



30 April 2007

Dear Shareholder

### **2007 Annual General Meeting**

The notice convening the Annual General Meeting of Venture Production plc to be held at 2.00 p.m. on Wednesday 6 June 2007 at The Copthorne Hotel, Huntly Street, Aberdeen AB10 1SU is set out on pages 3 to 8.

There are a number of items of business to which I would like to draw your attention. Full details of these and all other resolutions to be proposed are set out in the Explanatory Notes to the resolutions on pages 9 to 11.

### **Re-election of Directors**

The Company's Articles of Association require that one third of the Directors must submit themselves for re-election each year by rotation. Additionally, newly appointed Directors must submit themselves for election at the Annual General Meeting following their appointment. Recent appointments and resignations have disrupted the 'one third' schedule and the Board has now decided that it is appropriate for all Directors to submit themselves for re-election at each Annual General Meeting. This is consistent with the annual review process for individual Board members.

### **Amendments to the Articles of Association**

As it is several years since the Articles of Association were last amended, the opportunity has been taken to carry out a review. There have been a number of recent changes in law and practice, including the passing of the Companies Act 2006, which have led to the Board recommending approval for a number of changes. All of the proposed changes to the Articles of Association are detailed in the text of the resolution (Resolution 18). Some are minor or drafting amendments, but all of the material proposed changes from the Company's existing Articles are explained on pages 10 and 11.

### **Entitlement to attend and vote**

To have the right to attend and vote at the meeting (and also for the purposes of calculating how many votes a person may cast) a person must have their name entered on the register of members no later than 6.00 p.m. on 4 June 2007. Changes to entries on the register after this time will be disregarded in determining the rights of any person to attend or vote at the meeting.

### **Appointment of proxies**

A shareholder entitled to attend and to vote at the meeting is entitled to appoint one or more proxies to attend the meeting and any adjournment thereof and on a poll, vote instead of him/her. You are asked to note that proxies will not be permitted to speak at the meeting. A proxy need not be a shareholder of Venture Production plc. A form of proxy and the original or fully certified copy of the power of attorney or other authority (if any) under which it is signed or authenticated, should be deposited at the registrars, Lloyds TSB Registrars, The Causeway, Worthing, West Sussex BN99 6ZR not less than 48 hours before the time for holding the meeting.

Completing and returning a form of proxy will not prevent you from attending the meeting and voting should you so wish.

## Documents available for inspection

Copies of the Directors' service contracts with the Company, the terms of appointment of Non-Executive Directors and copies of the proposed revised Articles of Association, are available for inspection by shareholders during business hours at the registered office of the Company and at the offices of Hammonds at 7 Devonshire Square, Cutlers Gardens, London, EC2M 4YH. These documents are available during normal business hours on any weekday (public holidays excepted) from the date of this notice until the date of the Annual General Meeting and will also be available for inspection at The Copthorne Hotel from 1.45 p.m. on the day of the Annual General Meeting until the conclusion of the meeting.

## Recommendation

Your Directors consider that all the resolutions set out in the Notice of Annual General Meeting 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 their own beneficial holding of shares in the Company.

Yours sincerely



John Morgan  
Chairman

## Notes:

1. Pursuant to regulation 41 of the Uncertified Securities Regulations 2001, the Company specifies that only those shareholders registered in the register of members as at 6.00 pm on 4 June 2007 shall be entitled to attend or vote at the Annual General Meeting in respect of the number of shares registered in their name at that time. Changes to entries on the relevant register of members after that date will be disregarded in determining the rights of the person to attend or vote at the meeting.
2. **Electronic proxy appointment through CREST**  
CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the Annual General Meeting to be held on 6 June 2007 and any adjournment(s) thereof 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 voting 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.

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 CRESTCo's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or 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 7RA01) by the latest time(s) for receipt of proxy appointments specified in the notice of meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications 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.

CREST members and, where applicable, their CREST sponsors or voting service providers should note that CRESTCo 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 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 service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

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.

3. **Electronic Proxy Appointment**  
In accordance with good governance practice the Company is offering shareholders use of an online voting service, "sharevote", offered by the Company's registrar, Lloyds TSB Registrars at [www.sharevote.co.uk](http://www.sharevote.co.uk). Shareholders can use this service to vote or appoint a proxy online. The same voting deadline of 2.00 p.m. on 4 June 2007 applies as if you were using your Personalised Voting Form to vote or appoint a proxy by post to vote for you. You will need to use the unique personal identification details (Reference Number, Card ID and Account Number) that are printed on your Form of Proxy.

# NOTICE OF ANNUAL GENERAL MEETING

## Venture Production plc

(Registered Number SC169182)

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at The Copthorne Hotel, Huntly Street, Aberdeen at 2:00 p.m. on Wednesday 6 June 2007 to consider and, if thought fit, pass the following resolutions of which resolutions 1 to 15 will be proposed as ordinary resolutions and resolutions 16 to 18 as special resolutions.

### Ordinary Business

1. To receive and adopt the Directors' Report, the Auditor's Report and the Company's Accounts for the year ended 31 December 2006.
2. To approve the Directors' Remuneration Report for the year ended 31 December 2006.
3. To declare a final dividend of 50.0 pence per share for the period ended 31 December 2006.
4. To re-elect Thomas Blades as a Director of the Company.
5. To re-elect Marie-Louise Clayton as a Director of the Company.
6. To re-elect Thomas Ehret as a Director of the Company.
7. To re-elect Alan Jones as a Director of the Company.
8. To re-elect Larry Kinch as a Director of the Company.
9. To re-elect John Morgan as a Director of the Company.
10. To re-elect Jon Murphy as a Director of the Company.
11. To re-elect Mark Nicholls as a Director of the Company.
12. To re-elect Mike Wagstaff as a Director of the Company.
13. To re-appoint PricewaterhouseCoopers LLP as Auditor in accordance with section 384 of the Companies Act 1985 to hold office until the conclusion of the annual general meeting of the Company in 2008 and to authorise the Directors to determine their remuneration.

### Special Business

14. That the Directors be and they are hereby authorised to exercise the powers of the Company to make Donations to EU Political Organisations or to incur EU Political Expenditure not exceeding £100,000 in aggregate, provided that this authority shall expire on the conclusion of the annual general meeting of the Company in 2008 or on 5 September 2008, whichever is the earlier. For the purposes of this resolution the terms "Donations", "EU Political Organisations" and "EU Political Expenditures" have the meanings set out in section 347A of the Companies Act 1985.
15. That the Directors be and they are generally and unconditionally authorised to exercise all powers of the Company to allot relevant securities (within the meaning of section 80 of the Companies Act 1985) up to an aggregate nominal amount of £126,014, provided that this authority shall expire on the conclusion of the annual general meeting of the Company in 2008 or on 5 September 2008, whichever is the earlier, save that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of such an offer or agreement as if the authority conferred by this resolution had not expired; and all previous such authorities shall cease to have effect.

16. That the Directors be and they are hereby empowered to allot equity securities (within the meaning of section 94(2) of the Companies Act 1985) pursuant to the authority conferred by resolution 15 set out in the notice of meeting of which this resolution forms part, as if section 89(1) of that Act did not apply to such allotment, provided that this power shall expire on the conclusion of the annual general meeting of the Company in 2008 or on 5 September 2008, whichever is the earlier, and shall be limited to:

- (a) the allotment of equity securities in connection with any rights issue or other issue or offer by way of rights (including without limitation, under an open offer or similar arrangement) to holders of equity securities (as so defined), in proportion to their respective entitlements to such equity securities, subject to such exclusions or arrangements as the Directors shall deem necessary or expedient in relation to fractional entitlements or legal problems under the laws of any territory or the requirements of any relevant regulatory body or any stock exchange in any territory; and
- (b) the allotment of equity securities for cash (otherwise than pursuant to paragraph (a) above) up to an aggregate nominal amount of £26,699;

save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such an offer or agreement as if the authority conferred by this resolution had not expired; and all previous such authorities shall cease to have effect.

17. That the Company be and is hereby generally and unconditionally authorised for the purposes of section 166 of the Companies Act 1985 to make one or more market purchases (within the meaning of section 163(3) of that Act) on the London Stock Exchange of ordinary shares of 0.4 pence each in the capital of the Company provided that:

- (a) the maximum aggregate number of ordinary shares hereby authorised to be purchased is 13,349,629 (representing approximately 10 per cent of the Company's issued ordinary share capital);
- (b) the minimum price which may be paid for such shares is 0.4 pence per share;
- (c) the maximum price which may be paid for an ordinary share shall not be more than 5 per cent above the average of the middle market quotations for an ordinary share as derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the date on which the ordinary share is purchased;
- (d) unless previously renewed, varied or revoked, the authority hereby conferred shall expire on the conclusion of the Company's annual general meeting in 2008, or on 5 September 2008, whichever is the earlier; and
- (e) the Company may make a contract or contracts to purchase ordinary shares under the authority hereby conferred prior to the expiry of such authority that will or may be executed wholly or partly after the expiry of such authority and may make a purchase of ordinary shares in pursuance of any such contract or contracts.

18. That the Articles of Association of the Company be and they are hereby amended as follows:

- (A) By the insertion of the words "(save where specific reference is made to the 2006 Act)" at the end of the definition of "Act" in Article 1 (A);
- (B) By the deletion of the words "1995 (SI 1995 No. 95/3272)" and the insertion in their place of the words "2001 (SI 2001/3755)", and the deletion of the words "or any regulations in substitution thereof made under Section 207 of the Companies Act 1989 for the time being in force", in the definition of "the Regulations" in Article 1(A);
- (C) By the insertion of the words ", the 2006 Act" after the word "Act" where it first appears in the definition of "Statutes" in Article 1(A);
- (D) By the insertion of the new definition "the 2006 Act" defined in the adjacent sub-paragraph with the words "the Companies Act 2006 including any secondary legislation made pursuant thereto and including any statutory modification or re-enactment thereof for the time being in force;" following the definition of "London Stock Exchange" in Article 1 (A);
- (E) By the insertion of the words "including communications in an electronic form for the purposes of Part 37 of the 2006 Act;" at the end of the definition of "writing" in Article 1(A);
- (F) By the deletion of the words "section 212 of the Act" and the insertion in their place of the words "section 793 of the 2006 Act" in Article 58;
- (G) By the insertion of the words ", the Directors' remuneration report" following the words "(iii) the reports of the Directors and the Auditors" in Article 79 (iii);

- (H) By the insertion of the words “, where the conduct of persons present prevents or is likely to prevent the orderly continuation of business, or where an adjournment is otherwise necessary so that the business of the meeting may be properly conducted.” following the words “speak and vote on the matters before the meeting” in Article 82 (A);
- (I) By the insertion of the word “2006” before the word “Act” where it first appears in Article 93(B);
- (J) By the substitution of the word “793” to replace the word “212” each time it appears in the first paragraph of Article 93(B), Article 93(B)(i), Article 93(D)(i), Article 93 (E), Article 93 (F), Article 93(G)(i) where first mentioned, Article 93(G)(ii), Article 93(G)(v) and Article 93(H);
- (K) By the deletion of the word “212(5)” and the insertion in its place of the word “820” in Article 93(G)(i);
- (L) By the insertion of the word “2006” before the word “Act” where it appears last in Article 93(G)(i);
- (M) By the deletion of the word “428” and the insertion in its place of the word “974” in Article 93(G)(iii)(b);
- (N) By the addition of the word “2006” before the word “Act” in Article 93(G)(iii)(b);
- (O) By the deletion of the word “216” and insertion in its place of the word “794” where it first appears in Article 93(H);
- (P) By the insertion of the word “2006” before the word “Act” each time it appears in Article 93(H);
- (Q) By the deletion of the word “216” the second time it appears and insertion in its place of the words “794 or elsewhere under Part 22” in Article 93(H);
- (R) By the insertion of the following new sub-paragraph following the sub-paragraph (a) in Article 96(i):
  - “(b) in the case of an appointment contained in an electronic communication, where an address has been specified for the purposes of receiving electronic communications:
    - a. in the notice convening the meeting; or
    - b. in any instrument of proxy sent out by the Company in relation to the meeting; or
    - c. in any invitation contained in an electronic communication to appoint a proxy issued by the Company in relation to the meeting, be received at such address not less than 48 hours before the time for holding the meeting or adjourned meeting at which the person named in the appointment proposes to vote;”;
- (S) By the insertion of the words “, or to withhold their vote in respect of,” following the words “the proxy to vote either for or against” in Article 96(ii);
- (T) By the deletion in its entirety of Article 101;
- (U) By the conversion of sub-paragraph (C) of the existing Article 104 into a separate Article in its own right as the new Article 104;
- (V) By the deletion of the figure “£150,000” and the insertion in its place of the figure “£500,000” in Article 104;
- (W) By the deletion of the words “sections 198-211” and the insertion in their place of the words “section 820” in Article 108(iv);
- (X) By the insertion of the word “2006” before the word “Act” in Article 108(iv);
- (Y) By the deletion of the figure “£100,000,000” and the insertion in its place of the figure “£500,000,000” in Article 118(B);
- (Z) By the deletion in its entirety of Article 123;

- (AA) By the conversion of the final sentence of Article 122 into an Article in its own right being Article 123;
- (BB) By the deletion in its entirety of sub-paragraph (vii) of Article 165(B);
- (CC) By the deletion of the word “and” at the end of sub-paragraph (ix) in Article 165(B);
- (DD) By the insertion of the word “and” at the end of sub-paragraph (x) of Article 165(B);
- (EE) By the deletion of the words “paragraph (B)” and insertion in their place of the words “paragraphs (B) and (C)” in Article 170(A);
- (FF) By the insertion of the following new paragraphs (C), (D) and (E) below following paragraph (B) of Article 170:

“(C) References in this Article to sending to any persons printed copies include references to using electronic communications for sending those copies to such address as may for the time being be notified to the Company by that person for that purpose. For the purposes of this Article, copies of those documents are also to be treated as sent to a person where;

- (a) the Company and that person has agreed to that person having access to the documents on a web site (instead of their being sent to such person);
- (b) the documents are documents to which that agreement applies; and
- (c) that person is notified, in a manner for the time being agreed for the purpose between such person and the Company, of
  - (i) the publication of the documents on a web site;
  - (ii) the address of that web site; and
  - (iii) the place on that web site where the documents may be accessed, and how they may be accessed.

In this Article, “address” includes any number or address used for the purpose of electronic communications.

- (D) For the purposes of this Article, documents treated in accordance with Article 170(C) as sent to any person are to be treated as sent to such person not less than 21 days before the date of a meeting if, and only if:
  - (a) the documents are published on the web site throughout a period beginning at least 21 days before the date of the meeting and ending with the conclusion of the meeting; and
  - (b) the notification given for the purposes of Article 170(C)(c) is given not less than 21 days before the date of the meeting.
- (E) Nothing in Article 170(D) shall invalidate the proceedings of a meeting where:
  - (a) any documents that are required to be published as mentioned in Article 170(C)(a) are published for a part, but not all, of the period mentioned in that paragraph; and
  - (b) the failure to publish those documents throughout that period is wholly attributable to circumstances which it would not be reasonable to have expected the Company to prevent or avoid.”;
- (GG) By the deletion of the word “Any” and in its place the insertion of the words “Subject to Articles 178(B), (C), (D) and (E), any” in Article 178;
- (HH) By the conversion of Article 178 into paragraph (A) of Article 178;

- (II) By the insertion of the following paragraphs (B), (C), (D) and (E) in Article 178:
- “(B) For the purposes of this Article 178, the cases in which notice of a meeting is to be taken as given to a member include any case in which a notice convening a meeting is sent using electronic communications to such address as may for the time being be notified by that member to the Company for that purpose. For the purposes of this Article 178 a notice in writing of a meeting is also to be treated as given to a member where:
- (a) the Company and that member have agreed that notices of a meeting required to be given to that member may instead be accessed by that member on a web site;
  - (b) the meeting is a meeting to which that agreement applies;
  - (c) that member is notified, in a manner for the time being agreed between that Member and the Company for the purpose, of:
    - (i) the publication of that notice on a web site;
    - (ii) the address of that web site; and
    - (iii) the place on that web site where the notice may be accessed, and how it may be accessed; and
  - (d) the notice continues to be published on that web site throughout the period beginning with the giving of that notification and ending with the conclusion of the meeting, and for the purposes of this Article, a notice treated in accordance with this Article as given to any member is to be treated as so given at the time of the notification mentioned in Article 178(B)(c).
- (C) A notification given for the purposes of Article 178(B)(c) must:
- (a) state that it concerns a notice of a Company meeting served in accordance with the Act;
  - (b) specify the place, date and time of the meeting; and
  - (c) state whether the meeting is to be an annual or extraordinary general meeting.
- (D) Nothing in Article 178(B)(d) shall invalidate the proceedings of a meeting where:
- (a) any notice that is required to be published as mentioned in Article 178(B)(d) is published for a part, but not all, of the period mentioned in that Article; and
  - (b) the failure to publish that notice throughout that period is wholly attributable to circumstances which it would not be reasonable to have expected the Company to prevent or avoid.
- (E) In Article 178(B), “address” includes any number or address used for the purposes of electronic communications.”;
- (JJ) By the insertion of the words “AND INSURANCE” following the word INDEMNITY in the heading preceding Article 184;

(KK) By the deletion of Article 184 in its entirety and the insertion of a new Article 184 as follows:

“184 (A) Subject to, and so far as may be consistent with, the Statutes the Company:

- (i) may purchase and maintain insurance against any liability for any Director of the Company or associated company in connection with any negligence, default, breach of duty or breach of trust by such Director;
  - (ii) may provide any Director of the Company with funds to meet expenditure incurred or to be incurred by him in defending any criminal or civil proceedings or in connection with any application under sections 144(3) and (4) of the Act (acquisition of shares by innocent nominee) or section 727 of the Act (general power to grant relief in case of honest and reasonable conduct); or may do anything to enable a Director of the Company to avoid incurring such expenditure; provided that the funds are loaned or other thing done on terms that the loan will fall to be repaid, or any liability of the Company under any transaction connected with the thing in question will fall to be discharged, not later than:
    - (a) in the event of the Director being convicted in the proceedings, the date when the conviction becomes final; or
    - (b) in the event of judgment being given against the Director in the proceedings, the date when the judgment becomes final; or
    - (c) in the event of the court refusing to grant the Director relief on the application, the date when the refusal of relief becomes final; and
  - (iii) subject to Article 184(A)(ii) above, may indemnify directly or indirectly a Director of the Company or an associated company in connection with any negligence, default, breach of duty or breach of trust by such Director.
184. (B) For the purposes of Article 184(A) ‘associated company’ has the meaning attributed to it by section 309A(6) of the Act.”.

Dated 30 April 2007

By Order of the Board

Simon Waite  
Company Secretary

Registered office: 34 Albyn Place, Aberdeen, AB10 1FW

# EXPLANATORY NOTES ABOUT THE RESOLUTIONS TO BE PROPOSED AT THE MEETING

## Resolution 1

### **Directors' Report and Accounts for the Year**

The Directors will present to shareholders at the Annual General Meeting the Directors' Report and Accounts for the year ended 31 December 2006 together with their report and the independent Auditor's report on those accounts.

## Resolution 2

### **Directors' Remuneration Report**

The Directors are required to seek the separate approval of the shareholders for the Directors' Remuneration Report which is contained within the Company's Report and Accounts. The Remuneration Committee, which assisted the Directors in the preparation of the Report, has unanimously approved the Directors' Remuneration Report and the Directors have also unanimously approved the Report.

## Resolution 3

### **Declaring a Final dividend**

The Board is recommending a final dividend of 50.0 pence per share, comprised of a special dividend of 40.0 pence per share and an ordinary dividend of 10.0 pence for the year ended 31 December 2006. If shareholders approve the recommended dividend, it will be paid on 24 July 2007 to shareholders on the register at the close of business on 6 July 2007.

## Resolutions 4 to 12

### **Re-Election of Directors**

As stated in the Chairman's covering letter the Board has agreed that it is appropriate for all Directors to submit themselves for re-election at each annual general meeting.

Biographical details of each of the Directors are contained on pages 46 and 47 of the Company's Annual Report and Accounts for the year ended 31 December 2006.

During the year each Director has been the subject of a performance review and following this process it was agreed that they should each be nominated for re-election to the Board as they continue to provide an effective performance and a strong commitment to the role.

## Resolution 13

### **Re-appointment of the Auditor**

The Directors are proposing the re-appointment of PricewaterhouseCoopers LLP as auditor to the Company. It is normal practice for a Company's Directors to be authorised to fix the Auditor's remuneration and shareholders' approval to do so is also sought in this resolution.

## Resolution 14

### **Political Donations**

Neither the Company nor any of its subsidiaries have made any donations to political parties in the European Union ("EU") in 2006 and it is the Company's current policy not to do so. However, the Political Parties, Elections and Referendums Act 2000 ("Act") defines EU political organisations very widely and, as a result, in certain circumstances donations intended for charitable or similar purposes may now be regarded as political in nature.

In order to comply with these obligations and to avoid any inadvertent infringement of the Act, the Directors of the Company consider it prudent to seek shareholders' approval for a general level of donation. Resolution 14 seeks authority for the Company to make donations to EU political organisations or to incur EU political expenditure not exceeding £100,000 in total during the period from 6 June 2007, the date of the Annual General Meeting, until the conclusion of the annual general meeting held in 2008, or, if earlier, 15 months after the date of the passing of this resolution.

## Resolution 15

### **Authority to Allot Shares**

This resolution is to renew the general authority to allot shares given to the Board at the 2006 Annual General Meeting. The resolution will give the Board the authority to allot up to 31,503,500 ordinary shares of 0.4 pence each which represents 23.6 per cent of the Company's issued ordinary share capital as at the date of this notice. The Directors have no present intention to use this authority which will expire 15 months after the passing of this resolution or, if earlier, at the end of the annual general meeting to be held in 2008. It is the Directors' intention to seek renewal of this authority annually.

## Resolution 16

### **Allotment of Shares for Cash**

If equity securities (as defined by section 94 of the Companies Act 1985) are to be allotted and are to be paid for in cash, section 89(1) of that Act requires that those new equity securities are offered in the first instance to existing shareholders in proportion to the number of ordinary shares they each hold at that time. The entitlement to be offered the new shares first is known as 'pre-emption rights'.

There may be circumstances, however, when it is in the interests of the Company for the Directors to be able to allot some new shares for cash other than by way of a pre-emptive offer to existing shareholders. This cannot be done under the Companies Act 1985 unless the shareholders have first waived their pre-emption rights. This also applies to the sale of any shares held by the Company in treasury for cash. Resolution 16 asks shareholders to do this, but only for equity securities having a maximum aggregate nominal value of £26,699 (which includes the sale of any treasury shares) which is equivalent to 5% of the Company's issued ordinary share capital as at the date of this notice.

If the Directors wish, other than by a pre-emptive offer to existing shareholders, to allot for cash new shares which would exceed this limit they would first have to request the shareholders to waive their pre-emption rights in respect of the new shares which exceed it.

There are legal, regulatory and practical reasons, why it may not always be possible to issue new shares under a pre-emptive issue to some shareholders, particularly those resident overseas. To cater for this, Resolution 16, authorising the Directors to allot the new shares by way of pre-emptive issue, also permits the Directors to make appropriate exclusions or arrangements to deal with such difficulties.

The authority conferred by this resolution will expire at the conclusion of the Company's annual general meeting in 2008 or on 5 September 2008, whichever is earlier. It is the Directors' intention to seek the renewal of this authority annually.

## Resolution 17

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

The Company is seeking authority to make market purchases of its own shares. This does not mean that the Company will buy its own shares at any particular price or indeed at all.

The authority would expire at the conclusion of the annual general meeting held in 2008 and the Directors intend to seek renewal of this power annually.

The resolution specifies the maximum number of shares the Company can buy (representing 10 per cent of the Company's issued ordinary share capital at 30 April 2007) and the maximum and minimum prices at which the Company can buy them, reflecting the requirements of the Companies Act 1985 and the Listing Rules of the UK Listing Authority.

As at 30 April 2007, options over a total of 2,749,000 ordinary shares were outstanding and not exercised. That number of ordinary shares represents 2.06 per cent of the Company's issued ordinary share capital at 30 April 2007.

It would represent 2.29 per cent of the issued ordinary share capital if the authority to buy the Company's own shares had been used in full at that date.

The Company 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.

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 Company has purchased 3,969,030 ordinary shares at an average price of 699 pence per share in accordance with the authority obtained at the annual general meeting in 2006. The shares purchased were used to meet obligations under the Company's employee share plans or were transferred into the Company's Isle of Man Employee Benefit Trust for the future satisfaction of such obligations.

## Resolution 18

### **Adoption of New Articles of Association**

Since the Company's Articles of Association were last amended in 2002, there have been a number of changes in company law and best practice including in particular the passing of the Companies Act 2006. The Directors therefore consider that it is appropriate and timely to update the Articles of Association at the forthcoming Annual General Meeting to take account of those changes. All of the proposed changes are set out in full in the text of the resolution. The following lists all the material changes (as opposed to minor changes or mere drafting improvements) proposed to be made to the Articles of Association:

- (a) The Companies Act 2006 has now come into force in certain respects and where applicable the Articles have been amended to refer to these provisions. Except as specifically repealed, however, the Companies Act 1985 also remains in force and will not be fully replaced by the new legislation until October 2008.
- (b) Article 79: the Directors' remuneration report is now required by statute to be presented to the Company's annual general meeting for approval, and this Article is amended to make it clear that its approval constitutes "ordinary" rather than "special" business at an AGM.
- (c) Article 82(A): an amendment is proposed to extend the power of the Chairman of a general meeting of the Company to take steps to ensure its orderly conduct.

- (d) Articles 96, 170 and 178: provisions of the Companies Act 2006 enabling a Company to extend the circumstances in which it can take advantage of electronic methods of communication to communicate with shareholders have now come into force, and amendments are proposed to these Articles to enable the Company to take full advantage of these provisions if it is considered advantageous to do so. The relevant provisions themselves require specific approval to have been obtained (or to be deemed to have been obtained) from shareholders to receive electronic communications rather than hard copy documents, and shareholders will continue to receive communications from the Company in hard copy form unless and until their approval is sought by the Company pursuant to these provisions.
- (e) Article 96(ii): it is now a best practice requirement for a listed company that its proxy form should enable a shareholder to indicate that their proxy may vote either for or against, or withhold their vote in respect of, a relevant resolution and this Article relating to the content of proxy forms is proposed to be amended accordingly.
- (f) Article 101: the Articles currently contain provision for the appointment of a honorary “President” of the Company. No person is currently appointed to this position and the Board does not have any intention to make such an appointment. The Board believes that the position of “President” is unnecessary and potentially confusing and not in keeping with current corporate governance best practice and proposes that this Article be deleted.
- (g) Article 103(A): the Board proposes that the aggregate sum which may be paid to the Directors by way of fees (as opposed to any salary paid to Directors who also hold positions of employment with the Company) should be capped at the sum of £500,000 (presently £150,000). The Board is proposing that this significant increase be made in order to give “headroom” for future increases without having to make further revisions to the Articles.
- (h) Article 118(B): the Board is proposing that the borrowing limit applicable to the Company and all of the members of the Group should not exceed the greater of £500,000,000 (presently £100,000,000) and an amount equal to three times Adjusted Capital and Reserves (as defined in Article 118). Your Board wishes to take this opportunity to increase the “headroom” available to enable borrowings to be increased if necessary without the need for further changes to the Articles.
- (i) Article 123: the provisions of the Companies Act 1985 requiring shareholder approval for the appointment to the board of a public company of any director aged 70 or over, have been repealed by the Companies Act 2006. Accordingly the Board is proposing the deletion of this Article.
- (j) Article 165(B)(vii): where a “scrip dividend” is paid by a company, previously it was the practice to require that where the share capital fell within certain provisions of the Trustee Investments Act 1961, a nominal cash dividend had to be retained and shareholders could not be offered the opportunity to take a scrip dividend entirely in the form of new shares. Developments in law and practice mean that this is no longer automatically the case and the Board is proposing the deletion of the relevant restriction within this Article.
- (k) Article 184: The Companies (Audit, Investigations and Community Enterprise) Act 2004 (“the Companies Act 2004”) widens the scope of the indemnification of Directors and others permitted by the Company’s existing Articles of Association and inserts a new section 337A in the Companies Act 1985 which allows a company to provide a Director with funds to cover the costs incurred in defending legal proceedings brought against him or her as they are incurred. Previously, a company has only been able to fund a Director’s defence costs once final judgement in his or her favour has been reached. Since Directors are increasingly being added as defendants in actions against companies, and litigation is often very lengthy and expensive, the Board believes that the risk of the Directors being placed under significant financial strain is increasing. The Board therefore proposes that the Articles of Association be amended to take advantage of the new provisions so that the Company could fund a Director’s defence costs in the event that an action was brought against him or her. Individual Directors would still be liable to pay any damages awarded to the Company in an action against them, and to repay their defence costs to the extent funded by the Company, if their defence is unsuccessful.

The new legislation also allows the Company to directly indemnify a Director against any negligence or default of that Director to the extent that it gives rise to a claim by a third party (as opposed to a claim by the Company or an associated company, which may not be indemnified). The Company intends to agree individual contracts of indemnity with the Directors within the limits of the new legislation.

