



DE LA RUE plc
De La Rue House
Jays Close
Viables
Basingstoke
Hampshire RG22 4BS
England

This document is important and requires your IMMEDIATE ATTENTION. If you are in any doubt as to the action you should take, you are advised to consult your stockbroker, bank manager, solicitor, accountant or other professional adviser authorised pursuant to the Financial Services and Markets Act 2000 immediately. If you have sold or otherwise transferred all of your ordinary shares in De La Rue you should pass this document and the accompanying form of proxy to the purchaser or transferee or to the person through whom the sale or transfer was effected for transmission to the purchaser or transferee.

To Shareholders

14 June 2010

Dear Shareholder

Annual General Meeting

At the end of this letter you will find the notice of our Annual General Meeting (AGM) which will be held at De La Rue House, Jays Close, Viables, Basingstoke, RG22 4BS, at 10.30am on Thursday 22 July 2010. The Meeting will deal with the usual business of our AGM, including the approval of the final dividend for the year ended 27 March 2010. Your attention is drawn to the special business to be proposed at the AGM, details of which are set out in Parts 1, 2 and 3 of the explanatory notes incorporated in the Notice of AGM attached to this letter.

The purpose of this document is to provide details of the resolutions and to explain why the Board believes that the resolutions are in the best interests of the Company and its shareholders as a whole.

Part 1 provides details on: authority to allot shares (ordinary resolution 14); waiver of shareholders' pre-emption rights (special resolution 15); authority for the Company to purchase its own shares (special resolution 16); political donations (ordinary resolution 17); and the length of notice of general meetings (special resolution 20).

Part 2 provides details on the proposed De La Rue Annual Bonus Plan (ABP) and De La Rue Performance Share Plan (PSP) (ordinary resolution 18).

Part 3 provides details of the proposed changes to the Articles of Association (special resolution 19).

Recommendations

The Board believes that all the resolutions to be considered at our AGM and as set out in the Notice of Meeting will promote the success of the Company and are in the best interests of the Company and its shareholders as a whole. Accordingly, the Board unanimously recommends shareholders to vote in favour of them. Individual members of the Board intend to vote their own beneficial and non-beneficial holdings currently amounting to 0.026 per cent of the issued ordinary share capital of De La Rue plc in favour of all resolutions.

What to do next

You will find a proxy form for the AGM with this letter. This allows someone else to attend the AGM and vote on your behalf. That person need not be a shareholder. Alternatively, you can use the form to allow me to vote for you. Please fill in the proxy form and return it to the Company's Registrar by 10.30am on Tuesday 20 July 2010. Shareholders may, if they wish, submit proxy votes electronically via the Registrar's website, www.eproxyappointment.com. CREST members who wish to appoint a proxy or give an instruction through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST manual. More details are set out in the notes on the form of proxy. CREST members wishing to appoint multiple proxies for a holding should contact the Company's Registrar. If you vote electronically your vote must also be registered by 10.30am on Tuesday 20 July 2010. You may still attend the AGM whether you reply by post or electronically.

Electronic shareholder communication

If you would like to receive e-mail notifications each time we publish new shareholder documents, you should register on-line at www.investorcentre.co.uk/ecomms. You will need to have your Shareholder Reference Number (SRN) available to register. This 11 character number (which starts with the letter C or G) may be found on either your share certificate or form of proxy. When you reach the website you should select the Company from the list (De La Rue plc) and follow the on screen instructions to register your e-mail address and choose the way in which you receive your documents.

If you choose this option you will receive notification by e-mail each time the Company publishes shareholder documents on its website and you will be able to download and read them at your convenience. You may, however, vary your instruction or request a paper copy of any shareholder document at any time in the future by contacting the Registrar at www.investorcentre.co.uk/contactus or by writing to them at Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY.

The use of electronic communication is entirely voluntary.

Yours sincerely,

Nicholas Brookes
Chairman

Notice of Meeting

Notice is hereby given that the eleventh Annual General Meeting of De La Rue plc (the Company) will be held at De La Rue House, Jays Close, Viables, Basingstoke, Hampshire RG22 4BS on Thursday 22 July 2010 at 10.30am to consider and, if thought fit, to pass resolutions 1 to 14 inclusive and 17 and 18 as ordinary resolutions and resolutions 15, 16, 19 and 20 as special resolutions:

1. To receive and adopt the Directors' Report and the Financial Statements of the Company for the year ended 27 March 2010 together with the report of the auditors.
2. To approve the Remuneration Report for the year ended 27 March 2010.
3. To declare a final dividend on the Company's ordinary shares in respect of the year ended 27 March 2010.

To elect the following Directors retiring pursuant to Article 33.1 of the Company's Articles of Association who, being eligible, offer themselves for election:

4. Sir Julian Horn-Smith
5. Victoria Jarman
6. Colin Child

To re-elect the following Directors retiring annually pursuant to the Board's decision to adopt a policy of annual re-election for all Directors (and in the case of Nicholas Brookes pursuant to the Combined Code) who, being eligible, offer themselves for re-election:

7. James Hussey
8. Warren East
9. Sir Jeremy Greenstock
10. Gill Rider
11. Nicholas Brookes

12. To re-appoint KPMG Audit Plc as auditors of the Company to hold office until the conclusion of the next General Meeting at which accounts are laid before the Company.

13. To authorise the Directors to determine the auditors' remuneration.

14. That the Directors be generally and unconditionally authorised for the purposes of section 551 of the Companies Act 2006 to exercise all the powers of the Company to allot shares in the Company and to grant rights to subscribe for, or to convert any security into, shares in the Company ('Rights') up to an aggregate nominal amount of £14,792,256 provided that this authority shall expire at the conclusion of the next Annual General Meeting of the Company or, if earlier, on 22 October 2011, save that the Company may before such expiry make offers or agreements which would or might require shares to be allotted or Rights to be granted after such expiry and the Directors may allot shares and grant Rights in pursuance of any such offer or agreement as if this authority had not expired; and all unexercised authorities previously granted to the Directors to allot shares and grant Rights be and are hereby revoked.

15. That, subject to the passing of resolution 14, the Directors be empowered pursuant to section 570 and section 573 of the Companies Act 2006 to allot equity securities (as defined by section 560 of that Act) for cash, either pursuant to the authority conferred by resolution 14 above or by way of a sale of treasury shares, as if section 561(1) of that Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities:

- (i) in connection with an offer of securities by way of rights, open offer or other offer of securities, to holders of ordinary shares on the register of members at such record date(s) as the Directors may determine where the equity securities respectively attributable to the interests of the ordinary shareholders are proportionate (as nearly as may be practicable) to the respective numbers of ordinary shares held by them on any such record date(s), but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with treasury shares, fractional entitlements or any legal or practical problems under the laws of any territory, or the requirements of any regulatory body or stock exchange, or any other matter whatever; and
- (ii) otherwise than pursuant to sub-paragraph (i) above up to an aggregate nominal amount of £2,218,839;

and shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution or, if earlier, on 22 October 2011, save that the Company may, before such expiry, make offers or agreements which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of any such offer or agreement as if the power conferred hereby had not expired.

16. That the Company be generally and unconditionally authorised to make market purchases (within the meaning of section 693(4) of the Companies Act 2006) of any of the Company's ordinary shares of 44¹⁵²/₁₇₅ pence, on such terms and in such manner as the Directors of the Company may from time to time determine, provided that:

- (i) the maximum aggregate number of ordinary shares hereby authorised to be purchased is 9,890,383 representing approximately 10 per cent of the Company's issued ordinary share capital as at 21 May 2010;
- (ii) the minimum price which may be paid for each ordinary share is 44¹⁵²/₁₇₅ pence;
- (iii) the maximum price which may be paid for each ordinary share is an amount equal to 105 per cent of the average of the middle market quotations for an ordinary share in the Company, as derived from the London Stock Exchange Daily Official List, for the five business days immediately preceding the day on which the share is contracted to be purchased;
- (iv) unless previously renewed, varied or revoked, the authority hereby conferred shall expire at the conclusion of the next Annual General Meeting of the Company or, if earlier, on 22 October 2011; and
- (v) the Company may make a contract or contracts to purchase ordinary shares under the authority hereby conferred prior to the expiry of such authority which 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.

17. That in substitution for the existing authority and in accordance with Section 366 and Section 367 of the Companies Act 2006 (the 'Act'), the Company, and each company which is or becomes its subsidiary during the period to which this resolution relates, be and are hereby authorised to:

- i) make political donations to political parties and/or independent election candidates not exceeding £70,000 in total;
- ii) make political donations to political organisations other than political parties not exceeding £70,000 in total; and
- iii) incur political expenditure not exceeding £70,000 in total,

during the period commencing on the date of this resolution and ending on the date of the Company's Annual General Meeting in 2011 or, if earlier, on 22 October 2011, provided that, in any event, the total aggregate amount of all political donations and political expenditure incurred by the Company and its subsidiaries in such period shall not exceed £70,000. For the purposes of this Resolution, 'political donations', 'political organisations', 'political parties', 'independent election candidates' and 'political expenditure' have the meanings given in Part 14 of the Act.

18. That:

- (i) the executive incentive arrangements comprising the De La Rue Annual Bonus Plan ('ABP') and the De La Rue Performance Share Plan ('PSP'), in the form, or substantially in the form, produced to the meeting and initialled by the Chairman for the purposes of identification, and a summary of the principal terms of which are set out in Part 2 of this Notice of AGM, be hereby approved and the Directors be hereby authorised to do all things which they may consider necessary or expedient to establish the ABP and PSP; and
- (ii) the Directors of the Company be authorised to establish further plans based on the ABP and PSP for the benefit of employees who are located outside the United Kingdom, with such modifications as may be necessary or desirable in order to take account of local tax, exchange control or securities laws as they consider appropriate provided that any shares made available under such other plans shall be treated as counting against any individual or overall limits contained in the ABP and PSP.

19. That:

- (i) the Articles of Association of the Company be amended by deleting all the provisions formerly in the Company's Memorandum of Association which, by virtue of section 28 of the Companies Act 2006, are treated as provisions of the Company's Articles of Association; and

- (ii) 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 new Articles of Association of the Company in substitution for, and to the exclusion of, the existing Articles of Association.

20. 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

Edward Peppiatt, Company Secretary

14 June 2010

Registered Office:

De La Rue House

Jays Close

Viables

Basingstoke

Hampshire

RG22 4BS

Registered in England, number 3834125

Part 1 explanatory notes

A shareholder entitled to attend and vote at the Annual General Meeting (AGM) is entitled to appoint a proxy to exercise all or any of his rights to attend, speak and vote in his place. A member may appoint more than one proxy provided each proxy is appointed to exercise the rights attached to a different share or shares.

A proxy need not be a shareholder of the Company but must attend the AGM to represent you. Your proxy could be the Chairman, another Director of the Company or another person who has agreed to attend to represent you. Your proxy must vote as you instruct and must attend the AGM for your vote to be counted. Appointing a proxy does not preclude you from attending the AGM and voting in person.

A proxy form accompanies this Notice of AGM and should be completed and returned to the Company's Registrar: Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY. Details of how to appoint a proxy are set out in the notes to the proxy form. Alternatively, you may register your vote electronically by accessing the Registrar's website: www.eproxyappointment.com. **Proxy forms should be deposited at the office of Computershare Investor Services PLC not less than 48 hours before the time for holding the AGM. Electronic votes must also be registered not less than 48 hours before the time for holding the AGM.**

A shareholder may change proxy instructions by returning a new proxy appointment using the methods set out above. A shareholder who has appointed a proxy using the hard copy form of proxy but would like to change the instructions using another hard copy proxy form, should contact Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY. The above deadline for receipt of proxy appointments also applies to amended instructions. Any attempt to terminate or amend a proxy appointment received after the relevant deadline will be disregarded. Where two or more valid, separate appointments of proxy are received in respect of the same share relating to the same meeting, the one which is sent last shall be treated as replacing and revoking the other or others.

A copy of this Notice has been sent for information only to persons who have been nominated by a shareholder to enjoy information rights under section 146 of the Companies Act 2006 (the Act) (a Nominated Person). The rights to appoint a proxy cannot be exercised by a Nominated Person: they can only be exercised by the shareholder. However, a Nominated Person may have a right under an agreement between him and the shareholder by whom he was nominated to be appointed as a proxy for the meeting or to have someone else so appointed. If a Nominated Person does not have such a right or does not wish to exercise it, he may have a right under such an agreement to give instructions to the member as to the exercise of voting rights.

To be entitled to attend and vote at the AGM, shareholders must be registered in the register of members of the Company at 6.00pm on Tuesday 20 July 2010 (or, if the AGM is adjourned, at 6.00pm on the date which is two days prior to the adjourned meeting). Changes to entries on the register after this time shall be disregarded in determining the rights of persons to attend or vote (and the number of votes they may cast) at the AGM or adjourned meeting.

CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so by utilising the procedures described in the CREST manual on the Euroclear website (www.euroclear.com/CREST). 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 made by means of CREST to be valid, the appropriate CREST message (a CREST Proxy Instruction) must be properly authenticated in accordance with Euroclear UK & Ireland Limited's (EUI) 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 number – 3RA50) 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. 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.

CREST members and, where applicable, their CREST sponsors or voting service providers should note that EUI 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.

Please note that the Company takes all reasonable precautions to ensure no viruses are present in any electronic communication it sends out but the Company cannot accept responsibility for loss or damage arising from the opening or use of any email or attachments from the Company and recommends that shareholders subject all messages to virus checking procedures prior to use. Any electronic communication received by the Company, including the lodgement of an electronic proxy form, that is found to contain any virus will not be accepted.

Voting on all resolutions will be conducted by way of a poll rather than a show of hands. This is a more transparent method of voting as shareholder votes are to be counted according to the number of shares held. As soon as practicable following the AGM, the results of the voting at the AGM will be announced via a Regulatory Information Service and also placed on the Group's website: www.delarue.com.

A shareholder of the Company which is a corporation may authorise a person or persons to act as its representative(s) at the AGM. In accordance with the provisions of the Act, each such representative may exercise (on behalf of the corporation) the same powers as the corporation could exercise if it were an individual shareholder of the Company, provided that they do not do so in relation to the same shares. It is no longer necessary to nominate a designated corporate representative.

Shareholders satisfying the thresholds in section 527 of the Act can require the Company to publish a statement on its website setting out any matter relating to (a) 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 AGM; or (b) any circumstances connected with an auditor of the Company ceasing to hold office since the last AGM, that the shareholders propose to raise at the meeting. The Company cannot require the shareholders requesting the publication to pay its expenses. Any statement placed on the website must also be sent to the Company's auditors no later than the time it makes its statement available on the website. The business which may be dealt with at the AGM includes any statement that the Company has been required to publish on its website.

The Company must cause to be answered at the AGM any question relating to the business being dealt with at the AGM which is put by a shareholder attending the AGM, except (i) if to do so would interfere with the preparation for the AGM or involve the disclosure of confidential information, (ii) if the answer has already been given on a website in the form of an answer to a question, or (iii) if it is undesirable in the interests of the Company or the good order of the AGM that the question be answered.

As at 21 May 2010 (being the latest practicable day prior to the publication of this Notice), the Company's issued share capital consists of 98,903,839 ordinary shares, carrying one vote each. Therefore the total voting rights in the Company are 98,903,839.

The contents of this Notice of AGM, details of the total number of shares in respect of which shareholders are entitled to exercise voting rights at the AGM, details of the totals of the voting rights that shareholders are entitled to exercise at the AGM and, if applicable, any shareholders' statements, shareholders' resolutions or shareholders' matters of business received by the Company after the date of this notice will be available on the Company's website: www.delarue.com.

The following documents will be available for inspection during normal business hours (Saturdays, Sundays and public holidays excepted) from Monday 14 June 2010 at the registered office of the Company and at the offices of Herbert Smith LLP, Exchange House, Primrose Street, London EC2A 2HS and will also be available for inspection at the place of the AGM from 10.15a.m. on the day of the AGM until the conclusion of the AGM:

- a copy of the rules of the executive incentive arrangements comprising the De La Rue Annual Bonus Plan (ABP) and the De La Rue Performance Share Plan (PSP)
- a copy of the current Articles of Association and the proposed new Articles of Association of the Company
- copies of the contracts of service of executive Directors together with non-executive Directors' letters of appointment

You may not use any electronic address provided in this Notice of Meeting to communicate with the Company for any purposes other than those expressly stated.

Directors – resolutions 4 to 11

The Board has decided to adopt a policy of annual re-election for all Directors. Accordingly, resolutions 7-11 provide for all of the Directors who were in position at the last AGM to retire and offer themselves for re-election.

The Board, having carried out the effectiveness and evaluation process, considers the performance of each of the Directors standing for election and re-election at this year's AGM to be fully satisfactory and is of the opinion that they have demonstrated continued commitment to the role. The Board strongly supports their election and re-election and recommends that shareholders vote in favour of the resolutions at the AGM.

Allotment of share capital - resolution 14

At the last AGM of the Company held on 23 July 2009, the Directors were given authority to allot ordinary shares in the capital of the Company up to a maximum nominal amount of £14,668,431 representing approximately one-third of the Company's then issued ordinary share capital. This authority expires at the end of this year's AGM.

Resolution 14 will, if passed, renew this authority to allot on broadly the same terms as last year's resolution but the resolution has been updated to reflect that authority is being given under section 551 of the Act (rather than section 80 of the Companies Act 1985) and to reflect a change in the language used in the Act. There is no statutory limit on the maximum nominal amount of the Section 551 authority under the Act but, under the current guidelines of the Association of British Insurers (ABI), ABI members will permit, and treat as routine, resolutions seeking authority to allot shares representing up to one-third of the Company's issued share capital.

In light of these guidelines, the Board considers it appropriate that Directors be granted authority to allot shares in the capital of the Company up to a maximum nominal amount of £14,792,256 representing the ABI guideline limit of approximately one-third of the Company's issued ordinary share capital as at 21 May 2010 (the latest practicable date prior to publication of this letter). The power will last until the end of the next AGM of the Company or, if earlier, 22 October 2011.

The Directors do not currently intend to exercise this authority except in respect of exercises of share options and the release of shares awarded under the Deferred Bonus and Matching Share Plan and the proposed ABP and PSP. However, the Directors consider it appropriate to maintain the flexibility that this authority provides.

As at the date of this letter the Company does not hold any ordinary shares in the capital of the Company in treasury.

Disapplication of statutory pre-emption rights - resolution 15

If equity securities are to be allotted for cash using the authority given by resolution 14, section 561(1) of the Act requires that those securities are offered first to existing shareholders in proportion to the number of ordinary shares they each hold at the time of the offer. An offer of this type is called a rights issue and the entitlement to the offer of the new securities first is known as a pre-emption right.

There are circumstances when it is in the interests of the Company for the Directors to be able to allot new equity securities for cash other than by way of a strict rights issue. This cannot be done under the Act unless the shareholders have first waived their pre-emption rights. The authority given by resolution 15 empowers the Directors to modify this requirement for rights issues so that they may effect such exclusions or other arrangements as they may deem necessary or expedient in relation to fractional entitlements or legal or practical problems arising under the laws or requirements of any recognised regulatory body or any stock exchange or otherwise in any overseas territory or any other matter.

In the light of the ABI guidelines described in relation to resolution 14 above, this authority will permit the Directors to allot:

- (a) shares up to a nominal amount of £14,792,256 (representing one-third of the Company's issued share capital) on an offer of securities to existing shareholders (subject to any adjustments, such as for fractional entitlements and overseas shareholders, as the Directors see fit)
- (b) shares up to a maximum nominal value of £2,218,839, representing approximately 5 per cent of the issued ordinary share capital of the Company as at 21 May 2010 (the latest practicable date prior to publication of this letter) otherwise than in connection with an offer to existing shareholders

As with resolution 14, the terms of resolution 15 are broadly the same as last year's resolution but the resolution has been updated to reflect that it is being passed pursuant to sections 570 and 573 of the Act rather than section 95 of the Companies Act 1985.

The authority contained in resolution 15 will expire at the end of the next AGM of the Company or, if earlier, on 22 October 2011.

Share buyback – resolution 16

The resolution to be proposed will seek to renew authority granted to the Directors at the AGM in July 2009 and which will expire on 22 July 2010. No shares have been acquired pursuant to that authority.

If shareholders pass resolution 16 the authority, unless previously renewed, varied or revoked, will expire at the conclusion of the next AGM of the Company or, if earlier, on 22 October 2011.

This authority will apply to up to 9,890,383 ordinary shares, having an aggregate nominal value of £4,437,677, being 10 per cent of the issued ordinary share capital on 21 May 2010 (the latest practicable date prior to publication of this letter). The minimum price which may be paid is 44^{152/175} pence per share and the maximum price is an amount equal to 105 per cent of the average of the middle market quotations of the Company's shares, as derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the share is contracted to be purchased.

As announced on 25 May 2010 the Directors are proposing a programme to buy back some of the Company's ordinary shares and this authority will allow them to do this. However, the Directors will keep the matter under review, taking into account the financial resources of the Company, the Company's share price and future funding opportunities. Purchases would only be made if their effect would be expected to increase earnings per share and would be expected to benefit shareholders generally. Any purchases of ordinary shares would be by means of market purchases through the London Stock Exchange.

Listed companies purchasing their own shares are allowed to hold them in treasury as an alternative to cancelling them. No dividends are paid on shares whilst held in treasury and no voting rights attach to treasury shares. Shares purchased under this authority would be cancelled and the number of shares in issue would be reduced accordingly, or held in treasury if considered appropriate. As at 21 May 2010 (being the latest practicable day prior to the publication of this Notice) no ordinary shares are held in treasury. In order to respond properly to the Company's capital requirements and prevailing market conditions, the Directors will need to assess at the time of any and each actual purchase whether to hold the shares in treasury or cancel them, provided it is permitted to do so.

The total number of options to subscribe for ordinary shares outstanding at 21 May 2010 was 1,546,971 being 1.56 per cent of the current issued share capital. If the authority to purchase the Company's ordinary shares was exercised in full, these options would represent 1.95 per cent of the Company's issued ordinary share capital.

Political donations – resolution 17

Under the Act, political donations to any political parties, independent election candidates or political organisations or the incurring of political expenditure are prohibited unless authorised by shareholders in advance. Shareholders will be aware that it is the Group's policy not to make political donations. This policy will remain unchanged whether or not resolution 17 is passed. However, it is possible that certain routine activities undertaken by the Company and its subsidiaries may unintentionally fall within the broad scope of the provisions controlling political donations and expenditure contained in the Act. Accordingly, as a precaution and in order to avoid any possibility of inadvertently contravening the Act, the Board considers that it would be prudent to follow the procedure specified in the Act to obtain shareholder approval for the Company and its subsidiaries to make political donations or incur political expenditure until the conclusion of the 2011 AGM of the Company or, if earlier, 22 October 2011.

As stated earlier the Board will continue its policy of not making political donations and incurring political expenditure but the Group will report any such expenditure in its 2011 Annual Report.

Annual Bonus Plan and Performance Share Plan – resolution 18

The Remuneration Committee is seeking shareholders' approval for the executive incentive arrangements comprising the De La Rue Annual Bonus Plan and the De La Rue Performance Share Plan. Further details of the features of the proposed arrangements are contained in Part 2 of these explanatory notes.

New Articles of Association – resolution 19

The Company proposes to adopt new Articles of Association (the New Articles). These incorporate amendments to the current Articles of Association (the Existing Articles) to reflect the changes in company law brought about by the Act, which came into effect on 1 October 2009 and changes made to the Act in August 2009 to implement the EU Shareholder Rights Directive in the UK, as well as some minor technical or clarifying changes.

The principal changes in the New Articles proposed to be adopted at the 2010 AGM relate to shareholder meetings and resolutions, the Company's constitution and share capital.

A further amendment to the Existing Articles is proposed, in line with the Act, to extend the scope of potential indemnities which may be granted, so that they may be granted to directors of pension trustee companies.

In August 2009, changes were made to the provisions in the Act on company meetings by The Companies (Shareholders' Rights) Regulations 2009 (Shareholders' Rights Regulations) to implement the EU Shareholder Rights Directive in the UK. The New Articles incorporate amendments in relation to meetings to ensure consistency with the Act (as amended by the Shareholders' Rights Regulations).

Under the Act all provisions of the Company's memorandum, but most significantly the objects clause, were deemed to form part of the Company's Existing Articles from 1 October 2009. It is possible for the objects clause to be removed or amended by amending the Existing Articles by special resolution. It is not necessary under the Act for a company to set out its objects. The Act provides that, unless the articles of association state otherwise, a company's objects will be unrestricted.

One of the other key provisions of the memorandum which is deemed to form part of the Company's Existing Articles from 1 October 2009 is the statement of the Company's existing authorised share capital. The Act removes the requirement for a company to place limits on its authorised share capital.

By adopting the New Articles which do not contain the objects clause or the authorised share capital statement, the Company will remove these provisions, which would otherwise be deemed to form part of the Company's Existing Articles under section 28 of the Act, from its articles.

The New Articles are presented in a different format and style from the Company's Existing Articles, which bring the Company's articles more into line with other listed companies. A number of the definitions have been amended, both to reflect the changes brought about by the Act and to reflect the change in style. The change in format and style is intended to assist shareholders in understanding the provisions contained in the New Articles.

The New Articles also contain additional provisions relating to partly paid shares and relating to alternate Directors. These provisions are commonly included in listed companies' articles of association and give the Company a greater flexibility. Certain of the provisions in the Existing Articles have not been retained in the New Articles, either because they provide for situations which no longer exist (for example the provisions relating to B Shares in Existing Article 86A), or because they relate to matters which the Company is required to comply with as a matter of law or regulation and it is therefore not necessary to include such matters in a company's articles of association (for example provisions relating to the signature of cheques in Existing Article 68).

In light of inconsistencies between provisions of the Act and the Existing Articles and in order to simplify matters for shareholders, it is also proposed that the provisions in Existing Article 74 regarding the Directors' authority to allot shares and the disapplication of pre-emption rights be removed from the articles.

Accordingly, instead of the authority to allot shares and power to disapply statutory pre-emption rights being granted through a combination of the articles and resolutions passed at each AGM, this authority and power will simply be granted by resolutions passed at each AGM. Resolutions 14 and 15 set out in full the authority to be granted to the Directors to allot shares and the power to be given to the Directors to disapply statutory pre-emption rights.

For a more detailed explanation of these and other amendments please refer to Part 3 of these explanatory notes.

A copy of the Existing Articles and the proposed New Articles reflecting these amendments will be available for inspection during normal business hours (Saturdays, Sundays and

public holidays excepted) from Monday 14 June 2010 at the registered office of the Company and at the offices of Herbert Smith LLP, Exchange House, Primrose Street, London EC2A 2HS and will also be available for inspection at the place of the AGM from 10.15a.m. on the day of the AGM until the conclusion of the AGM.

Length of notice of meeting – resolution 20

Resolution 20 is a resolution to allow the Company to hold General Meetings (other than AGMs) on 14 days' notice.

Before the introduction of the Companies (Shareholders' Rights) Regulations 2009 in August 2009, the minimum notice period permitted by the Act for General Meetings (other than public company AGMs) was 14 days. One of the amendments made to the Act by the Regulations was to increase the minimum notice period for General Meetings of listed companies to 21 days, but with an ability for companies to reduce this period back to 14 days (other than for AGMs) provided that two conditions are met. The first condition is that the company offers a facility for shareholders to vote by electronic means. This condition is met if the company offers a facility, accessible to all shareholders, to appoint a proxy by means of a website. The second condition is that there is an annual resolution of shareholders approving the reduction of the minimum notice period from 21 days to 14 days.

The Board is therefore proposing resolution 20 as a special resolution to approve 14 days as the minimum period of notice for all General Meetings of the Company other than AGMs. The approval will be effective until the end of the Company's next AGM, when it is intended that the approval be renewed. The Board will consider on a case by case basis whether the use of the flexibility offered by the shorter notice period is merited, taking into account the circumstances, including whether the business of the meeting is time-sensitive.

Part 2 explanatory notes

Summary of the features specific to the De La Rue Annual Bonus Plan (ABP)

1. Eligibility

The Board or a duly authorised committee (which, in the case of awards to executive Directors and senior management, shall be the Remuneration Committee) shall select eligible employees of the Company and its subsidiaries for participation in the ABP in respect of their annual bonuses.

2. Grant of awards

Following the announcement of the preliminary results of the Company the Board shall determine the extent to which eligible employees are to be awarded an annual bonus by reference to pre determined performance conditions. Bonuses will then be granted in the form of cash and/or share awards. The first awards will be granted following adoption of the ABP by shareholders in General Meeting based on the annual bonuses to be awarded in respect of the previous financial year.

3. Types of award

Cash awards are paid as soon as practicable after award. Share awards may take the form of (i) restricted stock units pursuant to which shares are deferred until the third anniversary of the award date; or (ii) restricted stock pursuant to which shares are held on behalf of the participant from the award date but subject to restrictions and a risk of forfeiture which lifts on the third anniversary of the award date.

4. Individual limits

The maximum amount which may, in any financial year, be subject to a cash award shall be equal to one times the participant's basic salary at that time. The maximum market value of all the shares over which any individual may be granted a share award in any financial year under the ABP shall not exceed an amount equal to 35 per cent of his or her basic salary at that time.

5. Performance targets

The Board will specify, at the beginning of each financial year, the performance targets against which annual bonuses will be assessed. It is intended that such performance targets will initially be based principally on Group operating profit and cash flow targets. Should there be a restatement of performance during the three year deferral period following the grant of a share award, all or a portion of that share award may be forfeit (clawed back) dependent on the extent of the restatement.

Summary of the features specific to the De La Rue Performance Share Plan (PSP)

1. Eligibility

The Board or a duly authorised committee thereof (which, in the case of awards to executive Directors and senior management, shall be the Remuneration Committee) shall select eligible employees of the Company and its subsidiaries to be granted awards over ordinary shares in the capital of the Company.

2. Grant of awards

Awards may only be granted within a period of 42 days after (i) the date on which the PSP is adopted by shareholders in General Meeting or (ii) a results announcement by the Company. Awards may be granted at other times if there are exceptional circumstances which justify a grant.

3. Types of award

Awards may take the form of (i) a conditional allocation of shares which are automatically transferred to the participant following the third anniversary of the award date; (ii) an option which may be exercised by the participant following the third anniversary of the award date (up to a date determined by the Board to be no later than the tenth anniversary of the award date); or (iii) forfeitable shares which are held on behalf of the participant from the award date but subject to restrictions and a risk of forfeiture which lifts on the third anniversary of the award date.

4. Individual limits

The maximum market value of all the shares over which any individual may be granted awards in any financial year under the PSP shall not exceed an amount equal to one times his or her basic salary at that time, unless the Board determines that there are exceptional circumstances.

5. Performance targets

The Board will specify, at the date of grant, the performance targets which are to apply to the awards. Only in exceptional circumstances may the Board make awards which are not subject to performance targets, and then only to individuals who are not Directors. It is intended that, for initial awards, the performance targets which will apply to 60 per cent of each award will be based on the Company's growth in earnings per share (EPS) over three consecutive financial years commencing with the financial year in which the date of grant falls. Where EPS exceeds inflation by at least 3 per cent compound per annum, 50 per cent of this portion of each award will vest, rising on a straight line basis to full vesting at 5 per cent compound per annum. In relation to the remaining 40 per cent of each award, a performance target based on total shareholder return (TSR) will be applied. The Company's TSR will be compared against that of the companies in the FTSE Mid-250 (excluding investment trusts) at grant, with 50 per cent of this portion of each award vesting if the Company's TSR is at least median in

the comparator group, rising on a straight line basis to full vesting for upper quartile performance. TSR will be measured over the period from the grant of the award to its vesting. There will be no re-testing of either of the performance targets.

Summary of the features common to the ABP and PSP

1. Acquisition price

No consideration need be imposed in respect of the grant, vesting and/or exercise of an award.

2. Non-transferability

Neither the awards under the ABP and the PSP nor the underlying shares are transferable until the third anniversary of the award date. Shares may only be acquired by the award holder or his or her personal representatives.

3. Dilution limits

The ABP and the PSP contains the following dilution limits:

- in any ten year period, the number of new-issue shares which may be the subject of awards under any discretionary employees' share scheme adopted by the Company, may not exceed 5 per cent of the Company's ordinary share capital in issue immediately prior to that date
- in any ten year period, the number of new-issue shares which may be the subject of awards under all employees' share scheme adopted by the Company, may not exceed 10 per cent of the Company's ordinary share capital in issue immediately prior to that date

Treasury shares will count towards these limits whilst the guidelines issued by institutional investor bodies require them to be so included.

4. Vesting of share awards

In normal circumstances, awards may only vest after three years from the date of grant, while the award holder remains an employee, and if (in the case of the PSP) the relevant post-grant performance targets have been met. Awards may, however, vest where an award holder's employment with the De La Rue Group ceases in specified good leaver circumstances (including injury, disability or ill-health, redundancy, retirement, sale of the employing company or business out of the Group or any other reason at the discretion of the Board). In these circumstances, awards may be allowed to vest early and, in the case of options under the PSP, the exercise period shall be limited to six months. Under the ABP awards vesting early will vest in full. Under the PSP, unless the Board determines otherwise, performance conditions and apportionment for the time that the award has been held shall be applied.

5. Corporate actions

If there is a change of control of the Company by way of a general offer, or if there is a general offer following a change of control, if there is a Court sanctioned scheme of arrangement (but not normally including an internal reorganisation) or there is a voluntary winding up, awards will vest early. Under the ABP awards vesting early will vest in full. Under the PSP, unless the Board determines otherwise, performance conditions and apportionment for the time that the award has been held shall be applied. Awards may also be allowed to vest in a similar manner in circumstances where there is a proposed demerger of a substantial part of the Group.

6. Variation of capital

The number of shares over which an award has been granted may be adjusted following any capitalisation issue, rights issue, subdivision, consolidation, reduction of share capital or any other variation of share capital of the Company or in the event of a demerger of a substantial part of the Group or a similar event affecting the value of the shares to a material extent.

7. Alterations

The Board may amend the ABP and/or PSP at any time, but must seek approval from shareholders for any change to the advantage of present or future participants relating to eligibility, plan limits, the basis of individual entitlement or the provisions for the adjustment of awards in the event of a variation of the Company's share capital unless such amendment is to comply with or take account of the provisions of any changes or proposed changes to legislation, law or other regulatory requirements, or to obtain or maintain favourable taxation, exchange control or regulatory treatment of the Company, any subsidiary or any participant or to make minor amendments to benefit the administration of the ABP and/or PSP.

8. Dividend equivalents

The Company may transfer additional shares to participants equivalent in value to the amount of dividends that would have been received since grant in respect of the number of shares that the participants acquire under the ABP and/or PSP.

9. Benefits are non-pensionable

Benefits under the ABP and PSP are non-pensionable.

10. Termination of the ABP and PSP

The ABP and the PSP may not be operated more than ten years after their approval by shareholders in General Meeting.

Part 3 explanatory notes

Summary of the principal changes in the proposed new Articles of Association

The Companies Act 2006 (the 2006 Act), which replaced the Companies Act 1985 (the 1985 Act), was implemented in stages and was fully in force by 1 October 2009. In addition, the Shareholders' Rights Regulations which amend certain provisions of the 2006 Act relating to meetings of the Company came into force in August 2009. Under resolution 19, the Company is adopting new Articles of Association (the New Articles) which will reflect the changes in company law brought about by the Shareholders' Rights Regulations and by the provisions of the 2006 Act which came into effect on or before 1 October 2009. The New Articles are drafted in a different style and format from the current Articles of Association (the Existing Articles) and also include some other modernising and clarificatory amendments, including, where appropriate, tracking the wording of the new model form articles for public companies contained in Schedule 3 to the Companies (Model Articles) Regulations 2008 (the model form articles), which replace the Table A articles under the 1985 Act on which many of the Company's current articles are based. Set out below is a summary of the principal changes.

1. *The Company's objects*

The 2006 Act significantly reduces the constitutional significance of a company's memorandum. The provisions governing the operations of the Company are currently set out in both its memorandum of association and its articles of association. Under the 2006 Act, the memorandum no longer contains an objects clause and simply records the names of the subscribers and the number of shares which each subscriber agreed to take in the company. Under section 28 of the 2006 Act, the objects clause and all other provisions in the memorandum are treated as part of the articles with effect from 1 October 2009 but the Company can remove these provisions by special resolution. Unless the articles provide otherwise, the Company's objects will be unrestricted. The Company is proposing to remove its objects clause together with all other provisions of its memorandum which, by virtue of the 2006 Act, are treated as forming part of the Company's Existing Articles as of 1 October 2009. Resolution 19 confirms the removal of these provisions and adopts the New Articles.

2. *Limited liability (Article 3)*

Under the 2006 Act, the memorandum of association also no longer contains a clause stating that the liability of the members of a company is limited. For existing companies, this statement is automatically treated as having moved into the articles on 1 October 2009. As noted above, resolution 19 confirms the removal, from the Company's Existing Articles, of the provisions of the Company's Memorandum of Association which are treated as forming part of the Company's Existing Articles by virtue of section 28 of the 2006 Act, which includes the statement of limited liability. An explicit statement of the members' limited liability is therefore included in the New Articles.

3. *Authorised share capital and unissued shares*

The 2006 Act abolishes the concept of authorised share capital and under the 2006 Act, the memorandum of association no longer contains a statement of the company's authorised share capital. For existing companies, this statement is deemed to be a provision of the company's articles of association setting out the maximum amount of shares that may be allotted by the company. The adoption of the New Articles by the Company will have the effect of removing this provision relating to the maximum amount. Directors will still need to obtain the usual shareholders' authorisation in order to allot shares, except in respect of employee share schemes.

References to authorised share capital and to unissued shares have therefore been removed from the New Articles.

4. *Redeemable shares (Article 5)*

Under the 2006 Act, the articles of association need not include the terms on which redeemable shares may be redeemed. The Directors may determine the terms, conditions and manner of redemption of redeemable shares provided they are authorised to do so by the articles. The New Articles contain such authorisation.

5. *Share certificates (Article 13)*

The New Articles contain new provisions for the issue of consolidated share certificates, in line with the model form articles. The New Articles also clarify that the Company is not obliged to provide share certificates to financial institutions.

The time limit for the Company to issue certificates has been extended from five business days in the Existing Articles to two months in the New Articles. This is to provide the Company with greater administrative flexibility.

6. *Lien, calls on shares and forfeiture (Articles 14-28)*

The New Articles contain additional provisions relating to partly paid shares. The Company currently has no partly paid shares in issue and no plans to issue such shares; however, the New Articles provide the Company with greater flexibility should the Company wish to issue partly paid shares in the future.

7. *Transfer of shares (Articles 31 and 32 and Existing Article 91)*

Under the 2006 Act, a company must either register a transfer or give the transferee notice of, and reasons for, its refusal to register the transfer. Any registration of a transfer or notice of refusal must be made or given as soon as practicable and in any event within two months from the date that the transfer is lodged with the Company.

The New Articles reflect these requirements. The Company cannot in any event refuse to transfer a fully paid share except in very limited circumstances (such as a transfer to more than four persons).

The provision which gave the ability to suspend the registration of transfers of shares for periods not exceeding 30 days in any one year has been removed from the New Articles as there is no ability under the 2006 Act to close the register.

8. *Disclosure of interests (Article 39)*

It is proposed to amend the provisions in the Existing Articles relating to the disclosure of interests in shares to include additional sanctions where the shares held represent at least 0.25 per cent of their class (excluding treasury shares). These additional sanctions are the withholding of any dividend payable in respect of these shares and the restriction of the transfer of any shares (subject to certain exceptions). The proposed additional sanctions are in accordance with the provisions of the Listing Rules and in line with current market practice.

9. *Authority to purchase own shares, consolidate and sub-divide shares, and reduce share capital (Article 41)*

Under the 1985 Act, a company required specific authorisations in its articles of association to purchase its own shares, to consolidate or sub-divide its shares and to reduce its share capital. Under the 2006 Act, public companies do not require specific authorisations in their articles of association to undertake these actions; but shareholder authority is still required. The New Articles reflect these changes.

10. *Notice of general meetings (Article 43 and 44)*

The provisions in the New Articles dealing with the convening of general meetings and the length of notice required to convene general meetings are in line with the relevant provisions of the 2006 Act (as amended by the Shareholders' Rights Regulations). The Shareholders' Rights Regulations amended the 2006 Act to require the Company to give 21 clear days' notice of general meetings unless the Company has passed a special resolution reducing the notice period to not less than 14 days and the Company offers members an electronic voting facility.

The New Articles also provide for situations where, because of a postal strike or similar situation beyond the control of the Company, a notice of meeting is not received by a shareholder. This will ensure that such failure does not invalidate proceedings at the general meeting in question.

11. *Quorum (Article 45)*

Article 45 of the New Articles makes it clear that two persons who are proxies for the same member or representatives of the same body corporate can constitute a quorum.

12. *Attending and speaking at meetings (Article 51)*

Article 51 of the New Articles provides that the chairman of the general meeting may permit non-members or persons who are not entitled to exercise the rights of members to attend and, at the Chairman's discretion, speak at a general meeting.

13. *Participation in meetings at different places and by electronic means (Article 52)*

Amendments made to the 2006 Act by the Shareholders' Rights Regulations specifically provide for the holding and conducting of electronic meetings. The New Articles include amendments to provide greater scope for members to participate in general meetings of the Company even if they are not present in person at the principal place where the general meeting is being held. The amendments allow for members to participate not only by attendance at satellite general meeting locations, but also by any other electronic means of participation.

14. *Adjournments (Article 54)*

The Shareholders' Rights Regulations add a provision to the 2006 Act which requires that, when a general meeting is adjourned due to lack of quorum, at least ten days' notice must be given to reconvene the meeting. The New Articles include amendments to the provisions dealing with notice of adjourned meetings to make them consistent with this new requirement. The New Articles also permit the Chairman to adjourn general meetings without the consent of the meeting where the Chairman considers that an adjournment is necessary to protect the safety of any person attending the meeting, in line with the model form articles.

15. *Polls (Article 57)*

Article 57 clarifies that a poll may be demanded before a vote on a show of hands, as well as before or immediately after the result of a show of hands, and to give the Directors the right to demand a poll as well as the Chairman of the meeting.

16. *Removal of Chairman's casting vote (Existing Article 16)*

Pursuant to changes brought about by the Shareholders' Rights Regulations, a traded company is no longer permitted to allow the chairman to have a casting vote in the event of an equality of votes. Accordingly, this provision has been removed in the New Articles.

17. *Voting rights (Article 63)*

The Shareholders' Rights Regulations clarify the various powers of proxies and representatives of corporate members in respect of resolutions taken on a show of hands. Where a proxy has been duly appointed by one member, he has one vote on a show of hands unless he has been appointed by more than one member in which case the proxy has one vote for and one vote against if the proxy has been appointed by at

least one member to vote for the resolution and by at least one member to vote against the resolution. Where a corporate member appoints representatives to attend general meetings on its behalf, each representative duly appointed by a corporate member has one vote on a show of hands. The New Articles contain provisions which clarify these rights and also clarify how the provisions giving a proxy a second vote on a show of hands should apply to discretionary powers.

18. Voting record date (Article 64)

The New Articles include a new provision, which was not previously in the Company's Existing Articles, dealing with the method for determining which persons are allowed to attend or vote at a general meeting of the Company and how many votes each person may cast. Under this new provision, when convening a general meeting the Company may specify a time, not more than 48 hours before the time of the meeting (excluding any part of a day that is not a working day), by which a person must be entered on the register of members in order to have the right to attend or vote at the general meeting. This new provision is in line with a requirement for listed companies introduced by the Shareholders' Rights Regulations.

19. Validity of votes (Article 68)

Following the implementation of the Shareholders' Rights Regulations, proxies are expressly required to vote in accordance with instructions given to them by members. The New Articles contain a provision stating that the Company is not required to enquire whether a proxy or corporate representative has voted in accordance with instructions given to him and that votes cast by a proxy or corporate representative will be valid even if he has not voted in accordance with his instructions.

20. Proxies sent or supplied in electronic form (Article 72)

Article 72 allows proxies to be sent or supplied in electronic form and, where the Company gives an electronic address in a form of proxy, shareholders may send the appointment of proxy to that electronic address, subject to any conditions or limitations specified in the relevant notice of general meeting.

21. Receipt of appointments of proxy, termination of proxy authority and availability of appointments of proxy (Articles 73, 74 and 75)

Article 73 provides that proxies for a poll to be taken after the date of a general meeting or adjourned meeting must be received not less than 24 hours, or such shorter time as the Directors may determine, before the time of the poll. The deadlines for receipt of termination of proxy authority have been brought into line with the deadlines for receipt of proxies. Article 73 also permits the Directors to specify, in a notice of general meeting, that in determining the time for delivery of proxies, no account shall be taken of non-working days. Article 74 provides that the termination of a proxy's authority should be in writing as this is required by the Shareholders' Rights Regulations. Article 75 reflects the requirement in the 2006 Act that where a company issues, at its expense, invitations to members to appoint proxies, the invitations must be issued to all members entitled to vote at the general meeting.

22. Number of Directors (Article 77)

The New Articles provide that unless the Company determines otherwise by ordinary resolution, the number of Directors (other than alternate Directors) shall not be less than two but shall not be subject to a maximum. The Existing Articles provide for there to be a minimum of three Directors and a maximum of eighteen. This provision has been amended to provide the Company with greater flexibility and the Company currently has no intention to increase the number of directors on the Board.

23. Termination of a Director's appointment (Article 86)

The New Articles provide that a person shall also cease to be a director if a notice in writing is served on the director signed by all the other directors stating that that person shall cease to be a director with immediate effect.

24. Alternate Directors (Articles 87 - 92)

The New Articles include provisions relating to the appointment and removal of alternate Directors, the rights of an alternate Director, the termination of appointment of an alternate Director and other provisions relating to alternate Directors. There are currently no alternate Directors, however, the inclusion of these provisions will provide the Directors with greater flexibility and the ability, should they wish to do so, to appoint an alternate.

25. General power of the company vested in Directors (Article 93)

The New Articles provide that the Directors may exercise all the powers of the Company subject to the provisions of the articles and to any directions given by special resolution to take, or refrain from taking, specified action. The Existing Articles currently require such shareholder directions to be given by ordinary resolution. This amendment is in line with current practice.

26. Delegation to persons or committees (Article 96)

Article 96 follows the new, simplified approach to delegation adopted in the model form articles, allowing the Directors to delegate as they decide appropriate.

27. Directors' remuneration (Article 97)

Institutional guidelines state that a company's articles of association should impose a fixed limit on the level of directors' fees, either individually or in aggregate. The Existing Articles currently provide for an aggregate limit of £450,000 a year, increasing by the percentage increase in the retail price index for any 12 month period beginning on

1 April 1999 or an anniversary of that date. The Company's current aggregate limit as adjusted by the percentage increase in the retail price index is £605,000.

It is proposed to replace the current limit with an aggregate annual limit of £750,000, increasing by the percentage increase in the retail prices index for any 12 month period beginning on 1 April 2010 or an anniversary of that date. This sum may also be increased in the future by the Company by an ordinary resolution. The proposed aggregate limit has been calculated by reference to the current number of Directors of the Company, fees currently paid for the provision of the Chairman's services and the potential to appoint additional non-executive Directors to the Board. Under the New Articles, the fees to be paid to Directors in respect of the office of Director (such fees are distinct from any remuneration which may be paid to Directors in respect of executive employment or other special services to the Company) are to be determined by the Directors and the proposed amendment should provide the Directors with additional flexibility in setting levels of remuneration.

28. Directors' appointments and interests (Article 102)

The Existing Articles allow Directors to be interested in transactions and to be an officer of or employed by or interested in a company in which the Group has an interest, provided that he has disclosed his interest in accordance with the articles and legislation.

In the New Articles, this provision has been amended to include provisions relating to confidential information, attendance at board meetings and availability of board papers to protect a Director from being in breach of duty if a conflict of interest or potential conflict of interest arises. These provisions will only apply where the position giving rise to the potential conflict falls within the situations covered by Article 102.

29. Procedures regarding board meetings (Article 104)

The provisions of Article 104 make it clear that notice of a board meeting may be given personally, by telephone, in hard copy or in electronic form. The requirements for giving notice to Directors who are not in the United Kingdom have also been clarified.

30. Quorum (Article 108)

Article 108, which deals with the quorum requirement for board meetings, clarifies that a Director cannot count in the quorum for a matter or resolution on which he is not entitled to vote (or when his vote cannot be counted) but he may count in the quorum for the other matters or resolutions to be considered or voted on at the meeting.

31. Permitted interests and voting (Article 109)

The provisions which previously deemed certain interests of a Director's connected persons to be the interests of the Director himself for the purposes of this article have been deleted. There is no requirement in the 2006 Act to include such a provision and the 2006 Act contains a much wider definition of connected person of a Director. The Director and the Company must still take a view each time a matter is being considered as to whether the interests of the Director's connected persons mean that the Director should be treated as interested for the purposes of this article.

Article 109 also allows a Director to vote on a resolution which relates to giving him an indemnity or funding for expenditure incurred in defending proceedings provided all the other Directors have been given or are to be given arrangements on substantially the same terms. This exception has become common for listed companies to include.

32. Notices and other communications (Articles 123-132)

In relation to joint holders of shares, Article 124(3) provides that the agreement of the first-named holder on the register of members to accept notices, documents or information electronically or via a website shall be binding on the other joint holders. Article 124(4) permits the Company not to send or supply any notice, document or information to a member whose registered address is not in the United Kingdom unless that member gives a non-electronic address in the United Kingdom.

Article 124(6) caters for situations where the provision of corporate information in electronic form or via a website may amount to a breach of securities laws of another jurisdiction. The Company may send hard copies if it needs to restrict the circulation of information in certain circumstances, such as for US securities law reasons.

Article 126 permits the giving of notice by reference to the register of members as it stands at an earlier date than the date of posting the notice. For practical reasons, it is frequently difficult to post notices to shareholders by reference to the register as it stands on the date of posting.

Article 127 is the article covering service of notice in the event of a postal strike; it has been amended to allow the Company in such circumstances to serve notices only on those members who receive notices via electronic means, provided that, as before, the Company also puts an advert in two national newspapers and sends a confirmatory hard copy notice if the postal service is available again within seven days before the meeting.

Article 129 provides that notices sent by electronic means or by means of a relevant system are deemed to have been received 24 hours after being sent – previously such notices were treated as being delivered at the time they were sent.

Article 131 deals with notices, documents or information sent by the Company to a member which have been returned undelivered on three consecutive occasions. The member will only be entitled to be sent further communications upon provision of a new

postal or electronic address to the Company.

Article 132 is included to deal with the validation of documents in electronic form by members where required by the articles. In the case of notices of meetings or proxies, any validation requirements must be specified in the notice.

33. Making and retention of minutes (Article 133)

Article 133 contains a new provision to the effect that minutes must be retained for at least 10 years, reflecting the relevant provision of the 2006 Act. (No minimum retention time was previously specified).

34. The seal (Article 136)

Article 136 provides an alternative option (in the absence of specific instructions from the Directors) for documents (other than share certificates) to which the seal is affixed to be signed by one authorised person in the presence of a witness, in addition to either two Directors or a Director and the Secretary.

35. Change of name (Article 139)

Under the Companies Act 1985, a company could only change its name by special resolution. Under the Companies Act 2006 a company is 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.

36. Power to indemnify Directors (Article 142)

Article 142 makes it clear that the Company may, subject to the provisions of the 2006 Act, indemnify a Director of an associated company that is the trustee of an occupational pension scheme, taking advantage of the qualifying pension scheme indemnity provision in the 2006 Act.

