

Galiform

Chairman's explanatory letter for Annual General Meeting to be held on Wednesday 19 May 2010 at 11.30 a.m.

This document is important and requires your immediate attention. When considering what action to take, you are recommended to consult an independent financial adviser authorised under the Financial Services and Markets Act 2000. If you have sold or otherwise transferred all of your Galiform shares, please pass this document and the accompanying form of proxy to the purchaser or transferee, or to the agent through whom the sale or transfer was effected, for transmission to the purchaser or transferee. The Notice of Annual General Meeting is set out on page 2.

9 April 2010

Dear Shareholders

The Annual General Meeting ("the AGM") of Galiform Plc ("the Company") will be held on Wednesday 19 May 2010 at 11.30 a.m. at UBS Investment Bank, 1 Finsbury Avenue, London, EC2M 2PP. Details of the business to be considered at the AGM are set out in the Notice of Meeting that follows this letter. I would like to explain and comment further on a number of the matters to be dealt with.

Reappointment of Directors

In accordance with the Articles of Association, Messrs Samuel, Cockburn, Wemms and Smith will retire by rotation and be proposed for reappointment at the meeting. Their biographies can be found on page 26 of the Annual Report.

Directors' Remuneration Report and Policy

The Directors' remuneration report for the year and our remuneration policy is set out in full in the Annual Report commencing at page 30.

Changes to the Articles of Association

We are also asking shareholders to adopt new Articles of Association of the Company (the "New Articles") with immediate effect which incorporate a number of amendments to our existing Articles of Association (the "Current Articles"). The changes are primarily to reflect the implementation of the remaining provisions of the Companies Act 2006, the Shareholders' Rights Directive in the UK (through the Companies (Shareholders' Rights) Regulations 2009) and the Uncertificated Securities Regulations 2001, as well as to amend the existing restriction on the Directors' borrowing powers. An explanation of the main changes between the proposed and the existing Articles of Association is set out in the Appendix following the Notice of Meeting at page 2.

Other Business

Further explanatory notes relating to the other business to be conducted at the meeting are set out at page 5.

Recommendation and action to be taken

The Board considers that each of the proposed resolutions in the Notice of Meeting is in the best interests of the Company and its shareholders as a whole and unanimously recommends that you vote in favour of each of the proposed resolutions as the Directors intend to do in respect of their own beneficial holdings. Whether or not you intend to come to the AGM, please complete the proxy form sent to you with the Notice of Meeting and return it to the Company's Registrars in accordance with the instructions thereon by not later than 11.30 a.m. on Monday 17 May 2010. By doing so, you will not be precluded from attending and voting in person at the meeting.

Yours sincerely

Will Samuel
Chairman

Notice of the Annual General Meeting

Notice is hereby given that the Annual General Meeting of Galiform Plc (“the Company”) will be held at UBS Investment Bank, 1 Finsbury Avenue, London, EC2M 2PP on Wednesday 19 May 2010 at 11.30 a.m. for the following purposes:

Ordinary Business

1. To receive the Company’s accounts, and the reports of the directors of the Company (the “Directors” or the “Board”) and the independent auditors (the “Independent Auditors”) thereon for the 52 weeks ended 26 December 2009.
2. To reappoint Mr W Samuel as a Director, retiring by rotation in accordance with the Company’s existing Articles of Association.
3. To reappoint Mr A Cockburn as a Director, retiring by rotation in accordance with the Company’s existing Articles of Association.
4. To reappoint Mr J M Wemms as a Director, retiring by rotation in accordance with the Company’s existing Articles of Association.
5. To reappoint Mr I Smith as a Director, retiring by rotation in accordance with the Company’s existing Articles of Association.
6. To reappoint Deloitte LLP as auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting at which accounts are laid.
7. To authorise the Directors to determine the auditors’ remuneration.

Special Business

To consider and, if thought fit, to pass the following resolutions which will be proposed as ordinary resolutions:

8. That the Directors’ remuneration report and policy be and is hereby approved.
9. That the Company and any companies which are subsidiaries of the Company at any time during the period for which this resolution relates, be and are hereby authorised for the purposes of Part 14 of the Companies Act 2006, during the period commencing on the date of this Annual General Meeting and ending on the date of the Company’s next Annual General Meeting, to:
 - a. make political donations to political parties and/or independent election candidates;

- b. make political donations to political organisations other than political parties; and
- c. incur political expenditure, up to an aggregate amount of £100,000.

For the purpose of this resolution the terms “political donations”, “independent election candidates”, “political organisations” and “political expenditure” have the meanings set out in sections 363 to 365 of the Companies Act 2006.

10. (i) That the Board be and is hereby generally and unconditionally authorised pursuant to section 551 of the Companies Act 2006 to allot shares in the Company and to grant rights to subscribe for or to convert any securities into shares in the Company:

- a. up to an aggregate nominal amount of £21,130,511; and
- b. comprising equity securities (as defined in the Companies Act 2006) up to an aggregate nominal amount of £42,261,022 (including within such limit any shares issued or rights granted under a. above) in connection with an offer by way of a rights issue,

to ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings and so that the Board may impose any limits or restrictions and make any arrangements which it considers necessary or appropriate to deal with 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 19 August 2011 but, in each case, so that the Company may make offers and enter into arrangements during the relevant period which would, or might, require shares to be allotted or rights to subscribe for or convert any security into shares to be granted after the authority ends and the Board may allot shares and grant rights under any such offer or agreement as if the authority had not ended;

- (ii) That, subject to paragraph (iii), all existing authorities given to the Directors pursuant to section 80 of the Companies Act 1985 be revoked by this resolution; and

- (iii) That, paragraph (ii) shall be without prejudice to the continuing authority of the Directors to allot shares (or relevant securities, as that term is defined in the Companies Act 1985) or grant rights to subscribe for or convert any security into shares (or relevant securities) pursuant to an offer or arrangement made by the Company before the expiry of the authority pursuant to which such offer or agreement was made.

To consider and, if thought fit, to pass the following resolutions which will be proposed as special resolutions:

11. That if resolution 10 is passed, and in place of all existing powers, the Board be and is hereby generally empowered pursuant to section 570 and section 573 of the Companies Act 2006 to allot equity securities (as defined in the Companies Act 2006) for cash, under the authority given by resolution 10, as if section 561 of the Companies Act 2006 did not apply to the allotment. This power:

- a. shall be limited to the allotment of equity securities in connection with an offer of equity securities (but in the case of the authority granted under resolution 10(i)b, by way of a rights issue only) to ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings and so that the Board may impose any limits or restrictions and make any arrangements which it considers necessary or appropriate to deal with fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or any other matter;
- b. in the case of the authority granted under resolution 10(i)a, shall be limited to the allotment (otherwise than under a. above) of equity securities up to an aggregate nominal amount of £3,169,577;
- c. shall apply until the end of next year’s Annual General Meeting or, if earlier, until the close of business on 19 August 2011 but during this period the Company may make offers and enter into arrangements, which would, or might, require equity securities to be allotted after the power ends and the Board may allot equity securities under any such offer or agreement as if the power had not ended; and

- d. applies in relation to a sale of shares which is an allotment of equity securities by virtue of section 560(3) of the Companies Act 2006 as if in the first paragraph of this resolution the words “under the authority given by resolution 10” were omitted.
12. That the Company be and is hereby 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 10p each in the capital of the Company (“ordinary shares”) provided that:
- the maximum aggregate number of ordinary shares authorised to be purchased is 63,391,533;
 - the minimum price (exclusive of expenses) which may be paid for an ordinary share is 10p;
 - the maximum price (exclusive of expenses) which may be paid for an ordinary share is the higher of: (I) an amount equal to 105% of the average 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 day on which the ordinary share is contracted to be purchased; and (II) an amount equal to the higher of the price of the last independent trade of an ordinary share and the highest current independent bid for an ordinary share as derived from the London Stock Exchange Trading System;
 - this authority expires at the conclusion of the next Annual General Meeting of the Company or, if earlier, at the close of business on 19 November 2011; and
 - the Company may make a purchase of ordinary shares after the expiry of this authority if the contract for such purchase was entered into before such expiry.
13. That with effect from the end of the meeting, the Articles of Association produced to the meeting, and initialled by the Chairman for the purposes of identification, be and are hereby adopted as the Articles of Association of the Company in substitution for, and to the exclusion of, the existing Articles of Association of the Company.

14. 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

C Bishop
Secretary
9 April 2010

Procedural Notes

1. Entitlement to attend and vote

The Company, pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, specifies that only those members entered in the register of members of the Company as at 11.30 a.m. on 17 May 2010, shall be entitled to attend and vote at the meeting in respect of the number of ordinary shares registered in their name at that time. Changes to the entries in the register of members after the close of business on 17 May 2010 shall be disregarded in determining the rights of any person to attend or vote at the meeting.

2. Entitlement to appoint proxies

A registered member of the Company may appoint one or more proxies to exercise all or any of his rights to attend, speak and vote at a meeting of the Company provided that if more than one proxy is appointed each proxy is appointed to exercise the rights attached to a different share or shares held by him. A proxy need not be a member of the Company.

The proxy form sent to you with this Notice of Meeting invites members to vote in one of three ways: “for”, “against” and “vote withheld”. Please note that a “vote withheld” has no legal effect and will count neither for nor against a resolution.

In order to be valid an appointment of proxy must be returned by one of the following methods:

- sending the completed and signed form of proxy sent to you with this Notice of Meeting by post or (during normal business hours only) by hand so as to be received by the Company’s Registrars, Computershare Investor Services PLC, Registrar’s Department at The Pavilions, Bridgwater Road, Bristol, BS99 6ZY not later than 11.30 a.m. on 17 May 2010;
- electronically, by logging on to the following website at www.eproxyappointment.com.

You will need an internet enabled computer with minimum web browser of IE4 or Netscape 4. Members will be required to enter their Shareholder Reference Number (SRN) and PIN (both printed on a member’s form of proxy) and to agree to certain terms and conditions. Full details of the procedure are given on the website. The proxy appointment and/or voting instructions must be received by the Company’s Registrars not later than 11.30 a.m. on 17 May 2010; or

- in the case of CREST members, by utilising the CREST electronic proxy appointment service in accordance with the procedures set out below.

To appoint a proxy or to give or amend an instruction to a previously appointed proxy via the CREST system, the CREST message must be received by the Company’s Registrars, Computershare Investor Services PLC, (under CREST participant ID “3RA50”) by not later than 11.30 a.m. on 17 May 2010. 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 Company’s Registrars are able to retrieve the message. After this time any change of instructions to a proxy appointed through CREST should be communicated to the proxy by other means. CREST Personal Members or other CREST Sponsored Members, and those CREST Members who have appointed voting service provider(s), should contact their CREST sponsor or voting service provider(s) for assistance with appointing proxies via CREST. For further information on CREST procedures, limitations and system timings, please refer to the CREST Manual. We may treat as invalid a proxy appointment sent by CREST in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

Returning a form of proxy will not prevent a member from attending the meeting and voting in person.

Any power of attorney or other authority (if any) under which the form of proxy is executed (or a duly certified or authorised copy of such power of authority) must be included with the form of proxy.

3. Nominated Persons

Any person to whom this Notice of Meeting is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a "Nominated Person") may have a right, under an agreement between him and the member by whom he was nominated, 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 may, under any such agreement, have a right to give instructions to the member as to the exercise of voting rights.

The statement of the rights of members in relation to the appointment of proxies in paragraph 3 above does not apply to Nominated Persons. The rights described in these paragraphs can only be exercised by members of the Company.

If more than one valid proxy appointment is submitted, the form of proxy which is last validly delivered before the latest time for receipt of proxies will take precedence.

4. Voting rights

As at 1 April 2010 (being the last practicable date prior to the publication of this Notice) the Company's issued share capital consists of 633,915,329 ordinary shares, carrying one vote each. The Company holds no shares in treasury and therefore the total number of voting rights in the Company as at 1 April 2010 are 633,915,329.

5. Right to ask questions

A shareholder attending the meeting has the right to ask questions relating to the business being dealt with at the meeting in accordance with section 319A of the Companies Act 2006. In certain circumstances prescribed by section 319 of the Companies Act 2006, the Company need not answer a question.

6. Shareholder requests

Members may 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 last Annual General Meeting that

the members propose to raise at the Annual General Meeting, pursuant to requests under section 527 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.

7. Communicating with the Company in relation to the Annual General Meeting

Except as provided above, members who wish to communicate with the Company in relation to the Annual General Meeting should do so using the following means: (i) by writing to the Company Secretary at the registered office address; or (ii) by writing to the Company's Registrar, Computershare Investor Services PLC, Registrar's Department at The Pavilions, Bridgwater Road, Bristol, BS99 6ZY. No other methods of communication will be accepted. In particular you may not use any electronic address provided either in this Notice of Meeting or in any related documents (including the Annual Report 2009 and the proxy form) to communicate with the Company for any purposes other than those expressly stated.

8. Inspection of documents

Copies of the following documents will be available for inspection at the Company's registered office at International House, 66 Chiltern Street, London W1U 4JT during usual business hours on weekdays (Saturdays, Sundays and public holidays excepted) from the date of this Notice of Meeting until the conclusion of the Annual General Meeting. They will also be available at UBS Investment Bank, 1 Finsbury Avenue, London, EC2M 2PP on 19 May 2010 for at least fifteen minutes prior to and until the conclusion of the Annual General Meeting:

- a. copies of the Directors' service contracts and/or letters of appointment by the Company; and
- b. a copy of the Articles of Association of the Company which are proposed to be adopted pursuant to Resolution 13 and a copy of the existing Articles of Association of the Company.

9. Website

A copy of this Notice of Meeting and the other information required by section 311A of the Companies Act 2006 can be found at www.galiform.com

10. Data protection statement

Your personal data includes all data provided by you, or on your behalf, which relates to you as a shareholder, including your name and contact details, the votes you cast and your Reference Number (attributed to you by the Company). The Company determines the purposes for which and the manner in which your personal data is to be processed. The Company and any third party to which it discloses the data (including the Company's Registrars) may process your personal data for the purposes of compiling and updating the Company's records, fulfilling its legal obligations and processing the shareholder rights you exercise.

11. Corporate representatives

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.

Explanatory Notes relating to the proposed business of the Meeting

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

Resolutions 2-5 – re-appointment of Directors

Each of Messrs Samuel, Wemms, Cockburn and Smith will retire by rotation at the meeting and each is proposed for re-appointment. Each member of the Board continues to bring a valuable mix of skills and experience to the group which has proved extremely beneficial. Having considered the performance of the individuals standing for re-election, the Nominations Committee is satisfied with the contribution and commitment of these Directors and it is therefore proposed that each is re-elected.

Resolutions 6 and 7 – re-appointment and remuneration of auditors

The auditors of a company must be re-appointed at each general meeting at which accounts are laid. Resolution 6 proposes the re-appointment of the Company's existing auditors, Deloitte LLP, until the conclusion of the next Annual General Meeting of the Company at which accounts are laid. Resolution 7 gives authority to the Directors to determine the auditors' remuneration.

Resolution 8 – Directors' remuneration report and policy

In line with best practice in corporate governance as now reflected in the Directors' Remuneration Report Regulations 2002, the Board has presented its Directors' remuneration report to shareholders in the annual report and accounts.

The Directors' remuneration report, which may be found on pages 30 to 41 of the annual report and accounts, gives details of your Directors' remuneration for the year ended 26 December 2009 and sets out the Company's overall policy on Directors' remuneration. As required by the Directors' Remuneration Report Regulations, the Company's auditors, Deloitte LLP, have audited those parts of the Directors' remuneration report capable of being audited and their report may be found on page 104 of the annual report and accounts.

The Board considers that appropriate executive remuneration plays a vital part in helping to achieve the Company's overall objectives and, accordingly, and in compliance with the Directors' Remuneration Report Regulations, shareholders will be invited to approve the Directors' remuneration report. The resolution in relation to the approval of the

Directors' remuneration report and policy takes effect as an advisory vote, being a non-binding indication of shareholder views, but one which will be taken seriously by the Company in considering future development and operation of its remuneration policy and practice.

Resolution 9 – political donations

The Companies Act 2006 prohibits the Company and its subsidiaries from making political donations or from incurring political expenditure in respect of a political party or other political organisation or an independent election candidate unless authorised by the Company's shareholders.

Neither the Company nor any of its subsidiaries has any intention of making any political donation or incurring any political expenditure. However, the relevant provisions of the Companies Act 2006 define "political party", "political organisation", "political donation" and "political expenditure" in a broad manner. For example, donations to certain charitable organisations could, technically, constitute "political donations" or "political expenditure". This resolution enables the Company and its subsidiaries to incur expenditure of up to £100,000 in aggregate in respect of the various heads identified in the relevant provisions without inadvertently committing a breach of the Companies Act 2006 through the undertaking of routine activities such as making charitable donations or providing sponsorship.

The authority sought will, if granted, last until the conclusion of the next Annual General Meeting of the Company.

Resolution 10 – authority to allot shares

This resolution seeks authority for the Directors to allot up to a maximum nominal amount of £21,130,511 (being 33.3% of the issued share capital of the Company as at 1 April 2010 in accordance with ABI guidance) and also gives the Board authority to allot ordinary shares up to a maximum amount of £42,261,022 by way of a rights issue (being 66.6% of the Company's total ordinary share capital in issue as at 1 April 2010 in accordance with ABI guidance). This authority will expire at the conclusion of the Annual General Meeting of the Company next year. The Board has no present intention to exercise this authority or to allot shares in the Company other than in connection with the employees' share schemes. As at 1 April 2010, the Company held no treasury shares.

Resolution 11 – disapplication of pre-emption rights

This resolution, which will be proposed as a special resolution, seeks to renew the authority conferred on the Directors under the existing articles of association of the Company (the "Current Articles") to issue equity securities of the Company for cash without application of the pre-emption rights pursuant to section 561(1) of the Companies Act 2006.

Other than in connection with a rights issue, open offer or other similar issue, the authority contained in this resolution will be limited to an aggregate nominal value of £3,169,577 which, in accordance with the guidelines issued by the Pre-Emption Group, represents 5% of the issued ordinary share capital of the Company as at 1 April 2010. This authority will expire at the conclusion of the Annual General Meeting of the Company next year. Also, in accordance with the guidelines issued by the Pre-emption Group, the Board confirms its intention that no more than 7.5% of the issued share capital will be issued for cash on a non pre-emptive basis during any rolling three-year period.

Resolution 12 – authority to purchase own shares

This resolution, which will be proposed as a special resolution, renews the authority granted at last year's Annual General Meeting which expires on the date of the forthcoming Annual General Meeting. The resolution gives the Company authority to buy back its own ordinary shares in the market as permitted by the Companies Act 2006. The authority limits the number of shares that could be purchased to a maximum of 63,391,533 (representing 10% of the issued share capital of the Company as at 1 April 2010) and sets minimum and maximum prices. This authority will expire at the conclusion of the Annual General Meeting of the Company next year. The Directors have no present intention of exercising the authority to purchase the Company's ordinary shares but would like to have the flexibility to consider such purchases in the future. The authority will be exercised only if the Directors believe that to do so would result in an increase in earnings per share and would be in the best interests of shareholders as a whole. Any shares so purchased would be cancelled or held as treasury shares. As at 1 April 2010, options over 26,900,748 ordinary shares representing 4.24% of the current issued share capital were outstanding under all employee share schemes adopted by the Company. If the authority to purchase the Company's

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ordinary shares were to be exercised in full, these options would represent 5.3% of the Company's issued share capital.

Resolution 13 – adoption of new articles of association of the Company

It is proposed in this resolution that the Company adopt new articles of association (the "New Articles") in order to update the Current Articles, primarily to reflect the implementation of the remaining provisions of the Companies Act 2006 which the Company has not incorporated into its Current Articles, to reflect the implementation of the Shareholders' Rights Directive in the UK (through the Companies (Shareholders' Rights) Regulations 2009), the Companies (Model Articles) Regulations 2008 and the Uncertificated Securities Regulations 2001 as well as to amend the Company's borrowing powers.

It is proposed that the New Articles will take effect immediately following the conclusion of the Annual General Meeting.

The material differences between the Current Articles and the New Articles are summarised in the Appendix to this Notice of Meeting. Other changes, including those of a technical or clarifying nature or minor changes which reflect the implementation of the legislation which is referred to above have not been mentioned specifically in the Appendix.

The New Articles are available for inspection as noted on page 4 of this Notice of Meeting.

Resolution 14 – notice of general meetings

This resolution is required to reflect the implementation of the Shareholders' Rights Directive in August 2009. The regulation implementing this Directive increased the notice period for general meetings of the Company to 21 days. Under the Current Articles, and the New Articles, the Company can call general meetings (other than an Annual General Meeting) on 14 clear days' notice and would like to preserve this ability. In order to be able to do so, shareholders must have approved the calling of meetings on 14 days' notice. Resolution 14 seeks such approval. The approval will be effective until the Company's next Annual General Meeting, when it is intended that a similar resolution will be proposed. It is intended that the shorter notice period would not be used as a matter of routine for such meetings but only where the flexibility is merited by the business of the meeting and is thought to be in the interests of shareholders as a whole. The Company will also need to meet the requirements for electronic voting under the Directive before it can call a general meeting on 14 days' notice.

Appendix

Explanatory notes of principal proposed changes to the Company's Articles of Association

Meetings convened to vary class rights

The Current Articles contain provisions regarding the convening of meetings to vary class rights, which are different to the requirements of the Companies Act 2006. The relevant provisions have therefore been amended in the New Articles.

Change of name

Under the Companies Act 1985, a company could only change its name by special resolution. Under the Companies Act 2006 a company will be able to change its name by other means provided for by its articles. To take advantage of this provision, the New Articles enable the Directors to pass a resolution to change the Company's name.

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 allot at any time because allotment authority continues to be required under the Act, save in respect of employee share schemes.

Redeemable shares

Under the Companies Act 1985, if a company wished to issue redeemable shares, it was required 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 in the articles of association. The New Articles contain such an authorisation. The Company currently 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.

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 of association to purchase its own shares (including to hold any such shares as treasury 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 only requires shareholder authority to do any of these things and it is no longer necessary for articles of association to contain enabling provisions. Accordingly, the relevant enabling provisions are not included in the New Articles.

Provision for employees on cessation of business

The Companies Act 2006 provides that the directors' powers to make provision for a person employed or formerly employed by a company or any of its subsidiaries in connection with the cessation or transfer to any person of the whole or part of the undertaking of a company or that subsidiary may only be exercised by the directors if they are so authorised by the company's articles of association or by the company in a general meeting. The New Articles provide that the Directors may exercise this power.

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 is no longer 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 authorised person 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.

Suspension of registration of share transfers

The Current Articles permit the Directors to suspend the registration of share transfers in certain circumstances. Under the Companies Act 2006, share transfers must be registered as soon as practicable. The power in the Current Articles to suspend the registration of transfers is inconsistent with this requirement. Accordingly, this power has not been included in the New Articles.

Vacation of office by Directors

The Current Articles specify the circumstances in which a Director must vacate his/her office. The New Articles update these provisions to reflect the approach taken on mental and physical

incapacity in the Model Articles which came into effect as a result of the Companies (Model Articles) Regulations 2008 (the "Model Articles"), as well as to clarify and simplify the provisions with respect to bankruptcy of a Director and compositions made with a Director's creditors.

Age of Directors on appointment

The Current Articles contain a provision requiring a Director's age to be disclosed if he or she has attained the age of 70 years or more in the notice convening a meeting at which the Director is proposed to be elected or re-elected. Such provision could now fall foul of the Employment Equality (Age) Regulations 2006 and so has not been included in the New Articles.

Directors' indemnities and loans to fund expenditure

The Companies Act 2006 has in some areas widened the scope of the powers of a company to indemnify directors and to fund expenditure incurred in connection with certain actions against directors. In particular, a company that is a trustee of an occupational pension scheme can now indemnify a director against liability incurred in connection with the company's activities as trustee of the scheme. In addition, the existing exemption allowing a company to provide money for the purpose of funding a director's defence in court proceedings now expressly covers regulatory proceedings and applies to associated companies. The New Articles reflect the wider provisions of the Companies Act 2006.

Voting by proxies on a show of hands

The Companies (Shareholders' Rights) Regulations 2009 have amended the Companies Act 2006 so that it now provides that each proxy appointed by a shareholder has one vote on a show of hands, unless the proxy is appointed by more than one shareholder. If that is the case the proxy has one vote for and one vote against if the proxy has been instructed by one or more shareholders to vote for the resolution and by one or more shareholders to vote against the resolution. The New Articles reflect these changes.

Voting by corporate representatives

The Companies (Shareholders' Rights) Regulations 2009 have amended the Companies Act 2006 in order to enable multiple representatives appointed by the same corporate shareholder to vote in different ways on a show of hands and a poll. The New Articles contain provisions which reflect these amendments.

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Electronic conduct of meetings

Amendments made to the Companies Act 2006 by the Companies (Shareholders' Rights) Regulations 2009 specifically provide for the holding and conducting of electronic meetings. The New Articles reflect more closely the relevant provisions.

Chairman's casting vote

The New Articles do not include a provision giving the Chairman a casting vote in the event of an equality of votes on a shareholders vote, as this is no longer permitted under the Companies Act 2006.

Adjournments for lack of quorum

Under the Companies Act 2006 as amended by the Companies (Shareholders' Rights) Regulations 2009, general meetings adjourned for lack of quorum must be held at least 10 days after the original meeting. The New Articles reflect this requirement.

Voting record date

Under the Companies Act 2006 as amended by the Companies (Shareholders' Rights) Regulations 2009, the Company must determine the right of shareholders 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 reflect this requirement.

Proxies to vote in accordance with instructions

Under the Companies Act 2006 as amended by the Companies (Shareholders' Rights) Regulations 2009, proxies are required to vote in accordance with instructions given by the shareholder by whom the proxy is appointed. The New Articles confirm that the Company is not required to confirm that a proxy has followed instructions and they also state that a failure to vote as instructed does not invalidate the proceedings on the resolution.

Form of resolution

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

Borrowing powers

The Company is seeking authority to amend the existing restriction on the Director's borrowing powers. The Directors consider that the existing formulation could cause unintended restrictions on the Group's ability to borrow, give insufficient flexibility to respond to unforeseen circumstances and is also overly complex to operate. It is therefore proposed that simplified articles with a new formulation be included in the New Articles, being the greater of two and a half times the Company's adjusted share capital and reserves and a fixed monetary cap of £375m.

The Directors consider the new formulation to be consistent with institutional shareholder guidance and to reflect the intended restrictions on borrowings in the Current Articles. It will also give the Group additional flexibility to respond to unforeseen circumstances and market conditions. The Directors have no current intention to increase the Group borrowings up to the new limit.

General

The New Articles reflect the implementation of final provisions of the Companies Act 2006 (which came fully into force on 1 October 2009), the changes required as a result of the coming into force of the Companies (Shareholders' Rights) Regulations 2009 on 3 August 2009, the Uncertificated Securities Regulations 2001, as well as changes in the Financial Reporting

Council's Combined Code on Corporate Governance and ABI Guidelines. Generally, the opportunity has also 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.

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