

# RATTOON

Holdings Limited

A.B.N. 16 076 611 268

Level 10, 350 Collins Street  
Melbourne VIC 3000

Telephone: 61 3 9642 8822

13 May 2009

Dear Shareholder,

## **General Meeting to consider a capital return to Rattoon shareholders and share consolidation**

I submit to you this Notice of Meeting and accompanying Explanatory Memorandum setting out a proposal to return capital to Rattoon shareholders and to consolidate the Company's shares.

The proposed capital return is for Rattoon shareholders to receive \$0.136 for every Rattoon share. Following the capital return, it is proposed that the shares will be consolidated on a 1 for 10 basis.

The General Meeting is scheduled for Monday 15 June 2009 in order for shareholders to consider and vote on the proposed capital return and share consolidation.

## **Background**

Over recent years, the Company's main asset was its investment in Tatts Group Ltd ("**Tatts**"), which it had leveraged by borrowing under a debt facility. Rattoon's investment in Tatts experienced a significant decline in value during the 2008 financial year, impacted significantly by the Victorian Government's decision not to renew the gaming licence held by Tatts beyond 2012. As the share price in Tatts fell, the Company sold some of its shares in Tatts, partly to create a buffer in its financial position under its margin loan facility. As volatility in the share markets continued throughout 2008, the Board continued to actively review the Company's position in Tatts and considered it prudent to continue to sell Tatts shares.

As the Company sold Tatts shares, paying down its debt, the Board reviewed the options for the Company. The Board considered a range of options and have settled on proposing to return cash to Rattoon's shareholders.

I encourage you to read the accompanying information carefully and look forward to you attending the General Meeting.

Kind regards,



Graeme Cureton  
Chairman



**NOTICE OF GENERAL MEETING  
AND  
EXPLANATORY MEMORANDUM  
TO SHAREHOLDERS**

**Day, Date & Time of General Meeting:** Monday 15 June 2009 at 11 am  
(Melbourne time)

**Place of General Meeting:** Bell Potter Securities  
Level 29, 101 Collins Street  
Melbourne VIC 3000

**THIS IS AN IMPORTANT DOCUMENT**

If you are in any doubt about the information provided or the action you should take, you should consult your financial, taxation or other professional adviser.

# RATTOON

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Level 10, 350 Collins Street  
Melbourne VIC 3000

Telephone: 61 3 9642 8822

## NOTICE OF GENERAL MEETING

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The General Meeting of the shareholders of Rattoon Holdings Limited ("the Company") will be held at the offices of Bell Potter Securities Level 29, 101 Collins Street, Melbourne, Victoria, 3000 on Monday 15 June 2009 at 11am (Melbourne time).

### Special Business

#### Resolution 1 — Capital return

To consider, and if thought fit, to pass the following resolution as an **ordinary resolution**:

"That for the purposes of section 256C of the Corporations Act and for all other purposes, approval is given for the share capital of the Company to be reduced by paying the sum of 13.6 cents per ordinary share to each holder of ordinary shares in the Company at 7pm (Melbourne time) on 24 June 2009 ."

#### Resolution 2 — Consolidation of shares

To consider and if thought fit pass the following resolution as an **ordinary resolution**:

"That, subject to the Company making a return of capital of 13.6 cents per ordinary share in accordance with resolution 1, the issued shares in the Company be consolidated with effect at 7pm (Melbourne time) on 24 July 2009 on the basis that all of the shares held by each shareholder of the Company at that time be converted into a smaller number of ordinary shares equal to one tenth of the number of the shareholder's ordinary shares, or if that is a fractional number, the next whole number above that fractional number."

By Order of the Board



Martin Casey  
Company Secretary  
13 May 2009

## **1 Material accompanying this Notice**

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The following material accompanies this Notice of Meeting:

- (a) Explanatory Memorandum setting out details relevant to the business set out in this Notice;
- (b) Proxy Form; and
- (c) Appointment of Corporate Representative Form.

## **2 Voting and required majority**

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For either Resolution 1 or Resolution 2 set out in this Notice to be effective, it must be passed by more than 50% of all the votes cast by Shareholders entitled to vote on the Resolution (whether in person or by proxy, attorney or representative).

On a show of hands, subject to paragraph 3 below, every Shareholder has one vote and, on a poll, every Shareholder has one vote for each fully paid Ordinary Share held. In the case of partly paid Ordinary Shares, every such Shareholder has a fraction of a vote equivalent to the proportion which the amount paid up on each partly paid Ordinary Share bears to the total issue price for each such partly paid Ordinary Share held.

## **3 Notes**

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- 3.1 The Company has determined that each person whose name appears on the Company's share register at 7pm (Melbourne time) on 9 June 2009 ("**Effective Time**"), will be entitled to vote on the Resolutions set out in this Notice.
- 3.2 All Shareholders as at the Effective Time entitled to attend and vote at this meeting may appoint a proxy for that purpose. A proxy need not be a Shareholder of the Company.
- 3.3 The Proxy Form sent to you with this Notice should be used for this meeting.
- 3.4 If you are entitled to cast two or more votes at this meeting, you may appoint two proxies and you may specify the proportion or number of votes that each proxy is entitled to exercise. If you do not specify the proportion or number of votes each proxy may exercise, then each proxy will be entitled to exercise half of the votes. An additional Proxy Form will be supplied by the Company on request.
- 3.5 To be valid, a Proxy Form must be received together with the power of attorney or other authority (if any) under which the form is signed, or a certified copy of that power or authority, not less than 48 hours before the time for holding the meeting, namely by 11 am on 13 June 2009:
  - (a) at Security Transfer Registrars Pty Ltd at 770 Canning Highway, Applecross, WA 6153; or
  - (b) by facsimile to Security Transfer Registrars on (08) 9315 2233; or
  - (c) by facsimile to the Company on (03) 9600 4013.
- 3.6 Any Shareholder may, by power of attorney, appoint an attorney to act on that Shareholder's behalf to attend and vote on behalf of the Shareholder at the meeting. The power of attorney, or certified copy, must be received by the Company as specified above at least 48 hours before the meeting.
- 3.7 Any corporation which is a Shareholder of the Company may appoint a representative to act on its behalf. Appointments of representatives must be received by the Company as specified above at any time before the time of the meeting, or adjourned meeting, or handed in at the meeting.

## EXPLANATORY MEMORANDUM

This Explanatory Memorandum contains information relevant to the business referred to in the Notice of General Meeting of the Company which it accompanies and should be read in its entirety and carefully by Shareholders prior to the General Meeting.

Certain terms used in this Explanatory Memorandum are defined in the glossary appearing at the end of the Explanatory Memorandum.

### Resolution 1 – Capital return

#### 1 Introduction

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##### 1.1 Overview

Over recent years, the Company's main asset was its investment in Tatts Group Ltd ("Tatts"). The Company has sold most of its shareholding in Tatts, repaid its debt, and its current main asset is cash which it has invested in an interest earning account.

The Board of Rattoon is considering utilising the Company as a vehicle for future investment opportunities. However, given the Company's recent focus on its holding in Tatts, once the Board determined not to continue to hold a leveraged position in Tatts, it considered it appropriate to return capital to Shareholders. The Board will then separately explore any future investment opportunities, rather than to retain all of the Shareholders' capital in the Company whilst the Company explored those opportunities.

Accordingly the Board of Rattoon wishes to submit to Shareholders, for their consideration and approval, an ordinary resolution to authorise the Board to implement a capital return of approximately \$68,741,532 by way of a distribution of 13.6 cents for every Ordinary Share held on the Capital Return Record Date.

##### 1.2 Need for Shareholder approval

The Proposed Capital Return is to be implemented by way of an equal reduction of capital, with all Shareholders in Rattoon participating in proportion to the number of Ordinary Shares they hold in Rattoon. In order for Shareholders to participate in the Proposed Capital Return, they will need to be on Rattoon's register of members on the Capital Return Record Date.

Section 256B (1) of the Corporations Act permits a capital reduction if:

- (a) it is fair and reasonable to the company's shareholders as a whole;
- (b) does not materially prejudice the company's ability to pay its creditors; and
- (c) is approved by shareholders in accordance with section 256C of the Corporations Act.

The Board has resolved that the proposed capital return is fair and reasonable to the Company's Shareholders as a whole, and will not prejudice the Company's ability to pay its creditors.

The Board is submitting the Proposed Capital Return to the Company's Shareholders to satisfy the final limb of section 256B (1) of the Corporations Act, i.e. that Shareholders approve the capital return.

Under the Corporations Act, there are different shareholder approval requirements for 'equal reductions' and 'selective reductions'. The Proposed Capital Return is considered to be an equal reduction under the Corporations Act because:

- (a) the Proposed Capital Return relates only to Rattoon's Ordinary Shares;
- (b) it applies to each holder of Ordinary Shares in proportion to the number of Ordinary Shares they hold in the Company; and

(c) the terms of the reduction are the same for each holder of Ordinary Shares.

By reason of being an equal reduction, the Proposed Capital Return must be approved by an ordinary resolution of the Company's Shareholders.

## **2 Details of the Proposed Capital Return**

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### **2.1 Who will participate in the Proposed Capital Return?**

The Proposed Capital Return will be payable to the holders of Ordinary Shares as at the Capital Return Record Date, pro-rata to the number of Ordinary Shares held by them (with fractional entitlements rounded down to the nearest cent). Holders of any other security in the Company, including options, will not participate in the Proposed Capital Return.

### **2.2 How much will each Ordinary Shareholder receive under the Proposed Capital Return?**

13.6 cents per Ordinary Share is to be distributed to each Shareholder under the Proposed Capital Return. As the Company has 505,452,440 Ordinary Shares on issue, this would result in approximately \$68,741,532 being returned to Shareholders.

### **2.3 When will the Proposed Capital Return be made?**

If Shareholder approval is obtained, the Proposed Capital Return will be made shortly after the Capital Return Record Date.

### **2.4 What should Shareholders do?**

Shareholders are encouraged to read the Notice and this Memorandum carefully and obtain independent professional advice if necessary.

All Shareholders are invited and encouraged to attend the General Meeting (either in person or by proxy).

## **3 Rattoon's financial position and current status**

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### **3.1 Financial statements for the half-year ended 31 December 2008**

Rattoon has lodged with the NSX its financial statements for the period ended 31 December 2008. A copy of the announcement is available at [http://www.nsx.com.au/announcements\\_list.asp?nsxcode=RTN](http://www.nsx.com.au/announcements_list.asp?nsxcode=RTN)

### **3.2 Statement of Financial Position (Balance Sheet) as at 31 December 2008**

Below is an extract of the Statement of Financial Position lodged with the NSX. This does not include the accompanying notes.

	31 December 2008 \$
Cash and cash equivalents	80,176,916
Available-for-sale financial assets	4,318,862
Total Current Assets	84,965,058
Dividend Payable	11,119,953

Total Current Liabilities	11,632,651
Net Assets	73,332,407

### 3.3 Comments on the Statement of Financial Position as at 31 December 2008

- The Statement of Financial Position as at 31 December 2008 highlights that the Company's net asset position was \$73,332,407 comprising mainly cash, with cash held being \$80,176,916.
- The Statement of Financial Position as at 31 December 2008 took into account the dividend of 2.2 cents per share to Rattoo's Shareholders which had a payment date of 5 January 2009. The total amount of the dividend paid was \$11,119,953, which reduced the cash position of the Company when it was paid.
- As at 31 December 2008, the Company held 1,523,950 shares in Tatts, with a then unrealised value of \$4,190,862 (based on a then share price for Tatts of \$2.75). The Company had written call options over some of its holding in Tatts shares. The Company also held 800,000 shares in NSX Ltd with a then unrealised value of \$128,000 (based on a then share price for NSX of \$0.16)
- No allowance has been taken up in the Company's balance sheet for potential benefits of tax losses that may be available to the Company.

### 3.4 Statement of Financial Position (Balance Sheet) as at 31 March 2009

Below is an extract of the Statement of Financial Position of the Company based on 31 March 2009 unaudited management accounts.

	31 March 2009 \$
Cash and cash equivalents	73,420,710
Available-for-sale financial assets	815,137
Total Current Assets	74,251,429
Total Current Liabilities	170,976
Net Assets	74,080,453

### 3.5 Comments on the Statement of Financial Position as at 31 March 2009

- The Statement of Financial Position as at 31 March 2009 highlights that the Company's net asset position was \$74,080,453 comprising mainly cash, with cash held being \$73,420,710.
- As at 31 March 2009, the Company's unaudited net asset backing per Ordinary Share (pre-tax) was \$0.1466. This is based on management accounts, investments are marked to market without taking into account any tax consequences (whether on current period profits or on unrealised gains or losses).
- As at 31 March 2009, the Company held 252,240 shares in Tatts, with a then unrealised value of \$691,137 (based on a then share price for Tatts of \$2.74). There were no call options outstanding over the Company's holding in Tatts

shares. The Company also held 800,000 shares in NSX Ltd with a then unrealised value of \$124,000 (based on a then share price for NSX of \$0.155)

#### **4 Implications for Rattoon if the Proposed Capital Return is implemented**

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If the Proposed Capital Return is implemented, then in summary:

- Rattoon's net asset position will be reduced by the amount of the Capital Return.
- Total capital to be returned via the Proposed Capital Return would be approximately \$68,741,532.
- Rattoon would debit its share capital account by the amount of the Proposed Capital Return.
- Based on an estimate of the Company's net asset position as at 31 March 2009 (being \$74,080,453), the Company will have an approximate net asset position of \$5 million following the Proposed Capital Return. This will remain subject to change due to expenses being incurred and accrued, and some interest income being earned on funds
- It should be noted that the Board is monitoring the current financial year profit. So long as there is sufficient current year profit, then the Board will consider declaring a further dividend, and any such dividend is expected to be a fully franked dividend. Based on current management account estimates, the Board expects that a further dividend might be able to be declared of approximately \$2.8 million to \$3.3 million, which equates to approximately 0.55 cents per share to 0.65 cents per share (based on the number of shares on issue before any consolidation of shares as proposed under Resolution 2.)
- Whether or not any dividend is able to be declared and paid will depend upon the Board being satisfied that there are sufficient current year profits and this may not be identified until after 30 June 2009. As at 31 March 2009, and based on the Company's management accounts, the un-audited net asset backing per share was \$0.1466 per share. If the capital return of 13.6 cents per share was made, then based on the above estimate of the Company's net asset position as at 31 March 2009, the net asset backing per share would be approximately 1.05 cents. If there were say a dividend of 0.65 cents per share, then the net asset backing per share would be approximately 0.4 cents (before any consolidation of shares in accordance with Resolution 2). It should be noted that the actual net asset position will fluctuate depending upon the revenue and expenses of the Company until any capital return is implemented and until any dividend is declared and paid.

#### **5 The Board's future intentions for Rattoon, and use of remaining funds, if the Proposed Capital Return is implemented**

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##### **5.1 Overview**

The Board has made the decision to recommend the Proposed Capital Return to Shareholders.

As set out in the Company's Annual Report for 2008, the Company's principal activity is investing in and managing investments in large private and listed Australian entities. Investments would typically be chosen if likely to return a sizeable profit to the Company within a short to medium time horizon, with any resulting profit to be used to benefit Shareholders. In recent years, the Company's major investment was its holding in Tatts with the Company's only other exposure being a small holding in NSX Ltd. The Company



did earn revenue from writing options over Tatts shares as well as interest income on cash deposited with a bank.

Following the Capital Return, the Company will continue with its principal activity as outlined above. At this stage the Board has no intention to change the nature of the Company's activities.

If the Proposed Capital Return is implemented, the Board's current intention is to explore the possibility of future investment opportunities for the Company, and to consider paying a further dividend this financial year, if current period profits are sufficient to do so.

## **5.2 Future investment opportunities**

The Board has given preliminary consideration to investment strategies that Rattoon might pursue into the future. In the event that the Proposed Capital Return is implemented, then the Company's financial position will be significantly reduced. The Company will utilise its remaining financial position in order to cover expenses and liabilities that might arise or have accrued, as well as to provide operating expenditure for the Board to explore future strategies for Rattoon. If the Board identifies future opportunities, then the Board may at the relevant time seek to obtain funding to pursue such strategies, whether via debt funding or potentially to seek to raise fresh equity. The Board expects to actively review and explore the future operations of the Company following the Proposed Capital Return.

## **5.3 Payment of further dividends**

The Company declared a dividend of 2.2 cents per share (totalling \$11,119,953) on 15 December 2008, and this dividend was paid on 5 January 2009.

The Board will monitor whether a further dividend might be able to be declared out of current period profits for the period ending 30 June 2009. It should be noted that the Company's profit position is subject to fluctuation and there may be expenses that are incurred or accrued that have not currently been identified or anticipated.

However, based on current management account estimates, it is possible that a further dividend might be able to be declared in the current financial year in the range of 0.55 cents per share to 0.65 cents per share (based on the number of shares on issue before any consolidation of shares as proposed under Resolution 2.)

## **5.4 NSX Listing Rules**

The Board wishes to maintain its NSX listing. However, the NSX Listing Rules contain several ongoing requirements on listed companies. Rules 3.9, 6.20 and 6.21 of the NSX Listing Rules, in summary, require a Company to have at least 50 shareholders each with a parcel of shares with a value in excess of \$2000, not including shares held by directors, substantial shareholders or directors of substantial shareholders or their associates.

The Board intends to endeavour to take steps to ensure that these spread requirements are met following the Proposed Capital Return or if they are not met, to seek a waiver from NSX for a period of time. Options that the Board is considering include requesting that large Shareholders sell one or more parcels of shares. The Board has no ability to influence any Shareholder to sell its shares and any sale of shares by a Shareholder will assist the Company to achieve the spread requirements only if a new shareholder acquires the parcel, rather than an existing shareholder.

The Board would also consider making some placements of shares to new shareholders to assist in achieving the spread requirements, however the Board's current thoughts are

that such a placement would raise only the minimal amount of capital necessary to assist the Company to achieve its spread requirements.

If the Board is unable to satisfy the spread requirements by one or more of these options, and NSX does not give Rattoon a waiver, then the Board's understanding, based on a current review of the Company's shareholder register, is that the minimum spread requirements may not be satisfied immediately after the Proposed Capital Return. Shareholders should be aware that in that scenario, suspension of Rattoon from NSX is a possibility and Rattoon may not be able to maintain continued listing on NSX.

## **6 Comments about the major Shareholders**

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The Board has had preliminary discussions with both of the major Shareholders, GPG Group and Thorney Investment Group about their intentions as Shareholders. In particular, the Board has discussed their intentions in regard to the Proposed Capital Return and their intentions in relation to the ongoing future of the Company, post any capital return.

Both GPG Group and Thorney Investment Group have provided their indicative support to the Proposed Capital Return, and have advised that their current intention is to vote in favour of the Resolution for the Proposed Capital Return. However, both groups have reserved their rights to reconsider their position, without further discussion with the Company.

The Board has also sought out any preliminary comments from both of GPG and Thorney Investment Group as to how they would view the Company subsequent to the Proposed Capital Return, if it is implemented. If the Board identifies raising fresh equity as a future investment opportunity, and the Company decides to raise fresh equity, then it might seek such equity from the major Shareholders. Neither GPG nor Thorney Investment Group have given any guidance as to whether they would support any future capital raising initiatives of the Company. The Board has enquired of each of GPG and Thorney Investment Group whether either or both wished to provide a proposal to the Company as an alternative, or in addition, to the Proposed Capital Return. One of the options canvassed by the Board was whether either or both groups wished to consider entering into a transaction which might lead to them acquiring some or all of the shareholdings of the minority Shareholders, or cancellation of the shareholdings of some or all of the minority shareholdings.

Neither GPG nor Thorney Investment Group expressed any interest to actively pursue any such alternative transactions as at the date of this Notice, but both reserved their rights to consider the possibility of such alternative transactions in the future, whether with or without the support of the Board.

The Board has advised both GPG and Thorney Investment Group that in order for the Company to maintain its shareholder spread requirements and satisfy the NSX Listing Rules, it might be assisted if a large Shareholder were to sell some parcels of shares. Neither Thorney Investment Group nor GPG have indicated that they would sell any of their holding, but this will be a decision for them in any event.

Both GPG Group and Thorney Investment Group will participate in the Proposed Capital Return as Shareholders (assuming they retain their shareholding in Rattoon until at least the Capital Return Record Date), on the same terms as apply to all other Shareholders.

## **7 Implications to Rattoon if the Proposed Capital Return is not approved**

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In the event that Shareholders do not approve the Proposed Capital Return at the General Meeting, then the net asset position of the Company will not be reduced by the anticipated amount of the Proposed Capital Return. The Board has not determined its plans for the Company in the event that the Proposed Capital Return does not proceed.

Options under consideration include seeking investment opportunities as well as potentially pursuing some other form of capital management initiative to deal with the Company's assets (which could conceivably include consideration of an alternative capital return proposal).

## **8 Tax implications**

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### **8.1 Tax implications for Rattoon of the Proposed Capital Return**

The implementation of the Proposed Capital Return is not expected to have any direct impact on Rattoon from a tax perspective arising directly from the return of capital. However, implementation of the Proposed Capital Return may indirectly impact on the Company's ability to take advantage of carry forward tax losses.

As at 30 June 2008, Rattoon had a carry forward loss for tax purposes of \$20,460,239. This loss was incurred in the financial year ending 30 June 2008. Further, due to Rattoon selling further shares in Tatts after 1 July 2008 at prices below the acquisition costs of those shares, Rattoon will have incurred further losses for tax purposes. Based on an estimate as at 31 December 2008, the Company expects to have a carry forward tax loss of approximately \$59,363,362.

Whether any prior or current year tax loss can be utilised in the current financial year, and future years, will depend upon a number of circumstances. The Board understands that any tax losses will continue to be available to the Company if, in general terms, a test under Australian tax laws referred generally as, the "majority of ownership test" is continued to be satisfied. The Board understands that there is another test known as the "same business test" which may allow taxpayers to take advantage of carry forward tax losses when the majority of ownership test has failed.

In order for the Company to take advantage of carry forward tax losses by satisfying the "majority of ownership test", the Board understands that Shareholders in Rattoon who hold at least 50% of the issued shares in the year that a tax loss is generated, must continue to hold those shares in subsequent years when there are taxable profits or gains, as well as satisfying this shareholding test in the intervening period. Whether any carry forward tax losses are available to Rattoon in future years will depend upon whether this shareholding test is satisfied as well as any other requirements that might be applicable at the time. It is recognised that taxation laws are subject to change.

The Board will encourage Shareholders, and particularly one or both of the current substantial Shareholders to continue to hold their shareholding in Rattoon so that the Company can satisfy the majority of ownership test. Even if this test is capable of being satisfied, Rattoon will need to generate income or capital gains in order to utilise prior year losses.

If one of the major Shareholders decides to enter into a transaction which might lead to, for example, them acquiring some or all of the shareholdings of the other Shareholders (including the minority Shareholders), or in Rattoon being delisted, then a detailed analysis of the majority of ownership test will need to be undertaken. In this regard, it is noted that the majority of ownership test has different rules for listed companies (and their subsidiaries) and unlisted companies.

Following the implementation of the Proposed Capital Return, Rattoon will hold limited net assets (of approximately \$5 million as discussed in this Memorandum). The Board does not expect Rattoon's asset position after the implementation of the Proposed Capital Return to be sufficient in order to generate significant taxable income to materially allow the Company to take advantage of its carry forward tax loss position, in the absence of further funds to be obtained at some future time.

It should be noted that even though the Company had carry forward tax losses as at 30 June 2008, the Company did not recognise a deferred tax asset in the Company's financial statements as, in the Board's judgement, there was not sufficient certainty that the benefit of those losses would be realised in future years. This accounting treatment

of not recognising any benefit from potential deferred tax assets has continued and been applied in the Preliminary Financial Statements for the half year ending 31 December 2008.

## **8.2 Tax implications for Rattoon's Shareholders**

The following contains a general discussion of some of the consequences that might arise to Rattoon's Shareholders from the Proposed Capital Return under Australian income tax laws. This does not represent specific advice to Shareholders. Shareholders should seek their own professional advice in respect of their personal circumstances, whilst recognising that a Shareholder's circumstances may differ from other Shareholders. This discussion is limited to Australian resident Shareholders who hold shares in Rattoon on capital account. Non-resident Shareholders should seek tax advice relevant in their own jurisdiction.

The Board understands that the Proposed Capital Return will be characterised for Australian tax purposes as a return of capital, rather than as a dividend. However, the ATO has wide discretions to deem a capital return as a dividend, and partly because of this, the Company has applied for a tax ruling on behalf of Shareholders. As at the date of this Notice, the ATO has not provided a response on the application for a tax ruling. The Board is hopeful that this will be obtained prior to, or shortly after the proposed General Meeting.

If an adverse ATO ruling is obtained before the date of the General Meeting, or if no concluded response from the ATO has been received prior to the date of the General Meeting, then the Board will reconsider whether to go ahead with the Proposed Capital Return.

Once the Company obtains a concluded response to the application for an ATO ruling, the Company will disclose this to the NSX at:

[http://www.nsx.com.au/announcements\\_list.asp?nsxcode=RTN](http://www.nsx.com.au/announcements_list.asp?nsxcode=RTN).

On the assumption that the Proposed Capital Return will be characterised as a receipt of capital, then the following consequences are expected to apply to Australian resident Shareholders under Australian tax laws. The receipt of the Capital Return will require the cost base of Rattoon's Ordinary Shareholders to be reduced by the amount of the Proposed Capital Return, being 13.6 cents per share. Where a Shareholder's cost base is in excess of 13.6 cents per share, then there will be no immediate liability for tax to be payable following this return of capital. If however, a Shareholder has a cost base less than 13.6 cents per share prior to the Proposed Capital Return, then following the Proposed Capital Return such a Shareholder's cost base will be reduced to nil, and the excess (if any) of the amount received will be a capital gain in the current financial period.

The above is provided for illustration purposes, and is based on the Company's general understanding. Shareholders should not rely on the above and should seek their own independent advice.

## **9 Director's interest in the Proposed Capital Return**

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As disclosed in the Company's financial statements for the year ended 30 June 2008, each of the Directors holds shares in Rattoon, either directly or indirectly. Accordingly, each Director will participate (either directly or indirectly) as a Shareholder in the Proposed Capital Return, on the same terms that apply to all Shareholders of the Company.

In addition, Mr Cureton was until 29 August 2008 an Executive Director of GPG Group. GPG Group is a substantial shareholder in Rattoon. Mr Cureton holds shares in GPG Group.

Mr Peter Landos is an executive of Thorney Investment Group. Thorney Investment Group is a substantial shareholder in Rattoon.

## **10 Directors' recommendation**

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The Directors unanimously resolved to recommend the Proposed Capital Return to the Shareholders. The Directors have indicated that they each intend to vote the shares they own or control in favour of the Proposed Capital Return (although like all Shareholders, the Directors are free to reconsider their position at the time that the Resolution is proposed to Shareholders in light of the then prevailing circumstances).

## **Resolution 2 – Consolidation of shares**

### **11 Overview**

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The Board of Rattoon wishes to submit to Shareholders a resolution to consider consolidating the share capital of the Company.

This Resolution will be submitted as an ordinary resolution.

If the Resolution is passed, it will be conditional on Shareholders separately authorising the Proposed Capital Return (Resolution 1).

The effect of the proposed consolidation will be to reduce by one-tenth the total number of Ordinary Shares on issue as at 7pm on 24 July 2009 (Consolidation Record Date). The Company has on issue 505,452,440 Ordinary Shares. In the event that Resolution 2 is passed and implemented, then the Company will have an issued share capital of approximately 50,545,244 Ordinary Shares.

If the Proposed Capital Return is implemented, the Company will have a reduced net asset backing per Ordinary Share of approximately 1.05 cents. The Board understands that this reduced net asset backing per Ordinary Share may create difficulties in terms of trading in parcels of shares, and therefore thought it appropriate to submit to Shareholders this proposal to consolidate the Company's issued share capital.

The Board considers that a consolidation of the issued capital would assist market trading in the Company's securities. This in turn may encourage new shareholders to join the Company and therefore may help the Company to satisfy the minimum spread requirements in the NSX Listing Rules (see section 5.4 above)

Section 254H(1) of the Corporations Act 2001 permits a company to consolidate its shares by resolution passed at a general meeting.

### **12 Tax implications to Rattoon's Shareholders**

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The following contains a general discussion of some of the consequences that might arise to Rattoon's Shareholders from the proposed consolidation of share capital under Australian income tax laws and Tax Office practice. This does not represent specific advice to Shareholders. Shareholders should seek their own professional advice in respect of their personal circumstances, whilst recognising that Shareholder's circumstances may differ from other Shareholders. This discussion is limited to Australian resident Shareholders who hold shares in Rattoon on capital account. Non-resident Shareholders should seek tax advice relevant in their own jurisdiction.

The Board understands that because the proposed consolidation of share capital would simply be a redenomination of share capital, there would be no capital gains tax consequences. The cost base of the Shareholders' former shares would simply become the cost base of their consolidated shares.

The above is based on the Company's general understanding. Shareholders should not rely on the above and should seek their own independent advice.

### **13 Timetable for Capital return and consolidation of shares**

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General Meeting: 11am (Melbourne time) Monday 15 June 2009

Capital Return Record Date: 7pm (Melbourne time) on 24 June 2009

Payment Date: 29 June 2009

Consolidation Record Date: 7pm (Melbourne time) on 24 July 2009

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**GLOSSARY OF TERMS**

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Board	means the board of Directors of the Company
Company	means Rattoon Holdings Limited (ACN 076 611 268)
Corporations Act	means the Corporations Act 2001 (Cth)
Director	means a director of the Company
General Meeting	means the general meeting of the Company to be held on 15 June 2009
GPG	means GPG Australia Nominees Limited, a company registered in the United Kingdom
GPG Group	means the group of companies and other entities of which GPG forms part
Notice	means the Notice of General Meeting which this Explanatory Memorandum accompanies
NSX	means NSX Limited as operator of the National Stock Exchange of Australia
NSX Listing Rules	means the listing rules of the NSX as amended from time to time
Ordinary Shares	means ordinary shares in the capital of the Company
Proposed Capital	means the capital return proposed to be implemented in accordance Return or Capital Return with Resolution 1
Proxy Form	means the proxy form which accompanies the Notice of General Meeting
Rattoon	means the Company
Capital Return Record Date	means the time by which a person must be a Shareholder on the Company's register of members in order to participate in the Proposed Capital Return. The Capital Return Record Date is 7pm (Melbourne time) on 24 June 2009.
Consolidation Record Date	means the time at which the Ordinary Shares are to be consolidated on a 1 for 10 basis, in accordance with Resolution 2. The Consolidation Record Date is 7pm (Melbourne time) on 24 July 2009.
Resolution	means a resolution set out in the Notice

Shareholder	means a member of the Company who is registered as the holders of one or more Ordinary Shares
Thorney	means Thorney Holdings Proprietary Limited (ACN 006 262 835), Thorney Pty Limited (ACN 008 595 453) and Thistle Custodians Pty Ltd (ACN 078 027 193) collectively
Thorney Group	means the group of companies and other entities of which Thorney forms part