



TERRACE HILL GROUP PLC

144 West George Street, Glasgow G2 2HG
Tel: 0141 332 2014 Fax: 0141 332 2015

10 March 2009

Dear Shareholder

Annual General Meeting – Thursday, 2 April 2009 at 10am

I enclose Notice of this year's Annual General Meeting together with the relevant Proxy Form. The Annual General Meeting will be held in our Glasgow office at 144 West George Street Glasgow G2 2HG on Thursday, 2 April 2009 at 10am.

In addition to the ordinary business, you will also see various resolutions under the heading "Special Business" including a proposal that the Company adopts new Articles of Association. The Directors feel that it is necessary to renew the existing Articles of Association to take into account changes brought in by the new Companies Act 2006 and we hope you will support this. Included with the Notice of AGM is an explanatory note of the principal changes to the Company's Articles of Association. In addition, the current Articles and the new Articles are available for inspection on our website www.terracehill.co.uk; at our offices at 144 West George Street, Glasgow G2 2HG and 1 Portland Place, London W1B 1PN.

The Directors also propose a Special Resolution to renew the authority you previously gave to allow the Company to buy in its own shares on the market.

The Directors also propose an Ordinary Resolution to give power to allot shares and a Special Resolution to give power to dis-apply pre-emption rights. Both of these Resolutions are renewing authority previously given in the current Articles of Association and such authority will now be sought annually which the Directors recognise to be in accordance with corporate governance guidelines.

Yours faithfully

A handwritten signature in black ink that reads "M A Kelly".

M A Kelly
Company Secretary
10 March 2009

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the fifteenth Annual General Meeting of Terrace Hill Group PLC will be held at 144 West George Street, Glasgow, G2 2HG on Thursday, 2 April 2009 at 10am for the following purposes:

ORDINARY BUSINESS

Ordinary Resolutions

1. To receive and consider the Directors' Report and Accounts for the year ended 31 October 2008 and the Auditors' Report thereon.
2. To re appoint Messrs BDO Stoy Hayward LLP as Auditors.
3. To authorise the Directors to fix the remuneration of the Auditors.
4. To approve a final dividend of 0.54 pence per ordinary share for the year ended 31 October 2008 to be paid on 7 April 2009 to all Shareholders on the register of the Company on 20 March 2009.
5. That, Kelvin Mark Hudson, having retired by rotation in accordance with the Articles of Association of the Company, be re-appointed as a Director of the Company.
6. That, Jonathan Martin Austen, having been appointed a Director since the last Annual General Meeting and offering himself for re-appointment in accordance with the Articles of Association of the Company, be elected as a Director of the Company.

SPECIAL BUSINESS

To consider and, if thought fit, pass the following resolutions of which Resolutions 7 and 11 will be proposed as Ordinary Resolutions and Resolutions 8, 9 and 10 will be proposed as Special Resolutions.

7. That the Directors be and are hereby generally and unconditionally authorised to exercise all powers of the Company to allot relevant securities (within the meaning of Section 80 of the Companies Act 1985 (the "1985 Act")) up to an aggregate nominal amount of £2,826,283 provided that this authority shall, unless renewed, varied or revoked, expire on the date of the next Annual General Meeting of the Company save that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.

This authority, which will be renewed at each Annual General Meeting of the Company, is a general and unconditional authority which allows the Directors to allot authorised but unissued relevant securities of the Company up to a maximum of two-thirds of the Company's current issued share capital. The Board has no specific plans to use this authority. However, the Board is obtaining this authority so that it can allot relevant securities at short notice and without the need to hold a general meeting to obtain shareholder approval for the allotment.

8. That subject to the passing of Resolution 7 the Directors be and are hereby empowered pursuant to Section 95 of the 1985 Act to allot equity securities (within the meaning of Section 94 of the 1985 Act) for cash pursuant to the authority conferred by Resolution 7 as if Section 89(1) of the 1985 Act did not apply to any such allotment provided that this power shall, unless renewed, varied or revoked, expire at the date of the next Annual General Meeting of the Company and provided further that this power shall be limited:-
 - (i) to the allotment of equity securities in connection with a rights issue in favour of Ordinary shareholders where the equity securities respectively attributable to the interests of all Ordinary shareholders are proportionate (as nearly as may be) to the respective numbers of Ordinary shares held by them; and
 - (ii) to the allotment (otherwise than pursuant to sub-paragraph (i) above) of equity securities up to an aggregate nominal value of £423,942 representing 10% of the current issued share capital of the Company,

save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such an offer or agreement as if the power conferred hereby had not expired.

This authority, which will be renewed at each Annual General Meeting of the Company, allows the Directors to allot equity securities of the Company for cash up to an aggregate nominal amount of £423,942 which represents 10% of the current issued share capital of the Company without first having to offer all the shares to existing shareholders.

9. That, subject to and in accordance with the Company's Articles of Association, the Company is hereby generally and unconditionally authorised to make market purchases (within the meaning of section 163(3) of the 1985 Act) of ordinary shares of 2p each in the capital of the Company ("Ordinary Shares") provided that:
- (i) the maximum aggregate number of Ordinary Shares hereby authorised to be purchased shall be 21,197,129;
 - (ii) the minimum price which may be paid for each Ordinary Share is the nominal value of an Ordinary Share (this being 2p per share);
 - (iii) the maximum price which may be paid for each Ordinary Share is an amount equal to 105% of the average of the middle market quotations for an Ordinary Share, as derived from the AIM appendix to the Daily Official List published by the London Stock Exchange plc for the five business days before the purchase is made or the price of the last independent trade or the current non-connected party bid on the trading platform where the purchase is carried out; and
 - (iv) the authority hereby conferred shall expire at the conclusion of the next Annual General Meeting of the Company (except in relation to the purchase of Ordinary Shares in respect of which a contract was concluded before such date and executed wholly or partly after such date), unless such authority is renewed prior to such time.

10. To adopt the Articles of Association which have been produced to the meeting and initialled by the Chairman for the purposes of identification in substitution for, and to the exclusion of, the existing Articles of Association.

It is proposed in Resolution 10 to adopt new Articles of Association (the "New Articles") to replace the existing Articles of Association. The Board has decided to ask the members to adopt the New Articles primarily for two reasons. The first is because the existing Articles of Association (the "Current Articles") are outdated and contain a number of provisions which no longer apply. The second is to take account of changes in company law brought about by the Companies Act 2006 (the "2006 Act").

The principal changes introduced in the New Articles are summarised in the Appendix. Other changes, which are of a minor, technical or clarifying nature and also some more minor changes which merely reflect changes made by the 2006 Act have not been noted in the Appendix. The Current Articles and New Articles are available for inspection on our website www.terracehill.co.uk and at our offices at 144 West George Street, Glasgow G2 2HG and No. 1 Portland Place, London, W1B 1PN.

11. To approve, in accordance with Section 366 of the 2006 Act, the Company and all companies which are subsidiaries of the Company at any time during the period which this resolution has effect to:-

- (i) make political donations (as defined in Section 364 of the 2006 Act to political parties (as defined in Section 363 of the 2006 Act)), not exceeding £50,000 in total;
- (ii) make political donations (as defined in section 364 of the 2006 Act) to political organisations other than political parties (as defined in section 363 of the 2006 Act), not exceeding £50,000 in total; and
- (iii) incur political expenditure (as defined in section 365 of the 2006 Act) not exceeding £50,000 in total;

in each case during the period beginning with the date of the passing of this resolution and ending four years thereafter. In any event, the aggregate of political donations and political expenditure made or incurred by the Company and its subsidiaries pursuant to this resolution shall not exceed £50,000.

This resolution is designed to deal with the rules on political donations contained in the 2006 Act. Under the 2006 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. What constitutes a political donation, a political party, a political organisation, or political expenditure is not easy to decide, as the legislation is capable of wide interpretation. Activities such as funding seminars and other functions to which politicians are invited, supporting certain bodies involved in policy review and law reform and making employee donations to certain charities may fall within this. Therefore, notwithstanding that the Company has no intention either now or in the future of making any political donation or incurring any political expenditure, the Company has decided in accordance with corporate governance best practice to nevertheless seek shareholder approval in case any of the Company's normal activities are caught by the legislation, capped at £50,000. The Company has also decided to ask for the approval to last four years which is the maximum period permissible under the 2006 Act.

By order of the Board



M A Kelly
Company Secretary
Terrace Hill Group PLC
144 West George Street
Glasgow G2 2HG

10 March 2009

Notice of Annual General Meeting

NOTES:

Entitlement to attend and vote

1. Pursuant to Regulation 41 of the Uncertificated Securities Regulation 2001, the Company specifies that those members registered on the Company's register of members at 10am on 31 March 2009 (or, in the case of an adjournment, 48 hours before the time of the adjourned meeting) shall be entitled to attend and vote at the Meeting.

Appointment of proxies

2. If you are a member of the Company at the time set out in note 1 above, you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at the Meeting and you should have received a proxy form with this notice of meeting. You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form.
3. A proxy does not need to be a member of the Company but must attend the Meeting to represent you. Details of how to appoint the Chairman of the Meeting or another person as your proxy using the proxy form are set out in the notes to the proxy form. If you wish your proxy to speak on your behalf at the Meeting you will need to appoint your own choice of proxy (not the Chairman) and give your instructions directly to your proxy.
4. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, please photocopy the proxy form and indicate on each proxy form the number of shares that the proxy is to exercise in voting rights.
5. A vote withheld is not a vote in law which means that the vote will not be counted in the calculation of votes for or against the resolution. If you do not give your proxy an indication of how to vote on any resolution, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the Meeting.

Appointment of proxy using hard copy proxy form

6. The notes to the proxy form explain how to direct your proxy how to vote on each resolution or withhold his or her vote. To appoint a proxy using the proxy form, the form must be:
 - completed and signed;
 - sent or delivered to the Company's Registrars, Share Registrars Limited (Proxies), Suite E, First Floor, 9 Lion and Lamb Yard, Farnham, Surrey GU9 7LL; and
 - received by the Company's Registrars not less than 48 hours before the time appointed for holding the above Meeting (or, as the case may be, any adjournment of such Meeting).

In the case of a member which is a company, the proxy form must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company.

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

Appointment of proxy by joint members

7. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).

Changing proxy instructions

8. To change your proxy instructions simply submit a new proxy appointment using the methods set out above. Note that the cut-off time for receipt of proxy appointments (see above) also apply in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded.

Where you have appointed a proxy using the hard-copy proxy form and would like to change the instructions using another hard-copy proxy form, please contact Share Registrars Limited.

If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.

Termination of proxy appointments

9. In order to revoke a proxy instruction you will need to inform the Company by sending a signed hard copy notice clearly stating your intention to revoke your proxy appointment to Share Registrars Limited, Suite E, First Floor, 9 Lion and Lamb Yard, Farnham, Surrey GU9 7LL. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice.

The revocation notice must be received by the Company not less than 48 hours before the time appointed for holding the above Meeting (or, as the case may be, any adjournment of such Meeting).

If you attempt to revoke your proxy appointment but the revocation is received after the time specified then, subject to the paragraph directly below, your proxy appointment will remain valid.

Appointment of a proxy does not preclude you from attending the Meeting and voting in person. If you have appointed a proxy and attend the Meeting in person, your proxy appointment will automatically be terminated.

Corporate Representatives

10. In order to facilitate voting by corporate representatives at the Meeting, arrangements will be put in place at the Meeting so that:
 - if a corporate member has appointed the Chairman of the Meeting as its corporate representative with instructions to vote on a poll in accordance with the directions of all the other corporate representatives for that member at the Meeting, then, on a poll, those corporate representatives will give voting directions to the Chairman and the Chairman will vote (or withhold a vote) as corporate representative in accordance with those directions; and
 - if more than one corporate representative for the same corporate member attends the Meeting but the corporate member has not appointed the Chairman of the Meeting as its corporate representative, a designated corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative.

Corporate representatives are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives – www.icsa.org.uk – for further details of the procedure. The guidance includes a sample form of representation letter to appoint the Chairman as a corporate representative.

Communication

11. Except as provided above, members who have general queries about the Meeting should contact Share Registrars Limited on 01252 821390 or by email to enquiries@shareregistrars.uk.com (no other methods of communication will be accepted).

You may not use any electronic address provided either:

- in this notice of annual general meeting; or
- any related documents (including the proxy form),

to communicate with the Company for any purposes other than those expressly stated.

Form of Proxy

For use at the Annual General Meeting of Terrace Hill Group PLC to be held at 144 West George Street, Glasgow, G2 2HG on Thursday, 2 April 2009 at 10am.

I/We
(Please insert name(s) and address(es) in block letters)

of

being (a) member/members of the above named Company hereby appoint the Chairman of the Meeting, or (see Note (1) below)

.....
as my/our Proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on Thursday, 2 April 2009 and at any adjournment thereof, and to vote as indicated below.

Please indicate how you wish your proxy to vote by inserting "X" in the boxes below. If no indication is given, and on any other resolutions proposed at the meeting, your proxy will vote or abstain from voting as he/she thinks fit. The vote withheld option is provided to enable you to abstain on any particular resolution. However, it should be noted that a "vote withheld" is not a vote in law, and will not be counted in the calculation of the proportion of votes "For" and "Against" a resolution.

Annual General Meeting

ORDINARY BUSINESS	For	Against	Vote withheld
1. To receive and consider the Directors' Report and Accounts for the year ended 31 October 2008 and the Auditors' Report thereon.			
2. To re appoint Messrs BDO Stoy Hayward LLP as Auditors.			
3. To authorise the Directors to fix the remuneration of the Auditors.			
4. To approve a final dividend of 0.54 pence per ordinary share for the year ended 31 October 2008 to be paid on 7 April 2009 to all Shareholders on the register of the Company on 20 March 2009.			
5. That, Kelvin Mark Hudson, having retired by rotation in accordance with the Articles of Association of the Company, be re-appointed as a Director of the Company.			
6. That, Jonathan Martin Austen, having been appointed a Director since the last Annual General Meeting and offering himself for re-appointment in accordance with the Articles of Association of the Company, be elected as a Director of the Company.			
SPECIAL BUSINESS	For	Against	Vote withheld
7. That the Directors be and are hereby generally and unconditionally authorised to exercise all powers of the Company to allot relevant securities (within the meaning of Section 80 of the Companies Act 1985 (the "1985 Act")) up to an aggregate nominal amount of £2,826,283 provided that this authority shall, unless renewed, varied or revoked, expire on the date of the next Annual General Meeting of the Company save that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Board may allot relevant securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.			
8. That subject to the passing of Resolution 7 the Directors be and are hereby empowered pursuant to Section 95 of the 1985 Act to allot equity securities (within the meaning of Section 94 of the 1985 Act) for cash pursuant to the authority conferred by Resolution 7 as if Section 89(1) of the 1985 Act did not apply to any such allotment provided that this power shall, unless renewed, varied or revoked, expire at the date of the next Annual General Meeting of the Company and provided further that this power shall be limited: (i) to the allotment of equity securities in connection with a rights issue in favour of Ordinary shareholders where the equity securities respectively attributable to the interests of all Ordinary shareholders are proportionate (as nearly as may be) to the respective numbers of Ordinary shares held by them; and (ii) to the allotment (otherwise than pursuant to sub-paragraph (i) above) of equity securities up to an aggregate nominal value of £423,942 representing 10% of the current issued share capital of the Company, save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such an offer or agreement as if the power conferred hereby had not expired.			



Annual General Meeting

SPECIAL BUSINESS	For	Against	Vote withheld
9. That, subject to and in accordance with the Company's Articles of Association, the Company is hereby generally and unconditionally authorised to make market purchases (within the meaning of section 163(3) of the 1985 Act) of ordinary shares of 2p each in the capital of the Company ("Ordinary Shares") provided that: <ul style="list-style-type: none"> (i) the maximum aggregate number of Ordinary Shares hereby authorised to be purchased shall be 21,197,129; (ii) the minimum price which may be paid for each Ordinary Share is the nominal value of an Ordinary Share (this being 2p per share); (iii) the maximum price which may be paid for each Ordinary Share is an amount equal to 105% of the average of the middle market quotations for an Ordinary Share, as derived from the AIM appendix to the Daily Official List published by the London Stock Exchange plc for the five business days before the purchase is made or the price of the last independent trade or the current non-connected party bid on the trading platform where the purchase is carried out; and (iv) the authority hereby conferred shall expire at the conclusion of the next Annual General Meeting of the Company (except in relation to the purchase of Ordinary Shares in respect of which a contract was concluded before such date and executed wholly or partly after such date), unless such authority is renewed prior to such time. 			
10. To adopt the Articles of Association which have been produced to the meeting and initialled by the Chairman for the purposes of identification in substitution for, and to the exclusion of, the existing Articles of Association.			
11. To approve, in accordance with Section 366 of 2006 Act, the Company and all companies which are subsidiaries of the Company at any time during the period which this resolution has effect to: <ul style="list-style-type: none"> (i) make political donations (as defined in Section 364 of the 2006 Act to political parties (as defined in Section 363 of the 2006 Act)), not exceeding £50,000 in total; (ii) make political donations (as defined in section 364 of the 2006 Act) to political organisations other than political parties (as defined in section 363 of the 2006 Act), not exceeding £50,000 in total; and (iii) incur political expenditure (as defined in section 365 of the 2006 Act) not exceeding £50,000 in total; in each case during the period beginning with the date of the passing of this resolution and ending four years thereafter. In any event, the aggregate of political donations and political expenditure made or incurred by the Company and its subsidiaries pursuant to this resolution shall not exceed £50,000.			

Signed thisday of 2009

Signature(s)

Or Common Seal

Form of Proxy

Notes:

1. As a member of the Company you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at a general meeting of the Company. You can only appoint a proxy using the procedures set out in these notes.
2. Appointment of a proxy does not preclude you from attending the meeting and voting in person. If you have appointed a proxy and attend the meeting in person, your proxy appointment will automatically be terminated.
3. A proxy does not need to be a member of the Company but must attend the meeting to represent you. To appoint as your proxy a person other than the Chairman of the meeting, insert his or her full name in the box. If you sign and return this proxy form with no name inserted in the box, the Chairman of the meeting will be deemed to be your proxy. Where you appoint as your proxy someone other than the Chairman, you are responsible for ensuring that they attend the meeting and are aware of your voting intentions. If you wish your proxy to make any comments on your behalf, you will need to appoint someone other than the Chairman and give your proxy the relevant instructions directly.
4. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, please photocopy the proxy form and indicate on each proxy form the number of shares that the proxy is to exercise in voting rights.
5. To direct your proxy how to vote on the resolutions mark the appropriate box with an 'X'. To abstain from voting on a resolution, select the relevant "Vote Withheld" box. A vote withheld is not a vote in law, which means that this vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the meeting.
6. To appoint a proxy using this form, the form must be:
 - completed and signed;
 - sent or delivered to Registrars of the Company, Share Registrars Limited (Proxies), Suite E, First Floor, 9 Lion and Lamb Yard, Farnham, Surrey GU9 7LL; and
 - received by the Company's Registrars not less than 48 hours before the time appointed for holding the above Meeting (or, as the case may be, any adjournment of such Meeting).
7. In the case of a member which is a company, this proxy form must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company.
8. Any power of attorney or any other authority under which this proxy form is signed (or a duly certified copy of such power or authority) must be included with the proxy form.
9. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).
10. If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.
11. For details of how to change your proxy instructions or revoke your proxy appointment see the notes to the notice of meeting.
12. You may not use any electronic address provided in this proxy form to communicate with the Company for any purposes other than those expressly stated.

Appendix

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

The New Articles that are proposed to be adopted at the Annual General Meeting by Resolution 10 replace the Current Articles. The Current Articles contain a number of provisions in respect of preference shares, convertible shares and deferred shares which are no longer in issue and the New Articles remove these obsolete provisions.

The New Articles also take account of the provisions of the 2006 Act and common company practice for an AIM listed company.

Some of the proposed changes in the New Articles may be summarised as follows:-

1. Articles which duplicate statutory provisions

There are certain provisions in the Current Articles which replicate provisions contained in the 2006 Act. Examples include provisions as to the form of resolutions, the variation of class rights and provisions regarding the period of notice required to convene general meetings. Current practice, as encouraged by the authorities, is not to replicate such statutory provisions. Some of the main changes made to reflect this approach are detailed further below.

2. Form of resolutions

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

3. Variation of class rights

The Current Articles contain provisions regarding the variation of class rights. The proceedings and specific quorum requirements for a meeting convened to vary class rights are now contained in the 2006 Act and the New Articles conform with the provisions set out in the 2006 Act.

4. Convening general meetings

The New Articles take into account the provisions of the 2006 Act for convening general meetings and the length of notice required to convene general meetings. In particular a general meeting to consider a special resolution can be convened on 14 days' notice whereas previously 21 days' notice was required. This is reflected in the New Articles.

5. Votes of members

Under the 2006 Act proxies are entitled to speak at a meeting and to vote on a show of hands and poll vote whereas under the Current Articles proxies are only entitled to vote on a poll. Multiple proxies may be appointed provided that each proxy is appointed to exercise the rights attached to a different share held by the shareholder. Multiple corporate representatives may be appointed (but if they purport to exercise their rights in different ways, then the power is treated as not being exercised). The New Articles reflect these new provisions.

6. No casting vote for chairman

The Current Articles provide for the chairman to have a casting vote at a shareholders meeting in the event of the votes being equal. This has been removed from the New Articles to reflect the 2006 Act.

7. Conflicts of interest

The 2006 Act sets out a director's general duties which largely codify the existing law but with some changes. Under the 2006 Act a director must avoid a situation where he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the Company's interests. The requirement is very broad and could apply, for example, if a director becomes a director of another company or a trustee of another organisation. The 2006 Act allows directors of public companies to authorise conflicts and potential conflicts, where appropriate, where the articles of association contain a provision to this effect. The New Articles will allow the directors to authorise such conflicts.

There are safeguards which will apply when directors decide whether to authorise a conflict or potential conflict. First, only directors who have no interest in the matter being considered will be able to take the relevant decision, and secondly, in taking the decision the directors are under a statutory duty to act in a way they consider, in good faith, will be most likely to promote the Company's success. The directors will be able to impose limits or conditions when giving authorisation if they think this is appropriate.

The New Articles also contain provisions relating to confidential information, attendance at board meetings and availability of board papers to protect a director being in breach of duty if a conflict of interest or potential conflict of interest arises. These provisions will only apply where the situation giving rise to the potential conflict has previously been authorised by the directors. It is the Board's intention to report annually on the Company's procedures for ensuring that the Board's powers to authorise conflicts are operated effectively.

8. Electronic and web communications

Certain provisions of the 2006 Act which came into force in January 2007 enable companies to communicate with members by electronic and/or website communications. The New Articles will allow communications to members in electronic form and, in addition, they also permit the Company to take advantage of the new provisions relating to website communications. If shareholder approval has been given to adopting the New Articles, the Company may decide to implement this new regime at a later date at which point the Company will write to each shareholder.

9. Directors' indemnities and loans to fund expenditure

The 2006 Act 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, 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. These provisions are also reflected in the New Articles.

10. New sub-clause headings

New sub-clause headings have been introduced to most paragraphs in the New Articles to make the New Articles more accessible to the reader.

11. General

The opportunity has been taken to use clearer language in the New Articles and in some areas to conform the language of the New Articles.