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Inchcape plc

# Notice of Annual General Meeting

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## **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, solicitor, accountant or other professional adviser.

If you have sold or otherwise transferred all of your shares, please pass this document together with the accompanying documents to the purchaser or transferee, or to the person who arranged the sale or transfer so they can pass these documents to the person who now holds the shares.

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**Notice of the Annual General Meeting of the Company to be held at 11.00 a.m. on Thursday, 13 May 2010 at J.P. Morgan Cazenove, 20 Moorgate, London EC2R 6DA is set out on pages 4, 5 and 6 of this circular.**

**Whether or not you propose to attend the Annual General Meeting, please complete and submit a Form of Proxy in accordance with the instructions printed on the enclosed form. The Form of Proxy must be received by no later than 11.00 a.m. on Tuesday, 11 May 2010. Completion of the Form of Proxy will not preclude you from attending and voting at the Annual General Meeting should you choose to do so. Alternatively, you may register your appointment of a proxy electronically by logging on to the Company's website ([www.inchcape.com](http://www.inchcape.com)) or, if you hold your shares via CREST, by using the CREST electronic proxy appointment service. Further details are set out in the Explanatory Notes on pages 7 and 8 of this Circular and the Form of Proxy.**

**Directors:**

Ken Hanna\* (Chairman)  
Will Samuel\* (Deputy Chairman and Senior Independent Non-Executive Director)  
André Lacroix (Group Chief Executive)  
John McConnell (Group Finance Director)  
Alison Cooper\*  
Nigel Northridge\*  
Graham Pimlott\*  
David Scotland\*  
Michael Wemms\*

\*Non-Executive

**9 April 2010****Notice of Annual General Meeting**

Dear Shareholder,

I am pleased to be writing to you with details of this year's Annual General Meeting ("AGM") which we are holding at J.P.Morgan Cazenove, 20 Moorgate, London EC2R 6DA on Thursday, 13 May 2010 at 11.00 a.m. The formal notice of the AGM is set out on pages 4, 5 and 6 of this document.

I thought it might be helpful for me to write a few words on the resolutions to be proposed at the AGM.

**Resolutions 1 to 7**

These resolutions deal with: the Company's annual report and accounts for the financial year ended 31 December 2009 (resolution 1); the board report on directors' remuneration (resolution 2); the election of directors (resolutions 3 to 5); and the re-appointment and remuneration of the Company's auditors (resolutions 6 and 7). Each of these resolutions will be proposed as an ordinary resolution.

**Resolution 8**

Following our Rights Issue in 2009, the Company has a very large number of one penny shares in issue. Shareholders will be asked to approve a consolidation of the Company's share capital (on the basis of ten ordinary shares of one penny each being consolidated into one ordinary share of ten pence) with the intention that, following the consolidation, the number of shares in issue and the likely share price will be more appropriate for a company of Inchcape's size in the UK market. Resolution 8 will be proposed as an ordinary resolution.

Although it does not form part of the business to be considered at the AGM, I thought that this would be a useful opportunity to update you on our progress towards cancelling the deferred shares which were also created as part of subdividing the Company's previously issued ordinary shares of 25 pence into the current one penny shares in connection with the Rights Issue in 2009. These deferred shares (which have very limited rights, are not listed and are not freely transferable) are effectively worthless, and we stated in our Rights Issue prospectus in 2009 that we would cancel them and create an appropriate reserve in due course. We are currently taking steps to do so in accordance with the rights attaching to the deferred shares and will make an announcement on our website when this cancellation has been completed.

**Resolutions 9 to 11**

Resolutions 9 to 11 deal with: the directors' authority to allot shares (resolution 9); authority to dis-apply pre-emption rights (resolution 10); and authority for the Company to make market purchases of its own shares (resolution 11). Resolution 9 will be proposed as an ordinary resolution and resolutions 10 and 11 will be proposed as special resolutions.

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### **Resolution 12**

Shareholders will be asked to approve a number of amendments to the Company's Articles of Association, primarily to reflect the coming into force of the Companies (Shareholders' Rights) Regulations 2009 (the "Shareholders' Rights Regulations") on 3 August 2009 and the remaining provisions of the Companies Act 2006 which came into force in October 2009. An explanation of the main changes between the proposed and the existing Articles of Association is set out on pages 13 and 14 of this document. Resolution 12 will be proposed as a special resolution.

### **Resolution 13**

The Shareholders' Rights Regulations require that all general meetings must be held on 21 days' notice unless shareholders agree to a shorter notice period. At our 2009 AGM, a resolution was passed enabling us to preserve our ability to call general meetings (other than annual general meetings) on 14 days' notice. We will be proposing a resolution at this year's AGM to renew the authority, which will be effective until the Company's next AGM, when it is intended that a similar resolution will be proposed.

The Company confirms that it will give as much notice as is practicable when calling a general meeting. The 14 day notice period will not be used as a matter of routine, but only in circumstances where it would clearly be to the advantage of shareholders as a whole, the business of the meeting is time-sensitive or flexibility is merited by the nature of the business of the meeting. Resolution 13 will be proposed as a special resolution.

### **Explanation of business**

Explanatory notes on all the business to be considered at this year's AGM appear on pages 9 to 12 of this document.

### **Recommendation**

Your directors consider that each resolution to be proposed at the AGM is in the best interests of the shareholders as a whole and unanimously recommend shareholders to vote in favour of all resolutions, as they intend to do in respect of their own shareholdings.

### **Action to be taken**

If you would like to vote on the resolutions but cannot come to the AGM, please fill in the enclosed Form of Proxy and return it to our registrars, Computershare, as soon as possible. They must receive it by 11.00 a.m. on Tuesday, 11 May 2010. If you prefer, you can submit your proxy electronically either by logging on to the Company's website ([www.inchcape.com](http://www.inchcape.com)) or, if you are a CREST member, through the CREST system by completing and transmitting a CREST proxy instruction as described in the Explanatory Notes on pages 7 and 8 of this Circular and in the Form of Proxy.

Yours faithfully,



**Ken Hanna**

Chairman

## NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of Inchcape plc (the "Company") will be held at J.P. Morgan Cazenove, 20 Moorgate, London EC2R 6DV on Thursday, 13 May 2010 at 11.00 a.m..

You will be asked to consider and, if thought fit, to pass the resolutions below. Resolutions 10 to 13 (inclusive) will be proposed as special resolutions. All other resolutions will be proposed as ordinary resolutions.

### Ordinary Resolutions

1. To receive the financial statements of Company for the financial year ended 31 December 2009 together with the reports of the directors and auditors thereon.
2. To approve the board report on remuneration set out on pages 68 to 74 of the Company's annual report and accounts for the financial year ended 31 December 2009.
3. To elect Alison Cooper, who has been appointed as a director of the Company since the last Annual General Meeting of the Company, as a director of the Company.
4. To elect John McConnell, who has been appointed as a director of the Company since the last Annual General Meeting of the Company, as a director of the Company.
5. To elect Nigel Northridge, who has been appointed as a director of the Company since the last Annual General Meeting of the Company, as a director of the Company.
6. To re-appoint PricewaterhouseCoopers LLP as auditors of the Company to hold office until the conclusion of the next general meeting at which accounts are laid before the Company.
7. To authorise the directors of the Company to determine the auditors' remuneration.
8. That, subject to and conditional upon the admission of the New Ordinary Shares (as defined below) to the Official List of the United Kingdom Listing Authority and to trading on the London Stock Exchange's main market for listed securities becoming effective, each of the ordinary shares of one penny each in the capital of the Company (the "Existing Ordinary Shares") which at 5.00 p.m. on 14 May 2010 are shown in the books of the Company to be in issue or held in treasury shall be consolidated into ordinary shares of ten pence each in the capital of the Company (the "New Ordinary Shares") on the basis of ten Existing Ordinary Shares being consolidated into one New Ordinary Share, each New Ordinary Share having the same rights as the Existing Ordinary Shares, provided that:
  - (A) where such consolidation results in any member being entitled to a fraction of a New Ordinary Share, such fraction shall, so far as possible, be aggregated with the fractions of a New Ordinary Share to which other members of the Company may be entitled; and
  - (B) the directors of the Company be and are hereby authorised to sell (or appoint any other person to sell to any person), on behalf of the relevant members, all the New Ordinary Shares representing such fractions at the best price reasonably obtainable to any person, and to distribute the proceeds of sale (net of expenses) in due proportion among the relevant members entitled thereto (save that any fraction of a penny which would otherwise be payable shall be rounded up or down in accordance with the usual practice of the registrar of the Company, and save that the Company may retain the net proceeds of sale of such New Ordinary Shares representing such fractions where the individual amount of net proceeds to which any member is entitled is less than five pounds (£5.00)); and
  - (C) any director of the Company (or any person appointed by the directors of the Company) shall be and is hereby authorised to execute an instrument of transfer in respect of such New Ordinary Shares on behalf of the relevant members and to do all acts and things the directors consider necessary or expedient to effect the transfer of such shares to, or in accordance with the directions of, any buyer of any such shares.

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9. To authorise the Board generally and unconditionally in substitution for all subsisting authorities to allot shares in the Company and to grant rights to subscribe for or convert any security into shares in the Company:
- (A) up to a nominal amount of £15,346,731 (such amount to be reduced by the nominal amount allotted or granted under paragraph (B) below in excess of such sum); and
  - (B) comprising equity securities (as defined in section 560(1) of the Companies Act 2006) up to a nominal amount of £30,693,462 (such amount to be reduced by any allotments or grants made under paragraph (A) above) 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 required by the rights of those securities or as the Board otherwise considers necessary,

and so that the Board may impose any limits or restrictions and make any arrangements which it considers 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 next year's Annual General Meeting (or, if earlier, until the close of business on 13 August 2011) but, in each case, during this period the Company may make offers and enter into agreements which would, or might, require shares to be allotted or rights to subscribe for or convert securities into shares to be granted after the authority ends and the Board may allot shares or grant rights to subscribe for or convert securities into shares under any such offer or agreement as if the authority had not ended.

### **Special Resolutions**

10. To empower the Board, subject to the passing of resolution 9, to allot equity securities (as defined in the Companies Act 2006) for cash under the authority given by that resolution and/or to sell ordinary shares held by the Company as treasury shares for cash as if section 561 of the Companies Act 2006 did not apply to any such allotment or sale, such power to be limited:
- (A) to the allotment of equity securities and sale of treasury shares for cash in connection with an offer of, or invitation to apply for, equity securities (but in the case of the authority granted under paragraph (B) of resolution 9, 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 required by the rights of those securities or, as the Board otherwise considers necessary,

and so that the Board may impose any limits or restrictions and make any arrangements which it considers 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) in the case of the authority granted under paragraph (A) of resolution 9 and/or in the case of any sale of treasury shares for cash, to the allotment (otherwise than under paragraph (A) above) of equity securities or sale of treasury shares up to a nominal amount of £2,315,447;

such power to apply until the end of next year's Annual General Meeting (or, if earlier, until the close of business on 13 August 2011) but, in each case, during this period the Company may make offers, and enter into agreements, which would, or might, require equity securities to be allotted (and treasury shares to be sold) after the power ends and the Board may allot equity securities (and sell treasury shares) under any such offer or agreement as if the power had not ended.

11. To authorise the Company for the purposes of section 701 of the Companies Act 2006 to make one or more market purchases (as defined in section 693(4) of the Companies Act 2006) of the ordinary shares in the Company ("Ordinary Shares"), such power to be limited:
- (A) to a maximum number of (i) 460,401,932 Ordinary Shares of one penny each; or (ii) (if resolution 8 is passed) 46,040,193 Ordinary Shares of ten pence each, as applicable;
  - (B) by the condition that the minimum price which may be paid for an Ordinary Share is the nominal amount of that share and the maximum price which may be paid for an Ordinary Share is the highest of:
    - (i) an amount equal to 5 per cent. above the average market value of an Ordinary Share for the five business days immediately preceding the day on which that Ordinary Share is contracted to be purchased; and
    - (ii) the higher of the price of the last independent trade and the highest current independent bid on the trading venues where the purchase is carried out, in each case, exclusive of expenses;

such power to apply until the end of next year's Annual General Meeting (or, if earlier, until the close of business on 13 August 2011) but in each case so that the Company may enter into a contract to purchase Ordinary Shares which will or may be completed or executed wholly or partly after the power ends and the Company may purchase Ordinary Shares pursuant to any such contract as if the power had not ended.

12. To approve that:

- (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 produced to the meeting and initialled by the Chairman of the meeting for the purpose of identification be adopted as the Articles of Association of the Company in substitution for, and to the exclusion of, the existing Articles of Association.

13. To approve that a General Meeting other than an Annual General Meeting may be called on not less than 14 clear days' notice.

By order of the Board



**Claire Chapman**

General Counsel and Group Company Secretary

Date: 9 April 2010

Registered Office:

22a St James's Square

London

SW1Y 5LP

(Registered in England and Wales under number 609782)



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## EXPLANATORY NOTES TO THE NOTICE OF ANNUAL GENERAL MEETING

1. Members are entitled to appoint a proxy to exercise all or any of their rights to attend and to speak and vote on their behalf at the meeting. A shareholder may appoint more than one proxy in relation to the Annual General Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder. A proxy need not be a shareholder of the Company. A proxy form which may be used to make such appointment and give proxy instructions accompanies this notice. If you do not have a proxy form and believe that you should have one, or if you require additional forms, please contact Mr Murray Bishop, Computershare Investor Services PLC, on 0870 703 0028.
2. To be valid any proxy form or other instrument appointing a proxy must be received:
  - (i) by post or (during normal business hours only) by hand at Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY; or
  - (ii) electronically by logging on to the Company's website ([www.inchcape.com](http://www.inchcape.com)); in each case no later than 11.00 a.m. on 11 May 2010.
3. The return of a completed proxy form, other such instrument or any CREST Proxy Instruction (as described in paragraph 9) will not prevent a shareholder attending the Annual General Meeting and voting in person if he/she wishes to do so.
4. Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a "**Nominated Person**") may, under an agreement between him/her and the shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the Annual General 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 to the shareholder as to the exercise of voting rights. Such persons should direct any communications and enquiries to the registered holder of the shares by whom they were nominated and not to the Company or its registrar.
5. The statement of the rights of shareholders in relation to the appointment of proxies in paragraphs 1 and 2 above does not apply to Nominated Persons. The rights described in these paragraphs can only be exercised by shareholders of the Company.
6. To be entitled to attend and vote at the Annual General Meeting (and for the purpose of the determination by the Company of the votes they may cast), Shareholders must be registered in the Register of Members of the Company at 5:00 p.m. on 11 May 2010 (or, in the event of any adjournment, on the date which is two days before the time of the adjourned meeting). Shareholders then on the Register of Members shall be entitled to attend and vote at the Annual General Meeting in respect of the number of shares registered in their name at that time. Changes to the Register of Members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting.
7. As at 30 March 2010 (being the last practicable date prior to the publication of this Notice) the Company's issued share capital consists of 4,630,894,934 ordinary shares, carrying one vote each, of which 26,875,606 were held in treasury. Therefore, the total voting rights in the Company as at 30 March 2010 are 4,604,019,328.
8. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

9. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications, and must contain the information required for such instruction, as described in the CREST Manual (available via [www.euroclear.com/CREST](http://www.euroclear.com/CREST)). The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID 3RA50) by 11:00 a.m. on 11 May 2010. 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 issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.
10. CREST members and, where applicable, their CREST sponsors, or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular message. 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, to procure that 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 system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
11. 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.
12. 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.
13. 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.
14. 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.
15. A copy of this Notice, and other information required by section 311A of the Companies Act 2006, can be found at [www.inchcape.com](http://www.inchcape.com).
16. The Company will continue its practice of calling a poll on all resolutions at the meeting. The voting results, which will include all votes cast for and against each resolution at the meeting, and all proxies lodged prior to the meeting which will include votes cast for and against each resolution, will be announced at the meeting and published on the Company's website as soon as practicable after the meeting. The Company will also disclose the number of votes withheld at the meeting and on its website. This practice provides shareholders present with sufficient information regarding the level of support and opposition to each resolution, and ensures all votes cast either at the meeting or through proxies are included in the result.



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## EXPLANATORY NOTES TO THE RESOLUTIONS

The notes on the following pages give an explanation of the proposed resolutions.

Resolutions 1 to 9 are proposed as ordinary resolutions. This means that for each of those resolutions to be passed, more than half of the votes cast must be in favour of the resolution. Resolutions 10 to 13 are proposed as special resolutions. This means that for each of those resolutions to be passed, at least three-quarters of the votes cast must be in favour of the resolution.

### Ordinary Resolutions

#### Resolution 1: Accounts

English company law requires the directors to lay the annual accounts of the Company for the year ended 31 December 2009, and the reports of the directors and auditors, before a general meeting of the Company.

#### Resolution 2: Board Report on Remuneration

In accordance with section 439 of the Companies Act 2006, the directors are required to present the Board Report on Remuneration for approval to a general meeting of shareholders. The report is on pages 68 to 74 of the Company's annual report and accounts for the financial year ended 31 December 2009.

#### Resolutions 3 to 5: Election of directors

Under the Company's Articles of Association and the provisions of the Combined Code on Corporate Governance, all directors of the Company must retire as directors every three years, and, in addition, the Company's Articles of Association provide that any director appointed since the previous Annual General Meeting shall stand for election by the members at the next annual general meeting. Accordingly, Alison Cooper, Nigel Northridge and John McConnell will seek election by the members, as unanimously recommended by the Board. Brief biographical details of all directors standing for election are set out on pages 52 to 53 of the Company's annual report and accounts for the financial year ended 31 December 2009.

#### Resolutions 6 and 7: Re-appointment of auditors

In accordance with English company law, the Company is required to appoint auditors at each general meeting at which accounts are laid before the shareholders. The directors of the Company recommend retaining PricewaterhouseCoopers LLP as the Company's auditors and seek authority for the directors to determine the remuneration of the auditors.

#### Resolution 8: Share consolidation

Prior to our Rights Issue in 2009, the ordinary shares of 25 pence each in the Company were divided into one ordinary share of one penny and one deferred share of 24 pence each, and all new ordinary shares issued as part of the Rights Issue were ordinary shares of one penny each. As a result, the Company currently has a very large number of issued ordinary shares with a one penny nominal value.

The directors are therefore proposing to consolidate the Company's existing share capital on the basis described below (the "Share Consolidation") with the intention that, following such consolidation, the number of shares in issue and the likely share price will be more appropriate for a company of Inchcape's size in the UK market.

The effect of the Share Consolidation will be that shareholders on the Company's register of members at 5.00 p.m. on 14 May 2010 (the "Share Consolidation Record Date"), will, on the implementation of the Share Consolidation, hold:

**one New Ordinary Share of 10 pence each  
for every 10 Existing Ordinary Shares of 1 penny each**

and in that proportion for any other number of Existing Ordinary Shares then held.

If a shareholding is not exactly divisible by 10, the Share Consolidation will generate an entitlement to a fraction of a New Ordinary Share. Any fractional entitlements arising on the Share Consolidation will be sold in the market for the best price reasonably obtainable on behalf of the shareholders entitled to the fractions. In the unlikely event that the net proceeds of sale are five pounds (£5.00) or more per any entitled shareholder, then such proceeds of sale will be paid to the relevant shareholder. If such net proceeds amount to less than five pounds (£5.00) for any entitled shareholder, they will be retained by the Company and will be donated to charity in accordance with the Company's Articles of Association. The value of any shareholder's fractional entitlement will not exceed the value of one New Ordinary Share.

Each shareholder's proportionate interest in the Company's issued ordinary share capital will remain unchanged as a result of the Share Consolidation, except as affected by fractional entitlements. However, if you hold fewer than 10 Existing Ordinary Shares at the Share Consolidation Record Date, you will not receive any New Ordinary Shares.

Aside from the change in nominal value, each New Ordinary Share will have the same rights (including voting and dividend rights and rights on a return of capital) and will be subject to the same restrictions as each Existing Ordinary Share prior to the Share Consolidation, and as are set out in the Company's Articles of Association. The Share Consolidation will not affect the Company's net assets, nor the net assets of the Company's group.

Requests will be made to the UKLA and to the London Stock Exchange to reflect, on the Official List and the London Stock Exchange's main market for listed securities respectively, the Share Consolidation. It is expected that the New Ordinary Shares will be admitted to the Official List and to trading on the London Stock Exchange at 8.00 a.m. on 17 May 2010.

New share certificates in respect of the New Ordinary Shares are expected to be posted, at the risk of shareholders, by 21 May 2010 to those shareholders who, on the Share Consolidation Record Date, hold their Existing Ordinary Shares in certificated form. These will replace existing certificates which should then be destroyed. Pending the receipt of new certificates, transfers of New Ordinary Shares held in certificated form will be certified against the register of members of the Company.

All Existing Ordinary Shares standing to the credit of CREST accounts are expected to be consolidated into New Ordinary Shares at 8.00 a.m. on 17 May 2010.

Resolution 8 must be passed in order for the Share Consolidation to proceed. This resolution will be proposed as an ordinary resolution.

#### **Resolution 9: Authority to allot**

At last year's Annual General Meeting, shareholders passed a resolution giving the directors authority to allot ordinary shares in the Company. That power will expire at the conclusion of this year's Annual General Meeting. Accordingly, this Notice includes a resolution to renew this authority.

In line with previous annual authorities to allot ordinary shares, paragraph (A) of this resolution would give the directors the authority to allot ordinary shares or grant rights to subscribe for or convert any securities into ordinary shares up to an aggregate nominal amount equal to £15,346,731 (representing 1,534,673,100 Existing Ordinary Shares of one penny each, or – if resolution 8 is passed – 153,467,310 New Ordinary Shares of ten pence each). This amount represents approximately one-third of the issued ordinary share capital (excluding treasury shares) of the Company as at 30 March 2010, the latest practicable date prior to publication of this Notice.

In line with guidance issued by the Association of British Insurers, paragraph (B) of this resolution would give the directors authority to allot ordinary shares or grant rights to subscribe for or convert any securities into ordinary shares in connection with a Rights Issue in favour of ordinary shareholders up to an aggregate nominal amount equal to £30,693,462 (representing 3,069,346,200 Existing Ordinary Shares of one penny each, or – if resolution 8 is passed – 306,934,620 New Ordinary Shares of ten pence each), as reduced by the nominal amount of any shares issued under paragraph (A) of this resolution. This amount (before any reduction) represents approximately two-thirds of the issued ordinary share capital (excluding treasury shares) of the Company as at 30 March 2010, the latest practicable date prior to publication of this Notice.

The authorities sought under paragraphs (A) and (B) of this resolution will expire at the earlier of close of business on 13 August 2011 and the conclusion of the Annual General Meeting of the Company held in 2011.

The directors have no present intention to exercise either of the authorities sought under this resolution. However, if they do exercise the authorities, the directors intend to follow ABI recommendations concerning their use (including as regards directors standing for re-election in certain cases).

As at the date of this Notice, 26,875,606 ordinary shares are held by the Company in treasury.

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## Special Resolutions

### **Resolution 10: Dis-application of pre-emption rights**

This resolution would renew the existing authority of the directors to allot ordinary shares (or sell any ordinary shares which the Company elects to hold in treasury) for cash without first offering them to existing shareholders in proportion to their existing shareholdings.

This authority would be, similar to previous years, limited to allotments or sales in connection with pre-emptive offers and offers to holders of other equity securities if required by the rights of those shares or as the Board otherwise considers necessary, or otherwise up to an aggregate nominal amount of £2,315,447 (representing 231,544,700 Existing Ordinary Shares of one penny each, or – if resolution 8 is passed – 23,154,470 New Ordinary Shares of ten pence each). This aggregate nominal amount represents approximately 5 per cent of the issued ordinary share capital of the Company as at 30 March 2010, the latest practicable date prior to publication of this Notice. In respect of this aggregate nominal amount, the directors confirm their intention to follow the provisions of the Pre-Emption Group's Statement of Principles regarding cumulative usage of authorities within a rolling 3-year period where the Principles provide that usage in excess of 7.5 per cent should not take place without prior consultation with shareholders.

The authority would also enable the directors in the event of a Rights Issue, open offer or other pre-emptive offer to make adjustments to deal with overseas shareholders, fractional entitlements and other legal or practical problems. The authority will expire at the earlier of 13 August 2011 and the conclusion of the Annual General Meeting of the Company held in 2011.

### **Resolution 11: Authority to make market purchases of own shares**

Authority is sought for the Company to purchase up to 10 per cent. of its issued ordinary shares (excluding any treasury shares), renewing the authority granted by the shareholders at previous Annual General Meetings.

The directors have no present intention of exercising the authority to make market purchases, however the authority provides the flexibility to allow them to do so in the future, should it become appropriate in light of prevailing market conditions for the Company to recommence a buy-back programme. The directors will exercise this authority only when to do so would be in the best interests of the Company, and of its shareholders generally, and could be expected to result in an increase in the earnings per shares of the Company.

Ordinary shares purchased by the Company pursuant to this authority may be held in treasury or may be cancelled. The directors will consider holding any ordinary shares the Company may purchase as treasury shares. The Company currently has 26,875,606 ordinary shares in treasury (which will be reduced to 2,687,560 ordinary shares of 10 pence each if resolution 8 is passed). The minimum price, exclusive of expenses, which may be paid for an ordinary share is its nominal value. The maximum price, exclusive of expenses, which may be paid for an ordinary share is the highest of (i) an amount equal to 105 per cent. of the average market value for an ordinary share for the five business days immediately preceding the date of the purchase and (ii) the higher of the price of the last independent trade and the highest current independent bid on the trading venues where the purchase is carried out.

The total number of options to subscribe for ordinary shares in the Company outstanding as at 30 March 2010 was 162,761,716 representing approximately 3.5 per cent. of the issued ordinary share capital of the Company (excluding treasury shares) as at that date and approximately 4 per cent. of the Company's issued ordinary share capital following any exercise in full of this authority to make market purchases.

This authority will last until the conclusion of the Company's Annual General Meeting in 2011 or, if earlier, 13 August 2011.

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**Resolution 12: Adoption of new articles of association**

It is proposed in resolution 12 to adopt new Articles of Association (the "New Articles") in order to update the Company's current Articles of Association (the "Current Articles") primarily to take account of the Shareholders' Rights Regulation and the implementation of the last parts of the Companies Act 2006.

The principal changes introduced in the New Articles are summarised on pages 13 and 14 of this document. Other changes, which are of a minor, technical or clarifying nature and also some more minor changes which merely reflect changes made by the Companies Act 2006 and the Shareholders' Rights Regulations or conform the language of the New Articles with that used in the model articles for public companies produced by the Department for Business, Innovation and Skills have not been noted in this document. The New Articles showing all the changes to the Current Articles are available for inspection, as noted on page 15 of this document.

**Resolution 13: Notice of general meetings**

The Shareholders' Rights Regulations require that all general meetings be held on 21 days' notice unless shareholders agree to a shorter notice period. This resolution seeks to renew the authority granted by shareholders at the Company's Annual General Meeting in 2009 which preserved the Company's ability to call general meetings (other than annual general meetings) on 14 days' notice. This authority will be effective until the Company's next Annual General Meeting, when it is intended that a similar resolution will be proposed.

The Company confirms that it will give as much notice as is practicable when calling a general meeting. The 14 day notice period will not be used as a matter of routine, but only in circumstances where it would clearly be to the advantage of shareholders as a whole, the business of the meeting is time-sensitive or flexibility is merited by the nature of the business of the meeting.

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

### 1. The Company's objects

The provisions regulating the operations of the Company are currently set out in the Company's memorandum and Articles of Association. The Company's memorandum 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. The Companies Act 2006 provides that a memorandum will record only the names of 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, 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 which, by virtue of the Companies Act 2006, are treated as forming part of the Company's Articles of Association as of 1 October 2009. Resolution 12(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 also contain an express statement regarding the limited liability of shareholders.

### 2. Articles which duplicate statutory provisions

Provisions in the Current Articles which replicate provisions contained in the Companies Act 2006 are in the main to be removed in the New Articles. This is in line with the approach advocated by the Government that statutory provisions should not be duplicated in a company's constitution.

### 3. 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 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.

### 4. Redeemable shares

Under the Companies Act 1985, if a company wished to issue redeemable shares, it had to include in its articles 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 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.

### 5. 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 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.

## **6. Use of seals**

Under the Companies Act 1985, a company required authority in its articles 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.

The New Articles provide an alternative option for execution of documents (other than share certificates). Under the New Articles, when the seal is affixed to a document it may be signed by one director in the presence of a witness, whereas previously the requirement was for signature by either a director and the secretary or two directors or such other person or persons as the directors may approve.

## **7. Vacation of office by directors**

The Current Articles specify the circumstances in which a director must vacate office. The New Articles update these provisions to treat physical illness in the same manner as mental illness.

## **8. Voting by proxies on a show of hands**

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 New Articles remove provisions in the Current Articles dealing with proxy voting on the basis that these are dealt with in the Companies Act 2006 and contain a provision clarifying how the provision of the Companies Act 2006 giving a proxy a second vote on a show of hands should apply to discretionary authorities.

## **9. Notice of general meetings**

The Shareholders' Rights Regulations amend the Companies Act 2006 to require a 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 days has been passed. Annual general meetings must be held on 21 'clear days' notice. The New Articles amend the provisions of the Current Articles to be consistent with the new requirements.

## **10. 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 have been changed to reflect this requirement.

## **11. 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 New Articles remove provisions in the Current Articles dealing with the voting record date on the basis that this is dealt with in the Companies Act 2006.

## **12. 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 with that used in the model articles for public companies produced by the Department for Business, Innovation and Skills.



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### **Inspection of documents**

The following documents will be available for inspection at 22a St. James's Square, London, SW1Y 5LP, the registered office of the Company, Monday to Friday (except for public holidays) from the date of this Circular until the time of the AGM and at J.P. Morgan Cazenove, 20 Moorgate, London EC2R 6DA from 15 minutes before the AGM until it ends:

- copies of the Executive Directors' service contracts;
- copies of letters of appointment of the Non-Executive Directors; and
- a copy of the proposed new Articles of Association of the Company, and a copy of the existing memorandum and Articles of Association marked to show the changes being proposed in resolution 12.

