

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to the action you should take, you are recommended immediately to seek your own personal financial advice from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000. If you have sold or otherwise transferred all of your shares in ProStrakan Group plc, you should pass this document, the accompanying form of proxy and the annual report and accounts of ProStrakan Group plc for the financial year ended 31 December 2007 without delay to the stockbroker, bank or other person who arranged the sale or transfer so they can pass these documents to the person who now holds the shares.

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# PROSTRAKAN GROUP PLC

(Incorporated in Scotland, registered number SC198780)

## NOTICE OF ANNUAL GENERAL MEETING

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Notice of an annual general meeting of ProStrakan Group plc (the "**Company**") to be held at the offices of PricewaterhouseCoopers LLP, Erskine House, 68-73 Queen Street, Edinburgh EH2 4NH at 12 p.m. (UK time) on 20 May 2008 (the "**AGM**") is set out on pages 4 to 8 (inclusive) of this document. To be valid as a proxy in respect of the AGM, the form of proxy accompanying this document must be completed and returned in accordance with the instructions thereon, so as to be received by the Company's registrars, Equiniti Limited, Aspect House, Spencer Road, Lancing BN99 6ZR, United Kingdom not later than 12 p.m. (UK time) on 18 May 2008.

# PROSTRAKAN GROUP PLC

(Incorporated in Scotland, registered number SC198780)

## Directors:

Peter V Allen (Non-executive Chairman)  
J Wilson Totten (Chief Executive Officer)  
Paul M Garvey (Chief Financial Officer)  
Michael J Asbury (Non-executive Director)  
Peter E B Cawdron (Non-executive Director)  
Francis J T Fildes (Non-executive Director)  
Simon Turton (Non-executive Director)

## Registered office:

Galabank Business Park  
Galashiels  
TD1 1QH  
United Kingdom

18 April 2008

To holders of ordinary shares of 5p each ("**Ordinary Shares**") in the capital of ProStrakan Group plc (the "**Company**")

Dear Shareholder

I am pleased to send you details of arrangements for our annual general meeting, together with the annual accounts of the Company for the year ended 31 December 2007 which contain the reports of the directors and the auditors and the group's consolidated accounts for the year ended 31 December 2007.

## NOTICE OF ANNUAL GENERAL MEETING

The formal notice of the annual general meeting of the Company, which is to be held at the offices of PricewaterhouseCoopers LLP, Erskine House, 68-73 Queen Street, Edinburgh EH2 4NH at 12 p.m. (UK time) on 20 May 2008 (the "AGM"), is set out on pages 4 to 8 (inclusive) of this document.

The purpose of this letter is to explain certain aspects of the business of the AGM to you.

## Resolution 1 – Receipt of reports and accounts

Resolution 1 deals with the receipt of the directors' and auditors' reports and the accounts of the group for the financial year ended 31 December 2007.

## Resolution 2 – Remuneration report

Resolution 2 deals with the report on directors' remuneration which is set out on pages 32 to 36 of the annual report and accounts. It is mandatory for all listed companies to put their report on directors' remuneration to an advisory shareholder vote. As the vote is advisory, it does not affect the actual remuneration paid to any individual director.

## Resolutions 3 to 5 – Election and re-election of directors

Resolution 3 proposes the election of Simon Turton who was appointed as a non-executive director on 25 June 2007. In accordance with the Company's articles of association and the provisions of the Combined Code on Corporate Governance (which state that all directors should be subject to election by shareholders at the first annual general meeting after their appointment), Mr Turton offers himself for election. Michael Asbury and Peter Cawdron are required in accordance with the Company's articles of association to retire by rotation. Being eligible, they both offer themselves for re-election as proposed by resolutions 4 and 5 respectively.

Biographical details of the directors proposed for election and re-election (as the case may be) are set out on pages 22 and 23 of the annual report and accounts. The board considers that the experience of Simon Turton, Managing Director, Healthcare, Warburg Pincus International LLC, London, will be beneficial to the Company. Michael Asbury and Peter Cawdron have each made a valuable contribution to the board since their respective appointments and the board is satisfied that each of them will continue to make an effective contribution.

### **Resolutions 6 and 7 – Reappointment and remuneration of auditors**

PricewaterhouseCoopers LLP have expressed their willingness to continue as the Company's auditors. Resolution 6 proposes their reappointment and resolution 7 authorises the directors to fix their remuneration.

### **Resolution 8 – Allotment of share capital**

At the annual general meeting of the Company held on 25 June 2007 (the "**2007 AGM**"), the directors were given authority to allot relevant securities up to a maximum nominal amount of £3,349,408.60. This authority expires on 24 June 2012, however, it is the stated intention of the directors to seek fresh shareholder authority to allot relevant securities at each annual general meeting. Accordingly, it is proposed that a similar authority be granted in substitution of the existing authority to allot securities up to a maximum nominal amount equal to £3,353,978 (representing approximately 33.3 per cent. of the Company's nominal issued share capital as at 18 April 2008, being the latest practicable date prior to publication of this document).

The directors have no present intention of exercising this authority. The authority will expire on 19 May 2013 but it is the current intention of the directors to renew this authority annually.

### **Resolution 9 – Disapplication of statutory pre-emption rights**

In substitution of the power that was granted to the directors at the 2007 AGM, it is proposed that power be granted to allot securities for cash on a non-pre-emptive basis up to a maximum nominal amount equal to £1,006,193.40 (representing approximately ten per cent. of the nominal issued share capital of the Company as at 18 April 2008, being the latest practicable date prior to publication of this document). This power is being sought in order to give the Company flexibility to raise funds in the future should it choose to do so. The resolution also disapplies the pre-emption rights to the extent necessary to facilitate rights issues, open offers and similar transactions.

The power will expire on 19 May 2013 but it is the intention of the directors to renew this authority annually. Resolution 9 will be proposed as a special resolution.

### **Resolution 10 – Adoption of New Articles of association**

We are also asking shareholders to approve a number of amendments to our existing articles of association (the "**Current Articles**") primarily to reflect the provisions of the Companies Act 2006. An explanation of the main changes between the proposed new articles of association (the "**New Articles**") and the Current Articles is set out in the appendix at pages 7 and 8 of this document. Resolution 10 will be proposed as a special resolution.

### **ACTION TO BE TAKEN**

It is important to the Company that shareholders have the opportunity to vote even if they are unable to attend the AGM. You will find enclosed with this document a form of proxy for use at the AGM. Whether or not you propose to attend the AGM in person, you are requested to complete the form of proxy and return it to the Company's registrars, Equiniti Limited, Aspect House, Spencer Road, Lancing BN99 6ZR, United Kingdom so as to arrive no later than 12 p.m. (UK time) on 18 May 2008. The completion and return of the form of proxy will not affect your right to attend and vote in person at the AGM if you so wish.

### **RECOMMENDATION**

Your directors believe that all the proposals to be considered at the AGM are in the best interests of the Company and its shareholders as a whole and recommend that shareholders vote in favour of the resolutions, as they intend to do in respect of their own beneficial shareholdings of 514,000 Ordinary Shares in aggregate, representing approximately 0.25 per cent. of the Ordinary Shares currently in issue.

Yours sincerely

Peter Allen  
Chairman

# PROSTRAKAN GROUP PLC

(Incorporated in Scotland, registered number SC198780)

## NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the annual general meeting of ProStrakan Group plc (the “**Company**”) will be held at the offices of PricewaterhouseCoopers LLP, Erskine House, 68-73 Queen Street, Edinburgh EH2 4NH on 20 May 2008 at 12 p.m. (UK time) for the following purposes:

### ORDINARY BUSINESS

1. To receive and adopt the reports of the directors and the auditors and the accounts for the financial year ended 31 December 2007.
2. To receive the report on directors’ remuneration for the financial year ended 31 December 2007.
3. To elect Simon Turton as a director of the Company.
4. To re-elect Michael Asbury, who retires at the annual general meeting by rotation, as a director of the Company.
5. To re-elect Peter Cawdron, who retires at the annual general meeting by rotation, as a director of the Company.
6. To reappoint PricewaterhouseCoopers LLP as auditors of the Company to hold office until the conclusion of the next general meeting of the Company at which accounts are laid before the Company.
7. To authorise the directors to fix the auditors’ remuneration .

### SPECIAL BUSINESS

8. To consider and, if thought fit, pass the following as an ordinary resolution:

That, in substitution for any existing authority under section 80 of the Companies Act 1985 (as amended) (the “**Act**”) but without prejudice to the exercise of any such authority prior to the time at which this resolution takes effect, the directors be generally and unconditionally authorised pursuant to and in accordance with section 80 of the Act to allot relevant securities (within the meaning of section 80(2) of the Act) up to an aggregate nominal amount equal to £3,353,978 (being approximately 33.3 per cent. of the nominal issued share capital of the Company on 18 April 2008), such authority to expire (unless previously renewed, varied or revoked by the Company in general meeting) on the date falling immediately prior to the fifth anniversary of the date on which this resolution is passed, save that the Company may, before this authority expires or is replaced or revoked, make an offer or enter into an agreement which would or might require relevant securities to be allotted after such expiry or replacement or revocation and the directors may allot relevant securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired or, as the case may be, been replaced or revoked.

9. To consider and, if thought fit, pass the following as a special resolution:

That, subject to the passing of resolution 8 above, and in substitution for any existing power under section 95 of the Companies Act 1985 (as amended) (the “**Act**”), but without prejudice to the exercise of any such power prior to the time at which this resolution takes effect, the directors be empowered, pursuant to section 95(1) of the Act, to allot equity securities (within the meaning of section 94(2) of the Act) for cash pursuant to the authority conferred by resolution 8, as if section 89(1) of the Act did not apply to any such allotment, such power to expire on the date falling immediately prior to the fifth anniversary of the date on which this resolution is passed, save that the Company may, before this power expires or is replaced or is revoked, make an offer or enter into an agreement which would or might require equity securities to be allotted after such expiry or replacement or revocation and the directors may allot equity securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired or as the case may be, been replaced or revoked, provided always that such power shall be limited to:

- (i) the allotment of equity securities for cash in connection with or pursuant to a rights issue, open offer or any other offer in favour of the holders of equity securities (excluding any holder of treasury shares) where the equity securities respectively attributable to the interest of all the holders of equity securities are proportionate (as nearly as may be practicable) to the respective numbers of such securities held by them on a fixed record date, but subject to such exclusions or other arrangements as the directors may consider necessary, expedient, desirable or appropriate to deal with any fractional entitlements or legal or practical difficulties which may arise under the laws of any overseas territory or the requirements of any regulatory body or stock exchange or otherwise; and
- (ii) the allotment of equity securities, other than pursuant to sub-paragraph (i) above, up to an aggregate nominal amount equal to £1,006,193.40 (being approximately ten per cent. of the nominal issued share capital of the Company on 18 April 2008),

and this power applies in relation to a sale of shares which is an allotment of equity securities by virtue of section 94(3A) of the Act as if in the first paragraph of this resolution the words "pursuant to the authority conferred by resolution 8" were omitted in relation to such a sale.

10. To consider and, if thought fit, pass the following as a special resolution:

That the articles of association contained in the document produced to the meeting (and signed by the chairman for identification purposes) be adopted as the articles of association of the Company in substitution for, and to the exclusion of, the existing articles of association of the Company.

18 April 2008

By Order of The Board

Registered Office:  
Galabank Business Park  
Galashiels  
TD1 1QH  
United Kingdom

A F McLean  
Secretary

## Notes

1. Copies of the following documents will be made available for inspection during normal business hours Monday to Friday (public holidays excepted) from the date of posting of this document at the registered office of the Company up to, and including, the date of the meeting, and also on that date, at the place of the annual general meeting for the period commencing 15 minutes prior to the meeting and during the meeting:
  - (a) the proposed New Articles of the Company marked to show the proposed amendments; and
  - (b) copies of the executive directors' service contracts and non-executive directors' letters of appointment.
2. A member who is entitled to attend and vote at the meeting called by the foregoing notice may appoint a proxy to attend the meeting and speak and vote on his or her behalf. A member may appoint more than one proxy provided that each proxy is appointed to exercise rights attached to different shares. A member may not appoint more than one proxy to exercise rights attached to any one share. A proxy need not be a member of the Company. A form of proxy for use at the meeting is enclosed and, if used, should be completed and signed and sent or delivered in accordance with the instructions contained therein so as to be received by the Company's registrars Equiniti Limited at Aspect House, Spencer Road, Lancing BN99 6ZR, United Kingdom by no later than 12 p.m. on 18 May 2008. Appointment of a proxy will not preclude a member from attending and/or voting in person at the meeting.
3. Pursuant to regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that only those members entered on the register of members of the Company as at 6 p.m. (UK time) on 18 May 2008 or, in the event that the meeting is adjourned, on the register of members at 6 p.m. (UK time) on the day falling two days before the date of any adjourned meeting, shall be entitled to attend or vote at the meeting in respect of the shares registered in their name at that time. Changes to the entries on the register of members after 6 p.m. (UK time) on 18 May 2008 or, in the event that the meeting is adjourned, on the register of members at 6 p.m. (UK time) on the day falling two days before the date of any adjourned meeting, shall be disregarded in determining the rights of any person to attend or vote at the meeting, notwithstanding any provisions in any enactment, the articles of association of the Company or other instrument to the contrary.
4. If you are not a member of the Company but you have been nominated by a member of the Company to enjoy information rights, you do not have a right to appoint a proxy. See note 5 below.
5. If you are a person who has been nominated under section 146 of the Companies Act 2006 to enjoy information rights:
  - You may have a right under an agreement between you and the member of the Company who has nominated you to have information rights (**Relevant Member**) to be appointed or to have someone else appointed as a proxy for the meeting.
  - If you either do not have such a right or if you have such a right but do not wish to exercise it, you may have a right under such an agreement between you and the Relevant Member to give instructions to the Relevant Member as to the exercise of voting rights.
6. As at 18 April 2008 (being the last practicable date prior to the publication of this notice) the Company's issued share capital consisted of 201,238,681 ordinary shares, carrying one vote each. Therefore, the total voting rights in the Company as at 18 April 2008 are 201,238,681.

# APPENDIX

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

### 1. Articles which duplicate statutory provisions

Provisions in the Current Articles which replicate provisions contained in the Companies Act 2006 are in the main being amended to bring them in line with the Companies Act 2006. Certain examples of such provisions 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. The main changes made to reflect this approach are detailed below.

### 2. Form of resolution

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

The Current Articles enable members to act by written resolution. Under the Companies Act 2006 public companies can no longer pass written resolutions. These provisions have therefore been removed in the New Articles.

### 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 contained in the Companies Act 2006. The relevant provisions have therefore been amended in the New Articles.

### 4. Convening extraordinary and annual general meetings

The provisions in the Current Articles dealing with the convening of general meetings and the length of notice required to convene general meetings are being amended to conform to new provisions in the Companies Act 2006. In particular an extraordinary general meeting to consider a special resolution can be convened on 14 days' notice whereas previously 21 days' notice was required.

### 5. Votes of members

Under the Companies Act 2006 proxies are entitled to vote on a show of hands whereas under the Current Articles proxies are only entitled to vote on a poll. The time limits for the appointment or termination of a proxy appointment have been altered by the Companies Act 2006 so that the articles cannot provide that they should be received more than 48 hours before the meeting or, in the case of a poll taken more than 48 hours after the meeting, more than 24 hours before the time for the taking of a poll, with weekends and bank holidays being permitted to be excluded for this purpose. Multiple proxies may be appointed provided that each proxy is appointed to exercise the rights attached to a different share held by the shareholder. The New Articles reflect all of these new provisions.

### 6. Age of directors on appointment

The Current Articles contain a provision requiring a director's age to be disclosed if he has attained the age of 70 years or more in the notice convening a meeting at which the director is proposed to be elected or re-elected. Such provision could now fall foul of the Employment Equality (Age) Regulations 2006 and so has been removed from the New Articles.

### 7. Retirement of directors by rotation

The Current Articles contain a provision requiring a minimum number of one third of the directors who are subject to retirement by rotation to retire at every AGM. Such provision is no longer appropriate in view of the Combined Code requirement for directors to offer themselves for re-election at regular intervals and at least every three years and so has been removed in the New Articles. The New Articles provide that each director shall retire at the AGM held in the third calendar year following the year in which he was elected or last re-elected by the Company and a director (other than a director holding

executive office) shall retire at each AGM from the ninth anniversary of the date in which he was appointed or elected (as the case may be). In addition, any director who has been appointed by the board since the last AGM is required to retire. All such retiring directors may offer themselves for election or re-election.

## **8. Conflicts of Interest**

The Companies Act 2006 sets out directors' general duties which largely codify the existing law but with some changes. Under the Companies Act 2006, from 1 October 2008 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 Companies Act 2006 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 Companies Act 2006 also allows the articles of association to contain other provisions for dealing with directors' conflicts of interest to avoid a breach of duty. The New Articles give the directors authority to approve such situations and to include other provisions to allow conflicts of interest to be dealt with in a similar way to the current position.

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 must 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 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 position giving rise to the potential conflict has previously been authorised by the directors.

## **9. Directors' indemnities and loans to fund expenditure**

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

## **10. General**

Generally the opportunity has been taken to bring clearer language into the New Articles and in some areas to conform the language of the New Articles.



### **ProStrakan Group plc**

Galabank Business Park, Galashiels, TD1 1QH, UK

Tel: +44 (0) 1896 664000 Fax: +44 (0) 1896 664001

[www.prostrakan.com](http://www.prostrakan.com)