

Part 4

Explanatory notes: Principal changes to the Company's articles of association

1. The Company's Objects

The provisions regulating the operations of the Company are currently set out in the Company's memorandum of association. The Company's memorandum contains, among other things, the objects clause which sets out the scope of the activities the Company is authorised to undertake. This is drafted to give a wide scope.

The Companies Act 2006 (the "2006 Act") significantly reduces the constitutional significance of a company's memorandum of association. The 2006 Act provides that a memorandum will record only the names of subscribers and the number of shares each subscriber has agreed to take in the company. Under the 2006 Act, for companies existing at 1 October 2009, the objects clause and all other provisions which are currently contained in the memorandum will be deemed to be transferred to and contained in the company's articles of association. However, a company can remove these provisions altogether by special resolution.

Further, the 2006 Act states that unless a company's articles provide otherwise, a company's objects are unrestricted. This abolishes the need for companies to have an objects clause. For this reason, the Company is proposing to remove its objects clause, together with all other provisions of its memorandum which, by virtue of the 2006 Act, would otherwise be treated as forming part of the Current Articles from 1 October 2009. Resolution 11 confirms the removal of these provisions for the Company. As the effect of the resolution will remove the statement currently in the Company's memorandum regarding limited liability, the New Articles also contain an express statement regarding the limited liability of the shareholders.

2. Articles which duplicate statutory provisions

Provisions in the Current Articles which replicate provisions in the 2006 Act are in the main to be removed in the New Articles. This is in line with the approach advocated by the Government that statutory provisions should not be duplicated in a company's constitution.

3. Authorised share capital and unissued shares

The 2006 Act abolishes the requirement for a company to have an authorised share capital and the New Articles reflect this. Directors will still be limited as to the number of shares they can at any time allot because allotment authority continues to be required under the 2006 Act, save in respect of employee share schemes.

4. Redeemable shares

At present, if a company wishes to issue redeemable shares, it must include in its articles the terms and manner of redemption. The 2006 Act enables directors to determine such matters instead, provided that they are so authorised by the articles. The New Articles contain such authorisation. The Company has no plans to issue redeemable shares, but if it did so, directors would need shareholders' authority to issue new shares in the usual way.

5. Authority to purchase own shares, consolidate and sub-divide shares, and reduce share capital

Under current law, a company requires specific enabling provisions in its articles to purchase its own shares, to consolidate or sub-divide its shares and to reduce its share capital or other undistributable reserves as well as shareholder authority to undertake the relevant action. The Current Articles contain these enabling provisions. Under the 2006 Act, a company will only require shareholder authority to do any of these things and it will no longer be necessary for the articles to contain enabling provisions. Accordingly, the relevant enabling provisions relating to purchase of own shares and reduction of share capital have been removed in the New Articles. However, Article 44 still refers to the Company's ability to consolidate and sub-divide shares because it is useful to refer to these provisions side-by-side with Article 45 relating to directors dealing with fractions arising from such consolidation or sub-division.

6. Casting Vote

The Shareholder Rights Directive, which is expected to be implemented in August 2009, is abolishing the right for a chairman to have a casting vote at general meetings. Consequently, the provision in the Current Articles providing for a casting vote has been deleted.

7. Provisions for employees on cessation of business

The 2006 Act provides that the powers of the directors of a company to make provision for a person employed or formerly employed by the company or any of its subsidiaries in connection with the cessation or transfer to any person of the whole or part of the undertaking of the company or that subsidiary may only be exercised by the directors if they are so authorised by the company's articles or by the company in general meeting. The New Articles provide that the directors may exercise this power.

8. Use of seals

A company currently requires authority in its articles to have an official seal for use abroad. After 1 October 2009 such authority will no longer be required. Accordingly the relevant authorisation has been removed in the New Articles.

9. Suspension of registration of share transfers

The Current Articles permit the directors to suspend the registration of transfers. Under the 2006 Act, share transfers must be registered as soon as practicable. The power in the Current Articles to suspend the registration of transfers is inconsistent with this requirement and has, accordingly, been removed in the New Articles.

10. Vacation of office by directors

The Current Articles specify the circumstances in which a director must vacate office. The New Articles update these provisions to reflect the approach taken on mental and physical incapacity in the model articles for public companies produced by the Department for Business, Enterprise and Regulatory Reform.



Braemar Shipping Services plc

Circular to Shareholders incorporating
Notice of Annual General Meeting

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THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to the action you should take, you should seek your own personal financial advice from your stockbroker, bank manager, solicitor, accountant, or other financial adviser authorised under the Financial Services and Markets Act 2000.

If you have sold or otherwise transferred all your shares in Braemar Shipping Services plc (the "Company"), please send this document, together with any accompanying documents, as soon as possible to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for delivery to the purchaser or transferee.

Notice of the annual general meeting of the Company to be held at 12 noon on 24 June 2009 in The Grand Ballroom II at The Landmark Hotel, 222 Marylebone Road, London NW1 6JQ is set out in part 2 of this document.

Each member of the Company is entitled to appoint another person as his proxy to exercise all or any of his rights to attend and to speak and vote at a meeting of the Company. A member may appoint more than one proxy in relation to a meeting, provided that each proxy is appointed to exercise the rights attached to a different share or shares held by him, or (as the case may be) to a different £10, or multiple of £10 of stock held by him.

A form of proxy for use at the annual general meeting is enclosed. To be valid, the form of proxy should be completed, signed and returned in accordance with the instructions printed on it to the Company's registrar, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU soon as possible but in any event so as to arrive no later than 12 noon on 22 June 2009.

Part 1

Letter from the Chairman

Braemar Shipping Services plc
35 Cosway Street
London NW1 5BT

26 May 2009

To the shareholders of Braemar Shipping Services plc

Dear Shareholder,

I am pleased to be writing to you with details of the annual general meeting of Braemar Shipping Services plc (the "Company") to be held at 12 noon on 24th June 2009 in The Grand Ballroom II at The Landmark Hotel, 222 Marylebone Road, London NW1 6JQ (the "AGM"). The formal notice of AGM is set out in part 2 of this document ("AGM Notice").

If you would like to vote on the resolutions but cannot come to the AGM, you can appoint a proxy to exercise all or any of your rights to attend, vote and speak at the AGM by using one of the methods set out in the notes to the AGM Notice.

The purpose of this letter is to explain certain elements of the business to be considered at the meeting. More detailed explanatory notes for resolutions 8 – 12 are set out in part 3 of this document.

Resolution 1 – To receive the annual report and accounts

The annual report and accounts of the Company for the financial year ended 28 February 2009 will be presented to the meeting. The annual report and accounts are included with this document.

Resolution 2 – Remuneration report

It is a requirement of all listed companies to put their directors' remuneration report to an advisory shareholder vote. As the vote is advisory it does not affect the actual remuneration paid to any individual director. The Directors' remuneration report is set out in full in the annual report of the Company.

Resolution 3 – Final dividend

A final dividend of 15.5 pence per ordinary share for the financial year ended 28 February 2009 is recommended by the Directors for payment by the Company. If shareholders of the Company approve the recommended final dividend, this will be paid on 28 July 2009 to all ordinary shareholders who were on the register of members of the Company at the close of business on 3 July 2009.

Resolutions 4 and 5 – Re-appointment of directors

Resolution 4 deals with the re-appointment of Sir Graham Hearne as a Non-Executive Director of the Company. Resolution 5 deals with the re-appointment of James Kidwell as an Executive Director of the Company. Biographies of each of these persons can be found on page 20 of the Annual Report. The board of directors of the Company (the "Board") has confirmed that, following a performance review, all Directors standing for re-appointment continue to perform effectively and demonstrate commitment to their role.

Resolutions 6 and 7 – Re-appointment of auditors

Resolution 6 relates to the re-appointment of PricewaterhouseCoopers LLP as the Company's auditors to hold office until the next annual general meeting of the Company. Resolution 7 authorises the Directors to set their remuneration. The directors have delegated the responsibility of setting the auditors' remuneration to the audit committee of the Board.

Resolution 8 – Allotment of share capital

The Board considers it appropriate that the Company should have the maximum authority to allot shares. Accordingly a resolution renews the grant of authority to the Board to allot ordinary shares in the capital of the Company up to a maximum nominal amount of £701,214 which (excluding ordinary shares to be issued under options granted under any share option plan of the Company) represents approximately one third of the Company's issued ordinary share capital as at 25 May 2009 (the latest practicable date prior to publication of this letter). It is proposed that such authority expire at the conclusion of next year's annual general meeting.

In addition the Association of British Insurers has said that it will now consider as routine a resolution to authorise the allotment of a further one-third of share capital for use in connection with a rights issue. Your Board considers it appropriate to seek this additional allotment authority at this year's AGM in order to take advantage of the flexibility it offers. It is proposed that such authority expire at the conclusion of next year's annual general meeting.

The Directors have no present intention of exercising either authority.

Resolution 9 – Disapplication of statutory pre-emption rights

Resolution 9 will empower the Directors to allot ordinary shares in the capital of the Company for cash on a non pre-emptive basis: (a) in connection with a rights issue; and (b) otherwise than in connection with a rights issue up to a maximum nominal value of £105,182, representing approximately five per cent of the issued ordinary share capital of the Company as at 25 May 2009 (the latest practicable date prior to publication of this letter). It is proposed that such authority expire at the conclusion of the annual general meeting of the Company in 2010.

Resolution 10 – Authority to purchase own shares

Resolution 10 gives the Company authority to buy back its own ordinary shares in the market as permitted by the Companies Act 1985. The authority limits the number of shares that could be purchased to a maximum of 2,103,641 (representing approximately 10 per cent of the Company's issued ordinary share capital as at 25 May 2009 (the latest practicable date prior to publication of this letter) and sets minimum and maximum prices. This authority will expire at the conclusion of the annual general meeting of the Company in 2010.

The Directors have no present intention of exercising the authority to purchase the Company's ordinary shares but will keep the matter under review, taking into account the financial resources of the Company, the Company's share price and future funding opportunities. The authority will be exercised only if the Directors believe that to do so would result in an increase in earnings per share and would be in the interests of shareholders generally. Any purchases of ordinary shares would be by means of market purchases through the London Stock Exchange.

Listed companies purchasing their own shares are allowed to hold them in treasury as an alternative to cancelling them. No dividends are paid on shares whilst held in treasury and no voting rights attach to treasury shares. The Company is only permitted to hold a maximum of up to 10 per cent of its issued share capital in treasury.

Resolution 11 – Adoption of new articles

It is proposed in resolution 11 of the AGM Notice to update the Company's articles of association primarily to take account of changes in company law brought about by the coming into force of certain provisions of the Companies Act 2006 (the "2006 Act").

The amendments proposed reflect the changes brought about by the 2006 Act which are either already in force or which are to come into effect on or before 1 October 2009, which is the final implementation date of the 2006 Act provisions. The changes proposed by resolution 11 are summarised in part 4 of this document.

Resolution 12 – Notice of General Meetings

The Shareholder Rights Directive (the "Directive") is intended to be implemented in the UK in August this year. One of the requirements of the Directive is that all general meetings must be held on 21 days' notice unless shareholders agree to a shorter notice period. We are currently able to call general meetings (other than annual general meetings) on 14 days' notice. We are proposing a resolution at the AGM so that we can continue to be able to do so after the Directive is implemented.

Recommendation

The Board considers the resolutions will promote the success of the Company and are in the best interests of the Company and its shareholders as a whole. The directors of the Company unanimously recommend that you vote in favour of the resolutions as they intend to do in respect of their own beneficial holdings which amount in aggregate to 3,089,190 shares representing approximately 14.7 per cent of the existing issued ordinary share capital of the Company.

Yours sincerely,

Sir Graham Hearne
Chairman
Braemar Shipping Services plc

Part 2

Notice of Annual General Meeting Braemar Shipping Services plc

Notice is given that the annual general meeting of Braemar Shipping Services plc (the "Company") will be held in The Grand Ballroom II at The Landmark Hotel, 222 Marylebone Road, London NW1 6JQ on 24 June 2009 at 12 noon to transact the business referred to in this notice. Resolutions 1 – 8 (inclusive) will be proposed as ordinary resolutions. Resolutions 9 – 12 (inclusive) will be proposed as special resolutions:

1. To receive the Report of the Directors, the accounts and the auditor's report on the accounts and on the auditable part of the Directors' remuneration report, for the financial year ended 28 February 2009.
2. To receive and approve the Directors' remuneration report for the financial year ended 28 February 2009.
3. To declare a final dividend for the financial year ended 28 February 2009 of 15.5 pence per share.
4. To re-elect Sir Graham Hearne as a Director of the Company.
5. To re-elect James Kidwell as a Director of the Company.
6. To re-appoint PricewaterhouseCoopers LLP as auditors to the Company to hold office from the conclusion of the meeting to the conclusion at the next meeting at which accounts are laid before the Company.
7. To authorise the Directors of the Company to determine the remuneration of PricewaterhouseCoopers LLP as auditors of the Company.
8. To generally and unconditionally authorise the Directors in substitution for all existing authorities:
 - (a) to exercise all the powers of the Company to allot relevant securities (as defined in section 80 of the Companies Act 1985 (the "1985 Act")) up to an aggregate nominal amount of £701,214; and
 - (b) to exercise all the powers of the Company to allot equity securities (as defined in section 94 of the 1985 Act) up to an additional nominal amount of £701,214 provided that this authority may only be used in connection with a rights issue in favour of holders of ordinary shares and other persons entitled to participate there in where the equity securities respectively attributable to the interests of all the ordinary shareholders on the register of members at such record date as the directors may determine are proportionate (as nearly as may be) to the respective numbers of equity securities held by them subject to such exclusions or other arrangements as the directors may consider necessary or expedient to deal with fractional entitlements or legal difficulties under the laws of any territory or the requirements of a regulatory body or stock exchange or by virtue of shares being represented by depositary receipts or any other matter whatsoever, provided that the authorities in 8(a) and 8(b) shall expire at the conclusion of the next annual general meeting of the Company after the passing of this resolution or if earlier on the date which is 15 months after the date of the annual general meeting, except 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 any such offer or agreement as if the authority conferred by this resolution had not expired.
9. Subject to the passing of resolution number 8, to empower the directors, pursuant to section 95 of the 1985 Act, to allot equity securities (as defined in section 94 of the 1985 Act) wholly for cash pursuant to the authority conferred by resolution number 9 as if section 89(1) of the 1985 Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities:
 - (a) in connection with an offer of such securities by way of rights to holders of ordinary shares in proportion (as nearly as may be practicable) to their respective holdings of such shares, but subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to fractional entitlements or any other legal or practical problems under the laws of any territory, or the requirements of any regulatory body or stock exchange; and
 - (b) otherwise than pursuant to sub-paragraph (a) above, up to an aggregate of £105,182, and shall expire upon the expiry of the general authority conferred by resolution number 8 above, 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 offer or agreement as if the power conferred by this resolution had not expired.
10. To generally and unconditionally authorise the Company, in accordance with section 166 of the 1985 Act, to make market purchases (within the meaning of section 163 of the Act) of ordinary shares of 10 pence each in the capital of the Company ("Ordinary Shares") on such terms and in such manner as the directors may from time to time determine provided that:
 - (a) the maximum number of Ordinary Shares authorised to be purchased is 2,103,641;
 - (b) the minimum price which may be paid for an Ordinary Share is 10 pence (exclusive of expenses payable by the Company);
 - (c) the maximum price which may be paid for an Ordinary Share (exclusive of expenses payable by the Company) cannot be more than the higher of:
 - (i) 105% of the average middle market price of the Ordinary Share as derived from the Daily Official List of the London Stock Exchange for the five business days prior to the day on which the Ordinary Share is purchased; and
 - (ii) the value of an Ordinary Share calculated on the basis of the higher of:
 - (aa) the last independent trade of; or
 - (bb) the highest current independent bid for, any number of Ordinary Shares on the trading venue where the purchase is carried out; and
 - (d) the authority conferred shall expire at the conclusion of the next annual general meeting of the Company except that the Company may, before such expiry, make a contract to purchase its own shares which will or may be completed or executed wholly or partly after such expiry.
11. With effect from 0.01 am on 1 October 2009:
 - (a) to amend the articles of association of the Company by deleting all the provisions of the Company's memorandum of association which, by virtue of section 28 of the Companies Act 2006, are to be treated as provisions of the Company's articles of association; and
 - (b) to adopt the draft regulations produced to the meeting and, for the purposes of identification, initialled by the Chairman as the articles of association of the Company in substitution for, and the exclusion of, the existing articles of association of the Company.
12. To call a general meeting, other than an annual general meeting, on not less than 14 clear days' notice.

By order of the board

James Kidwell
Company Secretary

Registered office
35 Conway Street
London NW1 5BT

26 May 2009

Part 2 continued

Notes:

- A member entitled to attend and vote at the meeting is entitled to appoint another person(s) (who need not be a member of the Company) to exercise all or any of his rights to attend, speak and vote at the meeting. A member can appoint more than one proxy in relation to the meeting, provided that each proxy is appointed to exercise the rights attaching to different shares held by him.
- A proxy could be the Chairman, another Director of the Company or another person who has agreed to attend to represent you. A proxy need not be a shareholder of the Company. A proxy will vote as you instruct and must attend the meeting for your vote to be counted. Details of how to appoint the Chairman or another person as your proxy using the proxy form are set out in the notes to the proxy form. Appointing a proxy does not preclude you from attending the meeting and voting in person. If you attend the meeting in person, your proxy appointment will automatically be terminated.
- An appointment of proxy is provided with this notice and instructions for use are shown on the form. In order to be valid, a completed appointment of proxy must be returned to the Company by one of the following methods:
 - in hard copy form by post, by courier or by hand to the Company's Registrar at the address shown on the form of proxy; 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 must be received by the Company not later than 22 June 2009 at 12 noon.

Please note that any electronic communication sent to our registrars in respect of the appointment of a proxy that is found to contain a computer virus will not be accepted.
- Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a "Nominated Person") may, under an agreement between him/her and the shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the Annual General Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights. The statement of rights of shareholders in relation to the appointment of proxies under paragraphs 1, 2 and 3 above do not apply to Nominated Persons. The rights described in those paragraphs only apply to shareholders of the Company.
- To change your proxy instructions you may return a new proxy appointment using the methods set out above. 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 Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU. The deadline for receipt of proxy appointments (see above) also applies in relation to amended instructions. Any attempt to terminate or amend a proxy appointment received after the relevant deadline will be disregarded. Where two or more valid separate appointments of proxy are received in respect of the same share in respect of the same meeting, the one which is last sent shall be treated as replacing and revoking the other or others.
- 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.
 - In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy, must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA 10) by 22 June 2009 at 12 noon. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.
- The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
 - CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular message. 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.
- The Company specifies, pursuant to regulation 41 of the Uncertificated Securities Regulations 2001, that only those shareholders registered in the register of members of the Company as at 6 pm on 22 June 2009 (or, if the meeting is adjourned, at 6 pm on the date which is two days prior to the adjourned meeting) shall be entitled to attend or vote at the meeting or adjourned meeting in respect of the number of shares registered in their respective names at that time. Changes to entries on the register after that time will be disregarded in determining the rights of any person to attend or vote at the meeting or adjourned meeting.
- As at 25 May 2009 (being the last business day before the publication of this notice), the Company's issued share capital consists of 21,036,413 ordinary shares carrying one vote each. Therefore the total voting rights in the Company are 21,036,413.
- Members satisfying the thresholds in section 527 of the Companies Act 2006 can require the Company to publish a statement on its website setting out any matter relating to (a) the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the meeting; or (b) any circumstances connected with an auditor of the Company ceasing to hold office since the last Annual General Meeting, that the members propose to raise at the meeting. The Company cannot require the members requesting the publication to pay its expenses. Any statement placed on the website must also be sent to the Company's auditors no later than the time it makes its statement available on the website. The business which may be dealt with at the meeting includes any statement that the Company has been required to publish on its website).
- In order to facilitate voting by corporate representatives at the meeting, arrangements will be put in place at the meeting so that (i) if a corporate representative has appointed the chairman of the meeting as its corporate representative with instruction to vote on a poll in accordance with the directions of all the other corporate representatives for that shareholder at the meeting, then on a poll those corporate representatives will give voting directors to the chairman and the chairman will vote (or withhold a vote) as corporate representative in accordance with those directions; and (ii) if more than one corporate representative for the same corporate shareholder attends the meeting but the corporate shareholder has not appointed the chairman of the meeting as its corporate representative, a designated corporate representative will be nominated from those representative who attend, who will vote on a poll and the other corporate representative will give voting directions to that designated corporate representative. Corporate shareholders 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 this procedure. The guidance includes a sample form of representation letter if the chairman is being appointed as described in (i) above.
- The following documents are available for inspection at the registered office of the Company during normal business hours on each weekday (public holidays excluded) and at the place of the annual general meeting for 15 minutes prior to and during the meeting:
 - copies of Executive Directors' service contracts;
 - copies of letters of appointment of the Non-Executive Directors; and
 - copies of the Company's existing memorandum and articles of association and a copy of the proposed new articles of association of the Company.

Part 3

Explanatory notes to resolutions 8, 9, 10, 11 and 12

Resolution 8 – Authority to allot shares

Under the Companies Act 1985, the directors of a company may only allot unissued shares if authorised to do so by the shareholders in general meeting. Resolution 8(a) renews and extends the Directors' existing authority by authorising the Directors to allot shares up to an aggregate nominal amount of £701,214 before the conclusion of next year's annual general meeting. This represents approximately 7,012,140 ordinary shares of 10 pence each and is equivalent to approximately one third of the Company's current issued ordinary share capital excluding ordinary shares issued under options granted under any share option plan of the Company.

As mentioned in the Chairman's letter, the Association of British Insurers has issued guidance stating that it will consider as routine a resolution to authorise the Directors to allot a further one-third of issued share capital for use in connection with a rights issue. Resolution 8(b) will give Directors authority to allot shares up to a further aggregate nominal amount of £701,214 before the conclusion of next year's annual general meeting. This represents approximately 7,012,140 ordinary shares of 10 pence each and is equivalent to approximately one third of the Company's current issued ordinary share capital excluding ordinary shares issued under options granted under any share option plan of the Company.

Except in relation to the issue of ordinary shares arising from the exercise of options under the Company's employee share option schemes, the Directors have no present intention of issuing any of the authorised but unissued ordinary shares of the Company.

Resolution 9 – Limited authority to allot shares for cash

The directors may only allot shares for cash to persons who are not already shareholders in the Company if authorised to do so by the shareholders in general meeting.

This resolution renews the power for the directors to allot shares for cash without first offering them to existing members up to an aggregate nominal amount of £105,182. This sum represents 1,051,820 ordinary shares of 10 pence each, being equivalent to approximately five per cent of the current issued share capital. The Directors will use such authority in the circumstances where it is in the best interest of the Company to issue small amounts of shares for cash other than to existing shareholders.

The resolution also enables the Directors to modify the strict requirements for a rights issue in circumstances where they consider it necessary or expedient.

The authority will expire at the conclusion of next year's annual general meeting.

Resolution 10 – Purchase of the Company's own shares

This resolution renews and extends authority from shareholders for the Company to purchase up to 2,103,641 ordinary shares, an aggregate nominal amount of £210,364, which is equivalent to approximately 10 per cent of the Company's issued ordinary share capital. The authority will expire at the end of next year's annual general meeting and the resolution specifies the maximum and minimum prices at which the shares may be bought. Other investment opportunities, appropriate gearing levels and the overall financial position of the Company will be taken into account before deciding upon this course of action. Any shares purchased in this way will be held by the Company in treasury and may then be sold for cash, transferred to an employee share scheme or cancelled. The Directors have no immediate intention of exercising the proposed authority when it becomes effective, but believe that the ability of the Company to buy its own shares when, in the opinion of the Directors, market prices do not reflect the Company's worth, will be in the best interests of the Company and its shareholders. The Directors intend to exercise this power only when they believe the effect of such purchases will increase earnings per ordinary share.

Resolution 11 – Adoption of new articles

It is proposed in resolution 11 in the enclosed notice of annual general meeting to update the Company's current articles of association (the "Current Articles") primarily to take account of the implementation of the final parts of the Companies Act 2006 on 1 October 2009. The resolution adopting the new articles of association (the "New Articles") will only become effective on 1 October 2009. The principal changes proposed by resolution 11 are summarised in Part 4.

Resolution 12 – Notice of general meetings

This resolution is required to reflect the proposed implementation in August 2009 of the Shareholder Rights Directive (the "Directive"). The resolution implementing the Directive will increase the notice period for general meetings of the Company to 21 days. The Company is currently able to call general meetings (other than an annual general meeting) on 14 clear days' notice and would like to preserve this ability. In order to be able to do so after August 2009, shareholders must have approved the calling of meetings on 14 days' notice. Resolution 12 seeks such approval. The approval will be effective until the Company's next annual general meeting, when it is intended that a similar resolution will be proposed.