. Out of such commission, the Underwriters will pay sub-underwriting commissions (to the extent that sub-underwriters are or have been procured). If the Underwriting Agreement does not become unconditional in all respects or shall be terminated in accordance with its terms, Cattles shall pay a commitment commission of 0.75 per cent. of the aggregate value at the Rights Issue Price of the New Shares.

The Underwriting Agreement contains customary warranties and indemnities for agreements of this nature given by Cattles to Lazard and the Underwriters without limit of time or value and customary termination provisions in favour of Lazard and the Underwriters in the event of change of market or Cattles circumstances, exercisable until Admission. Cattles has also made certain other undertakings, relating, among other things, to making commitments and entering into material agreements, or arrangements for period of 45 days after the closing of the Rights Issue and the issue or sale of Cattles Shares or related securities between the date of the Underwriting Agreement and the date of

the publication of the Company's interim results next published after the date of the Underwriting Agreement, in each case without the prior written consent of Lazard and the Underwriters.

The Underwriting Agreement is conditional on, amongst other things, the passing of the Resolution and Admission becoming effective by no later than 8.00 a.m. on 12 May 2008 (or such later time and/or date as the parties may agree). Lazard and the Underwriters are entitled to waive fulfilment of certain conditions.

7. Material contracts

The following are all of the contracts (not being contracts entered into in the ordinary course of business) that have been entered into by the Company, or any other member of the Group (i) within the two years immediately preceding the date of this document which are or may be material to the Group or (ii) at any time and contain obligations or entitlements which are or may be material to Group as at the date of this document:

7.1 The Underwriting Agreement, as described in paragraph 6 of this Part 11.

7.2 Cash Box Placing

A placing agreement dated 15 March 2007 and made between Cattles and HSBC Bank Plc and Citi (together the "Underwriters") and a subscription and transfer agreement also dated 15 March 2007 and made between Cattles, Cattles (Jersey) Limited and the Underwriters (together the "Cash Box Placing Documents") pursuant to which the Underwriters severally agreed to use their respective reasonable endeavours to procure subscribers, through an accelerated bookbuilding process, for up to 32,978,986 new Cattles Shares and failing that to subscribe as principal for such shares. The final price at which the 32,978,986 new Cattles Shares were issued was 403.25p per new Cattles Share. Under the Cash Box Placing Documents, Cattles agreed to pay the Underwriters commissions dependent upon the amount raised. Such commissions amounted to, in aggregate, approximately £4 million. In addition, Cattles agreed to meet all costs, fees and expenses of the application for admission to the Official List for the new Cattles Shares and the legal and other professional fees and expenses of the Underwriters. The Cash Box Placing Documents contained warranties and indemnities given in favour of the Underwriters which were of a type that is not uncommon in transactions of that nature.

7.3 Agreement with Norwich Union relating to its appointment as exclusive underwriter

An agreement dated 15 March 2006 and made between WFS (which was then called Progressive Financial Services Limited), Norwich Union Insurance Limited and Norwich Union Life & Pensions Limited (together "NUI") pursuant to which WFS appointed NUI on an exclusive basis as the underwriter of all insurance policies sold, referred or marketed by WFS or any member of its Group to its customers until terminated by 12 months' written notice on or after 31 December 2010. In the event that WFS acquires a company whose contractual arrangements stipulate that the insurance policies of that company's business should remain with an issuer other than NUI the provisions contained in the agreement shall not apply to those policies.

8. United Kingdom taxation

The following comments are intended as a general guide only to the United Kingdom tax position under current United Kingdom legislation and published HM Revenue & Customs practice as at the date of this document, both of which are subject to change at any time, possibly with retrospective effect. These comments deal only with the position of Qualifying Shareholders who are resident or ordinarily resident for United Kingdom tax purposes in (and only in) the United Kingdom (except where the position of a non-United Kingdom resident Qualifying Shareholder is expressly referred to) and who hold their shares as an investment and who are the absolute beneficial owners of them and any dividends paid on them and have not acquired their shares by virtue of any office or employment. They do not constitute tax advice and are only a general guide. They do not deal with the position of certain classes of shareholders, such as dealers in securities, broker-dealers, insurance companies and collective investment schemes who are subject to special rules. Qualifying Shareholders who are in any doubt as to their tax position or who are subject to tax in a jurisdiction other than the United Kingdom should obtain their own tax advice.

8.1 Taxation of chargeable gains

It is expected that, for the purpose of United Kingdom taxation of chargeable gains, the issue of the New Cattles Shares should be regarded as a reorganisation of the share capital of Cattles.

Accordingly, a Qualifying Shareholder should not be treated as making a disposal of all or part of his holding of Existing Cattles Shares by reason of taking up all or part of his rights to New Cattles Shares and no immediate liability to United Kingdom taxation on chargeable gains in respect of the New Cattles Shares should arise if he takes up his entitlement to New Cattles Shares in full. Instead the Qualifying Shareholder's New Cattles Shares will generally be treated as the same asset as, and as having been acquired at the same time as, his holding of Existing Cattles Shares (the "New Holding"). The subscription money for the New Cattles Shares will be added to the base cost of the Qualifying Shareholder's existing holding.

If a Qualifying Shareholder sells or otherwise disposes of all or part of the New Cattles Shares allotted to him, or of his rights to subscribe for New Cattles Shares or if he allows or is deemed to allow all or any part of his rights to lapse in return for a cash payment, he may, depending on his circumstances, incur a liability to United Kingdom taxation on chargeable gains. However, if the proceeds resulting from the disposal or lapse of rights do not exceed whichever is the greater of £3,000 or 5 per cent. of the market value (as at the date of disposal or lapse) of the Existing Cattles Shares in respect of which the rights arose, the Qualifying Shareholder should not generally be treated as making a disposal for the purposes of United Kingdom taxation of chargeable gains; instead the proceeds will be deducted from the base cost of his holding of the Existing Cattles Shares for the purposes of computing any chargeable gain or allowable loss on a subsequent disposal.

8.2 Indexation allowance/taper relief

Corporate Qualifying Shareholders

In the case of a Qualifying Shareholder within the charge to United Kingdom corporation tax, indexation allowance will apply to the amount paid for the New Cattles Shares only from, generally, the date the money for the New Cattles Shares is paid, not from the time the original holding was acquired.

Non-corporate Qualifying Shareholders

In the UK Pre-Budget Report in October 2007, proposed changes to the capital gains tax rules were announced. These changes have now been set out in the Finance Bill 2008. Under these amended rules capital gains tax will be charged at a flat rate of 18 per cent. for individuals, trustees and personal representatives, irrespective of how long an asset has been held and taper relief and indexation allowance will be withdrawn. As currently drafted this will affect the treatment of disposals of Cattles Shares on or after 6 April 2008 (although the terms of the Finance Bill 2008 may be amended). These changes to capital gains tax as currently drafted do not affect holders which are within the charge to United Kingdom corporation tax in respect of their chargeable gains.

An individual Qualifying Shareholder that has ceased to be resident or ordinarily resident for tax purposes in the United Kingdom for a period of less than five years of assessment and who disposes of all or part of the New Holding during that period of temporary non-residence may be liable on his return to United Kingdom tax on chargeable gains arising during the period of absence, subject to any available exemption or relief.

8.3 Dividends

No amounts in respect of tax will be withheld at source from dividend payments made by the Company.

Liability to income tax will depend upon the individual circumstances of a Qualifying Shareholder who is an individual.

A United Kingdom resident holder of a New Cattles Share who is an individual and who receives a dividend will be entitled to a tax credit equal to one-ninth of the dividend received. The individual will be taxable on the total of the dividend and the related tax credit (the "Gross Dividend"), which will be regarded as the top slice of the individual's income. The tax credit will, however, be treated as discharging the individual's liability to income tax in respect

of the Gross Dividend, unless and except to the extent that the Gross Dividend when treated as the top slice of his income falls above the threshold for the higher rate of income tax, in which case the individual will, to that extent, pay tax on the Gross Dividend calculated as 32.5 per cent. of the Gross Dividend, less the related tax credit. So, for example, a dividend of £80 will carry a tax credit of £8.89 (one-ninth of £80) and to the extent that the Gross Dividend falls above the threshold for the higher rate of income tax, a taxpayer would be taxable on £88.89 (£80 plus £8.89) at 32.5 per cent. i.e. £28.89 less a credit of £8.89, leaving a tax charge of £20.

No individual United Kingdom resident Qualifying Shareholder is able to claim any repayment of the tax credit or any part of it from HM Revenue & Customs.

A holder of New Cattles Shares which is a company resident for United Kingdom tax purposes in the United Kingdom and which receives a dividend paid by Cattles will not generally be subject to corporation tax on the dividend but will not be entitled to the payment of any tax credit with respect to the dividend.

Other United Kingdom resident taxpayers who are not liable to United Kingdom tax on dividends, including pension funds and charities, are not entitled to claim repayment of any tax credit with respect to the dividend.

Non-United Kingdom resident Qualifying Shareholders will generally not be able to claim repayment of any tax credit with respect to the dividend from HM Revenue & Customs. A Qualifying Shareholder who is not resident in the United Kingdom may also be subject to foreign taxation on dividend income under local law. A Qualifying Shareholder who is not resident in the United Kingdom for tax purposes should consult his own tax adviser as to whether he is entitled to a payment in respect of the tax credit, the procedure for claiming it and his tax liability on the dividends in the jurisdiction in which he is resident.

8.4 Stamp duty and stamp duty reserve tax (“SDRT”)

Subject to the points in the following sections, no stamp duty or SDRT will generally be payable on the issue of Provisional Allotment Letters or split Provisional Allotment Letters (provided they are renounceable within six months of issue) in respect of the New Cattles Shares or on the issue of definitive share certificates or the crediting of Nil Paid Rights to accounts in CREST. Where New Cattles Shares represented by such documents or rights are registered in the name of the original shareholder entitled to such shares or New Cattles Shares are credited in uncertificated form to CREST accounts, no liability to stamp duty or SDRT will generally arise.

The purchaser of rights to New Cattles Shares represented by Provisional Allotment Letters or split Provisional Allotment Letters (whether nil paid or fully paid but provided its life does not exceed six months) or Nil Paid Rights or Fully Paid Rights held in CREST on or before the latest time for registration of renunciation will not generally be liable to pay stamp duty, but the purchaser will normally be liable to pay SDRT at the rate of 0.5 per cent. of the actual consideration paid.

Any dealings in New Cattles Shares after the latest time for registration of renunciation of Provisional Allotment Letters fully paid will be subject to stamp duty or SDRT in the normal way. An instrument effecting the conveyance or transfer on sale of New Cattles Shares will usually be subject to *ad valorem* stamp duty at the rate of 0.5 per cent. (rounded up if necessary to the nearest multiple of £5) of the amount or value of the consideration paid. The Finance Bill 2008 provides, as currently drafted, that transfers of stock and shares on sales taking place on or after 19 March 2008 where the consideration is £1,000 or less will be exempt from stamp duty, provided that the transfer does not form part of a larger transaction or series of transactions in respect of which the aggregate consideration exceeds £1,000. Stamp duty is normally paid by the purchaser. A charge to SDRT at the rate of 0.5 per cent. of the amount or value of the consideration paid for the New Cattles Shares will generally arise in relation to an unconditional agreement to transfer New Cattles Shares. However, if within six years of the date of the agreement (or, if the agreement was conditional, of the date the agreement became unconditional) an instrument of transfer is executed pursuant to the agreement and stamp duty is duly paid on that instrument, the stamp duty will normally cancel, or give rise to a right to a repayment in respect of, the SDRT liability. SDRT is normally the liability of the purchaser.

A charge to stamp duty or SDRT at a higher rate of 1.5 per cent. of the consideration payable, or in some circumstances, the value of the New Cattles Shares, (rounded up in the case of stamp duty to the nearest £5) will generally be payable on a transfer or issue of New Cattles Shares to, or to a nominee for, certain persons providing clearance services or to, or to a nominee or agent for, certain persons whose business is, or includes, issuing depository receipts. Clearance service providers may opt, under certain circumstances, for the normal rates of stamp duty and SDRT to apply to an issue or transfer of New Cattles Shares into, and to transactions within, the service instead of the higher rate applying to an issue or transfer of the New Cattles Shares into the clearance system and the exemption for dealings in the New Cattles Shares whilst in the system.

There will be no stamp duty or SDRT on a transfer of New Cattles Shares into CREST provided, in the case of SDRT, the transfer is not for money or money's worth. A transfer of New Cattles Shares effected on a paperless basis through CREST will generally be subject to SDRT at the rate of 0.5 per cent. of the amount or value of the consideration payable. CREST is obliged to collect and account for SDRT on relevant transactions settled within the system.

The above statements are intended as a general guide to the current stamp duty and SDRT position. Certain categories of person, including market makers, brokers, dealers and persons connected with depository arrangements and clearance services, are not liable to stamp duty or stamp duty reserve tax and others may be liable at a higher rate or may, although not primarily liable for tax, be required to notify and account for it under the Stamp Duty Reserve Tax Regulations 1986.

9. Litigation

Neither the Company nor any other member of the Group is or has been engaged in nor, so far as the Company is aware, has pending or threatened, any governmental, legal or arbitration proceedings, during a period covering at least the 12 months preceding the date of this document, which may have, or have had in the recent past, significant effects on the Company and/or the Group's financial position or profitability.

10. Related party transactions

Since 1 January 2004 Cattles has been and is now a party to the following material related party transactions, as defined under IFRS:

- 10.1 the Group's payroll is administered by one subsidiary undertaking with the relevant payroll charges being recharged to Cattles and fellow Group companies. The subsidiary undertaking does not make any charge for providing these services;
- 10.2 the Company provides borrowing facilities for its subsidiary undertakings, for which a financing charge is levied each month. This charge is based upon the Company's average cost of borrowing;
- 10.3 the Company also levies a management fee to certain of its subsidiary undertakings in relation to providing them with certain services, such as internal audit. This management fee is calculated on a cost incurred basis; and
- 10.4 the Company is provided with IT and compliance services by one of its subsidiary undertakings for which a management charge is incurred. The charge is calculated on a cost incurred basis.

	<i>2005</i>	<i>2006</i>	<i>2007</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Lending of funds	203,794	336,827	712,935
Intra-group finance income	102,083	113,495	150,215
Management fee – central services	1,139	1,292	307
Management charge – IT and compliance services	2,590	60	60

11. Working capital

In the opinion of the Company, taking into account the net proceeds of the Rights Issue receivable by the Company and amounts available under existing available bank and other facilities, the Group has sufficient working capital for its present requirements, that is, for at least the next 12 months from the date of this document.

12. No significant change

There has been no significant change in the financial or trading position of the Group since 31 December 2007, the date to which the latest audited accounts of the Group have been published.

13. General

- 13.1 The Company's expenses relating to the Rights Issue and issue of the New Cattles Shares, including the UK Listing Authority listing fee, professional fees and expenses and the costs of printing and distribution of documents are estimated to amount to approximately £12 million (excluding VAT) and are payable by the Company.
- 13.2 The financial information contained in this document does not amount to statutory accounts within the meaning of section 240 of the Companies Act 1985. Full audited accounts for the Company (on which the auditors gave unqualified reports) have been delivered to the Registrar of Companies for the years ended 31 December 2005 and 2006. Full audited accounts for the year ended 31 December 2007 (on which the auditors gave an unqualified reports) were published on 9 April 2008 on Cattles' website.
- 13.3 Other than as provided by the City Code and the 2006 Act, there are no rules or provisions relating to mandatory bids and/or the squeeze out and the sell-out rules in relation to the Cattles Shares. The Company is not currently subject to any mandatory takeover bids.
- 13.4 This prospectus constitutes the written offer, subject to and on the conditions set out herein, of New Cattles Shares to Qualifying CREST Shareholders with registered addresses in the UK and to those who have given Cattles an address within the UK for services of notices for the purposes of section 90(2) of the Companies Act 1985.

14. Sources and bases of information

- 14.1 Unless otherwise stated, all prices quoted for shares are closing mid-market prices and are derived from the Daily Official List.
- 14.2 All share prices expressed in pence and all percentages, unless otherwise stated, have been rounded to one decimal place.

15. Takeover bids

15.1 Mandatory bids

The City Code applies to the Company. Under the City Code, if an acquisition of interests in Cattles Shares were to increase the aggregate holding of an acquirer and persons acting in concert with it to an interest in Cattles Shares carrying 30 per cent. or more of the voting rights in the Company, the acquirer and, depending upon the circumstances, persons acting in concert with it, would be required (except with the consent of the Panel) to make a cash offer for the outstanding Cattles Shares. A similar obligation to make such a mandatory offer would also arise on the acquisition of an interest in Cattles Shares by a person holding (together with persons acting in concert with it) an interest in Cattles Shares carrying between 30 and 50 per cent. of the voting rights in the Company if the effect of such acquisition were to increase that person's percentage of the voting rights.

15.2 Squeeze-out

Under the 2006 Act, if a "takeover offer" (as defined in section 974 of the 2006 Act) is made for Cattles Shares and the offeror were to acquire, or unconditionally contract to acquire, not less than 90 per cent. in value of the shares to which the offer relates (the "Offer Shares") and not less than 90 per cent. of the voting rights attached to the Offer Shares, within three months of the last day on which its offer can be accepted, it could acquire compulsorily the remaining 10 per cent. It would do so by sending a notice to outstanding Shareholders telling them that it will acquire compulsorily their Offer Shares and then, six weeks later, it would execute a transfer of the outstanding Offer Shares in its favour and pay the consideration to the Company, which would hold the consideration on trust for outstanding Shareholders. The consideration offered to the Shareholders whose Offer Shares are acquired compulsorily under the 2006 Act must, in general, be the same as the consideration that was available under the takeover offer.

15.3 Sell-out

The 2006 Act also gives minority Shareholders a right to be bought out in certain circumstances by an offeror who has made a takeover offer. If a takeover offer related to all the Cattles Shares and at any time before the end of the period within which the offer could be accepted the offeror held or had agreed to acquire not less than 90 per cent. of the Cattles Shares to which the offer relates, any holder of Cattles Shares to which the offer related who had not accepted the offer could by a written communication to the offeror require it to acquire those Cattles Shares.

The offeror is required to give any Shareholder notice of his right to be bought out within one month of that right arising. The offeror may impose a time limit on the rights of the minority Shareholders to be bought out, but that period cannot end less than three months after the end of the acceptance period. If a Shareholder exercises his or her rights, the offeror is bound to acquire those Cattles Shares on the terms of the offer or on such other terms as may be agreed.

15.4 Takeover bids

No public takeover bid has been made in relation to the Company during the last financial year or the current financial year.

16. Documents available for inspection

Copies of the following documents are available for inspection during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) for the period from the date of publication of this document until Admission at the offices of Freshfields Bruckhaus Deringer, 65 Fleet Street, London EC4Y 1HS:

- (i) the Articles, the memorandum of association of the Company and the Amended Articles (as referred to in paragraph 2.2 of this Part 11);
- (ii) the annual report and financial statements of Cattles for each of the three years ended 31 December 2005, 2006 and 2007; and
- (iii) this document.

Dated: 23 April 2008

DEFINITIONS AND GLOSSARY

Definitions

The following definitions apply throughout this document unless the context requires otherwise:

“acting in concert”	has the meaning given in the City Code
“Admission”	the admission of the New Cattles Shares, nil paid, to the Official List in accordance with the Listing Rules and to trading on the London Stock Exchange’s market for listed securities in accordance with the requirements contained in the publication “Admission and Disclosure Standards” dated 1 November 2007 (as amended from time to time) containing, amongst other things, the admission requirements to be observed by companies seeking admission to trading on the London Stock Exchange’s market for listed securities
“APR”	annual percentage rate of charge
“Articles”	the articles of association of the Company as at the date of this document
“Audit Committee”	the audit committee of the Board
“BERR”	the Department for Business, Enterprise and Regulatory Reform
“Board” or “Directors”	the board of directors of the Company
“Business Day”	any day (other than a Saturday or Sunday) on which banks generally are open for business in the City of London
“Cattles” or “Company”	Cattles plc, or the relevant subsidiary of the Company as the context requires
“Cattles Commercial Finance”	Cattles Commercial Finance Limited (which was sold by Cattles on 14 January 2005)
“Cattles Commercial Leasing”	Cattles Commercial Leasing Limited (which was sold by Cattles on 14 January 2005)
“Cattles DSBP”	the Cattles Deferred Share Bonus Plan 2006
“Cattles ESOS 1994”	the Cattles Executive Share Option Scheme 1994
“Cattles ESOS 1996”	the Cattles Executive Share Option Scheme 1996
“Cattles ESOS 2005”	the Cattles Executive Share Option Scheme 2005
“Cattles Invoice Finance”	Cattles Invoice Finance Limited
“Cattles LTIP”	the Cattles Long Term Incentive Plan 2005
“Cattles MSP”	the Cattles Management Share Plan 2007
“Cattles Shares”	ordinary shares of 10 pence each in the capital of Cattles, and including Existing Cattles Shares and New Cattles Shares issued pursuant to the Rights Issue
“Cattles Share Schemes”	the Cattles DSBP, the Cattles ESOS 1994, the Cattles ESOS 1996, the Cattles ESOS 2005, the Cattles LTIP, the Cattles MSP, the Cattles Sharesave Scheme, the Cattles SIP and the DJP RSA
“Cattles Sharesave Scheme”	the Cattles Employee Sharesave Scheme 2003
“Cattles SIP”	the Cattles Employee Share Incentive Plan
“certificated” or “in certificated form”	a share or other security which is not in uncertificated form (that is, not in CREST)
“Chairman”	the chairman of the Board
“Citi”	means Citigroup Global Markets UK Equity Limited, joint financial adviser and joint underwriter to the Rights Issue
“City Code”	the City Code on Takeovers and Mergers
“Closing Price”	the closing middle market quotation of a Cattles Share, as published in the Daily Official List

“Combined Code”	the combined code on corporate governance published by the Financial Reporting Council (as amended and reissued)
“Companies Act 1985”	the Companies Act 1985
“Companies Act 2006” or “2006 Act”	the Companies Act 2006
“Computershare”	Computershare Investor Services PLC, the Registrar and Receiving Agent
“CCSS”	the CREST Courier and Sorting Service, established by CREST to facilitate, amongst other things, the deposit and withdrawal of certificated securities
“CREST”	the system for the paperless settlement of trades in securities, of which Euroclear is the operator
“CREST Manual”	the rules governing the operation of CREST, consisting of the CREST Reference Manual, CREST International Manual, CREST Central Counterparty Service Manual, CREST Rules, CREST CCSS Operations Manual and CREST Glossary of Terms (all as defined in the CREST Glossary of Terms as updated on 5 November 2007)
“CREST member”	a person who has been admitted by Euroclear as a system-member (as defined in the CREST Regulations)
“CREST Regulations”	the Uncertificated Securities Regulations 2001 (SI 2001 No. 3755)
“CREST sponsor”	a CREST participant admitted to CREST as a CREST sponsor
“CREST sponsored member”	a CREST member which employs the services of a CREST sponsor
“CSPF”	the Cattles Staff Pension Fund
“Daily Official List”	the daily official list of the London Stock Exchange
“DJP RSA”	the David John Postings Restricted Share Award Agreement
“EEA”	the European Economic Area
“EGM” or “Extraordinary General Meeting”	the extraordinary general meeting of Cattles, notice of which is set out at the end of this document, convened for 12.45 p.m. or, if later, immediately following the conclusion of the Company’s annual general meeting on 9 May 2008 at the offices of Welcome Financial Services Limited at Mere Way, Ruddington Fields Business Park, Ruddington, Nottingham NG11 6NZ, and any adjournment thereof, at which the Resolution will be proposed
“EIR”	effective interest rate
“EPS”	earnings per share
“EU”	the European Union
“Euroclear”	Euroclear UK & Ireland Limited
“Executive Directors”	the executive directors of the Company
“Existing Cattles Shares”	issued ordinary shares of 10 pence each in the capital of Cattles from time to time
“ex-rights date”	12 May 2008
“FLA”	Finance & Leasing Association
“Form of Proxy”	the form of proxy to be used at the EGM
“FSA”	the United Kingdom Financial Services Authority, granted powers as a regulator under the FSMA
“FSMA”	the Financial Services and Markets Act 2000
“Fully Paid Rights”	rights to acquire New Cattles Shares, fully paid (ISIN: GB00B2PTQS53)
“Group” or “Cattles Group”	Cattles and its subsidiaries

“HSBC”	HSBC Bank Plc joint underwriter to the Rights Issue
“IFRS”	International Financial Reporting Standards as adopted for use in the EU (which have applied to Cattles since 31 December 2004)
“Lazard”	Lazard & Co., Limited, sole sponsor and joint financial adviser to the Rights Issue
“Lewis”	The Lewis Group Limited
“Listing Rules”	the listing rules of the UK Listing Authority made under section 73A of the FSMA as amended from time to time
“London Stock Exchange”	London Stock Exchange plc or its successor(s)
“Member States”	member states of the EU
“Money Laundering Regulations”	the Money Laundering Regulations 2007 (SI 2007 No. 2157)
“MTM instruction”	Many to Many instruction
“New Cattles Shares”	new Cattles Shares to be allotted and issued pursuant to the Rights Issue
“Nil Paid Rights”	rights to subscribe for New Cattles Shares, nil paid (ISIN: GB00B2PTNQN09)
“Nomination Committee”	the nomination committee of the Board
“Non-Executive Directors”	the non-executive directors of the Company
“Official List”	the Official List of the UK Listing Authority
“OFT”	the UK Office of Fair Trading
“Overseas Shareholders”	Qualifying Shareholders with registered addresses in, or who are citizens, residents or nationals of, jurisdictions other than the United Kingdom
“PricewaterhouseCoopers”	PricewaterhouseCoopers LLP, auditors of the Group
“Progressive Insurance”	Progressive Insurance Company Limited, a subsidiary of Cattles
“Prospectus Directive”	EU Prospectus Directive (2003/71/EC)
“Prospectus Rules”	the prospectus rules of the UK Listing Authority made under section 73A of the FSMA as amended from time to time
“Provisional Allotment Letter” or “PAL”	the renounceable provisional allotment letter representing Nil Paid Rights or Fully Paid Rights to be issued to Qualifying non-CREST Shareholders (other than Qualifying Shareholders with a registered address in the United States, and subject to certain exceptions Australia, Canada or Japan)
“Qualifying CREST Shareholders”	Qualifying Shareholders holding Existing Cattles Shares in uncertificated form
“Qualifying non-CREST Shareholders”	Qualifying Shareholders holding Existing Cattles Shares in certificated form
“Qualifying Shareholders”	holders of Existing Cattles Shares on the register of members of Cattles at the close of business on the Record Date
“Receiving Agent”	Computershare
“Record Date”	7 May 2008
“Registrar”	Computershare
“Regulatory Information Service”	a Regulatory Information Service that is approved by the FSA and that is on the list of Regulatory Information Service providers maintained by the FSA
“Remuneration Committee”	the remuneration committee of the Board
“Resolution”	the resolution to be proposed at the EGM as set out in the notice of the EGM at the end of this document

“Restricted Jurisdiction”	United States, Australia, Canada, Japan and any other jurisdiction where the extension or availability of the Rights Issue (and any other transaction contemplated thereby) would breach any applicable law
“Rights Issue”	the proposed issue by way of rights of up to 163.3 million New Cattles Shares to Qualifying Shareholders, on the terms and subject to the conditions set out in Part 3 of this document and, in the case of Qualifying non-CREST Shareholders only, in the Provisional Allotment Letters
“Rights Issue Price”	128 pence per New Cattles Share
“Shareholders”	the holders of Cattles Shares
“TCF”	Treating Customers Fairly
“UK” or “United Kingdom”	the United Kingdom of Great Britain and Northern Ireland
“UK Listing Authority”	the FSA acting in its capacity as the competent authority for listing under Part VI of the FSMA
“uncertificated” or “in uncertificated form”	recorded on the relevant register of the share or security concerned as being held in uncertificated form in CREST, the title to which, by virtue of the CREST Regulations, may be transferred by means of CREST
“Underwriters”	Citi and HSBC
“Underwriting Agreement”	the underwriting agreement dated 23 April 2008 between Cattles, Lazard and the Underwriters described in paragraph 6 of Part 11 of this document
“United States” or “US”	the United States of America, its territories and possessions, any State of the United States of America, and the District of Columbia
“US Securities Act”	US Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
“Welcome Car Finance”	a trading business of Welcome Financial Services
“Welcome Finance”	the main trading business of Welcome Financial Services, supplying unsecured and secured personal loans and hire purchase agreements
“Welcome Financial Services” or “WFS”	Welcome Financial Services Limited, one of the three divisions of Cattles
“Welcome ROC”	the WFS Regulatory Oversight Committee

All references to legislation in this document are to the legislation of England and Wales unless the contrary is indicated. Any reference to any provision of any legislation shall include any amendment, modification, re-enactment or extension thereof.

Words importing the singular shall include the plural and vice versa, and words importing the masculine gender shall include the feminine or neutral gender.

For the purposes of this document “subsidiary”, “subsidiary undertaking”, “undertaking” and “associated undertaking” have the meanings given by the Companies Act 1985 (but for this purpose ignoring paragraph 20(1)(b) of Schedule 4(A) to the Companies Act 1985).

References to “£”, “sterling”, “p” and “pence” are to the lawful currency of the United Kingdom.

NOTICE OF EXTRAORDINARY GENERAL MEETING

CATTLES PLC

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS GIVEN that an EXTRAORDINARY GENERAL MEETING of Cattles plc (the "Company") will be held at the offices of Welcome Financial Services Limited at Mere Way, Ruddington Fields Business Park, Ruddington, Nottingham NG11 6NZ on 9 May 2008 at 12.45 p.m. or, if later, immediately following the conclusion of the Company's annual general meeting, for the purpose of considering and, if thought fit, passing the following resolution which will be proposed as an ordinary resolution:-

THAT:

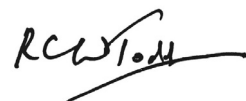
- (i) the authorised share capital of the Company be increased from £50,000,000, divided into 500,000,000 ordinary shares of 10 pence each, to £70,000,000 divided into 700,000,000 ordinary shares of 10 pence each by the creation of an additional 200,000,000 ordinary shares of 10 pence each; and
- (ii) the directors of the Company (the "Directors") be generally and unconditionally authorised for the purposes of section 80 of the Companies Act 1985 (the "Act") to exercise all the powers of the Company to allot relevant securities (within the meaning of section 80(2) of the Act) up to an aggregate nominal amount equal to £16,326,214.20 in connection with the Rights Issue (as defined in the prospectus published by the Company on 23 April 2008 accompanying this notice). This authority shall expire on 31 December 2008 (unless previously revoked, varied or extended by the Company in general meeting) save that the Company may before the expiry of this period make an offer or agreement which would or might require securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of that offer or agreement as if the authority conferred by this resolution had not expired. The authority granted by this resolution shall be in addition, and without prejudice, to all existing authorities to allot relevant securities previously granted to the Directors.

Date: 23 April 2008

Registered in England No: 543610

Registered Office: Kingston House
Centre 27 Business Park
Woodhead Road
Birstall
Batley
WF17 9TD

By order of the Board



Roland C W Todd
Company Secretary

Notes:

1. A member of the Company entitled to attend and vote at the meeting is entitled to appoint a proxy to exercise all or any of his/her rights to attend and to speak and vote on his/her behalf at the meeting. A member may appoint more than one proxy in relation to the meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member. A proxy need not be a shareholder of the Company and can be the beneficial owner of the shares who has been nominated by the member to enjoy information rights under section 146 of the Companies Act 2006, that is the right to receive a copy of all communications sent by the Company to its members generally. To appoint more than one proxy, (an) additional proxy form(s) must be obtained and lodged with the Company's registrar. Please indicate in the box next to the proxy holder's name the number of shares in relation to which they are authorised to act as your proxy. Please indicate by ticking the box provided if the proxy instruction is one of multiple instructions being given. All forms must be signed and should be returned together in the same envelope. A proxy form which may be used to make such appointment and give proxy instructions accompanies this notice and is for use in connection with the business set out above. If you do not have a proxy form and believe that you should have one, or if you require additional forms, please contact the Registrar's telephone information line on 0870 889 4021.
2. To be valid, any proxy form or other instrument appointing a proxy (together with any original (or certified true copies) of any power of attorney or other authorities under which proxy forms are signed) must be received by post or (during normal business hours only) by hand at The Pavilions, Bridgwater Road, Bristol BS99 6ZY no later than 12.45 p.m. on 7 May 2008. In the event of you being unable to attend the meeting, you are requested to complete and return the form of proxy by that time and date.

Alternatively, if a Shareholder would like to submit his or her form of proxy using the internet, go to the following website: www.uk.computershare.com/investor/proxy and select Cattles plc.

3. The return of a completed proxy form, other such instrument or any CREST Proxy Instruction (as described in paragraph 7 below) will not prevent a shareholder attending the meeting and voting in person if he/she wishes to do so.
4. Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights does not have the right to appoint a proxy to attend, speak and vote instead of him or her and so has not been sent a form of proxy. However, under his or her agreement with the member, a nominated person may have a right to be appointed (or to have someone else appointed) as proxy and if he or she does not have such a right (or does not wish to exercise it) he or she may have a right to give instructions to the member as to how to vote.
5. To be entitled to attend and vote at the meeting (and for the purpose of the determination by the Company of the votes they may cast), shareholders must be registered in the register of members of the Company at 6.00 p.m. on 7 May 2008 (or, in the event of any adjournment, 6.00 p.m. on the date which is two days before the time of the adjourned meeting). Changes to the register of members of the Company after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting.
6. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the meeting and any adjournment of it by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
7. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's ("Euroclear") specifications, and must contain the information required for such instruction, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy, must, in order to be valid, be transmitted so as to be received by the Company's agent (ID 3RA50) by 12.45 p.m. on 7 May 2008. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Application Host) from which the Company's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.
8. CREST members and, where applicable, their CREST sponsors, or voting service provider(s), should note that Euroclear does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service provider(s) are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
9. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001 (as amended).
10. In order to facilitate voting by corporate representatives at the meeting, arrangements will be put in place at the meeting so that (i) if a corporate shareholder has appointed the chairman of the meeting as its corporate representative to vote on a poll in accordance with the directions of all of the other corporate representatives for that shareholder at the meeting, then on a poll those corporate representatives will give voting directions to the chairman and the chairman will vote (or withhold a vote) as corporate representative in accordance with those directions; and (ii) if more than one corporate representative for the same corporate shareholder attends the meeting but the corporate shareholder has not appointed the chairman of the meeting as its corporate representative, a designated corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative. Corporate shareholders are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives (www.icsa.org.uk) for further details of this procedure. The guidance includes a sample form of appointment letter if the chairman is being appointed as described in (i) above.
11. As at 21 April 2008 (being the latest business day prior to the publication of this notice), the Company's issued share capital consisted of 362,804,760 ordinary shares, carrying one vote each and the Company held no shares in treasury. Therefore, the total voting rights in the Company as at that date were 362,804,760.
12. Shareholders, nominated persons and participants in the Cattles SIP should note that the website referred to in note 2 above is only provided for use by members of the Company to submit forms of proxy before the Extraordinary General Meeting using the internet and cannot be used for any other purpose in relation to the Extraordinary General Meeting.

