

DOTDIGITAL GROUP PLC

(Incorporated and registered in England and Wales under company number 06289659)

Registered office:

Finsgate
5 – 7 Cranwood Street
London
EC1V 9EE

23rd November, 2012

LETTER FROM THE CHAIRMAN

Dear Shareholder,

2012 ANNUAL GENERAL MEETING

Our Annual General Meeting will take place at No1Croydon, 20th Floor, 12 – 16 Addiscombe Road, Croydon, Surrey, CR0 0XT on Tuesday 18th December 2012. It will start at 11.00 am, and I hope you can join us there.

Over the following pages you will find the Notice of Meeting, together with notes explaining the business to be considered on the day. You will also find a copy of the annual report with this notice which describes the dotDigital's performance.

The votes of all shareholders count, whether they attend the meeting or not. If you cannot attend the meeting I would urge you to appoint and instruct a proxy to vote on your behalf. The board recommends that you support all of the Resolutions put before you.

On behalf of the board, I look forward to welcoming you to dotDigital Group's Annual General Meeting 2012.

Frank Beechinor-Collins
Chairman

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 to seek your own financial advice from your stockbroker or other independent financial adviser authorised under the Financial Services and Markets Act 2000. If you have sold or transferred all your ordinary shares in dotDigital Group plc ("Company"), you should pass this document and the annual report and financial statements of dotDigital Group plc for the year ended 30 June 2012 and the form of proxy, without delay, to the stockbroker, bank or other person through whom the sale or transfer was effected for transmission to the purchaser or transferee.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of dotDigital Group plc will be held at No1 Croydon, 12 – 16 Addiscombe Road, Croydon, Surrey, CR0 0XT on 18th December 2012 at 11am for the following purposes:

Ordinary Business

1. To receive the financial statements for the year ended 30 June 2012 together with the reports of the Directors and auditor thereon.
2. To re-elect Ian Taylor as a Director retiring by rotation.
3. To re-elect Simon Bird as a Director retiring by rotation.
4. To re-elect Simone Barratt as a Director of the Company in accordance with the Articles of Association (having been appointed by the board since the previous AGM).
5. To reappoint Jeffrey's Henry LLP as auditor of the Company to hold office until the conclusion of the next general meeting at which financial statements are laid before the company and to authorise the Directors to determine the auditor's remuneration.

Special Business

To consider and, if thought fit, to pass the following resolutions which will be proposed as an ordinary resolution as to resolutions 6, 8 & 9 and as a special resolution as to resolution 7:

6. That the directors now be and they are generally and unconditionally authorised pursuant to Section 551 of the Companies Act 2006 (the "**Act**") to exercise any and all powers of the Company to allot shares in the Company or grant rights to subscribe for, or convert any security into, shares in the Company ("**Rights**") up to an aggregate nominal value of **£137,681** to such persons and at such times and on such terms as they think proper such authority to be in substitution for any equivalent authority which may have been granted to the directors prior to the passing of this Resolution 6 **PROVIDED THAT** unless previously renewed, revoked, varied or extended this authority hereby given shall expire on the date falling 15 months from the date of the passing of this resolution or if earlier on the conclusion of the next annual general meeting of the Company save that the Company may at any time before such expiry make an offer or agreement 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 such an offer or agreement as if this authority had not expired.
7. That, subject to the passing of Resolution 6, the directors of the Company now be and are empowered pursuant to Section 570 of the Act to allot equity securities (as defined in section 560 of the Act) of the Company for cash pursuant to the authority conferred on the directors under Section 551 of the Act pursuant to Resolution 6 above for the duration of such authority, as if the provisions of Section 561 of the Act did not apply to such allotment such authority to be in substitution for any equivalent authority which may have been granted to the directors prior to the passing of this Resolution 7 **PROVIDED THAT** this power shall be limited to:
 - i) the allotment of equity securities in connection with a rights issue or any other pre-emptive offer in favour of holders of equity securities (as required by the rights of such securities) in proportion (as nearly as may be) to the respective amounts of equity securities held by them subject only to such exclusions or other arrangements as the directors may consider appropriate to deal with treasury shares, fractional entitlements, record dates or legal or

practical difficulties under the laws of any territory or the requirements of any recognised regulatory body or stock exchange in any territory or otherwise; and

- ii) the allotment (other than pursuant to sub paragraph (i) above) of equity securities up to an aggregate nominal value equal to **£137,681**.

Save that the Company may, prior to the expiry of such power, make any offer or agreement which requires or might require such equity securities to be allotted after the expiry of such period.

8. That, the Company be generally and unconditionally authorised, pursuant to the Articles of Association of the Company and pursuant to section 701 of the Act, to make market purchases (as defined in section 693(4) of the Act) of up to 27,536,206 Ordinary Shares of 0.5p each ('Ordinary Shares') in the capital of the Company (being approximately 10 per cent. of the current issued ordinary share capital of the Company) on such terms and in such manner as the Directors of the Company may from time to time determine, provided that:
 - (a) the amount paid for each Ordinary Share (exclusive of expenses) shall not be less than 0.5p per Ordinary Share nor more than the higher of (1) five per cent. above the average of the middle market quotation for Ordinary Shares as derived from the AIM Section of the Daily Official List of the London Stock Exchange plc for the five business days before the date on which the contract for the purchase is made, and (2) an amount equal to the higher of the price of the last independent trade and current independent bid as derived from the London Stock Exchange trading system; and
 - (b) the authority herein contained shall expire at the conclusion of the next annual general meeting of the Company to be held in 2013 or on 18 December 2013, whichever is earlier, provided that the Company may, before such expiry, make a contract to purchase its own shares which would or might be executed wholly or partly after such expiry, and the Company may make a purchase of its own shares in pursuance of such contract as if the authority hereby conferred had not expired.
9. That the Company SAYE Option Scheme (the "SAYE Scheme"), constituted by the rules produced to the Meeting and initialled by the Chairman for the purposes of identification (the principal terms of which are summarised in appendix 1) be approved and the directors be authorised to adopt the SAYE Scheme Rules subject to such modifications as the directors may consider necessary or desirable to obtain approval of HM Revenue & Customs under the provisions of Schedule 3 to the Income Tax (Earnings and Pensions) Act 2003 or to take account of any regulatory requirements, and to do all acts and things necessary or expedient to bring into effect and operate the SAYE Scheme.

By Order of the Board

Milan Patel
Secretary

23 November 2012

Registered Office
Finsgate
5-7 Cranwood Street
London
EC1V 9EE

NOTES

1. A member entitled to attend and vote at the Annual General Meeting ("AGM") may appoint a proxy (who need not be a member of the Company) to attend, speak and vote on his or her behalf. In order to be valid, an appointment of proxy must be returned by one of the following methods:
 - in hard copy in the form enclosed together with the power of attorney or other authority, if any, under which it is signed, or a copy of such power or authority certified by a notary, by post, by courier or by hand to the Share Registrars Limited, Suite E, First Floor, 9 Lion and Lamb Yard, Farnham, Surrey GU9 7LL or by fax to Share Registrars Limited on 01252 719232 or by scan and email to Share Registrars Limited at proxies@shareregistrars.uk.com. The form of proxy must be signed by the shareholder appointing the proxy or by his/her attorney authorised in writing. If the shareholder is a corporation, the form of proxy should be sealed with its common seal or signed by an officer or an attorney of the corporation or other person authorised to sign it; or
 - in the case of CREST members, by utilising the CREST electronic proxy appointment service in accordance with the procedures set out below:

and in each case to be valid must be received by the Company not less than 48 hours (excluding any part of a day that is not a working day) before the time of the meeting or the adjourned meeting.
2. 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. 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.
3. 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 CREST Co's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it relates to the appointment of a proxy or to 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 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 time stamp applied to the message by the CREST Application Host) from which the issuer's agent (ID: 7RA36) 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 CREST Co 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.
4. 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, Suite E, First Floor, 9 Lion and Lamb Yard, Farnham, Surrey GU9 7LL, tel. 01252 821390.
5. 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.
6. The completion of a proxy does not preclude a member from attending the Annual General Meeting and voting in person.
7. Copies of the service and consultancy agreements of the Directors with the Company, or with any of its subsidiaries, will be available for inspection at the registered office of the Company during usual business hours from the date of this Notice until the close of the Annual General Meeting and also at the place of the Annual General Meeting for at least 15 minutes prior to and during the Annual General Meeting.
8. As permitted by Regulation 41 of the Uncertificated Securities Regulations 2001 and paragraph 18 (c) of the Companies Act 2006 (Consequential Amendments) (Uncertificated Securities Order 2009, only those shareholders who are registered on the Company's register of members at 11.00am on 14 December 2012 shall be entitled to attend the Annual General Meeting and to vote in respect of the number of Ordinary Shares registered in their names at that time. Changes to entries on the register of members after 11.00am on 14 December 2012 shall be disregarded in determining the rights of any person to attend and/or vote at the Annual General Meeting.

EXPLANATORY NOTES TO THE NOTICE OF ANNUAL GENERAL MEETING

The notice of the Annual General Meeting to be held on 18 December 2012 is set out on page 2. The following notes provide an explanation as to why the resolutions set out in the notice are to be put to shareholders.

Resolution 1 – Adoption of Accounts

English company law requires the Directors to present the accounts to a general meeting of the shareholders.

Resolution 2 - Re-election of Director Retiring by Rotation

The Company has seven Directors and the Articles of Association provides for one-third of them to retire by rotation and where such number is not a whole number then the number nearest to but not exceeding one third shall retire. The longest serving directors have to offer themselves for re-election first. The length of time a Director has been in office is computed from the date of his appointment or re-election and where they have served for an equal amount of time then they shall agree who is to retire or be chosen by lot.

Resolution 3 - Re-election of Director Retiring by Rotation

The Company has seven Directors and the Articles of Association provides for one-third of them to retire by rotation and where such number is not a whole number then the number nearest to but not exceeding one third shall retire. The longest serving directors have to offer themselves for re-election first. The length of time a Director has been in office is computed from the date of his appointment or re-election and where they have served for an equal amount of time then they shall agree who is to retire or be chosen by lot.

Resolution 4 - Re-election of Director Retiring by Rotation

The Articles of Association require any Director appointed since the previous AGM to retire at the AGM following their appointment. As he was appointed since the previous AGM Simone Barratt will retire and offer herself for re-election.

Resolution 5 – Re-appointment of Auditors

By this resolution, the Company will re-appoint Jeffrey Henry as auditors and the Directors are seeking shareholder approval to such appointment and the ability to determine the amount of their fees.

Resolution 6 – Authority to the Directors to Allot Shares

Under the Act, the Directors of a Company may only allot shares if authorised to do so. Whilst the current authority has not yet expired, it is customary to grant a new authority at each Annual General Meeting. Accordingly, resolution number 6 will be proposed as an ordinary resolution to grant a new authority to allot the unissued share capital. If given, this authority will expire five years from the date of this resolution unless previously renewed, revoked or varied by the Company in general meeting. Although the Directors currently have no present intention of exercising this authority, passing this resolution will allow the Directors flexibility to act in the best interests of shareholders when opportunities arise.

Resolution 7 – Disapplication of Statutory Pre-emption Rights

Your Directors also require additional authority from shareholders to allot shares where they propose to do so for cash and otherwise than to existing shareholders pro rata to their holdings. Again, whilst the current authority has not yet expired, it is customary to grant a new authority at each annual general meeting. Accordingly, this resolution will be proposed as a special resolution to grant such authority over all the unissued shares.

Resolution 8 – Authority to purchase own shares

Resolution 8 will be proposed as an ordinary resolution to give the Company authority to purchase its own shares in the market during the period until the next annual general meeting of the Company or 18 December 2013, whichever is earlier, for up to 27,536,206 Ordinary Shares, representing approximately 10 per cent of the issued ordinary share capital of the Company as at 14 November 2012 (being the last practicable date prior to the publication of this Notice of Annual General Meeting). The price payable shall not be more than five per cent. above the average of the middle market quotation as derived from the AIM Section of the Daily Official List of the London Stock Exchange plc for the Ordinary Shares for the five business days before the purchase is made and in any event not more than the higher of the price of the last independent trade and current independent bid as derived from the London Stock Exchange Trading system and not less than 0.05p per share, being the nominal value of the shares.

It is the Directors' intention only to exercise the authority to purchase the Company's shares where it would increase the earnings per share of those Ordinary Shares that are not re-purchased. This power will only be used if the Directors consider that to do so would be in the best interests of shareholders generally. Save to the extent purchased pursuant to the regulations concerning treasury shares any Ordinary Shares purchased in this way will be cancelled and the number of shares in issue will be accordingly reduced. The Company may hold in treasury any of its own Ordinary Shares that it purchases pursuant to the relevant regulations and the authority conferred by this resolution. This would give the Company the ability to re-issue treasury shares quickly and cost effectively and would provide the Company with greater flexibility in the management of its capital base. As at 14 November 2012 (the last practicable date prior to the publication of this Notice of Annual General Meeting) options to subscribe for a total of 19,677,930 Ordinary Shares were outstanding under the Company's employee share schemes representing 7.15 per cent of the issued share capital of the Company at that date and 7.94 per cent of the issued share capital of the Company if the authority sought by this resolution were to be exercised in full.

Resolution 9 – Authority to adopt the SAYE scheme

While the Company is not required by the AIM Rules for Companies to obtain shareholder approval for any new share option scheme that it puts in place for the benefit of its employees, the Company feels that shareholders should have the right to review any such schemes and vote accordingly upon them. The Company believes that this type of scheme provides the relevant level of incentive to its employees to further and develop the Company's business.

dotDigital Group plc

(the "Company")

FORM OF PROXY - AGM

I/We the undersigned, being a member/members of the above-named company, hereby appoint

.....
 or, failing him, the Chairman of the meeting, as my/our proxy to vote on my/our behalf at the Annual General Meeting of the Company to be held on 18 December 2012 and any adjournment thereof. The proxy will vote on the under mentioned resolutions, as indicated.

(PLEASE INDICATE WITH AN 'X' IN THE BOXES BELOW)

RESOLUTIONS	For	Against	Abstain
ORDINARY BUSINESS:			
Resolution 1: To receive the Directors' and Auditors' Report and Audited Accounts for the year ended 30 June 2012.			
Resolution 2: To re-elect Ian Taylor as a Director.			
Resolution 3: To re-elect Simon Bird as a Director.			
Resolution 4: To re-elect Simone Barratt as a Director			
Resolution 5: To re-appoint Jeffreys Henry LLP as auditors to the Company and to authorise and approve the Directors to fix their remuneration.			
SPECIAL BUSINESS:			
Resolution 6: To authorise the Directors to allot relevant securities generally pursuant to section 551 of Companies Act 2006.			
Resolution 7: To disapply the statutory pre-emption rights conferred by Section 561 of the Companies Act 2006. (Special Resolution)			
Resolution 8: To authorise the Company to purchase its own shares.			
Resolution 9: To adopt the Company's Save As You Earn share option scheme (Ordinary Resolution)			

If this form is signed and returned without any indication as to how the proxy shall vote, he will exercise his discretion both as to how he votes (and whether or not he abstains from voting).

PRINT NAME:

DATE:

SIGNATURE:

Notes to the proxy form - AGM

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 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 their 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 them 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.
5. To direct your proxy how to vote on the resolutions, mark the appropriate box with an 'X'. 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 (i) completed and signed (ii) sent or delivered to Registrars of the Company, Share Registrars Limited, Suite E, First Floor, 9 Lion and Lamb Yard, Farnham, Surrey GU9 7LL or by fax to Share Registrars Limited on 01252 719232 or by scan and email to Share Registrars Limited to proxies@shareregistrars.uk.com and (iii) received by the Registrars of the Company no later than 48 hours (excluding any part of a day that is not a working day) before the time of the Annual General Meeting (or any adjournment thereof).
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, the signature of the holder whose name stands first in the relevant Register of Members will suffice as the vote of such holders and shall be accepted to the exclusion of the votes of the other joint holders. The names of all joint holders should, however, be shown. CREST members should use the CREST electronic proxy appointment service and refer to notes 13-16 below in relation to the submission of a proxy appointment via CREST.
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.
13. Shares held in uncertificated form (i.e. in CREST) may be voted through the CREST Proxy voting Service in accordance with the procedures set out in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
14. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a 'CREST Proxy Instruction') must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the Company's agent (ID: **7RA36**) by the latest time(s) for receipt of proxy appointments specified in the notice of AGM. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the Company's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.
15. CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & Ireland Limited 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.
16. 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.
17. As permitted by Regulation 41 of the Uncertificated Securities Regulations 2001 and paragraph 18 (c) of the Companies Act 2006 (Consequential Amendments) (Uncertificated Securities) Order 2009, only those persons whose names are entered on the Register of Members of the Company at 11:00am. on 14 December 2012 shall be entitled to attend and vote in respect of the number of shares registered in their names at that time. Changes to entries on the Register of Members after that time shall be disregarded in determining the rights of any person to attend and/or vote at the AGM.

Appendix 1 – Summary of the principal terms of the Save As You Earn ('SAYE') scheme for dotDigital Group PLC

dotDigital Group PLC SAYE Option Scheme (the "SAYE Scheme") is being introduced to replace the Company's previous approved savings-related share option scheme following its expiry on the tenth anniversary of its adoption.

The SAYE Scheme will provide for the grant of tax advantaged options by the Company to subscribe for, or to purchase, Ordinary Shares. It is intended that the SAYE Scheme will in due course be submitted for approval to HM Revenue & Customs ("HMRC") under Schedule 3 to the Income Tax (Earnings and Pensions) Act 2003. The Board retains the authority to make such changes to the SAYE Scheme as may be necessary or desirable in order to obtain such approval.

The SAYE Scheme will be administered by the Board or a duly authorised committee thereof. The principal terms of the SAYE Scheme are, in all material respects, the same as the Company's previous approved savings-related share option scheme that it is intended to replace. A summary of these terms is as follows:

1. Eligibility

All UK resident employees and full time executive directors of the Company and its subsidiary undertakings (the "Group") who have completed a qualifying period of employment (not exceeding five years) will generally be eligible to participate in the SAYE Scheme.

2. Grant of Options

2.1 Whenever it is decided to operate the SAYE Scheme, the Board must invite each eligible employee to apply for an option to acquire Ordinary Shares. As a precondition to being granted an option, an eligible employee must enter into a certified Save As You Earn contract (a "Savings Contract") with a bank or building society in terms of which he agrees to make monthly contributions of between £5 and the present maximum of £250 for a period of three or five years. A bonus is payable after a predetermined period of three, five or seven years. Eligible employees that accept the invitation to participate will normally be granted options over such number of Ordinary Shares as have an aggregate option price which equals as nearly as possible the proceeds (including the bonus) payable from the Savings Contract.

2.2 Invitations to apply for the grant of options may normally be made by the Board during the period of 42 days after:

- receipt of formal HMRC approval of the SAYE Scheme; and
- a results announcement by the Company in any year.

2.3 No option may be granted after the tenth anniversary of the adoption of the SAYE Scheme.

3. Non Transferability of options

No option may be assigned or transferred in any way, although the executors or personal representatives of a deceased option holder may, in certain circumstances, exercise options held by him.

4. Exercise Price

The price payable for each Ordinary Share on the exercise of an option granted under the SAYE Scheme will be determined by the Board, but will not be less than the higher of:

- 80% of the middle market quotation of an Ordinary Share as derived from the London Stock Exchange plc's Daily Official List for the dealing day immediately preceding the date of invitation (or, if so determined by the Board, 80% of the average of such quotations for the five dealing days immediately preceding the date of invitation); and
- (for newly issued Ordinary Shares) their nominal value.

5. Dilution Limit

5.1 The rules of the SAYE Scheme place a limitation on the number of Ordinary Shares which may be allocated from the unissued share capital of the Company.

5.2 The limit specifies that the number of Ordinary Shares which may be allocated on any day shall not, when added to the aggregate number of Ordinary Shares which have been allocated in the previously under any other employees' share scheme adopted by the Company, exceed such number as represents 10% of the ordinary share capital of the Company in issue immediately prior to that day.

5.3 For the purposes of this limit:

- Options and other rights to acquire Ordinary Shares which have lapsed or been released without being exercised will not be counted;
- Options and other rights to acquire Ordinary Shares which are, or are to be, satisfied by the transfer of existing Ordinary Shares purchased in the market will not be counted; and
- Ordinary Shares transferred from treasury will count as new issue shares but will cease to so count if institutional investor bodies decide that they should not count.

6. Exercise and lapse of options

6.1 An option will normally only be exercisable for a period of six months commencing on the third, fifth or seventh anniversary of the starting date of the related Savings Contract and if not exercised by the end of that period will lapse.

6.2 However, options may be exercised earlier in certain specified circumstances including death or the participant ceasing to be in employment by reason of injury, disability, redundancy, retirement or the Group company or undertaking in which he is employed being transferred outside the Group. If a participant's employment with the Group terminates for other reasons prior to the third anniversary of the date of grant, options normally lapse.

6.3 Whenever an option is exercised before completion of the related Savings Contract, the exercise of such option is limited to the total of refunded contributions together with any bonus or interest received under the Savings Contract at that time.

7. Takeovers etc

Options may generally be exercised early on a change of control of the Company, whether through a takeover, scheme of arrangement, merger or other reorganisation. Alternatively, options may, with the agreement of the acquiring company, be exchanged for equivalent options over shares in the acquiring company.

8. Issue of Shares

Ordinary Shares will normally be transferred or allotted on the exercise of an option within 30 days of the date of exercise. Ordinary Shares will rank pari passu with other Ordinary Shares in issue at the date of allotment.

9. Variation of Share Capital

In the event of any variation of the share capital of the Company, the number of Ordinary Shares subject to any option and the exercise price for each Ordinary Share will be adjusted in such manner as the auditors confirm in writing to be fair and reasonable and as HMRC shall approve.

10. Alteration

10.1 The Board may amend the SAYE Scheme as they consider appropriate. However, shareholder approval is required to amend certain provisions to the advantage of participants or eligible employees. These provisions relate to eligibility; individual and plan limits; the basis for determining the terms of options and their adjustment on variation of the Company's share capital; and the amendment powers.

10.2 Shareholder approval is not required for amendments to obtain or maintain HMRC approval and certain other minor amendments. All amendments to the SAYE Scheme are subject to the prior approval of HMRC, where required.

11. Overseas Plans

The Board may at any time and without further formality establish further schemes in overseas territories governed by rules similar to the SAYE Scheme but modified to take account of local tax, exchange control or securities laws, regulation or practice, provided that any Ordinary Shares made available under any such scheme will count against the limit on the number of new shares which may be issued under the SAYE Scheme.

12. General

Benefits derived from the SAYE Scheme will not constitute pensionable earnings of any individual.