

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document or as to what action you should take, you are recommended to seek your own personal financial advice from an independent financial adviser authorised under the Financial Services and Markets Act 2000, (as amended).**

If you sell or have sold or otherwise transferred all of your Ordinary Shares in Freeplay Energy PLC you should deliver this document together with the attached Form of Proxy as soon as possible to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee.

The Directors, whose names are set out on page 5, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the importance of such information.

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# **FREEPLAY ENERGY PLC**

*(Incorporated and registered in England and Wales with No: 4220065)*

## **Proposed disposal of the Freeplay Division**

### **Proposed reduction of the Company's Share Premium Account**

### **Change of name**

### **Notice of General Meeting**

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Your attention is drawn to the letter from the Chairman of the Company on pages 5 to 9 of this document recommending that you vote in favour of the Proposals outlined in this document.

This document does not constitute a prospectus for the purpose of the Prospectus Rules neither does it constitute an admission document drawn up in accordance with the AIM Rules.

The Notice of a General Meeting of Freeplay Energy PLC to be held at the offices of Edwin Coe LLP, 2 Stone Buildings, Lincoln's Inn, London, WC2A 3TH on 27 June 2008 at 11.00 a.m. is set out at the end of this document. Whether or not you intend to be present at the General Meeting you are urged to complete and return the enclosed Form of Proxy in accordance with the instructions printed thereon so as to arrive as soon as possible and in any event not later than 11.00 a.m. on 25 June 2008.

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## EXPECTED TIMETABLE OF PRINCIPAL EVENTS

|  | <i>2008</i>           |
|--|-----------------------|
| Latest time and date for receipt of Forms of Proxy | 11.00 a.m. on 25 June |
| General Meeting                                    | 11.00 a.m. on 27 June |

## DEFINITIONS

The following definitions apply throughout this document unless the context requires otherwise:

|                                    |   |
|------------------------------------|---|
| “Act”                              | the Companies Acts 1985 and 1989, as amended or replaced by the Companies Act 2006 (“2006 Act”) where the context requires                                  |
| “AIM”                              | AIM, a market operated by the London Stock Exchange   |
| “AIM Rules”                        | the rules governing the admission to, and operation of AIM contained in the document entitled the “AIM Rules” published by the London Stock Exchange        |
| “BGL”                              | Baylis Generators Limited (company number 2902375), a wholly owned subsidiary of the Company  |
| “Capital Reduction”                | the proposed reduction of the Company’s share premium account as detailed in the Letter from the Chairman contained in this circular                        |
| “Charles Stanley”                  | Charles Stanley Securities, a division of Charles Stanley & Co. Limited, the Company’s Nominated Adviser for the purposes of the AIM Rules                  |
| “Company” or “Freeplay” or “Group” | Freeplay Energy plc and its subsidiaries as the context requires  |
| “Directors” or the “Board”         | the directors of Freeplay, whose names appear on page 5 of this document  |
| “Dixie Sales”                      | Dixie Sales Company Inc.  |
| “Form of Proxy”                    | the form of proxy enclosed with this document for use at the General Meeting  |
| “Freeplay Division”                | Freeplay Market Development Limited, Freeplay Market Development (Pty) Limited, Freeplay Energy India (Pvt) Limited and Baylis Generators Limited           |
| “Freeplay Energy India”            | Freeplay Energy India (Pvt) Limited, a joint venture company with Devin Narang, in which Freeplay has a 50 per cent. interest                               |
| “Freeplay Foundation”              | the registered charity and non-profit organisations established by Freeplay in the UK (registered number 11606340), the Republic of South Africa and the US |
| “FMD”                              | Freeplay Market Development Limited (company number 3078973), a wholly owned subsidiary of the Company  |
| “GM” or “General Meeting”          | the General Meeting of the Company convened for 11.00 a.m. on 27 June 2008 by the Notice of GM and any adjournment thereof                                  |
| “Independent Directors”            | Harold Reiter, Thomas Gordon Roddick, Andy Polansky, William Barrett and Edward Barrett   |
| “London Stock Exchange”            | London Stock Exchange plc   |
| “Notice of GM”                     | the notice of GM set out at the end of this document  |
| “Ordinary Shares”                  | ordinary shares of 5 pence each in the share capital of the Company   |
| “Proposals”                        | the proposed disposal of the Freeplay Division, the Capital Reduction and the proposed change of name to Fieldbury plc                                      |

|                         |  |
|-------------------------|--|
| “Prospectus Rules”      | the prospectus rules made by the Financial Services Authority pursuant to section 73A of the Financial Services and Markets Act 2000, as amended |
| “Remaining Group”       | Freeplay Energy plc and Dixie Sales  |
| “Resolutions”           | the resolutions set out in the Notice of GM  |
| “Shareholders”          | holders of Ordinary Shares   |
| “United States” or “US” | the United States of America, its territories and possession, any state of the United States and the District of Columbia                        |

## PART I

### LETTER FROM THE CHAIRMAN

#### FREEPLAY ENERGY PLC

*(Incorporated and registered in England and Wales with No: 4220065)*

*Directors:*

Roderick Morton Stear (*Chairman*)  
Colin Batt (*Finance Director*)  
Harold Reiter (*Executive Director*)  
David Floyd (*Executive Director*)  
Thomas Gordon Roddick (*Non-executive Director*)  
Andy Polansky (*Non-executive Director*)  
William Barrett (*Non-executive Director*)  
Edward Barrett (*Non-executive Director*)

*Registered Office:*

2 Stone Buildings  
Lincolns Inn  
London  
WC2A 3TH

*Company Secretary: Russel Charles Shear*

12 June 2008

Dear Shareholder,

#### **Introduction**

It was announced on 27 May 2008 that, subject *inter alia* to Shareholders' approval that Freeplay has entered into conditional agreements to dispose of the Freeplay Division to Devinder Raj Narang for a total consideration of \$14.5 million, subject to adjustment, which includes the assumption of approximately \$5 million of bank debt.

In addition, the Board is seeking shareholders approval to apply to the High Court for permission to reduce the share premium account of the Company in order to enable the Company to partially eliminate the deficit on its profit and loss account.

The sale of the Freeplay Division is deemed to be a disposal resulting in a fundamental change of business for the purpose of AIM Rule 15 and therefore is subject to Shareholder approval. The Company is also proposing to change its name to Fieldbury plc due to the sale of the Freeplay Division which includes all rights to the Freeplay name.

The disposal of the Freeplay Division, the Capital Reduction and the name change are conditional, *inter alia*, upon the Company obtaining approval from Shareholders of the Resolutions. Accordingly a GM has been convened for 11.00 a.m. on 27 June 2008. Notice of the GM is set out on page 10 of this document.

The purpose of this document is to explain the background to and reasons for the Proposals, and why the Board considers the Proposals to be in the best interests of the Company and its Shareholders.

#### **Background and reasons for the proposed disposal of the Freeplay Division**

In October 2006 the Group entered into an agreement with Mr Narang to establish a joint venture company in India for the purpose of exploiting the Freeplay Division's products in India. Mr Narang is an Indian industrialist and is chairman of the Narang Group India. Under that agreement Freeplay obtained a 50 per cent. interest in Freeplay Energy India with Mr Narang holding the remaining 50 per cent. In February 2008 a new bespoke facility was established in India to begin production of Freeplay products for distribution and sale in India. This coincided with the first order for Freeplay Energy India being obtained from the Indian Farmers Fertiliser Co-operative for 225,000 units of a new LED lantern and another lighting product

produced for the Indian market. Mr Narang approached the Board with an offer to purchase the Freeplay Division in April 2008.

Despite improvements made by the Group against a backdrop of significant restructuring, it has faced difficult consumer markets in all its divisions. This, coupled with the publicly stated requirement to raise additional funds in 2008, has meant that the Board needed to give special consideration to the offer received from Mr Narang.

Your Board has considered the instability of the financial markets which has given rise to concerns about the viability of raising additional funds and also by the fact that the Group is constrained by its existing bank facilities which are almost fully utilised, with limited scope to increase them.

Given this difficult fiscal environment in which to raise additional funds required by the Group, your Board came to the conclusion that acceptance of Mr Narang's offer was in the best interests of the Company. Accordingly, the Board believes that the proposals are in the best interests of the Company and the Shareholders as a whole.

Following the disposal of the Freeplay Division the remaining company in the Group apart from Freeplay Energy plc will be Dixie Sales.

### **Disposal of Freeplay Division**

The Freeplay Division currently consists of FMD and its wholly owned subsidiary incorporated in South Africa, Freeplay Market Development (Pty) Ltd, BGL and its 50 per cent. interest in Freeplay Energy India. BGL does not trade but owns various patents and trade marks concerning the Freeplay Division business.

In the year to 31 December 2007, the turnover of the Freeplay Division was \$7.9 million (2006: \$7.3 million) and the loss for the Freeplay Division before Group common costs was \$4.5 million (2006: \$3.8 million loss) as derived from the preliminary statement released on 13 May 2008. The net liabilities of the Freeplay Division at 31 December 2007 were \$2.03 million (2006: net liabilities \$1.63 million). The performance of the Freeplay Division in the year ended 31 December 2007 was significantly affected by the decision to terminate the five year agreement with World Phones to distribute the free charge mobile phone charger in Africa and the Caribbean region as a result of World Phone's failure to fulfil its contractual obligations to the Group.

### **Sale and Purchase Agreements**

Freeplay has entered into three separate sale and purchase agreements with Mr Narang, each dated 23 May 2008 concerning the sale respectively of the entire issued share capital of FMD and BGL and the 50 per cent. interest held by Freeplay in Freeplay Energy India.

Under the sale and purchase agreement relating to the sale of FMD, Mr Narang will acquire 90 per cent. of the issued share capital of FMD on completion with the remaining 10 per cent. to be purchased by Mr Narang on or before 31 December 2009 for deferred consideration of \$1.5 million.

The agreements are interconditional and are also conditional upon, amongst other things, obtaining the authority of Shareholders for the disposal of the Freeplay Division as set out in resolution 1 of the notice of General Meeting and receipt by Mr Narang of all consents and permissions required from the Reserve Bank of India in connection with his purchase of the Freeplay Division.

The total purchase price for the sale of the Freeplay Division is \$14.5 million, subject to adjustment, which includes the assumption of approximately \$5 million of bank debt. The sum of \$1.5 million of the purchase price is payable on or before 31 December 2009 for the remaining 10 per cent. of FMD. The purchase price assumes working capital for the Freeplay Division of no less than minus \$2.1 million. In the event that the working capital is greater than minus \$2.1 million additional consideration will be payable in respect of the surplus and in the event that the working capital is less than minus \$2.1 million the purchase price will be reduced by an amount equal to the shortfall.

In addition, Freeplay has provided certain warranties and indemnities to Mr Narang in connection with the Freeplay Division.

FMD will also take over the obligations of Freeplay to donate funds to the Freeplay Foundation for the purpose of meeting its administrative costs and also to provide its office accommodation.

### **Remaining Group**

Following the sale of the Freeplay Division the remaining company in the Group will be Dixie Sales.

Dixie Sales is an established sales, marketing, distribution and customer service provider based in Greensboro, North Carolina, USA. Dixie provides a full range of services to its customers and suppliers, which includes customer and supplier account management, customer and supplier logistics, consumer call centre services and technical services such as training and education to customers. Dixie Sales also has electronic ordering and ecommerce tools.

Dixie Sales' revenue for the year ended 31 December 2007 was \$37.2 million compared with \$18.8 million for the last five months of 2006. Sales were down 3 per cent. on a like for like basis. This was due to poor weather conditions in the second half of 2007 and the decision to exit certain low margin businesses. Drought conditions in the South Eastern United States had a particularly negative impact on Dixie Sales' core outdoor product offering against a backdrop of difficult economic conditions. However, following a strong first half, the business still enjoyed a good year in light of the prevailing environmental conditions.

Dixie Sales' operating loss for the year ended 31 December 2007 excluding intercompany overhead allocation and income taxes amounted to \$2.51 million compared with an operating income of \$1.53 million in 2006. Included in the 2007 operating loss are one-time exit and disposal expenses in the amount of \$484,000. These costs relate to the closing of the Florida and Pennsylvania warehouses and include lease termination costs, severance compensation and costs associated with discontinued and relocated inventory.

During 2007, Dixie Sales completed its strategic review as part of the overall Group restructuring and made significant progress in reducing its costs structure, exiting certain low margin businesses, reducing operating costs by approximately \$3 million and refocusing the division away from low performing, low margin categories.

Your Board believes that Dixie Sales now has a compelling and competitive business proposition, which is to concentrate on expanding its key distribution channels, including independent dealers, mass merchant and retail direct. In addition, Dixie continues to expand its geographic reach through its growth strategy in Canada by leveraging its key US based manufacturing and mass merchant relationships. This approach is proving to be successful in attracting new customers, evidenced by notable key new business wins including Canadian Tire Corporation, American Lawnmower Products and ATK, a hunting accessories manufacturer. In line with the current strategy of the Dixie Sales division moving into higher margin businesses, renewing focus on the "fee for service" model and securing dual payment from both retailers and customers, the Board is confident of the future prospects of the Dixie Sales business.

The Freeplay Division's current bank debt of approximately \$5 million will be assumed by Mr Narang. Dixie Sales has its own bank facility for its working capital. It has a revolving credit facility with PNC Bank for up to \$9.75 million. As at 30 April 2008 the sum of \$9.21 million was drawn down on this facility. Dixie Sales also has a number of long term leases totalling \$151,650 of which \$120,777 is payable within twelve months.

### **Change of Directors and Name**

Following completion of the disposal of the Freeplay Division, Colin Batt and David Floyd will resign as directors of Freeplay. They will both continue to be employed in the Freeplay Division. Mr Narang has requested Mr Stear to chair the Freeplay Division after completion of the sale. Mr Stear is currently considering the offer but has not reached agreement with Mr Narang. He will however continue as a director of Freeplay and chairman of the Board following the sale of the Freeplay Division.

Due to the sale of the rights to the Freeplay name and associated trade marks, it has been agreed that Freeplay will change its corporate name. It is proposed that the name be changed to Fieldbury plc with effect from completion of the sale of the Freeplay Division. Accordingly, resolution 3 in the notice convening the General Meeting deals with the change of name.

### **Capital Reduction**

Due to the accumulated deficit on its profit and loss account (which means that Freeplay does not currently have distributable reserves), Freeplay is currently prohibited under the Act from making distributions to its Shareholders, including the payment of dividends and purchases of its Ordinary Shares. In order to facilitate any future return of capital to Shareholders, the Board is therefore proposing that the Company eliminate the deficit on its profit and loss account as at 31 December 2007 and create distributable reserves by means of a Capital Reduction.

Under the Act, the Company can, with the approval of Shareholders given by way of a special resolution and with the confirmation of the Court, reduce its share premium account. Such a reduction creates a reserve which can, subject to the protection of creditors, be credited to the Company's profit and loss account.

Accordingly, the Company is proposing to effect a reduction of its share premium account, subject to approval by Shareholders and sanction by the High Court, to partially eliminate the deficit on the profit and loss account. As at 31 December 2007, there was standing to the credit of the share premium account the sum of \$28,760,917. The deficit on the Company's profit and loss account at 31 December 2007 stood at \$33,763,041. Subject to Shareholders' and High Court approval, the share premium account will be reduced by the amount credited to that account thereby partially eliminating the deficit on the Company's profit and loss account. Subject to any further losses incurred on the Company's profit and loss account since 31 December 2007, the balance of the deficit, after application of the share premium account, will be eliminated by the profit made on the disposal of the Freeplay Division.

Before the Capital Reduction can take effect it will be necessary to obtain an order of the High Court confirming the proposed reduction of the Company's share premium account. Accordingly, as soon as practicable after the passing of the Resolutions, the Company will apply to the High Court for an order confirming the Capital Reduction, which will become effective once the Court Order confirming the Capital Reduction is registered with the Registrar of Companies.

The Court is likely to require that the Company take appropriate steps for the protection of creditors of the Company. The Directors believe that the Company will be able to satisfy the Court that as at the date on which the Capital Reduction becomes effective (being the date on which the Court's order approving the Capital Reduction is registered with the Registrar of Companies) the Company's creditors will have consented to the Capital Reduction, or have been satisfied in full or be sufficiently protected by virtue of monies held in escrow or upon trust for the protection of such creditors.

The Capital Reduction itself will not involve any distribution or repayment of capital or share premium by the Company and will not reduce the underlying net assets of the Company. Its principal effect will be to create distributable reserves to facilitate any future return of value to Shareholders.

### **General Meeting**

A notice convening the General Meeting to consider and, if thought fit, pass the Resolutions is set out on pages 10 and 11 of this document. A summary of the Resolutions is set out below:

- |              |   |
|--------------|---|
| Resolution 1 | seeks the authority of Shareholders for the disposal of the Freeplay Division;  |
| Resolution 2 | seeks the authority of Shareholders to implement the Capital Reduction;   |
| Resolution 3 | seeks the authority of Shareholders that, conditional upon the passing of resolutions 1 and 2 above, the name of the Company be changed to Fieldbury plc; |
| Resolution 4 | seeks the authority of Shareholders that the Company be permitted to buy-back up to 36,000,000 Ordinary Shares in the capital of the Company.             |

**Action to be taken**

Shareholders will find a Form of Proxy enclosed for use at the GM. Whether or not you intend to be present at the GM, you are requested to complete and return the Form of Proxy in accordance with the instructions printed thereon as soon as possible. To be valid, completed Forms of Proxy must be received by the Company's Registrars, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU not later than 11.00 a.m. on 25 June 2008, being 48 hours before the time appointed for holding the GM. Completion of the Form of Proxy will not preclude you from attending the meeting and voting in person if you so wish.

**Recommendation**

Your Independent Directors believe that, having consulted with Charles Stanley, the terms for the proposed disposal of the Freeplay Division are fair and reasonable insofar as Shareholders are concerned, and in the best interests of the Company. Accordingly, the Independent Directors recommend that you vote in favour of Resolution 1 to be proposed at the General Meeting as they intend to do so in respect of their own aggregate holdings of 10,421,013 Ordinary Shares, representing approximately 10.76 per cent. of the existing issued ordinary share capital of the Company.

The Directors believe that the disposal of the Freeplay Division, the proposed Capital Reduction and the approval of the Resolutions set out in the notice of GM to be in the best interests of the Company and Shareholders as a whole. Accordingly, the Independent Directors unanimously recommend that you vote in favour of the Resolutions.

Yours faithfully

**Rory Stear**  
*Chairman*

# **FREEPLAY ENERGY PLC**

*(Incorporated and registered in England and Wales with No: 4220065)*

## **NOTICE OF GENERAL MEETING**

**NOTICE IS HERBY GIVEN** that a General Meeting of Freeplay Energy PLC (“Company”) will be held at the offices of Edwin Coe LLP, 2 Stone Buildings, Lincoln’s Inn, London, WC2A 3TH on 27 June 2008 at 11.00 a.m. for the purpose of considering and, if thought fit, passing the following resolutions:

### **ORDINARY RESOLUTION**

1. That the disposal of the Freeplay Division (as defined in the circular to shareholders dated 12 June 2008 of which this notice forms part (the “Circular”)) pursuant to agreements dated 23 May 2008 and made between the Company and Devinder Raj Narang, as more fully described in the Circular, be approved;

### **SPECIAL RESOLUTIONS**

2. That the share premium account of the Company be reduced by \$28,760,917;
3. That conditional upon the passing of resolutions numbered 1 and 2 above the name of the Company be changed to Fieldbury plc;
4. That conditional upon passing of the resolutions numbered 1 and 2 above, in accordance with Chapter VII of Part V of the Companies Act 1985 (“the Act”), the company be generally and unconditionally authorised to make market purchases (as defined in section 163(3) of the Act) of its own ordinary shares on such terms, and in such manner as the directors may, from time to time, determine, provided that:
  - (a) the maximum aggregate number of ordinary shares hereby authorised to be purchased is 36,000,000;
  - (b) the minimum price which may be paid for an ordinary share is 5p (excluding expenses);
  - (c) the maximum price which may be paid for an ordinary share is an amount equal to 105 per cent. of the average of the middle market quotations for an ordinary share as derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the share is contracted to be purchased (excluding expenses); and
  - (d) the authority hereby conferred shall expire on the earlier of 24 December 2009 or the conclusion of the Annual General Meeting of the Company to be held in 2009, but a contract of purchase may be made before such expiry which will or may be executed wholly or partly thereafter and a purchase of shares may be made in pursuance of any such contract.

Dated: 12 June 2008

By order of the Board  
Company Secretary

*Registered Office:*  
Freeplay Energy PLC  
2 Stone Buildings  
Lincoln’s Inn  
London  
WC2A 3TH

## Notes:

### *Eligibility to attend and vote*

- 1 In accordance with Regulation 41 of the Uncertificated Securities Regulations 2001, to be entitled to attend and vote at the General Meeting (and for the purpose of determining the number of votes a member may cast), members must be entered on the Register of Members of the Company by 11.00 a.m. on 25 June 2008. If the meeting is adjourned, members entered into the Register of Members of the Company not later than 48 hours before the time appointed for the adjourned meeting shall be entitled to attend and vote at the meeting.

### *Appointment of proxies*

- 2 As a member of the Company, you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at the Meeting using the procedures set out in these notes and the notes to the proxy form.
- 3 A proxy does not need to be a member of the Company but must attend the Meeting to represent you. If you wish your proxy to speak on your behalf at the Meeting you will need to appoint your own choice of proxy (not the Chairman) and give your instructions directly to them.
- 4 The Form of Proxy, accompanied by any Power of Attorney under which it is executed (if applicable), must be received by the Company's registrars, during normal business hours, no later than 48 hours before the time appointed for the holding of the General Meeting. Shares held in uncertificated form (i.e. in CREST) may be voted through the CREST Proxy Voting Scheme (Issuer's agent ID: RA10) in accordance with the procedures set out in the CREST manual.
- 5 To appoint as a proxy a person other than the Chairman of the meeting, insert the full name in the space provided. A proxy need not be a member of the Company. You can also 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. The following options are available:
  - 5.1 To appoint the **Chairman** as your **sole proxy** in respect of all your shares, simply fill in any voting instruction in the appropriate box and sign and date the Form of Proxy.
  - 5.2 To appoint a **person other than the Chairman as your sole proxy** in respect of all your shares, delete the words "the Chairman of the meeting" and insert the name and address of your proxy in the spaces provided. Then fill in any voting instructions in the appropriate box and sign and date the Form of Proxy.
  - 5.3 To appoint more than one proxy, please sign and date the Form of Proxy and attach a schedule listing the names and addresses (in block letters) of all of your proxies, the number of shares in respect of which each proxy is appointed (which, in aggregate, should not exceed the numbers of share held by you) and indicating how you wish each proxy to vote or abstain from voting. If you wish to appoint the Chairman as one of your multiple proxies, simply write "the Chairman of the meeting".
- 6 A corporation must execute the Form of Proxy under either its common seal or the hand of a duly authorised officer of attorney.
- 7 Appointment of a proxy does not preclude you from attending the Meeting and voting in person. If you have appointed a proxy and attend the Meeting in person, your proxy appointment will automatically be terminated.

### *Appointment of proxy by joint members*

- 8 In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's Register of Members in respect of the joint holding (the first-named being the most senior).

### *Communication*

- 9 Except as provided above, members who have general queries about the Meeting should contact the Company's registrars.
- 10 You may not use any electronic address provided either in this notice of general meeting or any related documents (including the proxy form) to communicate with the Company for any purposes other than those expressly stated.

