

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 ADVICE FROM YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER INDEPENDENT FINANCIAL ADVISER DULY AUTHORISED PURSUANT TO THE FINANCIAL SERVICES AND MARKETS ACT 2000 (AS AMENDED), WHO SPECIALISES IN ADVISING ON THE ACQUISITION OF SHARES AND OTHER SECURITIES.

If you have sold or otherwise transferred all of your registered holding of ordinary shares, please immediately forward this document, together with the accompanying form of proxy, 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. If you have sold or transferred only part of your holding of ordinary shares, you should retain these documents and contact your stockbroker, bank or other agent through whom the sale or transfer was effected immediately.

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# Northern Bear Plc

(Registered in England and Wales under No. 5780581)

## Notice of Annual General Meeting

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This document should be read in its entirety. Your attention is drawn to the letter from the Chairman of Northern Bear plc which is set out on pages 4 to 7 of this document and which contains a recommendation by the Directors that you vote in favour of the Resolutions to be proposed at the Annual General Meeting referred to below.

Copies of this document are available from the Company's registered office from the date of this document until the date of the Annual General Meeting. This document will also be available for download from the Company's website: [www.northern-bear.com](http://www.northern-bear.com)

**Notice of an Annual General Meeting of the Company, to be held at 5 Osborne Terrace, Newcastle upon Tyne, NE2 1SQ at 10.00am on 24 September 2010, is set out on pages 8 to 11 of this document. To be valid, the enclosed Form of Proxy should be completed and returned, in accordance with the instructions printed thereon, to the Company's Registrar, Capita Registrars, at PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU, as soon as possible but in any event so as to arrive no later than 48 hours before the time and date fixed for the Annual General Meeting. The completion and return of a Form of Proxy will not preclude a Shareholder from attending and voting in person at the Annual General Meeting should he, or she, wish to do so.**

## DEFINITIONS

The following definitions apply throughout this document (including the notice of the Annual General Meeting) and in the accompanying Form of Proxy, unless the context requires otherwise:

<b>"2006 Act"</b>	the Companies Act 2006;
<b>"Annual General Meeting" or "AGM"</b>	the Annual General Meeting of the Company to be held at 10.00am on 24 September 2010 (and any adjournment thereof);
<b>"AIM"</b>	the market known as AIM operated by the London Stock Exchange;
<b>"AIM Rules for Companies"</b>	the rules applicable to companies whose securities are traded on AIM, as published by the London Stock Exchange from time to time;
<b>"CSOP" or "Company Share Option Plan"</b>	the share option scheme proposed to be adopted by the Company and to be known as the "Northern Bear 2010 Company Share Option Plan", further details which are set out in this document;
<b>"Company" or "Northern Bear"</b>	Northern Bear plc (a company incorporated in England and Wales with registered number 5780581) whose registered office is located at Unit 1, Station House Station Road Chester-le-Street, County Durham DH3 3DU;
<b>"Directors" or "Board"</b>	the Board of Directors of the Company whose names are set out on page 4 of this document, or any duly authorised committee thereof;
<b>"EBT" or "Employee Benefit Trust"</b>	the employee benefit trust proposed to be created by the Company and to be known as the "Northern Bear 2010 Joint Employee Benefit Trust", further details of which are set out in this document;
<b>"EMI Scheme"</b>	the share option scheme adopted by the Company, which is known as the "2006 Enterprise Management Incentive Scheme";
<b>"Existing Articles"</b>	the existing articles of association of the Company;
<b>"Group"</b>	together, Northern Bear and its Subsidiaries;
<b>"Issued Share Capital"</b>	the issued Ordinary Shares;
<b>"JOA"</b>	a joint ownership agreement, to be entered into in connection with the JSOP;
<b>"JSOP" or "Joint Share Ownership Plan"</b>	the share scheme proposed to be adopted by the Company and to be known as the "Northern Bear 2010 Joint Share Ownership Plan", further details of which are set out in this document;
<b>"London Stock Exchange"</b>	London Stock Exchange plc;
<b>"Option Holders"</b>	holders of existing options to subscribe for Ordinary Shares;
<b>"Ordinary Shares"</b>	the ordinary shares of 1p each in the capital of the Company;
<b>"Remuneration Committee" or "Committee"</b>	the Remuneration Committee of the Board;
<b>"Proxy Form"</b>	the form of proxy (for use by Shareholders in connection with the Annual General Meeting) which accompanies this document;

<b>“Resolutions”</b>	the resolutions to be proposed at the Annual General Meeting (and reference to a <b>“Resolution”</b> is to the relevant resolution set out in the notice of Annual General Meeting);
<b>“Rights”</b>	rights to subscribe for or to convert any security into ordinary shares in the Company;
<b>“Shareholders”</b>	holders of Ordinary Shares;
<b>“Share Option Plans”</b>	together the EMI Scheme and the Unapproved Scheme;
<b>“Subsidiaries”</b>	subsidiaries of the Company as defined in 1159 of the 2006 Act; and
<b>“Unapproved Scheme”</b>	the share option scheme adopted by the Company, which is known as the “the 2006 Unapproved Share Option Scheme”

## LETTER FROM THE CHAIRMAN OF Northern Bear PLC

Directors:  
H B Gold  
G S L Forrest  
S M Roberts  
S Gray  
G Jennings  
K Soulsby  
I McLean

Registered and Head Office:  
Unit 1, Station House  
Station Road  
Chester-le-Street  
County Durham  
DH3 3DU

27 August 2010

*To the Shareholders and, for information only, to the Option Holders*

### Notice of Annual General Meeting

Dear Shareholder

#### 1. Introduction

I am pleased to be writing to you with details of the Company's Annual General Meeting, to be held at 5 Osborne Terrace, Newcastle upon Tyne, NE2 1SQ on 24 September 2010 at 10.00am.

The purpose of this document is to set out the details of the ordinary and special business which is to be put to Shareholders at the AGM and, in particular, to provide details of the new employee incentive plans proposed to be adopted by the Company, to explain why the Directors consider the Resolutions to be in the best interests of the Company and Shareholders as a whole, and to provide you with details of the AGM.

#### 2. Employee Incentive Plans

The Board is conscious of the continuing need to address the issue of how to attract, incentivise and thus retain the best people to help the Company fulfil the significant potential that is vested in it. The Board is therefore proposing the adoption of a new employee incentive plan.

In summary, the structure being proposed comprises the following:

1. the adoption of the Company Share Option Plan;
2. the adoption of the Joint Share Ownership Plan; and
3. the establishment of the Employee Benefit Trust.

A key element of the overall remuneration structure is the ability to deliver appropriate levels of equity-related reward for the achievement of specified goals that underscore the alignment in the capital value growth objectives held mutually by employees and shareholders.

Participation in either the CSOP or the JSOP will be at the discretion of the Board or, in the case of Executive Directors, the Remuneration Committee. In all cases, the Remuneration Committee will be responsible for setting the level of participation and attaching appropriate performance conditions. It is envisaged that performance conditions for Executive Directors will be on achievement of EPS targets (which will be either absolute or comparables), such targets to be determined by the Remuneration Committee.

The Company intends to set up the CSOP immediately. The JSOP and the EBT will be implemented if and when required. The EBT will be used to hold ordinary shares for the purposes of the JSOP.

#### *Existing plans*

The Company has in place the EMI Scheme, which is afforded certain tax advantages over unapproved arrangements. The Company is no longer eligible to grant further options under this plan.

The Unapproved Scheme does not deliver tax efficiencies for the participants. This plan has, historically, been used to grant options either where an individual had reached the limit imposed upon the grant of options under the EMI Scheme or where that individual did not qualify for options under the EMI Scheme.

The Unapproved Scheme remains valid but more efficient plans are now available and, if the Board's proposals are approved, will be used in preference to this plan wherever possible.

### ***The Northern Bear 2010 Company Share Option Plan***

The comments set out below should be read in conjunction with Appendix A to this document, which outlines the principal terms of the CSOP.

The Company recognises the limitations of "unapproved" schemes and the tax advantages of establishing "approved" schemes, where the Company and the intended participants qualify.

Your approval is sought for establishing a UK HMRC approved company share option plan under which individuals may be granted an option to acquire ordinary shares, subject to meeting any performance targets.

For many of Northern Bear's staff, the CSOP would provide a valuable incentive framework and your Board recommends its adoption by Shareholders for inclusion in the remuneration structure for the Company going forward.

### ***The Northern Bear 2010 Joint Share Ownership Plan***

The comments below should be read in conjunction with Appendix B hereto, which sets out the principal terms applicable to the JSOP.

You will see from this document that your approval is sought for a new executive shared ownership plan under which executives may be invited to acquire (for a nominal payment), jointly with a trust or similar co-owner, the beneficial interest in a number of ordinary shares, upon the terms of a joint ownership agreement.

Under the JOA, the employee will (if or insofar as any performance targets are met) benefit from any growth in value of ordinary shares that exceeds their market value at the time of the award, less a 'carrying cost' fixed by the Board but which is expected to be not more than 5% p.a. (simple) accruing over a 3- year period.

The key difference between the JSOP and the existing Share Option Plans is that, in the case of the JSOP, the participant (jointly with the trustee/co-owner) is required to subscribe for the ordinary shares at the time of award. The participant will be required to pay for his interest as joint owner and the ordinary shares will be issued at a subscription price equal to their market value at the time of issue. The participant will pay an amount equal to the initial unrestricted market value of his interest and the balance will be paid by the trustee/co-owner.

While discretionary cash paid performance bonuses also have some part to play in the overall composition of remuneration arrangements, running alongside share option schemes, the Board recommends Shareholder approval for the introduction of a JSOP programme in a form as summarised in Appendix B, the form as yet to be approved (and may be modified) by the Remuneration Committee.

### ***The Northern Bear 2010 Joint Employee Benefit Trust***

Your approval is being sought for the creation of the EBT.

The EBT will be established if and when the JSOP is implemented. It will be funded by the Company and used to hold ordinary shares for the purposes of the JSOP.

The trustees of the EBT will be an independent body, unconnected with the Company or any of its shareholders and will act accordingly. The trustees of the EBT may be directed by way of a letter of wishes from the Remuneration Committee.

### **3. Annual General Meeting**

Shareholders are being asked to vote on 10 Resolutions. Resolutions 1 to 6 relate to the routine business of the Company. Resolutions 7 to 10 relate to special business. The Resolutions are summarised and explained below.

#### ***Resolution 1: Report and Accounts***

Resolution 1 is to receive and consider the Directors' and Auditors' Reports and Financial Statements for the year ended 31 March 2010.

#### ***Resolutions 2 to 4: Re-election of Directors***

Graham Forrest, Steve Roberts and Keith Soulsby are standing for re-election.

#### ***Resolutions 5 and 6: Re-appointment of Auditors and remuneration***

Resolution 5 is for the re-appointment of KPMG Audit Plc as auditors of the Company. Resolution 6 is to authorise the Directors to determine the remuneration of KPMG Audit Plc as auditors of the Company.

#### ***Resolutions 7 and 8: Authority to allot shares and disapply pre-emption rights***

As part of its strategy, the Company assesses acquisition opportunities as they arise. The ability to issue ordinary shares for cash without the need for further Shareholder approval will enable the Company to take advantage of such opportunities in a timely manner.

Accordingly, Resolution 7, which will be proposed as an ordinary resolution, renews the Directors' authority to allot up to 15,000,000 Ordinary Shares (representing 79 per cent of the Issued Share Capital).

Resolution 8, which will be proposed as a special resolution, renews the Directors' power to allot up to 7,500,000 Ordinary Shares (representing 40 per cent of the Issued Share Capital), for cash, without first offering such ordinary shares to existing Shareholders. This special resolution also enables the Company, in the event of a rights issue or open offer, to overcome certain practical difficulties which may arise in connection with fractional entitlements.

The authorities conferred by Resolutions 7 and 8 shall expire at the earlier of the conclusion of the Annual General Meeting held in 2011 or (if earlier) 30 September 2011.

#### ***Resolution 9: Authority for the Company to purchase its own shares***

The Directors consider it would be beneficial for the Company to continue to have the power to purchase its own ordinary shares in certain circumstances. If the authority were to be granted, the Company would be able to purchase its own ordinary shares and either cancel them (so reducing the total number of ordinary shares in issue) or hold them as treasury shares (if the shares were purchased out of distributable profits), subject to certain limitations.

Treasury shares themselves may be cancelled, sold for cash or transferred for the purposes of employee share schemes. All rights attaching to ordinary shares, including voting rights and the right to receive dividends, are suspended while they are held in treasury.

Resolution 9, which will be proposed as a special resolution, authorises the Directors to purchase up to a maximum of 2,000,000 Ordinary Shares.

The maximum price per Ordinary Share payable on the exercise of the authority shall not be more than 5 per cent above the average middle market quotation for the ordinary shares as derived from the London Stock Exchange Daily Official List for the five business days prior to making any purchase. The minimum price payable shall be the nominal value of the ordinary shares, being 1p.

The authority will expire at the conclusion of the Annual General Meeting to be held in 2011 or (if earlier) 30 September 2011. The Directors will only implement purchases of ordinary shares if, after careful consideration, they are satisfied that such purchases are in the best interests of the Company and Shareholders generally and would result in an increase in expected earnings per share. Furthermore, account will be taken of the overall financial implications for the Company.

***Resolution 10: Adoption of the CSOP and JSOP and creation of the EBT***

For the reasons set out in more detail in paragraph 2 of the letter from the Chairman set out in this document, the Directors consider that it would be beneficial for the Company to adopt the CSOP and the JSOP and to create the EBT.

Resolution 10, which will be proposed as an ordinary resolution, approves the adoption of the CSOP and the JSOP and the creation of the EBT and authorises the Directors to do all things necessary to give effect to them.

**4. Recommendations**

The Directors consider that the above proposals are in the best interests of the Company and Shareholders as a whole. The Directors unanimously recommend Shareholders vote in favour of the Resolutions set out in the notice of AGM, as they intend to do in respect of their own beneficial holdings.

Yours sincerely

H B Gold  
Chairman

## NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Northern Bear plc will be held at 5 Osborne Terrace, Newcastle upon Tyne, NE2 1SQ on 24 September 2010 commencing at 10.00am for the purpose of considering and if thought fit, passing thereat or at any adjournment thereof, Resolutions:

As to the ordinary business of the Company, as follows:

- 1) To receive and adopt the Company's accounts for the year ended 31 March 2010 and the reports of the Directors and Auditors thereon.
- 2) To re-elect Mr G Forrest as a Director.
- 3) To re-elect Mr S Roberts as a Director.
- 4) To re-elect Mr K Soulsby as a Director.
- 5) To re-appoint KPMG Audit Plc as auditors.
- 6) To authorise the Directors to agree the remuneration of the auditors.

### Special Business

As to special business (of which resolutions 7 and 10 and shall be proposed as ordinary resolutions and resolutions 8 and 9 as special resolutions), as follows:-

- 7) That, in accordance with section 551 of the 2006 Act, the Directors be and they are hereby generally and unconditionally authorised to allot shares in the Company or grant Rights up to a maximum aggregate nominal amount of £150,000.00 PROVIDED THAT:
  - a) this authority shall (unless renewed, varied or revoked by the Company) expire at the conclusion of the Annual General Meeting next held after the passing of this Resolution or on 30 September 2011, whichever is the earlier; and
  - b) the Company may, before such expiry, make an offer, agreement or other arrangement which would or might require shares to be allotted or Rights to be granted after the expiry of such period and the Directors may allot shares or grant Rights in pursuance of any such offer, agreement or other arrangements as if the authority conferred hereby had not expired.
- 8) That, subject to the passing of Resolution 7 above, the Directors be and they are hereby given the general power to allot equity securities (as defined in section 560 of the said 2006 Act) for cash, either pursuant to the authority conferred upon them by Resolution 7 of this notice of AGM (as varied from time to time by the Company in general meeting) or by way of a sale of treasury shares, as if section 561(1) of the 2006 Act did not apply to any such allotment PROVIDED THAT:
  - a) this power shall be limited to:
    - i) the allotment of equity securities in connection with a rights issue or any other pre-emptive offer in favour of holders of equity securities where the equity securities respectively attributable to the interests of all such holders are proportionate (as nearly as may be) to the respective amounts of equity securities held by them subject only to such exclusions or other arrangements as the Directors may consider appropriate to deal with treasury shares, fractional entitlements, record dates or legal and practical difficulties under the laws of or the requirements of any recognised regulatory body in any territory or otherwise or as regards shares held by an approved depository or in issue in uncertified form or otherwise howsoever; and
    - ii) to the allotment (otherwise than pursuant to sub-paragraph (a)(i) above) of equity securities up to an aggregate nominal value of £75,000.00; and

- b) this power shall expire on whichever is the earlier of the conclusion of the next Annual General Meeting of the Company or 30 September 2011 unless renewed or extended prior to or at such meeting; and
  - c) the Company may, before such expiry, make an offer, agreement or other arrangement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offer, agreement or arrangement as if the power conferred hereby had not expired.
- 9) That the Company be and is hereby generally authorised to make market purchases (within the meaning of Section 693(4) of the 2006 Act) of Ordinary Shares upon and subject to the following conditions:
- a) the maximum aggregate number of Ordinary Shares which may be purchased is 2,000,000; and
  - b) Ordinary Shares may not be purchased at a price which is more than 5 per cent above the average of the middle market quotation for the Ordinary Shares as taken from the London Stock Exchange Daily Official List for the five business days preceding the date of purchase (or at a price which is less than 1p per Ordinary Share); and

the authority to purchase conferred by this resolution shall expire on whichever is the earlier of the conclusion of the next Annual General Meeting of the Company or 30 September 2011, save that the Company may before such expiry enter into a contract of purchase under which such purchase may be completed or executed wholly or partly after the expiration of this authority.

- 10) That the Company Share Option Plan and the Joint Share Ownership Plan, summaries of the principal terms of which are set out in Appendix A and Appendix B of this document, together with the Employee Benefit Trust be approved and established and that the Directors be authorised to do all such acts and things as may be necessary or expedient to give effect to the CSOP, the JSOP and the EBT.

By order of the Board

**T Hayes**  
*Secretary*

27 August 2010

*Registered Office:*  
Unit 1, Station House  
Station Road  
Chester le Street  
County Durham  
DH3 3DU

## NOTES TO THE NOTICE OF ANNUAL GENERAL MEETING

### *Defined terms*

- 1) Words and expressions defined in the document of which this notice of AGM forms part, shall have the same in this notice of AGM (save where the context otherwise requires).

### *Entitlement to attend and vote*

- 2) Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that only those members registered on the Company's register of members at:
  - a) 6.00pm on 22 September 2010; or
  - b) if this AGM is adjourned, at 6.00pm on the day two days prior to the adjourned meeting;shall be entitled to attend and vote at the AGM.

### *Appointment of proxies*

- 3) If you are a member of the Company at the time set out in note 2 above, you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at the AGM and you should have received a proxy form with this notice of AGM. You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form.
- 4) A proxy does not need to be a member of the Company but must attend the AGM to represent you. Details of how to appoint the Chairman of the AGM or another person as your proxy using the proxy form are set out in the notes to the proxy form. If you wish your proxy to speak on your behalf at the AGM you will need to appoint your own choice of proxy (not the Chairman) and give your instructions directly to them.
- 5) You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, the Proxy Form should be photocopied and completed for each proxy holder. The proxy holder's name should be written on the Proxy Form together with the number of shares in relation to which the proxy is authorised to act. All Proxy Forms must be signed and, to be effective, must be lodged with the Company's registrar so as to arrive not later than 48 hours before the time of the meeting, or in the case of an adjournment, 48 hours before the adjourned time.
- 6) A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the AGM.

### *Appointment of proxy using hard copy Proxy Form*

- 7) The notes to the Proxy Form explain how to direct your Proxy how to vote on each resolution or withhold their vote.

To appoint a proxy using the Proxy Form, the form must be:

- a) completed and signed;
- b) sent or delivered to Capita Registrars at PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU; and
- c) received by Capita Registrars no later than 10.00 am on 22 September 2010.

In the case of a member which is a company, the Proxy Form must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company.

Any power of attorney or any other authority under which the Proxy Form is signed (or a duly certified copy of such power or authority) must be included with the Proxy Form.

### *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).

### *Changing proxy instructions*

- 9) To change your proxy instructions simply submit a new proxy appointment using the methods set out above. Note that the cut-off time for receipt of proxy appointments (see above) also apply in relation to amended instructions. Any amended proxy appointment received after the relevant cut-off time will be disregarded.

Where you have appointed a proxy using the hard-copy proxy form and would like to change the instructions using another hard-copy proxy form, please contact Capita Registrars:

- a) by e-mail, sent to [ssd@capitaregistrars.com](mailto:ssd@capitaregistrars.com); or
- b) by phone on 0871 664 0300 (between the hours 8.30am and 5.30pm, Monday to Friday); quoting the Company's name and the date and time of the meeting and requesting another hard-copy proxy form. Calls to the telephone number set out above cost 10p per minute (plus network extras).

If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.

### *Termination of proxy appointments*

- 10) In order to revoke a proxy instruction you will need to inform the Company by sending a signed hard copy notice clearly stating your intention to revoke your proxy appointment to Capita Registrars at PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice.

The revocation notice must be received by Capita Registrars no later than 10.00am on 22 September 2010. If you attempt to revoke your proxy appointment but the revocation is received after the time specified then, subject to the paragraph directly below, your proxy appointment will remain valid.

Appointment of a proxy does not preclude you from attending the AGM and voting in person. If you have appointed a proxy and attend the AGM in person, your proxy appointment will automatically be terminated.

### *Corporate representatives*

- 11) A corporation which is a member can appoint one or more corporate representatives who may exercise, on its behalf, all its powers as a member, provided that no more than one corporate representative exercises powers over the same share.

### *Issued shares and total voting rights*

- 12) As at 6.00pm on 27 August 2010, the Company's issued share capital comprised 18,967,092 Ordinary Shares. Each Ordinary Share carries the right to one vote at a general meeting of the Company and, therefore, the total number of voting rights in the Company as at 6.00pm on 27 August 2010 is 18,967,092.

### *Documents on display*

- 13) The following documents will be available for inspection at Unit 1, Station House Station Road Chester-le-Street, County Durham DH3 3DU from 27 August 2010 until the time of the AGM and for at least 15 minutes prior to the AGM and during the AGM:
- a) Copies of the service contracts of executive Directors of the Company.
  - b) Copies of the letters of appointment of the Non-executive Directors of the Company.

### *Communication*

- 14) Shareholders may not use any electronic address provided either:
- a) in this notice of AGM; or
  - b) any related documents (including the chairman's letter and proxy form); to communicate with the Company for any purposes other than those expressly stated.

## Appendix A

### Explanatory notes on the Company Share Option Plan

The summary below does not form part of the rules of the CSOP and should not be taken as affecting the interpretation of its detailed terms and conditions.

#### Operation

The Remuneration Committee will supervise the operation of the CSOP.

#### Eligibility

A participant in the CSOP must be an employee or a full-time Director of the Company or any of its Subsidiaries. Actual participation in the CSOP will be at the discretion of the Board or, in the case of the executive Directors, the Remuneration Committee.

In all cases, the Remuneration Committee will be responsible for setting the level of participation and attaching appropriate performance conditions.

#### Structure of a CSOP award

Under the CSOP, selected employees may be granted a qualifying option to acquire Ordinary Shares, up to a maximum value of £30,000 of Ordinary Shares under option per employee at any one time (calculated by reference to the market value at the date of grant). The Board determines the exercise price of the options before they are granted. It is stipulated in the rules that options must be granted at at least the prevailing market price (as agreed with H M Revenue and Customs).

Options may be granted such that their exercise is subject to performance conditions being satisfied. The option must be held for a minimum of 3 years from the date of grant before being exercised in order to be a qualifying exercise, and thereby attract tax benefits for the individual.

The option is personal to the option holder and any transfer, assignment, charge, pledge or other disposal of or dealing with the option will cause it to lapse.

#### Exercise of Options

The qualifying options must be held for at least three years before being exercised for the exercise to be "qualified" and therefore avoid income tax and national insurance on the gain in the underlying shares up to the date of exercise. In any event, the option will not be exercisable after the tenth anniversary of its grant.

In the case of death, an option holder's personal representatives may exercise his options within 12 months after the date of death.

Options will remain exercisable for a period of up to 6 months, if the option holder is a "good leaver" (which will include employees who, for example, leave by reason of retirement, injury or redundancy) or the Board uses its discretion to permit option holders who leave for any other reason to exercise their options.

#### Tax Indemnity

Where the option is exercised in a non-qualifying manner and an income tax and National Insurance liability arises, the Company may make deductions from payments due to the option holder to meet this liability. If such payments are insufficient, the option holder must pay to the Company the balance of the liability before the shares are transferred to him. Alternatively, the Board may sell as many of the option holders shares as are necessary to cover the liability.

The option holder may be required to bear the cost of any secondary National Insurance Contribution.

#### Amendment of the CSOP

The Board may make amendments to the rules of the plan and may also amend specific grants of options forming part of the plan with the consent of the option holders concerned. Any such variation must be by agreement of all parties and must comply with the legislation applicable to company share option plans (set out in Schedule 4 to Income Tax (Earnings and Pensions) Act 2003).

The Company in general meeting, or the Board, can terminate the plan so that no further options are granted (but any subsisting options granted before such termination are not affected).

## Appendix B

### Explanatory notes on the Joint Share Option Plan

The summary below does not form part of the rules of the JSOP and should not be taken as affecting the interpretation of its detailed terms and conditions.

#### Operation

The Remuneration Committee will supervise the operation of the JSOP.

#### Eligibility

A participant in the JSOP must be an employee of the Company or any of its Subsidiaries. Actual participation in the JSOP will be at the discretion of the Board or, in the case of executive Directors, the Remuneration Committee.

In all cases, the Remuneration Committee will be responsible for setting the level of participation and attaching appropriate performance conditions.

#### Structure of an JSOP award

Under the JSOP, selected employees may be invited by the Board to acquire, jointly with a co-owner ("the Co-Owner") and upon the terms of a JOA, a restricted beneficial interest in a given number of shares ("Award Shares") on the basis that, when such shares are sold, the participant will (if performance targets are set, to the extent that they are met), receive a proportion of the proceeds of sale equal to the growth in value of such shares above a threshold amount.

The threshold amount will be fixed by the Remuneration Committee when a JSOP award is made, but will not be less than the market value of the Award Shares at the time of their joint acquisition by the participant and the Co-Owner. The threshold amount may include a carrying cost, being an annual amount applied to the initial market value of the Award Shares and set at a rate to be determined by the Committee and applicable for up to 3 years (the "Carrying Cost").

The balance of the proceeds of sale, including the Carrying Cost, will accrue to the Co-Owner and, to the extent that it is not used to repay loans to the Company will be available to fund awards under the JSOP or other share incentive plans. Except insofar as any performance targets are not met, the participant will normally expect to benefit from the growth in value of the Award Shares as reduced by the Carrying Cost.

By contrast with a traditional share option, a participant in the JSOP will, from the outset, have a restricted beneficial interest in the award shares. A participant will be required to pay for his interest an amount equal to the unrestricted market value (for tax purposes) of that interest. The balance of the subscription cost will be paid by the Co-Owner using funds loaned by the Company.

JSOP awards are not transferable and may only be exercised by the persons to whom they were granted, or their personal representatives.

Award Shares will be issued by the Company, subject to the overall limit of 15 per cent on the issue of new shares for the purposes of the incentive plans as described below. The price per Ordinary Share at which Ordinary Shares are issued for the purposes of the JSOP will not be less than their nominal value.

The extent to which a participant is able to benefit from growth in value of the Award Shares may depend upon the extent to which performance targets are met. The Co-Owner will have the option to require the participant to sell, at a price equal to the price paid by the participant for his interest, a proportion of the Award Shares which varies according to the extent to which any performance target is not met.

#### Leaving the Group

If a participant leaves, before the third anniversary of the date of the JSOP award, by reason of death, disability, ill-health, retirement or redundancy or if the business or subsidiary in which he is employed is sold outside the Group, the Co-Owner may exercise its right to require the participant to sell at a price equal to the price paid by the participant for his interest (reduced proportionally if the Award Shares have fallen in value), his interest in unvested Award Shares.

If, before the third anniversary of the date of the JSOP award, a participant leaves for any other reason, the Co-Owner will have the right to require the participant to sell, at that price, his interest in all of the Award Shares.

### **Change of Control or other corporate event**

In the event of a change of control of the Company (as defined in the JOA) all of the Award Shares shall become vested regardless of whether the performance targets set have then been satisfied.

### **Realising the value of a JSOP award**

From the time when a JSOP award is made, the employee and the Co-Owner will together own the JSOP Award Shares on unequal terms. At any time after the Award Shares have become vested, the participant may invite the Co-Owner to join in selling the jointly-owned shares which have vested or may, after 5 years, be called upon to exchange with the Co-Owner part of their respective interests (as co-owners of the shares) so that the participant then holds a whole number of shares equal in value to the value of his interest as a co-owner. By this means a participant will acquire shares equal in value to the growth in value (less the Carrying Cost) of the Award Shares.

### **Dividends on JSOP Award shares**

A participant and the Co-Owner will together be entitled to dividends (if any) on the JSOP Award Shares.

The proportion of any dividend payable to the participant will be equal to his or her proportional entitlement to share in the proceeds of sale of the JSOP Award Shares if the shares were sold at that time.

### **Company reorganisations and reconstructions**

If there is a reorganisation or reconstruction which results in a new holding being equated with the original holding for capital gains tax purposes, shares or other securities comprised in the new holding shall be held subject to the terms of the JOA.

### **Overall Limits on the issue of shares**

The Company may issue shares for the purposes of making JSOP awards. However, the number of shares which may be issued upon the making of JSOP awards, or in respect of which rights to subscribe for new shares may be granted, on any day under or for the purposes of the JSOP and the Share Option Plans or remain issuable under rights to subscribe for shares granted under or for the purposes of the JSOP, the CSOP (should the same be established), the Share Option Plans and any other employees' share scheme established by the Company, shall not exceed 15 per cent of the issued ordinary share capital of the Company from time to time.

### **Amendment of the JSOP**

The Remuneration Committee may amend the JSOP. However, the provisions relating to the eligibility of participants, limitations on the number of shares subject to the JSOP, the basis for adjusting a participant's entitlement to interests in shares if there is a variation of capital, cannot be altered to the advantage of participants without the prior approval of Shareholders in general meeting (except for minor amendments to benefit the administration of the JSOP, to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for participants in the JSOP or for any member of the Group).

The Board reserves the right, up to the date of the forthcoming AGM, to make such amendments and additions to the rules of the JSOP as they consider necessary or appropriate, provided that any amendment does not conflict in any material respect with the above summary.



