

## EXPLANATORY NOTES

### **Report and Accounts (Resolution 1)**

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

### **Re-election of directors (Resolutions 2 and 3)**

The Company's articles of association require that approximately one third of the Board retire and seek re-election at each annual general meeting. 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, Mr Raymond Anderson and Mr Martin Rigby will retire and stand for re-election as directors. Having considered the performance of and contribution made Mr Anderson and Mr Rigby, the Board remains satisfied that their performance continues to be effective and to demonstrate commitment to the role and, as such, recommends their re-election.

### **Reappointment and remuneration of auditors (Resolution 4)**

Resolution 4 proposes the reappointment of Grant Thornton UK LLP as auditors of the Company and authorises the directors to set the auditors' remuneration.

### **Directors' authority to allot securities (Resolution 5)**

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 shares and will expire at the conclusion of the next annual general meeting of the Company (normally in 2012) or, if earlier, on 19 December 2012 (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 (as defined in Resolution 5) up to an aggregate nominal value of £2,535,412, which is approximately one-third of the Company's issued ordinary share capital as at 17 August 2011.

### **Disapplication of pre-emption rights (Resolution 6)**

Under section 561(1) of the Act, if the directors wish to allot any 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 1,901,559 (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 17 August 2011. Although not part of Resolution 6, the Company has undertaken 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 (normally in 2012) or, if earlier, 19 December 2012 (the date which is 15 months after the date of passing of the resolution).