



Explanatory Notes Relating to the New Articles of Association

In the notice of the Company's Annual General Meeting, on page 15 of the accounts, resolution seven relates to a proposal to adopt New Articles of Association (the "New Articles"), the governing documents of the Company. The Company's current Articles of Association (the "Current Articles") are being updated primarily to take account of changes in English company law brought about by the Companies Act 2006.

These notes explain the principal changes introduced in the New Articles. Other changes, which are of a minor, technical or clarifying nature and also some more minor changes which merely reflect changes made by the Companies Act 2006, have not been elaborated upon.

A copy of the proposed New Articles of Association of the Company will be available for inspection at the meeting.

General

The phased implementation of the Companies Act 2006 means that only parts of that Act are currently in force and that parts of the Companies Act 1985 still apply. It is expected that the remaining provisions of the Companies Act 2006 will come into force by 1 October 2009, however, much of the detail in relation to the provisions has not yet been finalised, therefore it may be necessary to review the Articles of Association again in due course.

Certain provisions in the Current Articles which replicate or relate to issues covered by provisions contained in the Companies Act 1985 or relate to issues covered by provisions contained in the Companies Act 2006 are, in the main, being amended to bring them into line with the Companies Act 2006. Examples of such provisions include those relating to the form of resolutions and registration of share transfers. The main changes made to reflect this approach are detailed below. Changes which are of a minor, technical or clarifying nature have not been expressly noted below.

The Current Articles also incorporate (by reference only) the regulations contained within Table A in the Schedule to the Companies (Table A-F) Regulations 1985 ("Table A"). Given that Table A has itself recently been updated to take account of changes brought about by the Companies Act 2006 and the difficulties in interpretation which can arise in having to read the Current Articles in conjunction with Table A, it is proposed that the wording contained within the latest version of Table A applicable to public companies be incorporated into the New Articles for ease of reference, and amended where appropriate.

In addition, certain other minor changes proposed which do not relate directly to the Companies Act 2006 have been detailed below.

Form of Resolutions

The concept of an extraordinary resolution has not been retained by the Companies Act 2006 and the Current Articles contain provisions which require extraordinary resolutions for certain purposes. Therefore, these requirements are being amended so that special resolutions are now required instead.

Registration of Share Transfers

The Current Articles give the right in certain circumstances for the directors to refuse to register a transfer of shares without assigning a reason for the refusal. This is no longer permitted under the Companies Act 2006 and references to this right have been removed.

The Current Articles also state that following any refusal by the Directors to register a transfer of shares, notice of such refusal must be given to the applicant within two months. The Companies Act 2006 makes it clear however that such a notice must also include the reasons for the refusal. The relevant provisions of the Current Articles are therefore being amended to reflect that any such notice is to be issued in compliance with the Companies Act 2006.

Valuation of Shares on Transfer

The Current Articles provide in certain circumstances for the fair market value of shares which are the subject of a possible transfer to be determined by reference to the Company's auditors. There may be situations where the Company's auditors are unwilling or unable to act in such matters and accordingly, it is proposed that provisions be included in the New Articles to allow in these circumstances for the appointment by the parties to a proposed transfer of an independent accountant. If the parties to a proposed transfer are unable to agree on who should be appointed for this purpose or the terms of appointment, the matter will be referred to the then President of the Institute of Chartered Accountants in England and Wales who will appoint a firm to provide the valuation and agree the terms of that firm's appointment.

General Meetings

The Companies Act 2006 does not use the term 'extraordinary general meeting' and this has been reflected in the New Articles by adopting the wording in the latest version of Table A which refers to general meetings rather than extraordinary general meetings.

Votes of Members and use of Proxies

The Companies Act 2006 has refined the way in which the votes taken at a general meeting can be validated. Under the Companies Act 2006 proxies are entitled to vote on a show of hands whereas under the Current Articles (which refer to the version of Table A in force when the Current Articles were adopted) proxies are only entitled to vote on a poll. By incorporating the wording contained within the updated version of Table A, the New Articles reflect the ability for proxies to vote on a show of hands in addition to the ability to vote on a poll.

Age Limits

The Current Articles contain a provision stating that there shall be no age limit relating to directors. This provision is redundant and has been deleted.

Directors' Indemnities

The Companies Act 2006 has in some areas widened the scope of the powers of a company to indemnify directors and to fund expenditure incurred in connection with certain actions against directors. The amendments proposed to the Current Articles allow the Company to provide indemnification to the extent permitted by the Companies Act 2006.

Conflicts of Interest

The Companies Act 2006 introduced, with effect from 1 October 2008, a requirement that a director must avoid a situation where he has, or can have, a direct or indirect interest that conflicts, or may possibly conflict, with the Company's interests. This is a broad requirement that could apply, for example, if a director is or becomes a director of another company or a trustee of another organisation. There are safeguards which will apply when directors decide whether to authorise a conflict or potential conflict. Firstly, only directors who have no interest in the matter being considered will be able to take the relevant decision and, secondly, in taking the decision the directors must act in a way they consider, in good faith, will be most likely to promote the Company's success. The directors will be able to impose limits or conditions when giving authorisation, if they think this is appropriate.

The Companies Act 2006 allows directors of public companies to authorise conflicts or potential conflicts where the Articles of Association contain provisions to this effect and such provisions are therefore proposed to be included in the New Articles.

Distribution of assets otherwise than in cash

The Current Articles (by reference to Table A) contain provisions dealing with the distribution of assets in kind in the event of the Company going into liquidation. These provisions have been removed in the New Articles on the grounds that (a) they potentially conflict with existing provisions in the Current Articles dealing with the distribution of assets on a winding up and (b) the provisions 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.

Electronic and web communications

Provisions of the Companies Act 2006 which came into force in January 2007 enable companies to communicate with members by electronic and/or website communications. The New Articles continue to allow communications to members in electronic form and, in addition, they also permit the Company to take advantage of the new 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.