

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.** If you are in any doubt as to any aspect of the proposals referred to in this document or as to the action you should take, you should seek your own advice from a stockbroker, bank manager, solicitor, accountant or other professional adviser, duly authorised under the Financial Services and Markets Act 2000, immediately.

If you have sold or transferred all your ordinary shares in Southern Cross Healthcare Group PLC, please send this document, together with the enclosed form of proxy and other accompanying documents, to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected so they can pass these documents to the purchaser or transferee.



## **SOUTHERN CROSS HEALTHCARE GROUP PLC**

(incorporated and registered in England and Wales under number 5328138)

### **Notice of Annual General Meeting 16 February 2010**

To be valid, proxy appointments for the Annual General Meeting must be received by Southern Cross Healthcare Group PLC's registrars, Capita Registrars, PXS, 34 Beckenham Road, Beckenham, BR3 4TU no later than 11am on Friday 12 February 2010.

15 January 2010

Dear Shareholder

### **2010 Annual General Meeting: 16 February 2010**

I am pleased to send you details of the Annual General Meeting ("AGM") of Southern Cross Healthcare Group PLC (the "Company") to be held at 11am on Tuesday 16 February 2010 at the offices of our advisers, UBS, 1 Finsbury Avenue, London, EC2M 2PP. The formal notice of the AGM is set out on pages 3 to 6. The Company's Annual Report, which includes the Company's annual accounts, the Directors' report, the Directors' remuneration report and the Auditors' report for the financial year ended 27 September 2009 and the proxy form are also enclosed.

### **Business to be Considered at the AGM**

The AGM will cover standard matters that are dealt with at every AGM, such as receiving the annual accounts and reports, re-electing Directors retiring by rotation, reappointing Auditors and authorising their payment, and approving the Directors' remuneration report (Resolutions 1 to 5).

Resolution 6 seeks authority for the Company to make donations to political parties, other political organisations and independent election candidates and to incur political expenditure not exceeding £150,000 in aggregate in the coming year, which is necessary since the wide definitions of these terms could catch some normal expenditure and activities of the Company.

Resolutions 7, 8 and 9 contain resolutions in relation to the issuance of shares and the purchase by the Company of shares on market. These resolutions are similar to those passed by most listed companies. The Directors believe that approval of these items will enable the Company to take advantage of business opportunities as they arise.

Resolution 10 relates to the impact of the Companies (Shareholders' Rights) Regulations 2009 (the "Shareholders' Rights Regulations"), which implemented the EU Shareholder Rights Directive into English law on 3 August 2009. The Shareholders' Rights Regulations have the effect of increasing the minimum notice period for general meetings of traded companies from 14 days to 21 days unless certain conditions are met. One of the conditions is that a shareholder resolution reducing the minimum notice period to 14 clear days, is passed on an annual basis. To take advantage of the shorter notice period, a resolution along the lines of Resolution 10 will need to be passed annually going forward.

If passed, Resolution 11 will delete the Company's Memorandum of Association and effect amendments to the Company's Articles of Association to reflect the remaining provisions of the Companies Act 2006, certain amendments to the Uncertificated Securities Regulations 2001 and the Shareholders' Rights Regulations coming into force and to make other minor amendments. The principal amendments to the existing Articles of Association are set out in the explanatory notes accompanying this notice of AGM.

Explanatory notes on all the business to be considered at this year's AGM appear on pages 7 to 11.

### **Attendance at the AGM and Form of Proxy**

**All members of the Company are entitled to attend, speak and vote at the AGM or to appoint another person (whether a member or not) as a proxy to exercise that member's rights to attend and to speak and to vote at the AGM. A member may appoint more than one proxy in relation to a meeting, provided that each proxy is appointed to exercise the rights attached to different shares.**

Proxy appointments for the AGM must be received by the Company's registrars, Capita Registrars, PXS, 34 Beckenham Road, Beckenham, BR3 4TU no later than 48 hours before the time for holding the AGM. To be valid, it is important that you complete the proxy form in accordance with the instructions printed on it. If you wish to appoint a proxy or proxies by utilising the CREST electronic appointment services, you must follow the instructions set out in the notes to the notice of the AGM on page 6.

Appointment of a proxy, whether by returning a completed proxy form or by utilising the CREST electronic proxy appointment service, will not prevent you from attending and voting in person at the AGM.

### **Recommendation**

Your Directors consider that Resolutions 1 to 11 inclusive set out in the notice of the AGM are in the best interests of the Company and the shareholders as a whole, and recommend that you vote in favour of each of these resolutions, as each of the Directors intends to do in respect of each of their own beneficial holdings of shares in the Company.

Yours sincerely

**Ray Miles**

Chairman

Southern Cross Healthcare Group PLC

**SOUTHERN CROSS HEALTHCARE GROUP PLC**  
**NOTICE OF ANNUAL GENERAL MEETING**

Notice is hereby given that the Annual General Meeting ("AGM") of Southern Cross Healthcare Group PLC (the "Company") will be held at the offices of our advisers UBS, 1 Finsbury Avenue, London, EC2M 2PP on Tuesday 16 February 2010 at 11am for the following purposes.

*To consider and, if thought fit, to pass the following resolutions as Ordinary Resolutions:*

**Resolution 1**

**Annual Accounts and Reports for 2009**

To receive the Company's annual accounts for the financial year ended 27 September 2009, together with the Directors' report, the Directors' remuneration report, the Auditors' report on those accounts and on the auditable part of the Directors' remuneration report.

**Resolution 2**

**Re-election of Nancy Hollendonner – Retiring by Rotation**

To re-elect Nancy Hollendonner as a Director of the Company, retiring by rotation, in accordance with the Company's Articles of Association.

**Resolution 3**

**Re-election of Raymond Miles – Retiring by Rotation**

To re-elect Raymond Miles as a Director of the Company, retiring by rotation, in accordance with the Company's Articles of Association.

**Resolution 4**

**Re-appointment of the Auditors**

To reappoint PricewaterhouseCoopers LLP as the Company's Auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of the next General Meeting of the Company at which accounts are laid and to authorise the Directors to fix the Auditors' remuneration.

**Resolution 5**

**Remuneration Report**

To approve the Directors' remuneration report for the financial year ended 27 September 2009.

**Resolution 6**

**Political Donations and Expenditure**

To authorise the Company and all companies that are its subsidiaries at any time during the period for which this resolution has effect for the purposes of section 366 of the Companies Act 2006 to:

- (a) make political donations to political parties or independent election candidates (as such terms are defined in sections 363 and 364 of the Companies Act 2006), not exceeding £50,000 in aggregate;
- (b) make political donations to political organisations other than political parties (as such terms are defined in sections 363 and 364 of the Companies Act 2006), not exceeding £50,000 in aggregate; and
- (c) incur political expenditure (as such term is defined in section 365 of the Companies Act 2006), not exceeding £50,000 in aggregate,

during the period beginning with the date of the passing of this resolution, and ending with the conclusion of the next Annual General Meeting of the Company (or if earlier, close of business on 31 March 2011), provided that the maximum amounts referred to in (a), (b) and (c) may comprise sums in different currencies that shall be converted at such rate as the Board may in its absolute discretion determine to be appropriate.

**Resolution 7**

**Authority to Allot Shares**

That, in substitution for all existing authorities, the Directors be generally and unconditionally authorised in accordance with section 551 of the Companies Act 2006 to exercise all the powers of the Company to:

- (a) allot shares (as defined in section 540 of the Companies Act 2006) in the Company or grant rights to subscribe for or to convert any security into shares in the Company up to an aggregate nominal amount of £626,891; and
- (b) allot equity securities (as such phrase is to be interpreted in accordance with section 560(2) of the Companies Act 2006) up to an aggregate nominal amount of £1,253,782 (such amount to be reduced by the aggregate nominal amount of shares allotted or rights to subscribe for or to convert any security into shares in the Company granted under paragraph (a) of this resolution 7) in connection with an offer by way of a rights issue:
  - (i) to ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings; and
  - (ii) to holders of other equity securities (as defined in section 560(1) of the Companies Act 2006) as required by the rights of those securities or, subject to such rights, as the Directors otherwise consider necessary,and so that the Directors may impose any limits or restrictions and make any arrangements which they consider necessary or appropriate to deal with treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or any other matter,

such authorities to apply until the end of the Company's next annual general meeting after this resolution is passed (or, if earlier, until the close of business on 31 March 2011) but, in each case, so that the Company may make offers and enter into agreements before the authority expires which would, or might, require shares to be allotted or rights to subscribe for or to convert any security into shares to be granted after the authority expires and the Directors may allot shares or grant such rights under any such offer or agreement as if the authority had not expired.

**To consider and, if thought fit, to pass the following resolutions as Special Resolutions:**

**Resolution 8**

**Disapplication of Statutory Pre-emption Rights**

That, in substitution for all existing powers and subject to the passing of resolution 7, the Directors be generally empowered pursuant to section 570 of the Companies Act 2006 to allot equity securities (as such phrase is to be interpreted in accordance with section 560(2) of the Companies Act 2006) for cash pursuant to the authority granted by resolution 7 and/or where the allotment constitutes an allotment of equity securities by virtue of section 560(3) of the Companies Act 2006, in each case free of the restriction in section 561 of the Companies Act 2006, such power to be limited:

- (a) to the allotment of equity securities in connection with an offer of equity securities (but in the case of an allotment pursuant to the authority granted by paragraph (b) of resolution 7, such power shall be limited to the allotment of equity securities in connection with an offer by way of a rights issue only):
  - (i) to ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings; and
  - (ii) to holders of other equity securities (as defined in section 560(1) of the Companies Act 2006), as required by the rights of those securities or, subject to such rights, as the Directors otherwise consider necessary,and so that the Directors may impose any limits or restrictions and make any arrangements which they consider necessary or appropriate to deal with treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or any other matter; and
- (b) to the allotment of equity securities pursuant to the authority granted by paragraph (a) of resolution 7 and/or an allotment which constitutes an allotment of equity securities by virtue of section 560(3) of the Companies Act 2006 (in each case otherwise than in the circumstances set out in paragraph (a) of this resolution 8) up to a nominal amount of £94,033,

such power to apply until the end of the Company's next annual general meeting after this resolution is passed (or, if earlier, until the close of business on 31 March 2011) but so that the Company may make offers and enter into agreements before the power expires which would, or might, require equity securities to be allotted after the power expires and the Directors may allot equity securities under any such offer or agreement as if the power had not expired.

**Resolution 9**

**Authorising Market Purchase of Own Shares by the Company**

That the Company be generally and unconditionally authorised to make one or more market purchases (within the meaning of section 693(4) of the Companies Act 2006) of ordinary shares of 1p each in the capital of the Company provided that:

- (a) the maximum aggregate number of ordinary shares authorised to be purchased is 18,806,737 (representing 10% of the issued ordinary share capital of the Company as at 14 January 2010 which is the latest practicable date before publication of this notice);
- (b) the minimum price which can be paid for an ordinary share is 1p being the nominal value of an ordinary share;
- (c) the maximum price which can be paid for an ordinary share is an amount equal to 105% of the average of the middle market prices for an ordinary share, derived from the Daily Official List of the London Stock Exchange, for the five business days immediately before the day on which the share is contracted to be purchased;
- (d) this authority shall expire on the date of the next Annual General Meeting of the Company held after the passing of this resolution or 31 March 2011, whichever is earlier; and
- (e) a contract to purchase ordinary shares can be made by the Company before this authority expires, even though the purchase will or may be completed wholly or partly after this authority expires and a purchase of ordinary shares may be made by the Company in pursuance of such contract.

**Resolution 10**

**Notice period for General Meetings**

That a General Meeting other than an Annual General Meeting may be called on not less than 14 clear days' notice.

**Resolution 11**

**Articles of Association**

That, with effect from the conclusion of the Annual General Meeting:

- (a) the Articles of Association of the Company be amended by deleting all the provisions of the Company's Memorandum of Association which, by virtue of section 28 Companies Act 2006, are to be treated as provisions of the Company's Articles of Association; and
- (b) the Articles of Association that are produced to this Annual General Meeting and initialled by the Chairman for the purposes of identification be adopted as the new Articles of Association of the Company in substitution for, and to the exclusion of, the existing Articles of Association.

By order of the Board

**William McLeish**

Company Secretary  
15 January 2010

Registered Office: Southgate House, Archer Street, Darlington, County Durham, DL3 6AH

Registered in England: 05328138

T: 01325 351100

F: 01325 351144

www.schealthcare.co.uk

**Notes:**

1. A member of the Company is entitled to appoint a proxy to exercise all or any of his rights to attend, speak and vote at the AGM. A member may appoint more than one proxy, provided that each proxy is appointed to exercise the rights attached to different shares. To appoint more than one proxy, the member should photocopy the proxy form enclosed with this notice and complete a separate form for each appointment specifying the number of shares in relation to which that person is authorised to act as proxy.
2. A person who is not a member of the Company, but has been nominated by a member of the Company (the "relevant member") to enjoy information rights, (the "nominated person") does not have a right to appoint any proxies under note 1 above. A nominated person may have a right under an agreement with the relevant member to be appointed or to have somebody 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 as to the exercise of voting rights.
3. A proxy form is enclosed with this notice. The appointment of a proxy will not preclude a member from attending and voting in person. The proxy form, to be valid, must be completed and signed and lodged with the Company's registrar, Capita Registrars, PXS, 34 Beckenham Road, Beckenham, BR3 4TU as soon as possible, but by no later than 11am on Friday 12 February 2010. Where the proxy form is signed under a power of attorney or other authority, such power or authority (or a notarially certified copy thereof) should be enclosed with the proxy form. A proxy need not be a member of the Company.
4. In the case of joint registered holders, the signature of one holder will be accepted and the vote of the senior (determined by the order in which the names appear on the register of members) who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of other joint holders.
5. Only those members entered on the relevant register of members of the Company at 11am on Sunday 14 February 2010 (or, in the event of any adjournment, on the date which is two days before the time of the adjourned meeting) shall be entitled to attend or vote at this AGM in respect of the number of shares registered in their name at that time. Changes to entries on the relevant register of members after 11am on Sunday 14 February 2010 shall be disregarded in determining the rights of any person to attend or vote at this AGM.
6. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.
7. Any member attending the meeting has the right to ask questions. The Company must cause to be answered any such question relating to the business being dealt with at the meeting but no such answer need be given if (a) to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information, (b) the answer has already been given on a website in the form of an answer to a question, or (c) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.
8. A copy of this notice and the information required by section 311A of the Companies Act 2006, can be found at <http://investors.shealthcare.co.uk/>.
9. Under section 527 of the Companies Act 2006 members meeting the threshold requirements set out in that section have the right to require the Company to publish on a website a statement setting out any matter relating to: (i) the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the Annual General Meeting; or (ii) any circumstance connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with section 437 of the Companies Act 2006. The Company may not require the shareholders requesting any such website publication to pay its expenses in complying with sections 527 or 528 of the Companies Act 2006. Where the Company is required to place a statement on a website under section 527 of the Companies Act 2006, it must forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the Annual General Meeting includes any statement that the Company has been required under section 527 of the Companies Act 2006 to publish on a website.
10. Any electronic communication sent by a shareholder to the Company or the Registrar which is found to contain a computer virus will not be accepted.
11. At 14 January 2010 (being the last practicable day prior to the publication of this notice) the issued share capital of the Company consists of 188,067,377 ordinary shares, carrying one vote each. Therefore, the total voting rights in the Company as at 14 January 2010 are 188,067,377.

**Instructions for CREST System Users:**

12. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the AGM and any adjournment(s) thereof by utilising 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(s), should refer to their CREST sponsors or voting service provider(s), who will be able to take the appropriate action on their behalf.
13. In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's ("Euroclear UK & Ireland") specifications and must contain the information required for such instructions, as described in the CREST Manual (available via [www.euroclear.com/CREST](http://www.euroclear.com/CREST)). The message must be transmitted so as to be received by the Company's agent ID (RA10) not later than 48 hours before the time for holding the meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST Application Host) from which the Company's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. Please note that the last time for transmitting a proxy message in CREST is 8pm and such messages cannot be sent on weekends or on other days when the CREST system is closed (such as public holidays).
14. CREST members and, where applicable, their CREST sponsors and 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(s), to procure his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
15. 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.

**Documents Available for Inspection:**

The following documents are available for inspection at the registered office of the Company, Southgate House, Archer Street, Darlington, County Durham, DL3 6AH from the date of this notice of AGM during normal business hours on any weekday (excluding public holidays) and at the place of the AGM, the offices of UBS, 1 Finsbury Avenue, London, EC2M 2PP for at least 15 minutes prior to and during the AGM:

1. a copy of all letters of appointment and service contracts for each Director;
2. a copy of the Memorandum and Articles of Association of the Company as at the date of this notice; and
3. a copy of the new Articles of Association of the Company that are proposed in resolution 11. A copy of the proposed new Articles of Association of the Company is also available for inspection at the offices of our legal advisers, Clifford Chance LLP, 10 Upper Bank Street, London, E14 5JJ from the date of this notice of AGM until the close of the AGM during normal business hours on any weekday (excluding public holidays).

## **EXPLANATORY NOTES ABOUT THE RESOLUTIONS TO BE PROPOSED AT THE AGM**

### **Resolution 1**

#### **Annual Accounts and Reports for 2009**

The Directors will present to shareholders at the AGM the Company's annual accounts for the financial year ended 27 September 2009, together with the Directors' report, the Directors' remuneration report, the Auditors' report on those accounts and on the auditable part of the Directors' remuneration report.

### **Resolutions 2 and 3**

#### **Re-election of Directors Retiring by Rotation**

Under the Company's Articles of Association, one third of the Directors must retire at each AGM, in accordance with the Company's Articles of Association, selected according to their length of service and elapsed time since their last re-election. Ray Miles and Nancy Hollendoner are each required to stand for re-election. Ray Miles and Nancy Hollendoner have each been subject to a formal performance evaluation. The Board believes that each of them should be re-elected, subject to shareholder approval, because they have each continued to be effective members of the Board and demonstrate commitment to their respective roles.

#### **Ray Miles**

Ray Miles became a Non-Executive Director of the Company in June 2006 and served as the Senior Independent Director until he was appointed Chairman on 1 January 2008. Mr Miles has spent most of his career in the shipping industry. He was Chief Executive Officer of CP Ships Limited from 1988 until December 2005. He is currently Deputy Chairman of International Personal Finance PLC.

#### **Nancy Hollendoner**

Nancy Hollendoner joined the Board in January 2008. She previously worked as an equities analyst specialising in the healthcare market and was employed by UBS Investment Bank between 1996 and 2002. Nancy is a senior adviser on the healthcare market to Hawkpoint Partners Limited.

Further biographical details of the Directors standing for re election are contained on page 31 of the Company's Annual Report enclosed with this notice.

### **Resolution 4**

#### **Re-appointment of the Auditors**

The Directors are proposing the re-appointment of PricewaterhouseCoopers LLP as Auditors to the Company and, following standard practice, seek authority to determine the Auditors' remuneration.

### **Resolution 5**

#### **Remuneration Report**

The Directors' Remuneration Report Regulations 2002 require listed companies to present the Directors' remuneration report for shareholder approval at each AGM. The Directors' remuneration report is set out on pages 42 to 48 of the Company's Annual Report enclosed with this notice. The Remuneration Committee, which assisted the Directors in the preparation of the Directors' remuneration report, has unanimously approved the report and the Directors have also unanimously approved the report.

### **Resolution 6**

#### **Political Donations and Expenditure**

Resolution 6 concerns Part 14 of the Companies Act 2006 which provides that political donations made by a company to political parties, to other political organisations and to independent election candidates or political expenditure incurred by a company must be authorised in advance by its shareholders.

It is not the policy of the Company to make donations to political parties, other political organisations or independent election candidates or to incur political expenditure, and the Directors have no intention of changing that policy. However, as a result of the wide definitions in the Companies Act 2006, normal expenditure (such as expenditure on organisations concerned with matters of public policy, law reform and representation of the business community) and business activities (such as communicating with the Government and political parties at local, national and European level) might be construed as political expenditure or as a political donation to a political party or other political organisation and fall within the restrictions of the Companies Act 2006.

This resolution does not purport to authorise any particular donation or expenditure but is expressed in general terms as required by the Companies Act 2006 and is intended to authorise normal donations and expenditure. If passed, resolution 6 will allow the Company and its subsidiaries to make donations to political parties, other political organisations and independent election candidates and to incur political expenditure (as defined in the Companies Act 2006) up to an aggregate limit of £150,000 in the period beginning with the date of the passing of this resolution and ending with the conclusion of the next AGM of the Company (or if earlier, close of business on 31 March 2011), whilst avoiding, because of the uncertainty over the definitions used in the Companies Act 2006, inadvertent infringement of the Companies Act 2006.

Any political donation made or political expenditure incurred which is in excess of £200 will be disclosed in the Company's Annual Report for the next financial year, as required by the Companies Act 2006. The authority will not be used to make political donations within the normal meaning of that expression.

## **Resolution 7**

### **Authority to Allot Shares**

This resolution is to renew, for a further year, the general authority to allot shares given to the Board at the last AGM of the Company. Paragraph (a) of the resolution will give the Board a general authority to allot up to 62,689,100 ordinary shares of 1p each, which together with paragraph (b) of the resolution in respect of rights issues, will give the Board authority to allot up to a total of 125,378,200 ordinary shares of 1p each, representing respectively approximately 33.3% and 66.67% of the Company's issued ordinary share capital as at 14 January 2010, which is the latest practicable date before publication of this notice. The Company did not hold any of its own shares as treasury shares as at 14 January 2010 which is the latest practicable date before publication of this notice.

The Directors have no present intention to use this authority, which will expire at the end of the next AGM of the Company held after the passing of this resolution or close of business on 31 March 2011, whichever is earlier. As is normal practice, the Directors intend to seek renewal of this authority at subsequent Annual General Meetings.

## **Resolution 8**

### **Disapplication of Statutory Pre-emption Rights**

The Companies Act 2006 requires that, subject to certain exceptions, before directors of a company can issue any new shares for cash, the new shares must first be offered to existing shareholders proportionately to their existing shareholdings. However, it may sometimes be in the interests of the Company for the Directors to allot shares other than to existing shareholders in their existing shareholdings.

The Companies (Acquisition of Own Shares) (Treasury Shares) Regulations 2003 permits the Company to purchase its own shares and, rather than cancel those shares, to hold them as treasury shares, in which case they would carry no voting rights and no entitlement to any dividend for as long as they are held as treasury shares. The treasury shares may be sold for cash, transferred for the purposes of employee share schemes, or cancelled.

This resolution would allow the Directors to allot shares in connection with a rights issue or otherwise for cash or sell treasury shares for cash to an aggregate maximum of 9,403,300 ordinary shares of 1p each, representing approximately 5% of the number of issued ordinary shares in the capital of the Company as at 14 January 2010 which is the latest practicable date before publication of this notice.

The authority provided by this resolution would permit the Directors to sell any shares held as treasury shares for cash without first offering them pro rata to existing shareholders.

The authority the Directors are seeking will expire at the next AGM of the Company held after the passing of this resolution or close of business on 31 March 2011, whichever is earlier. They intend to seek renewal of this authority at subsequent Annual General Meetings. The Directors are not currently contemplating any issue of new shares.

## **Resolution 9**

### **Authorising Market Purchase of its Own Shares by the Company**

The Company is seeking a general authority to make market purchases of its own shares in a certain price range. This does not mean that the Company will buy its own shares at any particular price or indeed at all. The Directors are not currently intending to use this authority but wish to retain the flexibility to do so in the future. If the Company were to use this authority, it would only buy shares on the London Stock Exchange and the Board would only use the power to buy shares after considering the effect on earnings per share and the benefits for longer-term shareholders.

The Company intends that any shares purchased would either be cancelled or would be held by the Company as treasury shares, in which case they would carry no voting rights and no entitlement to receive any dividend for as long as they are held as treasury shares.

The authority would expire at the end of the next AGM of the Company held after the passing of this resolution or close of business on 31 March 2011, whichever is earlier. The Directors intend to seek renewal of this power at subsequent Annual General Meetings.

The maximum number of shares the Company can buy is 18,806,737 ordinary shares in total (representing 10% of the issued ordinary share capital of the Company as at 14 January 2010 which is the latest practicable date before publication of this notice). The minimum price that can be paid for an ordinary share is 1p being the nominal value of an ordinary share. The maximum price that can be paid for an ordinary share is 5% over the average of the middle market prices for an ordinary share, derived from the Daily Official List of The London Stock Exchange, for the five business days immediately before the day on which the share is contracted to be purchased.

As at 14 January 2010, which is the latest practicable date before publication of this notice, conditional awards and options of 10,753,797 ordinary shares are outstanding representing 5.7% of the Company's issued ordinary share capital (excluding treasury shares, of which the Company has none). They would represent 6.4% of the Company's issued ordinary share capital if the authority to buy the Company's own shares had been used in full at that date.

## **Resolution 10**

### **Notice period for General Meetings**

Changes made to the Companies Act 2006 by the Companies (Shareholders' Rights) Regulations 2009 (the "Shareholders' Rights Regulations") increase the minimum notice period required for General Meetings of the Company to 21 days unless shareholders approve a shorter notice period, which cannot however be less than 14 clear days. (Annual General Meetings will continue to be held on at least 21 clear days' notice.)

Before the coming into force of the Shareholders' Rights Regulations on 3 August 2009, the Company was able to call general meetings other than Annual General Meetings on 14 clear days' notice without obtaining such shareholder approval. In anticipation of the implementation of the Shareholders' Rights Regulations, at the Company's last AGM, the shareholders approved a notice period of not less than 14 clear days (other than for Annual General Meetings) effective until the forthcoming AGM. In order to preserve this ability, resolution 10 seeks such approval. The approval will be effective until the Company's next AGM, when it is intended that a similar resolution will be proposed.

Note that the changes to the Companies Act 2006 mean that, in order to be able to call a General Meeting on less than 21 clear days' notice, the Company must make a means of electronic voting available to all shareholders for that meeting.

## **Resolution 11**

### **Articles of Association**

It is proposed in resolution 11 to adopt new Articles of Association in order to update the Company's current Articles of Association primarily to take account of the coming into force of the Shareholders' Rights Regulations, the implementation of the last parts of the Companies Act 2006 and amendments to the Uncertificated Securities Regulations 2001.

The principal changes introduced in the new Articles of Association are summarised below. Other changes, which are minor, technical or clarifying in nature and also some more minor changes which merely reflect changes made by the Companies Act 2006, the Shareholders' Rights Regulations and the Uncertificated Securities Regulations have not been noted below:

#### **1. *The Company's objects***

The provisions regulating the operations of the Company are currently set out in the Company's Memorandum of Association and Articles of Association. The Company's Memorandum of Association contains, among other things, the objects clause which sets out the scope of the activities the Company is authorised to undertake. This is drafted to give a wide scope.

The Companies Act 2006 significantly reduces the constitutional significance of a company's memorandum of association. The Companies Act 2006 provides that a memorandum will record only the names of the subscribers and the number of shares each subscriber has agreed to take in the company. Under the Companies Act 2006 the objects clause and all other provisions which are contained in a company's memorandum of association, for existing companies at 1 October 2009, are deemed to be contained in the company's articles of association but the company can remove these provisions by special resolution.

Further, the Companies Act 2006 states that unless a company's articles provide otherwise, a company's objects are unrestricted. This abolishes the need for companies to have objects clauses. For this reason the Company is proposing to remove its objects clause together with all other provisions of its Memorandum of Association which, by virtue of the Companies Act 2006, are to be treated as forming part of the Company's Articles of Association as of 1 October 2009. Resolution 11(a) confirms the removal of these provisions for the Company. As the effect of this resolution will be to remove the statement currently in the Company's Memorandum of Association regarding limited liability, the new Articles of Association also contain an express statement regarding the limited liability of shareholders.

#### **2. *Authorised share capital and unissued shares***

The Companies Act 2006 abolishes the requirement for a company to have an authorised share capital and the new Articles of Association reflect this. Directors will still be limited as to the number of shares they can at any time allot because allotment authority continues to be required under the Companies Act 2006, save in respect of employee share schemes.

#### **3. *Allotment authority and disapplication of pre-emptive rights***

Under the Companies Act 1985, it was common practice to include in the articles of association an authority for directors to allot shares and disapply pre-emption rights. However, investor protection committees support annual renewal of such authorities by shareholder resolution, notwithstanding a company having such provisions in its articles. Given that the Company proposes to remove other enabling provisions no longer required to be in the Articles under the Companies Act 2006, the Company would like to simplify its Articles by removing these authorities. This means that in the future the Company will be relying on the resolutions passed at its AGM to allot shares and disapply pre-emption rights.

#### **4. *Directors' fees***

New guidance issued by the Association of British Insurers, the UK's leading financial services trade association, states that articles of association should contain a monetary cap on the amount of aggregate fees payable to directors. In accordance with this guidance, a cap of £750,000 has been inserted into the Articles, this being a level deemed reasonable and in line with current levels of remuneration.

5. ***Redeemable shares***

Under the Companies Act 1985, if a company wished to issue redeemable shares, it had to include in its articles of association the terms and manner of redemption. The Companies Act 2006 enables directors to determine such matters instead provided they are so authorised by the articles. The new Articles of Association contain such an authorisation. The Company has no plans to issue redeemable shares but if it did so the Directors would need shareholders' authority to issue new shares in the usual way.
6. ***Authority to purchase own shares, consolidate and sub-divide shares, and reduce share capital***

Under the Companies Act 1985, a company required specific enabling provisions in its articles to purchase its own shares, to consolidate or sub-divide its shares and to reduce its share capital or other undistributable reserves as well as shareholder authority to undertake the relevant action. The current Articles of Association include these enabling provisions. Under the Companies Act 2006 a company will only require shareholder authority to do any of these things and it will no longer be necessary for articles to contain enabling provisions. Accordingly the relevant enabling provisions have been removed in the new Articles of Association.
7. ***Use of seals***

Under the Companies Act 1985, a company required authority in its articles of association to have an official seal for use abroad. Under the Companies Act 2006, such authority will no longer be required. Accordingly, the relevant authorisation has been removed in the new Articles.
8. ***Suspension of registration of share transfers***

The current Articles of Association permit the Directors to suspend the registration of transfers. Under the Companies Act 2006 share transfers must be registered as soon as practicable. The power in the current Articles of Association to suspend the registration of transfers is inconsistent with this requirement. Accordingly, this power has been removed in the new Articles of Association.
9. ***Voting by proxies on a show of hand***

The Shareholders' Rights Regulations have amended the Companies Act 2006 so that it now provides that each proxy appointed by a member has one vote on a show of hands unless the proxy is appointed by more than one member in which case the proxy has one vote for and one vote against, if the proxy has been instructed by one or more members to vote for the resolution and by one or more members to vote against the resolution. The current Articles of Association have been amended to reflect these changes.
10. ***Voting by corporate representatives***

The Shareholders' Rights Regulations have amended the Companies Act 2006 in order to enable multiple representatives appointed by the same corporate member to vote in different ways on a show of hands and a poll. The new Articles of Association contain provisions which reflect these amendments.
11. ***Chairman's casting vote***

At last year's AGM, shareholders voted in favour of reinstating Article 59 permitting the use of a casting vote by the Chairman. The Shareholders' Rights Regulations have reversed the saving provision which previously allowed traded companies to reinstate this casting vote. Thus, the new Articles of Association remove this provision in the event of an equality of votes as this is no longer permitted under the Companies Act 2006.
12. ***Notice of general meetings***

The Shareholders' Rights Regulations amend the Companies Act 2006 and require the Company to give 21 clear days' notice of general meetings unless the Company offers members an electronic voting facility and a special resolution reducing the period of notice to not less than 14 clear days has been passed. Annual General Meetings must be held on 21 clear days' notice. The new Articles of Association remove provisions in the current Articles of Association dealing with notice of general meetings on the basis that this is dealt with in the Companies Act 2006.
13. ***Adjournments for lack of quorum***

Under the Companies Act 2006 as amended by the Shareholders' Rights Regulations, general meetings adjourned for lack of quorum must be held at least 10 clear days after the original meeting. The current Articles of Association have been changed to clarify the fact that this requirement refers to clear days.
14. ***Voting record date***

Under the Companies Act 2006 as amended by the Shareholders' Rights Regulations the Company must determine the right of members to vote at a general meeting by reference to the register not more than 48 hours before the time for the holding of the meeting, not taking account of days which are not working days. The current Articles of Association have been amended to reflect this requirement excluding non-working days.
15. ***Special Business***

Under the Companies Act 2006 as amended by the Shareholders' Rights Regulations, a company is required to state the general nature of all business to be dealt with at a meeting. The new Articles of Association remove provisions relating to Special Business in order to reflect this.

16. **General**

Generally, the opportunity has been taken to update references, cross-references and language to bring the Articles of Association in line with the provisions under the Companies Act 2006, including those implemented by the Shareholders' Rights Regulations.

A copy of the proposed new Articles of Association of the Company is available for inspection during normal business hours on any weekday (excluding public holidays) at our registered office and the offices of our legal advisers, Clifford Chance LLP, 10 Upper Bank Street, London, E14 5JJ, from the date of this notice of AGM until the close of the AGM. A copy of the proposed new Articles of Association of the Company will also be available for inspection at the place of the AGM, being the offices of UBS at 1 Finsbury Avenue, London, EC2M 2PP, for at least 15 minutes prior to and during the AGM.

