

EXPLANATORY NOTES

Report and Accounts (Resolution 1)

The directors of the Company must present the accounts to the meeting.

Re-election of directors (Resolution 2)

The Company's articles of association require that approximately one third of the Board, excluding, directors appointed since the last annual general meeting, to retire and seek re-election and that all newly appointed directors retire at the first annual general meeting following their appointment. Furthermore in line with the Combined Code on Corporate Governance, it is the Company's practice that any non-executive director having been in post for nine years or more is subject to annual re-election.

At this meeting, Raymond Anderson will retire and stand for re-election as a director. [Short biographies of these directors are given in the accompanying report.] Having considered the performance of and contribution made Mr Anderson, the board remains satisfied that his performance continues to be effective and to demonstrate commitment to the role and, as such, recommends his re-election.

Reappointment and remuneration of auditors (Resolution 3)

Resolution 3 proposes the reappointment of Grant Thornton UK LLP as auditors of the Company and authorises the directors to set their remuneration.

Directors' authority to allot securities (Resolution 4)

Your directors may only allot Ordinary Shares or grant rights over Ordinary Shares if authorised to do so by shareholders. The authority granted at the last annual general meeting is due to expire at the conclusion of this year's annual general meeting. Accordingly, this resolution seeks to grant a new authority to the directors to allot unissued share capital of the Company and will expire at the conclusion of the next annual general meeting of the Company in 2009 or, if earlier, on 5 November 2009 (the date which is 15 months after the date of passing of the resolution). There is no present intention of exercising this authority, which would give Directors authority to allot relevant securities up to an aggregate nominal value of £1,840,879, which is less one-third of the Company's issued ordinary share capital as at 20 August 2008, and which equals the difference between the Company's authorised share capital of £7,500,000 and the Company's issued ordinary share capital as of that date.

Sending documents by making them available on a website (Resolution 5)

New provisions of the Companies Act 2006 came into effect on 20 January 2007, enabling companies, in certain circumstances, to send documents to shareholders by making them available on a website and notifying the shareholders where the documents can be accessed. This resolution seeks to grant authority for the Company to take advantage of this legal change. It is hoped by the directors that this will lead to cost savings for the Company.

A separate letter from the Company requesting your consent to send copies of annual reports and other documents to you in future by means of making them available on a website will be sent to you under separate cover. Please note that if you wish to consent to this method of communication, you should do nothing, as a nil response will constitute deemed consent after 28 days have passed. If you do **NOT** wish to consent, you should follow the instructions in the letter.

Disapplication of pre-emption rights (Resolution 6)

Under section 89(1) of the Act, if the directors wish to allot any of the unissued shares or grant rights over shares or sell treasury shares for cash (other than pursuant to an employee share scheme) they must in the first instance offer them to existing shareholders in proportion to their holdings. There may be occasions, however, when the directors will need the flexibility to finance business opportunities by the issue of Ordinary Shares without a pre-emptive offer to

existing shareholders. This cannot be done under the Act unless the shareholders have first waived their pre-emption rights.

Resolution 6 asks the shareholders to do this and, apart from rights issues or any other pre-emptive offer concerning equity securities and the grant of share options, the authority will be limited to the issue of shares for cash up to a maximum number of 1,345,820 (which includes the sale on a non pre-emptive basis of any shares held in treasury), which is equivalent to approximately 5 per cent of the Company's issued ordinary share capital as at 26 June 2008. The Company undertakes to restrict its use of this authority to a maximum of 7.5 per cent of the Company's issued ordinary share capital in any three year period. Shareholders will note that this resolution also relates to treasury shares and will be proposed as a special resolution.

This resolution seeks a disapplication of the pre-emption rights on a rights issue so as to allow the directors to make exclusions or such other arrangements as may be appropriate to resolve legal or practical problems which, for example, might arise with overseas shareholders. If given, the authority will expire at the conclusion of the next annual general meeting of the Company in 2009 or, if earlier, 18 December 2009 (the date which is 15 months after the date of passing of the resolution).

Adoption of new articles of association (Resolution 7)

Resolution 7 seeks approval for the adoption of new articles of association of the Company. The Company's current articles of association were adopted on 9 June 2005. Since then there have been a number of developments in the law and market practice which affect the Company's articles of association including, recently, the implementation of certain parts of the Companies Act 2006. The Company together with its advisers has therefore carried out a detailed review of its articles of association and considers that this is an appropriate time to update them to reflect the current law and practice.

Because of the number of these changes, they have not been itemised separately in resolution 7 but have instead been incorporated into a revised draft of the articles of association, which it is proposed should replace the existing articles of association.

A summary of the reasons for and effect of the principal differences between the existing articles of association and those proposed to be adopted are summarised in Appendix 1

APPENDIX 1

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

.1 Articles which duplicate statutory provisions

Provisions in the Current Articles which may conflict with provisions in the Companies Act 2006 are in the main amended to bring them into line with the Companies Act 2006. Certain examples of such provisions include provisions as to the form of resolutions, the variation of class rights, the requirement to keep accounting records and provisions regarding the period of notice required to convene general meetings. The main changes made to reflect this approach are detailed below.

.2 Form of resolution

The Current Articles contain a provision that, where for any purpose an ordinary resolution is required, a special or extraordinary resolution is also effective and that, where an extraordinary resolution is required, a special resolution is also effective. This provision is being amended as the concept of extraordinary resolutions has not been retained under the Companies Act 2006.

.3 Convening extraordinary and annual general meetings

The provisions in the Current Articles dealing with the convening of general meetings and the length of notice required to convene general meetings are being amended to conform to new provisions in the Companies Act 2006. In particular a general meeting to consider a special resolution can be convened on 14 days' notice whereas previously 21 days' notice was required.

.4 Company communications

On 20 January 2007, certain parts of the Companies Act 2006 which relate to electronic communications came into force, making it easier for companies to communicate with shareholders by electronic means and by means of a website. The proposed changes to the articles of association will allow documents such as annual reports and general meeting notices to be communicated to shareholders by publishing them on the Company's website, should the board choose to do so. The Company is however, required to write to shareholders individually seeking their consent to such a method of communication before doing so.

.5 Retirement on account of age

The Company's existing articles of association apply provisions contained in the Companies Act 1985 which prohibited the appointment of a director aged 70 or older and required that existing directors who are 70 or older retire. These statutory provisions were repealed on 6 April 2007 and the Company is proposing in its new articles of association to delete such prohibition and requirement.

.6 Votes of members

Under the Companies Act 2006 proxies are entitled to vote on a show of hands whereas under the current articles proxies are only entitled to vote on a poll. The time limits for the appointment or termination of a proxy appointment have been altered by the Companies Act 2006 so that the articles cannot provide that they should be received more than 48 hours before the meeting or in the case of a poll taken more than 48 hours after the meeting, more than 24 hours before the time for the taking of a poll, with weekends and bank holidays being permitted to be excluded for this purpose. Multiple proxies may be appointed provided that each proxy is appointed to exercise the rights attached to a different share held by the shareholder. The proposed new articles reflect all of these new provisions.

.7 Conflicts of interest

The Companies Act 2006 sets out directors' general duties which largely codify the existing law but with some changes. Under the Companies Act 2006, from 1 November 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. The Companies Act 2006 allows directors of public companies to authorise conflicts and potential conflicts, where appropriate, where the articles of association contain a provision to this effect. The Companies Act 2006 also allows the articles of association to contain other provisions for dealing with directors' conflicts of interest to avoid a breach of duty. The new articles give the directors authority to approve such situations and to include other provisions to allow conflicts of interest to be dealt with in a similar way to the current position.

These are safeguards which will apply when directors decide whether to authorise a conflict or potential conflict. First, 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.

It is also proposed that the new articles should contain provisions relating to confidential information, attendance at board meetings and availability of board papers to protect a director being in breach of duty if a conflict of interest or potential interest arises. These provisions will only apply where the position giving rise to the potential conflict has previously been authorised by the directors. It is the Board's intention to report annually on the Company's procedures for ensuring that the Board's powers to authorise conflicts are operated effectively.

.8 General

Generally the opportunity has been taken to bring clearer language into the New Articles and in some areas to conform the language of the new articles.