

## **Dear Shareholder**

The Company has today announced proposals for a reduction of capital to eliminate the deferred shares of 0.9p and 99p each together (“the **Deferred Shares**”) and to cancel the share premium account of the Company (the “**Reduction**”) which requires approval by the holders of ordinary shares of 0.2p each (“**Ordinary Shares**”) in the company by special resolution at the Annual General Meeting (the “Resolution”) and subsequent confirmation by the Court. Provided that the proposal is approved by Shareholders, the Company will make an application to the Court for the confirmation of the Reduction.

These proposals do not affect in any way the Ordinary Shares currently in issue.

## **Deferred Shares**

The deferred shares of 99p each which are proposed to be cancelled were created on the capital reorganisation which was effected on 20 October 2003 pursuant to which every one hundred issued shares of 1p were consolidated into ordinary shares of £1 each and then subdivided into one ordinary share of 1p and one deferred share of 99p.

The deferred shares of 0.9p each which are proposed to be cancelled were created on the capital reorganisation which was effected on 2 October 2006 pursuant to which each issued share of 1p was converted into one ordinary share of 0.1p and one deferred share of 0.9p. The ordinary shares of 0.1p each were then consolidated into ordinary shares of 0.2p each.

The Deferred Shares have no rights to vote or to participate in dividends and carry extremely limited rights on any return of capital (whether on a liquidation or otherwise). There is no requirement for the holders of the Deferred Shares either to receive notice of or to give their consent to the proposed cancellation of the Deferred Shares.

## **Reduction of Capital**

The proposed Reduction will not result in any reduction in the net assets of the Company and no capital will be returned to Shareholders as part of the proposals.

At present the authorised share capital of the Company is £15,391,726.61 divided into 2,500,000,000 Ordinary Shares of 0.2p each, of which 885,191,389 are issued, 1,017,988,790 deferred shares of 0.9p each, of which 545,871,567 are issued and 1,242,250 Deferred Shares of 99p each, all of which have been issued. The Reduction will result in a decrease in the Company’s authorised share capital from £15,491,726.61 to £5,100,000 and create a reserve equal to the amount cancelled which can be applied in reducing the deficit on the profit and loss account of the Company, thereby bringing forward the time when the Company will be in a position to pay dividends, to make purchases of the Company’s own shares, or to make other distributions, should the directors consider it appropriate to do any of these.

## **Amendments to Articles of Association**

Subject to and upon the Reduction becoming effective it is proposed to amend the Articles of Association to remove any references to the Deferred Shares.

## **Court Approval**

In considering the Company's application for confirmation of the Reduction, the Court will, amongst other things, be concerned to ensure that the interests of the Company's creditors will not be adversely affected. With regard to the creditors of the Company whose written consent to the Reduction cannot be obtained, the Company will be required to give such undertakings or other form of creditor protection as the Court may require and the Company is advised by its advisers it is appropriate to give. It is currently anticipated that the creditor protection required by the Court will take the form of an undertaking from the Company which may require the Company to create and maintain a non-distributable reserve until all creditors of the Company who are creditors on the date the Reduction becomes effective have either been discharged or have given their consent to the Reduction. The Company would be required to credit to the non-distributable reserve any sums which would otherwise, by virtue of the Reduction, be capable of giving rise to a surplus on the profit and loss account (whether through the sale of an asset or investment, or the release of a provision, or a distribution by a subsidiary), where such sums arise as a result of circumstances in existence on the date that the Reduction becomes effective.

If the Resolution is passed at the Annual General Meeting it is proposed that a petition will be presented to the Court asking the Court to confirm the Reduction. It is expected that the hearing of the petition will take place on 7 September 2007 and creditors and shareholders will be entitled to attend the hearing. If the Court makes the appropriate order, the Reduction will become effective when the order has been registered by the Registrar of Companies. This is likely to be within a few days of the court hearing.

If the increase in the ordinary share capital is approved and Redirection is effected, the Company will have an authorised share capital of £5,100,000 and the issued share capital will be £1,770,382.78 with 29,506,380 Ordinary Shares of 6p each in issue.