

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.** If you are in doubt as to the action to be taken, please consult an appropriately authorised independent financial adviser immediately. If you have sold all of your holdings of Ordinary Shares in Sinclair Pharma plc you should hand this document, together with the accompanying proxy form, to the stockbroker, bank or other agent through or to whom the sale was effected for transmission to the purchaser.

# SINCLAIR PHARMA PLC

(the 'Company')

(Registered in England and Wales No. 03816616)

**REGISTERED OFFICE:**  
Unit 4  
Godalming Business Centre  
Woolsack Way  
Godalming  
Surrey  
GU7 1XW

7 November 2008

Dear Shareholder

Enclosed with this letter is notice of an Annual General Meeting to be convened on 8 December 2008 (the 'Annual General Meeting'). Business to be conducted at the Annual General Meeting includes, inter alia, a resolution to approve the Directors' Remuneration Report (the 'Report') prepared in accordance with the Directors' Remuneration Report Regulations 2002.

## **ANNUAL GENERAL MEETING**

The business to be conducted at this Annual General Meeting comprises: the receipt of the financial statements; the re-appointment of Directors; the re-appointment of PricewaterhouseCoopers LLP as auditors; a resolution to approve the Report; an authority to allot shares; a resolution to disapply pre-emption rights; and a resolution to adopt new articles of association. A brief explanation of these resolutions is set out below.

The Board also seeks to use the Annual General Meeting as an opportunity to meet shareholders and in particular private shareholders, who are encouraged to attend. After the Annual General Meeting, there will be an opportunity to ask questions of the Directors and to discuss development of the business. In particular, there will be an opportunity to ask questions of the chairmen of the Company's Audit, Remuneration and Nominations Committees.

## **RE-APPOINTMENT OF DIRECTORS (RESOLUTION 2)**

Under Article 111 of the articles of association of the Company one third of the Directors (not taking into account Directors who are required to retire pursuant to Article 109 or Article 117 of the articles of association of the Company) shall retire from office and be eligible for re-appointment. Dr Michael Flynn and I, Mr Steven Harris, are due to retire by rotation at the Annual General Meeting. Dr Michael Flynn is willing to be re-appointed as a Director. I have decided that I will step down from the Board at the AGM, and accordingly I will not be offering myself for re-election.

The Board believes that Dr Michael Flynn continues to bring extensive experience from the pharmaceutical industry to the Board, and as a result, the Board recommends that Dr Michael Flynn be re-appointed.

Full biographical information on Dr Michael Flynn is set out on page 18 of the Annual Report and Accounts 2008 dispatched with this circular.

## **RE-APPOINTMENT OF AUDITORS AND REMUNERATION (RESOLUTION 3)**

It is necessary to propose a resolution to re-appoint the Company's Auditors, PricewaterhouseCoopers LLP. The appointment of PricewaterhouseCoopers LLP would otherwise expire at the conclusion of this year's Annual General Meeting. The resolution also authorises the Directors to determine the remuneration of the auditors during this appointment.

## **RESOLUTION TO APPROVE THE REPORT (RESOLUTION 4)**

You will find on pages 28 to 33 of the Annual Report and Accounts dispatched with this circular, the Report which your directors are required to prepare and submit to a shareholder vote pursuant to the Directors' Remuneration Report Regulations 2002. The Report contains detailed information on the Company's policy regarding Directors' remuneration and details of the Directors' service agreements and letters of appointment and of the remuneration they each received in the year ended 30 June 2008.

**AUTHORITY TO ALLOT SHARES (RESOLUTION 5)**

Under the Companies Act 1985 (the '1985 Act'), the Directors of the Company may only allot unissued shares if authorised to do so by a company's articles of association or by its shareholders in a general meeting. The authority to allot granted at the Annual General Meeting of the Company held on 3 December 2007 will expire on the conclusion of this Annual General Meeting. Resolution 5 will renew the Directors' authority to allot Ordinary Shares representing up to one third of the issued ordinary share capital of the Company as at 6 November 2008. This represents up to 31,323,247 Ordinary Shares (having a nominal value of £313,232). The Directors have no present intention of exercising the authority proposed to be conferred pursuant to Resolution 5.

If given, the authority will expire on the earlier of 31 January 2010 and the date of the next Annual General Meeting in 2009, unless revoked or varied by the Company from time to time in a subsequent general meeting.

**DISAPPLICATION OF PRE-EMPTION RIGHTS (RESOLUTION 6)**

By virtue of section 89 of the 1985 Act, any issue by the Company of equity capital for cash made otherwise than to existing shareholders on a proportional basis requires the consent of the shareholders of the Company unless the Company has obtained the authority of the shareholders under section 95 of the 1985 Act.

These arrangements are intended to ensure that the interests of existing shareholders are protected whilst at the same time giving the Company the ability to issue equity on a non pre-emptive basis, for the reasons outlined below.

As in 2007, the Company is seeking disapplication of pre-emption rights at a level of ten per cent. (10%) of the issued share capital as at 6 November 2008. Resolution 6 gives your Directors authority to allot new Ordinary Shares for cash otherwise than in proportion to existing holdings of shares. This authority will be limited to 9,396,974 Ordinary Shares (having a nominal value of £93,970) representing approximately ten per cent. (10%) of the issued share capital as at 6 November 2008.

Your Board highlights the following factors, which it considers to be relevant to its recommendation to vote in favour of Resolution 6.

- (A) The authority could be used, for example, to issue equity for cash to invest in a focussed and timely manner for specific strategic product acquisition opportunities. This would enable the commercial value of the Company's portfolio to be enhanced and further the Company's overall strategic objective to continue to add shareholder value.
- (B) The proposed level of the ten per cent. (10%) disapplication would allow a non pre-emptive issue to be made without the requirement to issue a prospectus. Avoiding the requirement to produce a prospectus would minimise significantly the delay, cost and management time generally required for this process.

If given, the authority will expire on the earlier of 31 January 2010 and the date of the next Annual General Meeting in 2009, unless previously renewed, varied or revoked by the Company.

The Board intends, that if given, this authority will be exercised in a manner consistent with the Statement of Principles of the Pre-Emption Group and in the interests of shareholders as a whole. In keeping with the Company's policy of open and clear communication with shareholders, the Company would consult with major shareholders ahead of any issue of equity on a non pre-emptive basis.

**AUTHORITY TO MAKE MARKET PURCHASES (RESOLUTION 7)**

In certain circumstances, it may be advantageous for the Company to purchase its own shares and resolution 7 seeks the authority from shareholders to continue to do so. The directors will continue to exercise this power only when, in the light of market conditions prevailing at the time, they believe that the effect of such purchases will be to increase earnings per share and is in the best interests of shareholders generally. Other investment opportunities, appropriate gearing levels and the overall position of the Company will be taken into account when exercising this authority.

The resolution specifies the maximum number of ordinary shares that may be acquired (approximately 10 per cent of the Company's issued ordinary share capital as at 6 November 2008) and the maximum and minimum prices at which they may be bought.

Resolution 7 will be proposed as a special resolution to provide the Company with the necessary authority. If given, this authority will expire at the conclusion of the next Annual General Meeting of the Company in 2009 or, if earlier, 31 January 2010.

The Directors intend to seek renewal of this power at subsequent Annual General Meetings.

#### AMENDMENTS TO THE ARTICLES OF ASSOCIATION (RESOLUTION 8)

It is proposed to ask shareholders to approve the adoption of new articles of association by the Company in order to reflect the changes required as a result of the Companies Act 2006 (the '2006 Act'). A more detailed explanation of the proposed changes is set out in the appendix to the attached notice of the Annual General Meeting. Due to the phased implementation of the 2006 Act, it is likely that further changes will be proposed at the 2009 Annual General Meeting. Resolution 8 will be proposed as a special resolution.

#### RECOMMENDATION

The Board considers all of the resolutions set out in the attached notice and explained above to be in the best interests of the Company and its shareholders, and unanimously recommends shareholders to vote in favour of the resolutions.

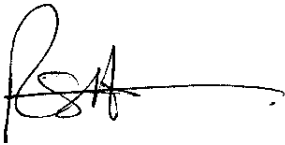
#### ACTION TO BE TAKEN

A proxy form for use at the Annual General Meeting is enclosed (the 'Proxy Form'). Instructions concerning the appointment of a proxy or proxies are included in the attached notice. Please note however that you are advised to complete and return the Proxy Form in accordance with the instructions printed on it so as to arrive at the Company's registrars, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, as soon as possible, but in any event no later than 48 hours before the time fixed for the meeting i.e. by 10.00 a.m. on 6 December 2008. The return of the Proxy Form does not preclude you from attending and voting at the Annual General Meeting if you so wish.

#### LOCATION OF ANNUAL GENERAL MEETING

The Annual General Meeting will be held at the offices of Simmons & Simmons, CityPoint, One Ropemaker Street, London EC2Y 9SS.

Yours faithfully



STEVE HARRIS  
Chairman

# SINCLAIR PHARMA PLC

(the 'Company')

(Registered in England and Wales No. 03816616)

## Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at the offices of Simmons & Simmons, CityPoint, One Ropemaker Street, London EC2Y 9SS on 8 December 2008 at 10.00 a.m. (the 'Annual General Meeting'), at which the following business will be transacted:

### ORDINARY BUSINESS

1. To receive the financial statements of the Company for the year ended 30 June 2008 and the reports of the directors and auditors thereon (the 'Annual Report and Accounts').
2. To re-appoint as a director Dr Michael Flynn in accordance with article 111 of the Company's articles of association.
3. To re-appoint PricewaterhouseCoopers LLP as auditors of the Company to hold office from the conclusion of the Annual General Meeting until the conclusion of the next Annual General Meeting of the Company and to authorise the directors to determine their remuneration.
4. To approve the directors' remuneration report for the year ended 30 June 2008 as set out on pages 28 to 33 of the Annual Report and Accounts.

### SPECIAL BUSINESS

To consider as special business and, if thought fit, pass the following resolutions, of which the resolution numbered 5 will be proposed as an ordinary resolution and resolutions numbered 6, 7 and 8 will be proposed as special resolutions.

### ORDINARY RESOLUTION

5. THAT, subject to and in accordance with article 16 of the articles of association of the Company, the directors be generally and unconditionally authorised in accordance with section 80 of the Companies Act 1985 (the '1985 Act') to exercise all the powers of the Company to allot relevant securities (within the meaning of section 80 of the 1985 Act) up to a maximum aggregate nominal amount of £313,232 (being approximately one third of the issued share capital as at 6 November 2008) provided that such authority shall expire on the conclusion of the Annual General Meeting of the Company to be held in 2009, or on 31 January 2010, if earlier, but may be previously revoked or varied from time to time by the Company in a general meeting but the Company may before such expiry, revocation or variation make an offer or agreement which would or might require relevant securities to be allotted after such expiry, revocation or variation, and the directors may allot relevant securities in pursuance of such offer or agreement as if the authority conferred by this resolution had not expired or been revoked or varied.

### SPECIAL RESOLUTIONS

6. THAT, subject to the passing of resolution 5 as set out in the notice of this meeting, and in accordance with article 17 of the articles of association of the Company, the directors be empowered pursuant to section 95 of the 1985 Act to allot equity securities (as defined in section 94(2) of the 1985 Act) for cash pursuant to the general authority conferred by resolution 5 as set out in the notice of this meeting, as if section 89(1) of the 1985 Act did not apply to such allotment, provided that this power shall be limited to allotments of equity securities:
  - (i) in connection with or pursuant to an offer by way of rights, open offer or other pre-emptive offer in favour of the holders of shares in the Company and other persons entitled to participate therein in proportion (as nearly as practicable) to their respective holdings held by them on the record date applicable to such issue or offer, subject to such exclusions or other arrangements as the directors may consider necessary or expedient to deal with fractional entitlements or legal or practical problems under the laws of any territory or the regulations or requirements of any regulatory authority or any stock exchange in any territory or by virtue of shares being represented by depository receipts or by virtue of any other matter whatsoever, and
  - (ii) otherwise than pursuant to sub-paragraph (i) above, up to an aggregate maximum nominal amount of £93,970 being approximately 10% of the issued share capital as at 6 November 2008,

and such power shall expire on the conclusion of the Annual General Meeting of the Company to be held in 2009 or on 31 January 2010, if earlier, but may be previously revoked or varied from time to time by special resolution but the Company may before such expiry revocation or variation make an offer or agreement which would or might require equity securities to be allotted and the directors may allot equity securities in pursuance of such offer or agreement as if the power conferred by this resolution had not expired or been revoked or varied.

7. THAT the Company be generally and unconditionally authorised, pursuant to article 9 of the articles of association of the Company and pursuant to section 166 of the 1985 Act, to make one or more market purchases (as defined in section 163 of the 1985 Act) of up to 9,396,974 ordinary shares of 1p each in the capital of the Company (being approximately 10% per cent of the issued ordinary share capital of the Company on 6 November 2008) on such terms and in such manner as the directors of the Company may from time to time determine, provided that:
- (a) the amount paid for each share (exclusive of expenses) shall not be more than five per cent above the average of the middle market quotation of an ordinary share as derived from the Daily Official List of the London Stock Exchange plc for the five business days before the date on which the contract for the purchase is made, and in any event not less than 1p per share; and
  - (b) the authority herein contained shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2009 or on 31 January 2010, whichever is earlier, unless previously varied or revoked, provided that the Company may, before such expiry revocation or variation, make a contract to purchase its own shares which would or might be executed wholly or partly after such expiry revocation or variation, and the Company may make a purchase of its own shares in pursuance of such contract as if the authority hereby conferred had not expired or been revoked or varied.
8. THAT the articles of association produced to the Annual General Meeting and signed by the chairman of the Annual General Meeting for identification purposes be approved and adopted as the new articles of association of the Company in substitution for, and to the exclusion of, the existing articles of association, with effect from the conclusion of the Annual General Meeting.

By order of the board,



ALAN OLBY  
**Company Secretary**  
7 November 2008

**REGISTERED OFFICE:**  
Unit 4  
Godalming Business Centre  
Woolsack Way  
Godalming  
Surrey  
GU7 1XW

#### NOTES

1. A member entitled to attend, speak and vote at the above mentioned meeting is entitled to appoint a proxy to exercise all or any of his rights to attend, speak and vote in his/her place. A proxy need not be a member of the Company.
2. A member may appoint more than one proxy provided each proxy is entitled to exercise the rights attached to a different shares or shares held by the member.
3. Completion and return of a form of proxy or the appointment of a proxy through CREST will not preclude a member from attending and voting in person.
4. A form of proxy is enclosed. Please read carefully the instructions on how to complete the form. In the case of an individual appointing a proxy, the proxy form must be signed by the appointer or his attorney who is authorised to do so in writing. In the case of a corporation, the proxy form must be given under its common seal or otherwise executed by it in accordance with statute or signed on its behalf by an attorney or a duly authorised officer of the corporation.
5. For a form of proxy to be effective, it must be deposited together with the power of attorney under which it is signed, or a notarially certified copy of such power of attorney, at the offices of the Company's registrars, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, so as to be received not later than 10.00 a.m. on 6 December 2008 or, in the case of a poll to be taken more than 48 hours subsequent to the date of the meeting or adjourned meeting, up to 24 hours before the time appointed for the taking of the poll or, in the case of a poll to be taken less than 48 hours subsequent to the date of the meeting or adjourned meeting, to be delivered to the chairman of the meeting or the secretary or to any one of the directors at the time at which the poll was demanded.

## Notice of Annual General Meeting continued

6. 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 (a 'Nominated Person') may, under an agreement between him/her and the shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as the exercise of voting rights.
7. The statement of rights of shareholders in relation to the appointment of proxies in paragraphs 1 and 2 above does not apply to Nominated Persons. The rights described in these paragraphs can only be exercised by shareholders of the Company.
8. An abstention option has been included on the proxy form. The legal effect of choosing the abstention option on any resolution is that the member concerned will be treated not to have voted on the relevant resolution. The number of votes in respect of which there are abstentions will however be counted and recorded, but disregarded in calculating the votes for or against a resolution.
9. In accordance with Regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that only those shareholders registered in the register of members of the Company as at 6.00 p.m. on 6 December 2008 or, in the event that the meeting is adjourned, in such register 48 hours before the time of the adjourned meeting, shall be entitled to attend or vote at the meeting in respect of the number of shares registered in their names at the relevant time. Changes after the relevant time will be disregarded in determining the rights of any person to attend or vote at the meeting.
10. As at 6 November 2008 (being the last business day prior to publication of this notice) the Company's issued share capital consists of 93,969,742 ordinary shares carrying one vote each. Therefore, the total voting rights in the Company as at 6 November 2008 are 93,969,742.
11. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so 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, should refer to their CREST sponsor or voting service provider who will be able to take the appropriate action on their behalf.
12. In order for a proxy appointment 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's specifications and must contain the information required for such instructions, as specified in the CREST Manual. The message, regardless of whether it relates to the appointment of a proxy or to 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 RA10) not later than the time stated in Note 4 above. 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 Applications 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 in instructions to proxies appointed through CREST should be communicated to the appointee through other means.
13. CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & Ireland does not make available special procedures in CREST for any particular messages. 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 to procure that his CREST sponsor or voting service provider takes) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. Reference should be made to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
14. 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.
15. 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](http://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.
16. Copies of the directors' service contracts, letters of appointment and the new articles of association are available for inspection at the registered office of the Company during normal business hours on any business day and will be available for inspection at the place where the meeting is being held from 15 minutes prior to and during the meeting.

# Appendix

## EXPLANATORY NOTES OF PRINCIPAL CHANGES TO THE COMPANY'S ARTICLES OF ASSOCIATION

It is proposed in resolution 8 to adopt new articles of association with effect from the conclusion of the Annual General Meeting (the 'New Articles'). These are intended to replace the Company's current articles of association (the 'Current Articles'). The main reason for the New Articles is to take account of changes in UK company law brought about by the Companies Act 2006 (the '2006 Act'). The 2006 Act which is replacing the Companies Act 1985 (the '1985 Act') is being implemented in stages and will not be fully in force until 1 October 2009. The New Articles will come into effect immediately following the conclusion of the Annual General Meeting and will reflect those changes in company law brought about by the 2006 Act in force at that time.

The Company is proposing to adopt the New Articles rather than amend the Current Articles due to the extent of the changes that would be required.

A summary of the key differences between the New Articles and the Current Articles is set out herein. Other differences, which are of a minor, technical or clarifying nature, and also some more minor differences which merely reflect changes made by the 2006 Act, have not been noted. The New Articles are available for inspection at the Company's registered office and at [www.sinclairpharma.com](http://www.sinclairpharma.com).

### 1. Variation of class rights

The Current Articles contain provisions regarding the variation of class rights. The proceedings and specific quorum requirements for a meeting convened to vary class rights are contained in the 2006 Act and the New Articles make reference to the 2006 Act.

### 2. Reductions of Capital

Following the implementation of the 2006 Act, a company no longer requires express authority in its articles of association to reduce its share capital. The New Articles are therefore silent on this point.

### 3. Share rights

The Current Articles only allow for shares to be allotted with certain rights. The New Articles allow for shares to be allotted with such rights as the Company may determine, or if there has not been a determination by the Company, as the directors may determine.

### 4. Transfer of shares

- 4.1 Under the 2006 Act, a company must either register a transfer of shares or give the transferee notice of, and reasons for, its refusal to register a transfer. Any registration of transfer or notice must be made or given as soon as practicable and in any event at the earlier of either the time required by the rules of the London Stock Exchange or within two months from the date that the transfer is lodged with the Company. The New Articles reflect these requirements.
- 4.2 In the New Articles, reference is made to the provisions of the Uncertificated Securities Regulations 2001, in relation to uncertificated shares.
- 4.3 In the Current Articles the directors do not have to give reasons if they refuse to register a transfer of shares. In the New Articles the circumstances in which directors can refuse to register a transfer have been amended and the directors must give reasons for refusing to register any transfer and any such further information about the reasons for the refusal as the transferee may request.
- ### 5. Lien
- In the New Articles, reference is made to the provisions of the Uncertificated Securities Regulations 2001, in reference to uncertificated shares.
- ### 6. Forfeiture of Shares
- There is no prescribed interest rate payable in the Current Articles in relation to outstanding monies owned by a forfeiting shareholder after shares have been forfeited. In the New Articles the interest rate is set at 25 per cent. per annum or such other rate as the directors may determine.
- ### 7. Types of meetings
- The Current Articles refer to Annual General Meetings and extraordinary general meetings. The concept of the extraordinary General Meeting has not been retained by the 2006 Act. Pursuant to the 2006 Act any general meeting other than an Annual General Meeting shall be referred to as a General Meeting. The New Articles reflect this amendment.
- ### 8. Form of resolution
- 8.1 The Current Articles provide for both special and extraordinary resolutions. References to extraordinary resolutions are not included in the New Articles as the concept of extraordinary resolutions has not been retained under the 2006 Act.
- 8.2 Under the 2006 Act, public companies can no longer pass written resolutions. References to members' written resolutions are not, therefore, included in the New Articles.

## Appendix continued

8.3 In the Current Articles, no amendment can be made to an ordinary resolution unless it is first approved in good faith by the chairman of the meeting. The New Articles provide that no amendment can be made to an ordinary resolution unless it is first approved by the chairman or unless written notice is left at a the registered office (or other location designated in the notice for the meeting) 48 hours before the meeting.

### **9. General meetings**

9.1 In the Current Articles, if there are not enough directors in the United Kingdom to call a general meeting any director or any two members of the Company may call a general meeting. The New Articles allow any director or any member of the Company to call a general meeting if there are not enough directors in the United Kingdom to call a general meeting.

9.2 The New Articles allow for general meetings to be held by satellite communication.

9.3 In the New Articles, if the meeting has been convened by the members and if a quorum for a general meeting is not present within five minutes of the time appointed for the meeting, the meeting shall be dissolved. The Current Articles state that the meeting cannot be dissolved if a quorum is not present until an hour has elapsed from the appointed start time of the meeting.

### **10. Notice of general meetings**

The provisions in the New Articles dealing with the convening of general meetings and the length of notice required to convene general meetings reflect the requirements of the 2006 Act. In particular, a general meeting (other than an Annual General Meeting) to consider a special resolution can be convened on 14 days' notice whereas previously 21 days' notice was required.

### **11. Receipt and termination of proxies**

The time limits in the New Articles for the appointment of a proxy are in line with the provisions of the 2006 Act. The New Articles also provide that a member may terminate the appointment of a proxy within a certain specified period of time.

### **12. Quorum**

The New Articles override the provisions of the 2006 Act so that two persons who are proxies for the same member can constitute a quorum.

### **13. Votes of members and proxies**

13.1 Pursuant to the 2006 Act, proxies are entitled to vote on a show of hands as well as on a poll, and members may appoint a proxy to exercise all or any of their rights to attend, speak and vote at meetings. Multiple proxies may be appointed provided that each proxy is appointed to exercise the rights attached to a different share or shares. The New Articles reflect these new proxy rights.

13.2 In the Current Articles electronic forms for the appointment of proxies can be accepted at the discretion of the directors. In the New Articles, the appointment can be made by hard copy form or by electronic form.

13.3 In the Current Articles a proxy can only speak at a general meeting with the permission of the chairman. In the New Articles a proxy is entitled to speak at the general meeting.

### **14. Directors**

14.1 In the Current Articles the minimum number of directors is three and the maximum number is ten. In the New Articles the minimum number of directors is two and the maximum number is ten.

14.2 The provisions contained in the Current Articles relating to the number of directors retiring at the Annual General Meeting have been amended in the New Articles.

14.3 The provisions contained in the Current Articles relating to the vacation of office of a director requires a director to vacate his office where a notice in writing is served upon him and is signed by either all of the current of the directors or at least all of them save one (not including the director to be removed). The New Articles require such notice in writing be signed by three quarters of the directors (not being less than two in number).

14.4 The provision in the Current Articles requiring a board resolution to have no votes against it for the valid appointment of more than one director is not included in the New Articles.

14.5 In the New Articles, any director appointed by the directors shall only hold office until the next Annual General Meeting and then shall be eligible for reappointment.

14.6 The Current Articles require a director to retire from office at the end of the first Annual General Meeting held after they attain the age of seventy years. Such director shall then be eligible for re-appointment. In the New Articles no director shall be required to vacate that office by reason only of the fact that they have attained seventy years of age, or any other age.

## 15. Conflicts of Interest

- 15.1 Pursuant to the 2006 Act, from 1 October 2008, a director must avoid a situation where he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict with the Company's interests. The requirement is very broad and could apply, for example, if a director becomes a director of another company or a trustee of another organisation where such appointment conflicts or possibly may conflict with the Company's interests. The 2006 Act allows directors of public companies to authorise conflicts and potential conflicts, where appropriate, where a company's articles of association contain a provision to this effect. The New Articles give the directors authority to approve such situations.
- 15.2 There are safeguards which will apply when directors decide whether to authorise a conflict or potential conflict. Only directors who do not have an interest in the matter being considered will be able to take the relevant decision. The directors will be able to impose conditions when giving such authorisation, if they think this is appropriate.
- 15.3 The New Articles also contain provisions relating to the disclosure of confidential information, attendance at board meetings and availability of board papers, each of which is intended to protect a director from being in breach of his duties to the Company 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.

## 16. Borrowing Powers

In the Current Articles the borrowing limit is 2.5 times the adjusted capital and reserves. In the New Articles the borrowing limit is three times the adjusted capital and reserves. The definition of adjusted capital reserves in the New Articles is broadly similar to the definition in the Current Articles, save that:

(A) the New Articles include the following, which are not included in the Current Articles:

- (1) any shares held in treasury by the Company are to be excluded from the calculation of the adjusted capital and reserves;
- (2) any such share capital that has been unconditionally allotted but not issued is to be included in the calculation of the adjusted capital and reserves;
- (3) any debit balance on those reserves subsisting at the date of the balance sheet should be excluded from the calculation of the adjusted capital and reserves (except to the extent that the deduction has already been made);
- (4) the definition of subsidiary undertakings in relation to the calculation of the adjusted capital and reserves (i) includes subsidiary undertakings which were not subsidiary undertakings at the date of the balance sheet but are subsidiary undertakings at the relevant time of the calculation, (ii) excludes any undertakings which were subsidiary undertakings at the date of the balance sheet but are subsidiary undertakings at the relevant time of the calculation and (iii) excludes any undertakings which were subsidiary undertakings at the date of the balance sheet but are no longer subsidiary undertakings at the relevant time of the calculation; and
- (5) there is a requirement to deduct from the calculation of the adjusted capital and reserves, in relation to partly owned subsidiaries, that proportion of the nominal amount of the issued equity share capital of such undertaking which is not attributable, directly or indirectly to the Company.

(B) the Current Articles include the following, which are not included in the New Articles:

- (1) any amounts set aside for taxation (including deferred taxation) are excluded from the calculation of the adjusted capital and reserves; and
- (2) all amounts attributable to goodwill or otherwise attributable to intangible assets are excluded from the calculation are excluded from the adjusted capital and reserves.

## 17. Director's remuneration

The New Articles refer to the Directors' Remuneration Report Regulations 2002 and the requirement for the members of the Company to approve the directors' remuneration report.

## 18. Electronic Communications

Certain provisions of the 2006 Act which came into force in January 2007 enable companies to communicate with members by electronic and/or website communications. The New Articles allow communications to be made to members in electronic form and, in addition, they also permit the Company to take advantage of the provisions relating to website communications. Before the Company can communicate with a member by means of website communication, the relevant member must be asked individually by the Company to agree that the Company may send or supply documents or information to him by means of a website, and the Company must either have received a positive response or have received no response within the period of 28 days beginning with the date on which the request was sent. The Company will notify the member (either in writing, or by other permitted means) when a relevant document or information is placed on the website and a member can always request a hard copy version of the document or information.

## Appendix continued

### **19. Distribution of assets otherwise than in cash**

The Current Articles contain provisions dealing with the distribution of assets in kind in the event of the Company going into liquidation. There are no such provisions in the New Articles on the grounds that a provision about the powers of liquidators is a matter for insolvency law rather than the articles and that the Insolvency Act 1986 confers powers on the liquidator which would enable it to do what is envisaged by the Current Articles.

### **20. Treasury Shares**

As a result of regulations introduced since the Current Articles were adopted, and following the consolidation of such regulations into the 2006 Act, public companies whose shares are listed on the Official List and who purchase their own shares out of distributable profits have the right to hold such shares in treasury rather than having to cancel them. By doing so, a company will then be able to resell the shares, cancel them or transfer them to an employee share scheme. The right to hold shares in treasury was introduced by law and has therefore been available to the Company for several years, even though the Current Articles did not expressly contemplate this concept. The New Articles reflect explicitly the introduction of the concept of treasury shares.

### **21. Indemnity**

The indemnity contained in the New Articles is wider than the scope of the indemnity contained in the Current Articles. The new indemnity states that the Company shall also indemnify its former directors and any directors of an associated company of the Company (within the meaning of section 256 of the 2006 Act). Neither of these categories are included in the indemnity contained in the Current Articles. The New Articles clarify the fact that the auditors of the Company are not entitled to benefit from the indemnity. Additionally, the indemnity contained in the New Articles specifically permits the Company to maintain insurance for a director of an associated company (as defined above) as well as a director, the secretary or other officer of the Company.