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 independent financial advice from your stockbroker, solicitor, accountant or other professional adviser authorised under the Financial Services and Markets Act 2000.

If you have sold or otherwise transferred your entire holding of Existing Ordinary Shares in Novae Group plc, please send this document and the accompanying Proxy Form and Election Form, to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale was effected, for transmission to the purchaser or transferee.

Applications will be made to the UK Listing Authority and the London Stock Exchange for the New Ordinary Shares resulting from the proposed Capital Reorganisation to be admitted to the Official List and to trading on the London Stock Exchange's main market for listed securities in place of the Existing Ordinary Shares. It is expected that dealings in the Existing Ordinary Shares will continue until close of business on Wednesday, 22 December 2010 and that listing of the New Ordinary Shares will become effective and dealings in them will commence on the London Stock Exchange at 8:00 a.m. on Thursday, 23 December 2010. Neither the B Shares nor the C Shares will be listed or tradable on the London Stock Exchange.

The New Ordinary Shares have not been marketed and are not available to the public, in whole or in part, in connection with the application for the listing of the New Ordinary Shares on the London Stock Exchange.

Circular to Shareholders

Novae
Novae Group plc
(incorporated in England and Wales with company number 5673306)

Proposed Return of Capital to Shareholders of 45.0 pence per Existing Ordinary Share by way of one B Share or one C Share for each Existing Ordinary Share and an 8 for 9 Share Capital Consolidation and Reduction of Capital

Notice of General Meeting

This document should be read as a whole. Your attention is drawn to the letter from the Chairman of Novae Group plc set out in Part II of this document which contains the Directors’ recommendation to you to vote in favour of the Resolutions to be proposed at the General Meeting referred to below.

You should note that the Return of Capital is conditional upon the approval by the Shareholders of Resolution 1 to be proposed at the General Meeting and upon Admission. The Reduction of Capital proposed in Resolution 5 is subject to confirmation by the Court.

A notice of General Meeting, to be held at the offices of Novae Group plc at 71 Fenchurch Street London EC3M 4HH at 11:30 a.m. on Monday, 20 December 2010, is set out at the end of this document. A Proxy Form for use in connection with the General Meeting is enclosed with this document. Whether or not you intend to be present at this meeting, please complete and return the accompanying Proxy Form to Novae Group plc’s Registrar, Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY, so as to be received as soon as possible and in any event no later than 11:30 a.m. on Thursday, 16 December 2010. Alternatively, votes may be submitted electronically by following the instructions on the front of the Proxy Form and arrangements have been made for CREST members to appoint a proxy or proxies through the CREST electronic appointment service. Further details regarding CREST are included in Part IV and at Note 3 on page 41 of this document. To be valid, your voting instructions must be received no later than 11:30 a.m. on Thursday, 16 December 2010.

An Election Form in connection with the Alternatives for use by Shareholders holding shares in certificated form is enclosed with this document. To be valid, Election Forms must be returned so as to be received by Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY, as soon as possible and in any event no later than 3.00 p.m. on Friday, 14 January 2011. Shareholders electing through CREST should not complete an Election Form but should instead refer to paragraph 5.2 of Part IV of this document.

If you hold Existing Ordinary Shares and have any queries in relation to the Election Form or Proxy Form, you may call the Shareholder helpline on 0870 707 1327 (or +44 870 707 1327 from outside the United Kingdom) between 8.30 a.m. and 5.30 p.m. on any Business Day. The helpline will not provide advice on the merits of the Return of Capital or the Alternatives or give any financial or taxation advice.
IMPORTANT INFORMATION

None of the B Shares, the C Shares or the New Ordinary Shares have been or will be registered under the Securities Act or the state securities laws of the United States and none of them may be offered or sold in the United States unless pursuant to a transaction that has been registered under the Securities Act and the relevant state securities laws or that is not subject to the registration requirements of the Securities Act or such laws, either due to the availability of an exemption therefrom or otherwise.

None of the B Shares, the C Shares, the New Ordinary Shares or this document have been approved, disapproved or otherwise recommended by any US federal or state securities commission, including the SEC, nor any non-US securities commission or regulatory authority nor have such authorities confirmed the accuracy or determined the adequacy of this document. Any representation to the contrary is a criminal offence in the United States.

RBS Hoare Govett is acting for Novae and no-one else in relation to (or in connection with) the Proposals and will not be responsible to anyone other than Novae for providing the protections afforded to clients of RBS Hoare Govett or for providing advice in relation to the Return of Capital or on any matter referred to in this document. The Return of Capital is being made directly by Novae.

All defined terms used in this document are, unless otherwise stated, defined in Part VIII.

No application will be made to the UK Listing Authority or to the London Stock Exchange for any of the B Shares or C Shares to be admitted to the Official List or to trading on the London Stock Exchange’s main market for listed securities, nor will the B Shares or C Shares be admitted to trading on any other recognised investment exchange.

The Directors whose names appear on page 5 of this document accept responsibility for the information contained in this document. To the best of the knowledge of the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and contains no omission likely to affect its import.

A summary of the actions to be taken by Shareholders is set out on pages 15-19 of this document and in the accompanying Proxy Form and Election Form.

THIS DOCUMENT DOES NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY ANY SECURITY, NOR SHALL THERE BE ANY SALE, ISSUANCE OR TRANSFER OF THE SECURITIES REFERRED TO IN ANY JURISDICTION IN CONTRAVENION OF APPLICABLE LAW.

Forward-looking statements

This document includes forward-looking statements concerning the Group. Forward-looking statements are based on current expectations and projections about future events. These forward-looking statements are subject to risks, uncertainties and assumptions about the Group. The Group undertakes no obligation to update publicly or revise any forward-looking statements, whether as a result of new information, future events or otherwise save to the extent required in accordance with the Company’s continuing obligations under the Listing Rules, the Disclosure and Transparency Rules, applicable laws and regulations.

US Shareholders and Japanese Shareholders will not be eligible to make any election in relation to the Alternatives and will only be entitled to receive C Shares (the Dividend Alternative).
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Notes:
1. References to time in this document are to London time unless otherwise stated.
2. If any of the above times or dates should change, the revised times and/or dates will be notified to Shareholders by an announcement through a Regulatory Information Service.
3. All events in the above timetable following Admission are conditional upon Admission.
4. The Court hearing date is subject to change by the Court and, in certain circumstances, the Company.
PART II

LETTER FROM THE CHAIRMAN OF NOVAE GROUP PLC

Novae

(incorporated and registered in England with registered no. 5673306)

Directors:
John Hastings-Bass (Chairman)
Matthew Fosh (Group Chief Executive)
Jeremy Adams (Executive Director)
Laurie Adams (Non-executive Director)
Sir Bryan Carsberg (Non-executive Director)
Oliver Corbett (Chief Financial Officer)
Tony Hambro (Non-executive Director)
David Henderson (Non-executive Director)
Peter Matson (Executive Director)
David Pye (Non-executive Director)

Registered Office:
71 Fenchurch Street
London EC3M 4HH
United Kingdom

3 December 2010

To Shareholders, and for information only to participants in the Novae Share Schemes

Dear Shareholder

**Proposed Return of Capital to Shareholders of 45.0 pence per Existing Ordinary Share amounting to approximately £32.9 million**

1. **Introduction and reasons for the Return of Capital**

I am writing to provide details of a proposed Return of Capital, which was announced on 3 December 2010 and for which your approval is being sought at a General Meeting to be held on Monday, 20 December 2010. Notice of the General Meeting is set out in Part IX of this document.

On 7 December 2009 Novae announced a series of actions that the Group was taking to improve its return on equity. Four specific steps were identified as part of this initiative:

- the redeployment of surplus capital held by NICL, the Group’s FSA authorised insurance company;
- the reduction in the Group’s outwards reinsurance spend by at least £10.0 million in 2010, rising to £12.5 million in 2011 and £15.0 million by 2012;
- annualised pre-tax cost savings of £2.0 million by 2011; and
- the continuing pursuit of a transactional solution under which a third party would assume financial responsibility for the run-off of the 2002 and prior years underwriting.

Of these actions the single most significant was the redeployment of the NICL surplus capital. NICL’s audited net assets at 31 December 2009 were £107.7 million and the regulatory capital deployed to support its business at that date was around £40 million. NICL’s surplus capital as at 31 December 2009 was therefore over £60 million. As a result, based on its then most recent audited accounts over 20% of the Group’s shareholders’ funds were not actively deployed earning an appropriate risk-adjusted return by virtue of the unused capital in NICL. The inability to generate an appropriate return from this capital has created a structural earnings drag on the remainder of the Group, reduced Novae’s return on equity and, in the opinion of the Board, contributed to Novae’s shares standing at a discount to those of its peer group. Following consultation with the Group’s major shareholders, the Board concluded that it should seek to address this structural earnings drag by transferring NICL’s in-force business to the Group’s Lloyd’s business, and returning to a unified, and therefore more efficient, capital base.

The Group’s preferred solution for achieving this reorganisation and thus unlocking the surplus capital was through the transfer to the Group’s Lloyd’s business of NICL’s renewal rights, followed by a Court-sanctioned transfer of NICL’s reserves and in-force insurance business under Part VII of FSMA.
Novae announced on 27 September 2010 that it had received consent to the Part VII Transfer following an order made by the High Court on 21 September 2010 and by the Royal Court of Jersey on 24 September 2010.

Following the Part VII Transfer, the surplus capital held by NICL is now available for redeployment in underwriting elsewhere in the Group or for return to shareholders. This has taken place at the same time as the Group has agreed its 2011 capital requirement with Lloyd’s at £337.5 million (equivalent to 58.7% of the 2011 premium capacity of Syndicate 2007 of £575.0 million) reflecting inter alia: the assumption by Syndicate 2007 of NICL’s in-force business under the Part VII Transfer; the reduction in interest rates; the growth in the Novae Re and European property teams; and the reduction in risk attributed to 2002 and prior underwriting. Reflecting its commitment to return surplus capital, the Board has decided to return 45.0 pence per Existing Ordinary Share equivalent to a total of £32.9 million of capital. The Board will continue actively to manage the Group’s capital resources.

The Return of Capital is being made through an issue of B Shares and C Shares combined with a consolidation of Existing Ordinary Shares. The benefits of this combination include: equality of treatment as between Shareholders; certainty of cash return (subject to shareholder approval at the General Meeting); and an enhancement of the per share dividend paying capacity by reducing the number of ordinary shares in issue. It also maintains the net tangible assets per share at near to the same level as before the Return of Capital. Furthermore, through offering a range of options to Shareholders as set out below it provides flexibility for many UK Shareholders in terms of tax treatment by allowing them a choice as to when and in what form they receive the Return of Capital.

As a separate exercise from the Return of Capital and the Share Capital Consolidation, the Board is proposing that, subject to shareholder approval and confirmation by the Court, the Company’s share premium account, which currently stands at £67.1 million, be cancelled so as to create distributable reserves that would be available for future dividend payments or returns of capital by the Company.

The purpose of this document is to provide you with information relating to the Proposals and to explain why the Directors consider the Proposals to be in the best interests of Shareholders and the Company.

2. The Return of Capital

Under the terms of the Return of Capital 45.0 pence per Existing Ordinary Share will be returned to Shareholders. Shareholders will receive:

For each Existing Ordinary Share held at 6:00 p.m. on Wednesday, 22 December 2010 (the Record Time):

- 1 B Share (the Capital Alternative)
  - or
- 1 C Share (the Dividend Alternative)
  - and
- 8 New Ordinary Shares for every 9 Existing Ordinary Shares held (and so in proportion for other numbers of Existing Ordinary Shares held).

Shareholders will be entitled to elect as to how they wish to receive the Return of Capital by electing for B Shares or C Shares or for a mixture of B Shares and C Shares. Shareholders should note that in the event that no election, or an invalid election, is made their entitlement under the Return of Capital will be limited to C Shares only.

The attention of Non-United Kingdom Shareholders is drawn to paragraph 6 below and to Part IV of this document.

The New Ordinary Shares will have a nominal value of 112.5 pence each. The New Ordinary Shares will be traded on the London Stock Exchange (subject to Admission) and will be equivalent to the Existing Ordinary Shares in all material respects, including their dividend, voting and other rights. The B Shares will have a nominal value of 45.0 pence each and the C Shares will have a nominal value of 1.0 pence each. The B Shares and the C Shares will not be listed or tradable on the London Stock Exchange, and it is not expected that a liquid market for the B Shares or the C Shares will develop.
Based on the closing middle market price of 330 pence per Existing Ordinary Share on 2 December 2010 (the latest practicable date prior to printing of this document), the Return of Capital represents 13.6 per cent. of the Company's market capitalisation at that date.

3. Further Information on the B Share and C Share Alternatives
Under the Proposals, Shareholders (other than Shareholders in a Restricted Territory) are being given the opportunity to elect for one or more of the Alternatives according to their choice.

The Alternatives available to Shareholders are:
- to elect to receive B Shares; or
- to elect to receive C Shares; or
- to elect to receive a mixture of B Shares and C Shares in such proportions as Shareholders elect; or
- to make no election, in which case the Return of Capital will automatically be effected through C Shares only.

It is important that Shareholders understand the different United Kingdom tax treatment that applies to the B Shares and C Shares respectively, and the timing differences as to when the Return of Capital will be effected.

B Shares: the Capital Alternative
The B Shares will be non-cumulative redeemable preference shares with a nominal value of 45.0 pence each. As preference shares their right to repayment of capital will rank in priority to the rights of all other classes of share in the Company up to repayment of 45.0 pence per share. The B Shares will be created by the Resolutions to be proposed at the General Meeting and their detailed rights are set out in Part V of this document.

Subject to the Resolutions being duly passed, the B Shares will be issued to those Shareholders who elect for them by either:
- completing and returning the Election Form in accordance with the detailed instructions in Part IV of this document, and on the Election Form, so as to be received by Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY no later than 3.00 p.m. on 14 January 2011; or
- for those Shareholders who hold their Existing Ordinary Shares through CREST, by sending a USE instruction so as to be received by Computershare no later than 3.00 p.m. on 14 January 2011.

Shareholders who elect to receive B Shares will be entitled to have some or all of their B Shares redeemed for cash at a price of 45.0 pence per B Share by completing the Election Form so as to elect for:
- all of their B Shares to be redeemed on 17 January 2011 (the “Initial Redemption Date”); or
- all of their B Shares to be redeemed on 16 January 2012 (the “Final Redemption Date”); or
- a portion of their B Shares to be redeemed on each of the Initial Redemption Date and the Final Redemption Date.

In the event that any B Shares remain unredeemed after the Final Redemption Date then the Company will redeem such shares compulsorily on or after the Final Redemption Date. In the event that Shareholders fail to make a valid election on the Election Form as to their chosen Redemption Date(s) they will be deemed to have elected to have all their B Shares redeemed on the Final Redemption Date.

Unless Shareholders duly elect for B Shares in accordance with the procedures set out in this document and on the Election Form they will be allotted C Shares only.

The B Shares will not carry any right to vote or to receive dividends.

C Shares: the Dividend Alternative
The C Shares will be non-cumulative irredeemable preference shares with a nominal value of 1.0 pence each. As irredeemable preference shares the C Shares will rank below the B Shares in priority for return of capital on a winding up, but subject to the B Shares being repaid 45.0 pence of capital each in full the C Shares will otherwise rank pari passu with the B Shares.
The C Shares will be created by the Resolutions to be proposed at the General Meeting and their detailed rights are set out in Part V of this document.

Subject to the Resolutions being duly passed, the C Shares will be issued to those Shareholders who elect for them (whether or not in combination with an election for some B Shares) by either:

- completing and returning the Election Form in accordance with the detailed instructions in Part IV of this document, and on the Election Form, so as to be received by Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY no later than 3.00 p.m. on 14 January 2011; or
- for those Shareholders who hold their Existing Ordinary Shares through CREST, by sending a USE instruction so as to be received by Computershare no later than 3.00 p.m. on 14 January 2011.

Shareholders who elect to receive C Shares, or who receive them by default by reason of failure to submit a duly completed Election Form by the due date, will be entitled to receive a special dividend payment of 45.0 pence per C Share which dividend is expected to be paid on 21 January 2011.

Following payment of the special dividend of 45.0 pence per C Share, those C Shares on which the dividend has been paid will be automatically converted into Deferred Shares which have very limited rights and are essentially worthless. The Deferred Shares will not be listed and no share certificates will be issued in respect of Deferred Shares. The Company may arrange for the transfer of all the Deferred Shares then in issue to one transferee, and may then repurchase all the Deferred Shares then in issue for an aggregate consideration of 1.0 pence, and it is currently expected that all Deferred Shares then in existence will be repurchased automatically by the Company and cancelled immediately following the single dividend payment date on 21 January 2011.

Further details of the C Shares and Deferred Shares are set out in Part V of this document.

Shareholders should read carefully Part VI of this document (“United Kingdom Taxation in relation to the Proposals”) before deciding whether to elect for B Shares or C Shares and, if electing for B Shares, before deciding whether to elect for redemption of their B Shares on the Initial Redemption Date, the Final Redemption Date, or on each such date.

4. Share Capital Consolidation and Reduction of Capital

As part of the Return of Capital, Existing Ordinary Shares will be consolidated so that Shareholders will receive 8 New Ordinary Shares for every 9 Existing Ordinary Shares they own at 6:00 p.m. on Wednesday, 22 December 2010 and in the same proportion for other numbers of Existing Ordinary Shares held. New Ordinary Shares will be traded on the London Stock Exchange and will be equivalent to the Existing Ordinary Shares in all material respects, including their dividend, voting and other rights. The Directors believe that the shares of the Company and similar insurers are generally valued by the market in relation to NTA per share. Accordingly, the Share Capital Consolidation is being calculated by reference to the Company’s last published NTA, which was as at 30 June 2010, with the intention that the NTA per New Ordinary Share after the Share Capital Consolidation is approximately equal to the NTA per Existing Ordinary Share beforehand. The NTA per share at 30 June 2010 was 429.4 pence.

The effect of the Share Capital Consolidation will be to reduce the number of issued ordinary shares to reflect the reduction in the Company’s overall NTA, Shareholders will own the same proportion of Novae as they did previously, subject to fractional entitlements.

A fractional entitlement will arise as a result of the Share Capital Consolidation unless a holding of Existing Ordinary Shares is exactly divisible by 9. For example, a Shareholder having 100 Existing Ordinary Shares would, after the Share Capital Consolidation, be entitled to 88 New Ordinary Shares and a fractional entitlement to 8/9 of a New Ordinary Share. The value of each Shareholder’s fractional entitlement will not exceed the value of one New Ordinary Share.

Any fractional entitlements will not be allotted to Shareholders and will be aggregated into New Ordinary Shares and sold in the market for the benefit of the Company.

As a separate exercise from the Return of Capital and the Share Capital Consolidation, the Board is proposing that, subject to confirmation by the Court, the Company’s share premium account be cancelled so as to create distributable reserves that would be available for future dividend payments or returns of capital by the Company. As at 24 November 2010, the latest practicable date, the Company has some £67.1 million standing to the credit of its share premium account and distributable reserves of some £41.1 million. Whilst the Directors are satisfied that the Company has sufficient distributable reserves to
meet its immediate needs and to pay the Special Dividend on C Shares and effect the redemption of B Shares on the Initial Redemption Date, the Directors are seeking to create headroom for future dividends in 2011 and beyond and accordingly propose to have available to them sums currently standing to the credit of the share premium account.

A resolution to cancel the share premium account is included as Resolution 5 in the Notice of General Meeting set out in Part IX of this document. Subject to the passing of Resolution 5 the Directors will seek necessary confirmation from the Court for the Reduction of Capital. Before confirming the Reduction of Capital, the Court will require to be satisfied that the creditors of the Company will not be prejudiced by the Reduction of Capital.

5. United Kingdom taxation in relation to the Return of Capital

For Shareholders resident in the UK for tax purposes, a liability to UK taxation may arise in respect of the Redemption Payment made on the B Shares and the Special Dividend paid on the C Shares, depending on a Shareholder’s individual circumstances. A guide to the current tax position for Shareholders who are resident or ordinarily resident in the UK for tax purposes of the Capital Reorganisation, Capital Alternative and Dividend Alternative is set out in Part VI of this document. Shareholders who are in any doubt as to their tax position or who are subject to tax in a jurisdiction other than the UK should consult an appropriate professional adviser.

6. Overseas Shareholders

The attention of those Shareholders who are not resident in the United Kingdom or who are citizens, residents or nationals of other countries is drawn to the information set out in paragraph 6 of Part IV of this document. Shareholders should note that the Company has not applied for any tax clearances with respect to the Return of Capital, whether in the UK or elsewhere. Shareholders who are ordinarily resident in any of the Restricted Territories will automatically receive the Dividend Alternative.

7. Amendments to the Articles of Association

A number of amendments to the Articles of Association are required in order to implement the Proposals. These amendments will be proposed as Resolutions at the General Meeting and relate principally to the rights and restrictions attaching to the B Shares, C Shares and Deferred Shares, as well as certain consequential amendments in order to implement the Return of Capital. The changes to the Articles are summarised in Part V of this document.

8. Novae Share Schemes

A separate letter is being sent to participants in the Novae Share Schemes to advise them of the effect (if any) that the Proposals will have on their existing awards and as to whether they will be entitled to participate in the Return of Capital. The position, generally, will be that:

- 2007 LTIP: holders of awards under the 2007 LTIP are not Shareholders and accordingly will not be eligible to participate in the Return of Capital. The number of shares that are presently the subject of awards will not be reduced as a consequence of the Share Capital Consolidation and the awards will be satisfied by the issue of the same number of New Ordinary Shares as the Existing Ordinary Shares which participants would receive, subject to the satisfaction of performance conditions, under their existing award(s).
- SIP and AESOP: participants in the SIP and/or AESOP have an entitlement to a number of Existing Ordinary Shares which the Trustees are holding on their behalf and accordingly participants will be entitled to participate in the Return of Capital and instruct the Trustees to make an election on their behalf for their pro-rata entitlement of B Shares and/or C Shares.

Participants should consider carefully the explanatory letter which is being sent to them and, in the case of SIP and AESOP participants, take such independent professional advice as may be necessary.

9. General Meeting

A General Meeting of the Company will be held at the offices of the Company at 71 Fenchurch Street London EC3M 4HH at 11:30 a.m. on Monday, 20 December 2010 for the purpose of considering the Resolutions being proposed to implement the Proposals and effect the Return of Capital and to approve the Reduction of Capital. Notice of the General Meeting is set out in Part IX at the end of this document. An explanation of the Resolutions and their effect is set out in Part IV of this document.
Enclosed with this document is a Proxy Form for use in connection with the Resolutions to be proposed at the General Meeting. Whether or not you intend to be present at this meeting, the directors request that you either (i) complete and return the enclosed Proxy Form to Novae’s Registrar, Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY, or (ii) submit votes electronically following the instructions on the front of the Proxy Form, or (iii) if you are a CREST member, lodge the CREST Proxy Instruction, using the CREST Proxy Voting Service, in all cases so as not to arrive later than 11:30 a.m. on Thursday, 16 December 2010.

The completion and return of the Proxy Form (electronically or otherwise) will not preclude you from attending the General Meeting and voting in person.

10. Dealings and dispatch of documentation

New Ordinary Shares:
Certificates for the New Ordinary Shares will only be issued following the Share Capital Consolidation. It is therefore important that, if you hold certificates in respect of your Existing Ordinary Shares, you retain them for the time being, until New Ordinary Share certificates are despatched, which is expected to be by no later than 31 December 2010. Share certificates will be despatched to Shareholders at their own risk. When you receive your share certificate for your holding of New Ordinary Shares, you should destroy the certificate for your Existing Ordinary Shares.

For Shareholders holding Existing Ordinary Shares in uncertificated form through the CREST system, the relevant CREST securities accounts are expected to be credited on 23 December 2010. Shareholders holding Existing Ordinary Shares in uncertificated form through the CREST system will not receive any share certificates.

B Shares, C Shares and Deferred Shares:
No share certificates will be issued by the Company in respect of any B Shares redeemed on the Initial Redemption Date nor in respect of any C Shares or Deferred Shares. In respect of all B Shares retained for the 2012 payment due following the Final Redemption Date, certificates will be despatched and CREST accounts will be credited on or around 21 January 2011.

11. Further information

Your attention is drawn to the further information set out in Parts I (Expected Timetable of Principal Events) and Parts III to IX of this document.

Detailed instructions on how to make an election for B Shares and/or C Shares are set out in Part IV of this document.

12. Recommendation

The Directors have received financial advice from RBS Hoare Govett in relation to the Return of Capital. In providing their financial advice to the Directors, RBS Hoare Govett has relied upon the Directors’ commercial assessment of the Return of Capital and the Proposals.

The Directors are of the opinion that the Proposals and the Resolutions to be proposed at the General Meeting are in the best interests of the Company and its Shareholders as a whole. Accordingly, the Directors unanimously recommend that you vote in favour of the Resolutions, as they intend to do in respect of their own beneficial holdings amounting in aggregate to 2,642,519 Existing Ordinary Shares representing approximately 3.6 per cent. of the current issued share capital of the Company as at 2 December 2010, being the last practicable date prior to the publication of this document. A summary explanation of the Resolutions is set out in paragraph 8 of Part IV of this document.

Yours sincerely

John Hastings-Bass

Chairman
PART III

FREQUENTLY ASKED QUESTIONS, WITH ANSWERS

Set out below are some frequently asked questions and brief answers about the Proposals. Shareholders should read and rely on the whole of this document and not just this Part III. If Shareholders have any further questions, they may call the Shareholder helpline on 0870 707 1327 (+44 870 707 1327 if calling from outside the United Kingdom) between 8.30 a.m. and 5.30 p.m. on any Business Day. Calls to these numbers are charged at national rates, please check with your service provider before calling. Please note that the Shareholder helpline will not provide advice on the merits of the Alternatives or give any financial or tax advice.

1. Why are you returning cash to Shareholders?
Following the reorganisation of the Group’s insurance businesses and the unlocking of surplus capital through the Part VII Transfer, the Group now has available capital to redeploy within the business so as to support the Group’s ongoing underwriting activities, and surplus capital of approximately £32.9 million which the Directors are seeking to return to Shareholders through the Proposals.

2. Why are you doing it in this way?
We believe that the Alternatives represent the most efficient and effective way to return surplus capital to Shareholders. The Proposals treat Shareholders equally on a pro-rata basis and are intended to give Shareholders the flexibility to receive their cash as capital or income for UK tax purposes, or a combination of the two, and also provide some flexibility as to the timing of the return of capital (depending on the elections Shareholders make).

3. What happens to my Existing Ordinary Shares?
The Proposals involve a Share Capital Consolidation where the Existing Ordinary Shares will be consolidated, reducing the number of ordinary shares that all Shareholders will hold. As a result of the Share Capital Consolidation, for every 9 Existing Ordinary Shares held at the Record Time, you will receive 8 New Ordinary Shares. Any fractional entitlements arising pursuant to the Share Capital Consolidation will not be allotted to Shareholders and will be aggregated into New Ordinary Shares and sold in the market for the benefit of the Company.

If the Share Capital Consolidation was not carried out, the Company’s NTA per share would fall because the Company would no longer have the cash which is being returned to Shareholders. The intention of the Share Capital Consolidation is that, subject to market movements, the NTA per New Ordinary Share immediately after Admission should be approximately equal to the NTA per Existing Ordinary Share immediately prior to the implementation of the Proposals.

4. What does this mean for me and am I being forced to sell my Existing Ordinary Shares?
Although each Shareholder will hold fewer ordinary shares in the Company after the Share Capital Consolidation than before, each Shareholder will continue to own the same percentage holding in the Company (subject to fractional entitlements to New Ordinary Shares). The New Ordinary Shares will be equivalent in all material respects to the Existing Ordinary Shares, including as to their dividend rights. There is no obligation on Shareholders to sell their Existing Ordinary Shares.

5. Why are the Proposals so complicated?
The structure is similar to that used by other public companies to return cash to Shareholders. The Proposals provide all Shareholders (other than certain overseas Shareholders) with an equal opportunity to participate in the Return of Capital and, so far as is possible, allow them to choose the Alternative(s) that best suits their own circumstances, including their own tax position.

6. Do I need to vote at the General Meeting?
The Proposals need Shareholder approval at the General Meeting to enable the Return of Capital to take place. The Directors recommend that you vote in favour of the Resolutions approving the Proposals. The notice of the General Meeting, which includes the Resolutions to be voted on at the General Meeting, is set out in Part IX of this document.

Whether or not you intend to attend the General Meeting, you are requested to complete the Proxy Form and return it to the Registrars as soon as possible but in any event so as to be received by no later than
11:30 a.m. on 16 December 2010. If you hold your Existing Ordinary Shares in CREST, you also have the option of transmitting a CREST Proxy Instruction by the same time and date. When completing and returning the Proxy Form you will need to take into account the postal time necessary for your form to reach the registrars. If you do not vote at the General Meeting you should still make an election for the Alternatives except where you wish to receive the Special Dividend on C Shares in respect of all of your Share Entitlement.

7. **How do I decide which Alternative to elect for?**
The most appropriate Alternative(s) for you depends on your own individual circumstances including your tax position. If you are in any doubt as to what action to take, such as which Alternative(s) to elect for, you should seek your own professional advice without delay.

8. **What if I do not make my election in time or do nothing?**
Shareholders who do not validly complete and return their Election Form, or in the case of Shareholders who hold their Existing Ordinary Shares in CREST, do not send a valid USE Instruction, to be received by 3.00 p.m. on 14 January 2011, will be deemed to have elected for the Dividend Alternative in respect of all of their Share Entitlement.

9. **When do I get my New Ordinary Share certificate? When will my CREST account be credited with New Ordinary Shares?**
It is expected that share certificates representing the New Ordinary Shares will be sent to Shareholders on or around 31 December 2010. Share certificates are sent to Shareholders at their own risk. Shareholders will be able to trade their New Ordinary Shares in the normal manner prior to receipt by them of their new share certificates.

It is expected that the CREST accounts of Shareholders who hold their Existing Ordinary Shares in CREST will be credited with New Ordinary Shares at approximately 8.00 a.m. on 23 December 2010 under the new ISIN GB00B40SF849.

10. **Will I get a certificate for my B Shares and/or C Shares and can I sell them in the market?**
No share certificates will be issued in respect of the B Shares or C Shares. Whilst the B Shares and C Shares are technically transferable, they will not be listed or admitted to trading on any exchange or trading platform and it is highly unlikely that an active market for them will develop or, if developed, be sustained. The B Shares will be redeemed and the C Shares will be reclassified as Deferred Shares of negligible value as part of the Proposals.

11. **What shall I do if I need a replacement Election Form?**
If you need a replacement Election Form, you should call the Shareholder helpline on 0870 707 1327 (+44 870 707 1327 if calling from outside the United Kingdom) between 8.30 a.m. and 5.30 p.m. on any Business Day. You will need to take into account the postal time necessary for a replacement Election Form to reach Computershare by 3.00 p.m. on 14 January 2011.

12. **What if I hold my Existing Ordinary Shares in a PEP or ISA?**
The B Shares and the C Shares will not be listed and will not constitute qualifying investments for PEP or ISA investment. Cash proceeds from the redemption of the B Shares or from the Special Dividend on the C Shares could be retained or reinvested in a PEP or ISA. You should contact your plan manager for further information.

13. **What is the effect of the reduction of capital on shareholders?**
The share premium account is a technical reserve arising from the Company having issued shares previously at above nominal value per share. Reducing or cancelling the share premium account does not remove the reduced or cancelled amount from the company’s assets but for accounting purposes transfers the relevant amount from being treated as akin to share capital to instead being available for future dividend or return of capital payments if the Directors elect to use it for such purpose.
PART IV
DETAILS OF THE PROPOSALS AND INSTRUCTIONS FOR MAKING AN ELECTION

1. Proposals
The proposed Return of Capital to Shareholders is to be effected by implementing the Proposals, consisting of the Capital Reorganisation, the Capital Alternative (the B Shares) and the Dividend Alternative (the C Shares).

2. Conditions to the implementation of the Proposals
The Return of Capital to Shareholders pursuant to the Proposals is conditional on:
(a) the passing of Resolution 1 to be proposed at the General Meeting; and
(b) Admission.
If these conditions are not satisfied by 8.00 a.m. on the Admission Date (or such later time and/or date as the Directors may in their absolute discretion determine), no New Ordinary Shares will be created, no B Shares or C Shares will be issued and the Proposals will not take effect.

3. Capital Reorganisation
The proposed Capital Reorganisation consists of the allotment and issue of the B Shares and C Shares together with the Share Capital Consolidation, each described below.

Allotment and issue of B Shares and C Shares
It is proposed that the Company capitalises a sum not exceeding £33.7 million standing to the credit of the Company’s share premium account and applies such sum in paying up in full up to a maximum of:
(a) 73,221,436 B Shares with a nominal value of 45.0 pence each; and
(b) 73,221,436 C Shares with a nominal value of 1.0 pence each.
The exact number of B Shares and C Shares to be issued will depend on the elections made by each Shareholder as between the Alternatives available, but in total will be equal to the number of Existing Ordinary Shares held at the Record Time.
The rights and restrictions to be attached to the B Shares and the C Shares are more fully set out in Part V of this document. No application has been, or will be, made for the B Shares or the C Shares to be admitted to the Official List of the London Stock Exchange or to trading on the London Stock Exchange’s main market for listed securities or any other investment exchange or trading platform.
The Company will announce the exact number of B Shares and C Shares issued under the proposed Capital Reorganisation on 17 January 2011.

Share Capital Consolidation
Under the proposed Share Capital Consolidation and to reflect the effect of the return of 45.0 pence per Existing Ordinary Share to Shareholders, the Existing Ordinary Shares will be consolidated and divided on the basis of 8 New Ordinary Shares for every 9 Existing Ordinary Shares held at the Record Time. The nominal value of each New Ordinary Share will be 112.5 pence. No fractions of shares will be issued to Shareholders.
The intention of the Share Capital Consolidation is that, subject to market movements, the NTA per New Ordinary Share immediately after Admission should be approximately equal to the NTA per Existing Ordinary Share immediately prior to the implementation of the Proposals.
Whilst the effect of the Capital Reorganisation will be to reduce the number of ordinary shares in issue to reflect the reduction in the Company’s overall NTA, Shareholders will own the same proportion of the Company as they did previously, subject to fractional entitlements.
The Share Capital Consolidation will take place immediately after the allotment and issue of B Shares and C Shares has occurred and the Company’s register of members has been duly updated.
Subject to Admission, the New Ordinary Shares will be traded on the London Stock Exchange’s main market for listed securities in the same way as Existing Ordinary Shares and will be equivalent in all other
respects to the Existing Ordinary Shares, with the exception of the difference in nominal value and subject to the rights of the B Shares and the C Shares.

Application will be made for the New Ordinary Shares to be admitted to the Official List and to trading on the London Stock Exchange’s main market for listed securities, with dealings expected to commence at 8:00 a.m. on Thursday, 23 December 2010. The Company will apply for the New Ordinary Shares to be admitted to CREST with effect from Admission so that general market transactions in the New Ordinary Shares may be settled within the CREST system.

Share certificates representing the New Ordinary Shares will be issued following the Capital Reorganisation and are expected to be sent to Shareholders on or around 31 December 2010. Shareholders who hold their Existing Ordinary Shares in CREST will automatically have their New Ordinary Shares credited to their CREST account. The relevant CREST accounts are expected to be credited at approximately 8.00 a.m. on 23 December 2010. The ISIN of the New Ordinary Shares will be GB00B40SF849.

No fractional entitlements to New Ordinary Shares

Any fractional entitlements following the Share Capital Consolidation will not be allotted to Shareholders and will be aggregated into New Ordinary Shares and sold in the market for the benefit of the Company.

4. The Alternatives

Shareholders may choose between the Alternatives (the Dividend Alternative and the Capital Alternative) or a combination of the Alternatives in respect of their Share Entitlement. Details of how to make an election are set out in this Part IV and on the Election Form enclosed with this document. Shareholders who hold their Existing Ordinary Shares in CREST will not be sent Election Forms. Such Shareholders may only elect in respect of the Alternatives through CREST and should refer to paragraph 5.2 of this Part IV for further information.

Shareholders who do not make a valid election will be deemed to have elected for the Dividend Alternative in respect of ALL of their Share Entitlement.

The general guidance on the UK tax treatment included in Part VI of this document is only a summary, is based on current UK law and published practice of HM Revenue and Customs as at the date of this document and applies only to Shareholders who are resident and, if they are individuals, ordinarily resident in the UK for tax purposes and who hold their Existing Ordinary Shares, B Shares and/or C Shares beneficially as investments and not on trading account. UK tax resident Shareholders should read Part VI of this document before electing for any of the Alternatives as each of the Alternatives will have different UK tax consequences. Shareholders who are in any doubt as to their tax position, or are subject to tax in a jurisdiction other than the United Kingdom, should consult an appropriate professional adviser without delay.

Alternative 1 – Capital Alternative – B Shares

Shareholders who elect for the Capital Alternative in respect of some or all of their Share Entitlement will receive one B Share for each corresponding Existing Ordinary Share they hold at the Record Time. Each such B Share will be redeemed by the Company for 45.0 pence and will be cancelled on redemption. Shareholders can elect to have some or all of their B Shares redeemed on 17 January 2011 (the “Initial Redemption Date”) or on 16 January 2012 (the “Final Redemption Date”).

Shareholders entitled to receive the Redemption Payment pursuant to the Capital Alternative will be sent cheques or receive a credit to their CREST accounts on or around 21 January 2011.

The proceeds received under the Capital Alternative should generally be taxed as capital for UK tax purposes. UK tax resident Shareholders should read Part VI of this document for further information.

To elect for the Capital Alternative in respect of some or all of their Share Entitlement, Shareholders should follow the instructions in this Part IV or, if they hold their Existing Ordinary Shares in CREST, Shareholders should refer to paragraph 5.2 of this Part IV for further information.

The B Shares will not be listed on the Official List or admitted to trading on the London Stock Exchange’s main market for listed securities or any other investment exchange or trading platform and
cannot be held in CREST. No share certificates will be issued in respect of the B Shares issued pursuant to the Capital Alternative.

The rights and restrictions to be attached to the B Shares are more fully set out in Part V of this document.

The attention of Non-United Kingdom Shareholders is drawn to paragraph 6 of this Part IV (headed “Non-United Kingdom Shareholders”).

**Alternative 2 – Dividend Alternative – C Shares**

Shareholders who elect, or are deemed to have elected, for the Dividend Alternative in respect of some or all of their Share Entitlement will receive one C Share for each corresponding Existing Ordinary Share they hold at the Record Time. A special dividend of 45.0 pence will be payable on each such C Share. It is expected that Shareholders entitled to receive the Special Dividend will be sent cheques or, if mandate instructions are held, payments will be made by BACS to mandated accounts, on or around 21 January 2011.

The amounts received under the Dividend Alternative should be taxed as income for UK tax purposes. UK tax resident Shareholders should read Part VI of this document for further information.

Shareholders who wish to elect for the Dividend Alternative in respect of some only of their Share Entitlement need take no further action and need not return their Election Form or send a USE Instruction. To elect for the Dividend Alternative in respect of some only of their Share Entitlement, Shareholders should follow the instructions in this Part IV or, if they hold their Existing Ordinary Shares in CREST, Shareholders should refer to paragraph 5.2 of this Part IV for further information.

Following the Special Dividend becoming payable, the C Shares will be automatically reclassified as Deferred Shares of negligible value with Shareholders receiving one Deferred Share for each such C Share. The Company will be entitled to purchase and then cancel the Deferred Shares for an aggregate consideration of 1.0 pence. In view of its negligible amount, entitlement to the aggregate consideration of 1.0 pence will not be sent to individual Shareholders.

The C Shares and the Deferred Shares will not be listed on the Official List or admitted to trading on the London Stock Exchange’s main market for listed securities or any other investment exchange or trading platform and cannot be held in CREST. No share certificates will be issued in respect of the C Shares of Deferred Shares.

The rights and restrictions to be attached to the C Shares and Deferred Shares are more fully set out in Part V of this document.

The attention of Non-United Kingdom Shareholders is drawn to paragraph 6 of this Part IV (headed “Non-United Kingdom Shareholders”).

5. **Instructions for making an Election**

5.1. **Completing your Election Form**

To make an election, Shareholders who hold their Existing Ordinary Shares in certificated form must complete and return the Election Form enclosed with this document. Shareholders who hold their Existing Ordinary Shares in CREST will not be sent an Election Form and instead should refer to paragraph 5.2 of this Part IV for further information.

Shareholders wishing to receive the Capital Alternative (B Shares) in respect of all or some of their Existing Ordinary Shares need to complete and return the Election Form or make an election through CREST. Shareholders resident in any of the Restricted Territories will automatically receive the Dividend Alternative and will not be sent an Election Form.

Shareholders wishing to receive the Dividend Alternative (C Shares) in respect of some only of their Existing Ordinary Shares need to complete and return the Election Form or make an election through CREST. If a valid election is not made, this will be the default option. Shareholders resident in any of the Restricted Territories will automatically receive the Dividend Alternative and will not be sent an Election Form.

The following instructions describe what Shareholders should do when completing an Election Form. Any decisions reached by Shareholders between the B and C Share Alternatives should be based on the
information contained in this document. References to Boxes refer to the boxes indicated on the Election Form.

**Name(s) of Shareholder(s)**
The Election Form shows the name of the Shareholder, or names of joint Shareholders, of Existing Ordinary Shares in respect of which an election can be made. When the Election Form is completed, the Shareholder, or all joint Shareholders, must sign the Election Form (in Box 3, as applicable) and the signatures of Shareholders who are individuals signing in Box 3 need to be witnessed (the witness must be over 18 years of age and cannot be the Shareholder or one of the joint Shareholders or otherwise have any financial interest in the relevant shares or in the proceeds resulting from the execution of the Election Form although one person may separately witness the signature of all joint Shareholders). If the Election Form is executed under a power of attorney, such power of attorney should be lodged with the Election Form.

**Number of Existing Ordinary Shares held**
Box A shows the number of Existing Ordinary Shares in the name(s) of Shareholder(s) at 6.00 p.m. on 29 November 2010 and is for information purposes only. If Shareholders do not purchase, sell or transfer any Existing Ordinary Shares registered in their name(s) between that date and the Record Time (expected to be 6:00 p.m. on Wednesday, 22 December 2010), then this number will also be the total of the number of B and/or C Shares that such Shareholder will be entitled to and in respect of which they may make an election.

If Shareholders do purchase, sell or transfer any Existing Ordinary Shares they should take care to ensure that their election is in respect of the number of B and/or C Shares that will be registered in his/her name at the Record Time.

**How Shareholders may elect for the B and/or C Share Alternative in respect of all or some of their Share Entitlement**

**Dividend Alternative (C Shares)**
- to receive C Shares ONLY, Shareholders need do nothing, and should not complete the Election Form (this is the default option).
- to receive a mixture of C Shares and B Shares, Shareholders should enter in Box 2 the number of C Shares they wish to receive as part of their Share Entitlement.

**Capital Alternative (B Shares)**
- to receive B Shares ONLY, Shareholders should mark an “X” in Box 1.
- to receive a mixture of B Shares and C Shares, Shareholders should enter in Box 1 the number of B Shares they wish to receive and should enter in Box 2 the number of C Shares they wish to receive.

**Redemption Dates for B Shares**
Shareholders who elect for B Shares (whether or not in conjunction with an election for C Shares) need to complete Box 1A and/or Box 1B to select to have their B Shares redeemed by the Company on either the Initial Redemption Date (17 January 2011) or the Final Redemption Date (16 January 2012), or to have some B Shares redeemed on each date.
- to elect to have B Shares redeemed on the Initial Redemption Date, Shareholders need to insert in Box 1A the number of B Shares to be redeemed on that date.
- to elect to have B Shares redeemed on the Final Redemption Date, Shareholders need to insert in Box 1B the number of B Shares to be redeemed on that date.
- to elect to have some of their B Shares redeemed on each date, Shareholders should insert in each of Box 1A and Box 1B the number of B Shares to be redeemed on each date respectively.

Shareholders should note that if they elect to receive B Shares but fail to make valid election(s) for redemption date(s) by completing Box 1A and/or Box 1B correctly they will be deemed to have elected to have all their B Shares redeemed on the Final Election Date.
The default position if a Shareholder makes an election which in total exceeds his or her holding of Existing Ordinary Shares at the Record Time

If Shareholders enter a number or numbers in Boxes 1 and/or 2 of the Election Form which in total exceeds their holding of Existing Ordinary Shares at the Record Time, or if they mark an “X” in more than one Box, or if they mark an “X” in one or more Boxes and enter a number or numbers in any other Box or Boxes, their election will be disregarded to the extent of such excess in the following order:

- first, their election (if any) in respect of the Dividend Alternative; and
- second, their election (if any) in respect of the Capital Alternative.

The default position where a Shareholder makes an election which in total is less than his or her holding of Existing Ordinary Shares at the Record Time

If Shareholders enter a number or numbers in Boxes 1 and/or 2 of the Election Form which in total is/are less than their holding of Existing Ordinary Shares at the Record Time, they will be deemed to have elected for the Dividend Alternative in respect of the balance of their holding.

Subsequent dematerialisation of Existing Ordinary Shares

If the Existing Ordinary Shares to which any election relates are currently held in certificated form and are subsequently dematerialised into uncertificated form before 6.00 p.m. on 22 December 2010, any election made by the submission of an Election Form will become invalid. Shareholders who subsequently hold their Existing Ordinary Shares in uncertificated form in CREST will need to give a valid USE Instruction in place of the Election Form by 3.00 p.m. on 14 January 2011.

General

The Directors shall determine all questions as to the form and validity (including time and place of receipt) of any Election Form in their absolute discretion, which determination shall be final and binding. The Directors also reserve the absolute right to waive any defect or irregularity in relation to, or in relation to the receipt of, any Election Form completed by or on behalf of any Shareholder, and such determination will be binding on such Shareholder. The Directors shall not be liable to Shareholders for any loss arising from the determination of questions as to the form and validity (including time and place of receipt) of any Election Form or USE Instruction, unless attributable to their own wilful default, fraud or negligence, and the Directors shall not be under any duty to give notification of any defect or irregularity in any Election Form or incur any liability for failure to give any such notice.

After the end of the Election Period, any election will be irrevocable. No authority conferred by or agreed to by the signing of an Election Form will be affected by, and all such authority will survive, the death or incapacity of the Shareholder executing such form or giving such instruction. All obligations of such Shareholder will be binding upon the heirs, personal representatives, successors and assigns of such Shareholder.

Final instructions on completing the Election Form

Shareholders returning an Election Form must sign in Box 3A or 3B, as appropriate. All Shareholders named on an Election Form must sign the Election Form. Once completed, signed and witnessed, the Election Form should be returned in the pre-paid envelope provided. No stamps will be needed if posted in the United Kingdom. To be valid, Forms of Election must be returned so as to be received by Computershare Registrars by 3.00 p.m. on 14 January 2011. If Shareholders do not use the envelope provided, the Election Form should be sent by post to Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol, BS99 6ZY and postage will be payable, or delivered by hand (during normal business hours) to Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS13 8AE.

Shareholders who do not validly complete and return their Election Form or, in the case of Shareholders who hold their Existing Ordinary Shares in CREST, do not send a valid USE instruction, will be deemed to have elected for the Dividend Alternative in respect of all of their Share Entitlement.

5.2. Electing through CREST

If Shareholders hold their Existing Ordinary Shares in CREST they will not be sent an Election Form with this document. Such Shareholders should take (or procure to be taken) the action set out below to transfer (by means of a USE Instruction) the number of B Shares held at the Record Time (expected to
be 6:00 p.m. on 22 December 2010) in respect of which they are making an election to an escrow balance, specifying Computershare Registrars in its capacity as a CREST receiving agent (under its participant ID referred to below) as the escrow agent, as soon as possible and in any event so that the transfer to escrow settles not later than 3.00 p.m. on 14 January 2011.

If Shareholders purchase, sell or transfer any Existing Ordinary Shares registered in their name(s) before the Record Time, they should take care to ensure that their election is in respect of the number of Existing Ordinary Shares that will be registered in their name(s) at the Record Time.

If Shareholders are CREST personal members, they should refer to their CREST sponsor before taking any action. CREST sponsors will be able to confirm details of Shareholders’ participant ID and the member account ID under which their Existing Ordinary Shares are held. In addition, only CREST sponsors will be able to give the USE Instruction to Euroclear by which Shareholders make their election.

To make an election, Shareholders should give (or, if they are a CREST personal member, procure that their CREST sponsor gives) a USE Instruction, which must be properly authenticated in accordance with Euroclear’s specifications and must contain, in addition to the other information that is required for settlement in CREST, the following details:

(a) the number of B Shares to be transferred to the escrow account;
(b) the participant ID;
(c) the member account ID;
(d) the corporate action ISIN, which is GB00B4023826;
(e) the corporate action number of the Return of Value. This is allocated by Euroclear and can be found by viewing the relevant corporate action details in CREST;
(f) the intended settlement date for the transfer to escrow, which should be as soon as possible and in any event not later than 3.00p.m. on 14 January 2011;
(g) the standard delivery instruction priority of 80; and
(h) the name and contact number inserted in the shared note field.

**How to elect for the Initial Redemption**

Shareholders who hold their Existing Ordinary Shares in CREST and who wish to elect for their B Shares to be redeemed on 17 January 2011, should give (or, if they are a CREST personal member, procure that their CREST sponsor gives) a USE Instruction with the following information, in addition to the information listed above:

- the participant ID of Computershare Registrars, which is RA68; and
- the member account ID of Computershare Registrars, which for these purposes is NAVBSR01.

**How to elect for Final Redemption**

Shareholders who hold their Existing Ordinary Shares in CREST and who wish to elect for their B Shares to be redeemed on 16 January 2012, should give (or, if they are a CREST personal member, procure that their CREST sponsor gives) a USE Instruction with the following information, in addition to the information listed above:

- the participant ID of Computershare Registrars, which is RA68; and
- the member account ID of Computershare Registrars, which for these purposes is NAVBSR02.

**How to elect for the Dividend Alternative – C Shares**

Shareholders who hold their Existing Ordinary Shares in CREST and who wish to elect for the Dividend Alternative in respect of some or all of their Share Entitlement should give (or, if they are a CREST personal member, procure that their CREST sponsor gives) a USE Instruction with the following information, in addition to the information listed above:

- the participant ID of Computershare Registrars, which is RA68; and
- the member account ID of Computershare Registrars, which for these purposes is NAVCHD01.
Shareholders who are resident in any of the Restricted Territories will automatically receive the Dividend Alternative.

The default position where Shareholders make an election which in total is less than their holding of Existing Ordinary Shares at the Record Time

If Shareholders send a USE Instruction which details a number of B Shares to be transferred to the escrow account which in total is less than their holding of Existing Ordinary Shares at the Record Time, they will be deemed to have elected for the Dividend Alternative in respect of the balance of their holding.

General

The Company, in its absolute discretion, shall determine all questions as to the form and validity (including time and place of receipt) of any USE Instruction, which determination shall be final and binding. The Company also reserves the absolute right to waive any defect or irregularity in relation to, or in relation to the receipt of, any USE Instruction completed by or on behalf of any Shareholder, and such determination will be binding on such Shareholder. The Company and the Directors shall not be liable to Shareholders for any loss arising from the determination of questions as to the form and validity (including time and place of receipt) of any Election Form or USE Instruction, unless attributable to their own wilful default, fraud or negligence and the Company shall not be under any duty to give notification of any defect or irregularity in any USE Instruction or incur any liability for failure to give any such notice.

After the end of the Election Period, any election made will be irrevocable. No authority conferred by or agreed to by the giving of a USE Instruction will be affected by, and all such authority will survive, the death or incapacity of the Shareholder giving such instruction. All obligations of such Shareholder will be binding upon the heirs, personal representatives, successors and assigns of such Shareholder.

Final instructions on sending a USE Instruction

In order for an election through CREST to be valid, the USE Instruction must comply with the requirements as to authentication and contents set out above and must settle by 3.00 p.m. on 14 January 2011. CREST members and (where applicable) their CREST sponsors should note that the last time at which a USE Instruction may settle is 3.00 p.m. on 14 January 2011.

Shareholders (other than those resident in a Restricted Territory) who do not send a valid USE Instruction will be deemed to have elected for the Dividend Alternative in respect of all of their entitlement to B Shares.

6. Non-United Kingdom Shareholders

Non-United Kingdom Shareholders should consult their professional advisers to ascertain whether the Proposals (including, as may be relevant in each case, the creation, holding or cancellation of the B Shares and/or the C Shares) will be subject to any restrictions or require compliance with any formalities imposed by the laws or regulations of, or any body or authority located in, the jurisdiction on which they are resident or to which they are subject. In particular, it is the responsibility of any Non-United Kingdom Shareholder to satisfy himself as to full observance of the laws of each relevant jurisdiction in connection with the Proposals, including the obtaining of any government, exchange control or other consents which may be required, or the compliance with other necessary formalities needing to be observed and the payment of any issue, transfer or other taxes due from such Shareholder in connection with any election for either or both of the Alternatives in any territory and such Shareholder has not taken or omitted to take any action which may result in the Company or
any other persons acting in breach of the legal or regulatory requirements of any territory in connection with the Proposals or such Shareholder’s election for either or both of the Alternatives.

If the Company is advised that it would or might be in breach of legal or regulatory requirements in any jurisdiction, or that the Company would or might be required to make filings or take any other action in any jurisdiction as a result of an election made pursuant to an Election Form or USE Instruction by a Non-United Kingdom Shareholder, such Non-United Kingdom Shareholder shall be deemed to have elected to receive the Dividend Alternative (unless the Directors otherwise determine in their absolute discretion).

The above provisions of this paragraph relating to Non-United Kingdom Shareholders may be waived, varied or modified as regards specific Shareholders or on a general basis by the Directors in their absolute discretion.

7. Proposed amendments to the Articles of Association

A number of amendments to the Articles of Association are required to implement the Proposals and will require approval at the General Meeting. Such amendments include the insertion into the Articles of Association of the rights and restrictions attaching to the B Share, C Shares and Deferred Shares. Such rights and restrictions are summarised in Part V of this document.

8. General Meeting and explanation of Resolutions

General Meeting

In order to effect the Return of Capital it will be necessary for Shareholders to pass Resolution 1 which is to be proposed at the General Meeting. Notice of the General Meeting is set out in Part IX of this document, including the full text of Resolution 1 and the other Resolutions to be proposed.

The General Meeting will be held at the offices of Novae at 71 Fenchurch Street London EC3M 4HH, at 11:30 a.m. on Monday, 20 December 2010. Enclosed with this document is a Proxy Form for use in respect of the General Meeting.

Whether or not Shareholders intend to be present at this meeting, Shareholders should complete and return the accompanying Proxy Form to Novae Group plc’s Registrar, Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY, Computershare, so as to be received as soon as possible and in any event no later than 11:30 a.m. on Thursday, 16 December 2010. Alternatively, votes may be submitted electronically by following the instructions on the front of the Proxy Form and arrangements have been made for CREST members to appoint a proxy or proxies through the CREST electronic appointment service. Further details regarding CREST are included at Note 3 on page 41 of this document. To be valid, your voting instructions must be received no later than 11:30 a.m. on Thursday, 16 December 2010.

An Election Form for use by Shareholders holding shares in certificated form in connection with the Alternatives is enclosed with this document. To be valid, Election Forms must be returned so as to be received by Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY, as soon as possible and in any event no later than 3.00 p.m. on 14 January 2011. Shareholders electing through CREST should not complete an Election Form but instead refer to paragraph 5.2 of this Part IV.

Explanation of Resolutions

Resolutions 1, 2, 4 and 5 will be proposed as special resolutions and will be passed if at least 75 per cent. of the votes cast (whether in person or by proxy) are in favour. Resolution 3 will be proposed as an ordinary resolution and will be passed if a simple majority of the votes cast (whether in person or by proxy) are in favour. Resolution 4 is conditional on Resolution 3 being passed and becoming effective. Resolutions 2 and 3 are conditional upon the passing of Resolution 1.

Resolution 1 is conditional on Admission becoming effective by 8.00 a.m. on the Admission Date (or such later time and/or date as the Directors may in their absolute discretion determine).

Resolution 1

Resolution 1 makes the necessary changes to the Company’s share capital to create the new B Shares, C Shares and Deferred Shares, effect the capital consolidation into New Ordinary Shares and authorises the directors to allot and issue the B and C Shares pursuant to the Return of Capital. Paragraph (a)
amends the Articles so as to incorporate the rights and restrictions attaching to the B Shares, C Shares and Deferred Shares respectively and makes certain other consequential amendments. Paragraph (b) authorises the directors to capitalise amounts standing to the credit of the Company’s share premium account so as to pay up in full the B Shares and C Shares to be allotted, and authorises the directors to make the allotments of B Shares and C Shares on the basis set out in this document for the Return of Capital. The authority granted to the directors to allot the B Shares and C Shares will expire on 31 July 2011 or, if earlier at the conclusion of the Annual General Meeting of the Company to be held in 2011. Paragraphs (c) to (f) set out the procedure for the consolidation and division of the Existing Ordinary Shares into New Ordinary Shares, including the purchase and cancellation of the default share resulting from the Share Capital Consolidation, and the purchase and cancellation of the Deferred Shares (if any) resulting from reclassification of the C Shares. All fractional entitlements which arise will be aggregated and sold for the benefit of the Company.

Resolution 2

Resolution 2 is conditional upon Resolution 1 being passed. Resolution 1, if passed, will have the effect of replacing the Existing Ordinary Shares with New Ordinary Shares and accordingly, in proposing Resolution 2, the directors will be seeking authority from Shareholders to make market purchases of New Ordinary Shares in the same manner as the directors had already been authorised at the Annual General Meeting held in April 2010 to make market purchases of the Existing Ordinary Shares.

Resolution 2 proposes that the Company be authorised to make market purchases of the New Ordinary Shares up to an aggregate of approximately 10 per cent. of the Company’s issued ordinary share capital as further described below. The directors will continue to exercise this power only when, in the light of market conditions prevailing at the time, they believe that the effect of such purchases will be to increase earnings per share and will be likely to promote the success of the Company for the benefit of its members as a whole. Other investment opportunities, appropriate gearing levels and the overall position of the Company will be taken into account when exercising this authority. Save to the extent purchased pursuant to the Companies Act 2006, any shares purchased in this way will be cancelled and the number of shares in issue will be reduced accordingly.

The proposed authority would be limited to purchases of up to 6,508,564 New Ordinary Shares which is equal to approximately 10 per cent. of the Company’s issued ordinary share capital after implementation of the Share Capital Consolidation. The resolution specifies the maximum and minimum prices at which the Company’s shares may be bought. If granted, the authority would expire on 31 July 2011 or, if earlier, at the conclusion of the Annual General Meeting to be held in 2011.

The directors intend to seek renewal of this power at subsequent Annual General Meetings.

As at 2 December 2010 (being the latest practicable date prior to publication of this document), the Company did not hold any shares in treasury. As at 2 December 2010, there were no warrants and no options to subscribe for Existing Ordinary Shares.

Resolution 3

At the Annual General Meeting held in April 2010 resolutions were passed whereby the directors were (in accordance with normal practice) authorised to allot shares in the Company up to the limits of authority set out in the guidelines issued by the Association of British Insurers. In the event that Resolution 1 is passed and as a result of the share consolidation the New Ordinary Shares are created the directors wish to have equivalent authority to allot New Ordinary Shares in place of the authorities previously granted to allot Existing Ordinary Shares. Accordingly, Resolution 3 (which is conditional on Resolution 1 being passed and becoming effective) seeks to grant a new authority under section 551 of the Companies Act 2006 to authorise the directors to allot shares in the Company or grant rights to subscribe for, or convert any security into, shares in the Company and will expire on 31 July 2011 or, if earlier, at the conclusion of the next Annual General Meeting to be held in 2011. If passed, sub-paragraph (a) of Resolution 3 would give the directors authority to allot shares or grant rights to subscribe for, or convert any security into, shares in the Company up to an aggregate nominal value of £24,407,115 representing approximately one third (33.33%) of the Company’s existing issued ordinary share capital after implementation of the Share Capital Consolidation (such amount to be reduced by the nominal amount allotted or granted under sub-paragraph (b) of Resolution 3 in excess of such sum). In accordance with the latest institutional guidelines issued by the Association of British Insurers, sub-paragraph (b) of Resolution 3, if passed, would give the directors authority to allot, including the shares referred to in sub-paragraph (a) of Resolution 3, further of the Company’s shares in connection
with a pre-emptive offer by way of a rights issue to shareholders up to a maximum nominal amount of £48,814,230, representing approximately two thirds (66.67%) of the Company’s existing issued ordinary share capital after implementation of the Share Capital Consolidation (such amount to be reduced by any shares allotted or rights granted under sub-paragraph (a) of Resolution 3).

There is no present intention of exercising this authority. However, it is considered prudent to maintain the flexibility that this authority provides. If they do exercise the authority, the directors intend to follow the recommendations of the Association of British Insurers relating to directors standing for re-election following such exercise. The directors intend to renew this authority annually.

Resolution 4

Resolution 4, which is conditional upon Resolution 3 being passed and becoming effective, will give the Directors authority to allot New Ordinary Shares for cash, free from the statutory pre-emption rights that would otherwise apply under the Companies Act 2006. This authority grants the Directors the power to allot shares for cash pursuant to Resolution 3 in the following circumstances: (i) in connection with an open offer (or similar offering), (ii) in connection with a fully pre-emptive rights issue, and (iii) in connection with other allotments of equity securities up to an aggregate nominal amount of £3,661,067 representing approximately 5 per cent. of the issued ordinary share capital of the Company (in each case assuming implementation of the Share Capital Consolidation).

Resolutions 3 and 4, if passed, will replace the existing authorities relating to the allotment of shares in the capital of the Company passed at the Annual General Meeting on 29 April 2010.

Resolution 5

Resolution 5 is being proposed in order to cancel the Company’s share premium account in order to increase the available distributable reserves of the company. In the event that Resolution 5 is passed, the Directors will make application to the Court for the share premium account cancellation to be confirmed. Only with the confirmation of the Court can Resolution 5 be implemented.
PART V

RIGHTS AND RESTRICTIONS ATTACHED TO THE B SHARES, C SHARES AND DEFERRED SHARES

The following summarises the proposed amendments to be reflected in the Articles relating to the rights and restrictions attaching to the B Shares, C Shares and Deferred Shares (as well as the rights attaching to the temporary default share):

136. RIGHTS AND RESTRICTIONS ATTACHED TO THE B SHARES, C SHARES AND DEFERRED SHARES

Notwithstanding the provisions of these articles which relate to shares, the following articles 136 to 141 comprise all the rights and restrictions relating to the non-cumulative redeemable preference shares of the Company of 45.0 pence each (“B Shares”), the non-cumulative irredeemable preference shares of the Company of 1.0 pence each (“C Shares”) and the Deferred Shares.

RIGHTS AND RESTRICTIONS ATTACHED TO THE B SHARES

136.1 Election Form

136.1.1 Together with a circular to all Shareholders dated 3 December 2010 (the “Circular”), Shareholders who held their Existing Ordinary Shares in certificated form were sent a form of election (“Election Form”) relating to the B Shares and C Shares proposed to be issued by the Company, as more fully described in the Circular. Pursuant to the Election Form or, where Shareholders held their Existing Ordinary Shares in uncertificated form, by following the instructions set out in the Circular, Shareholders could elect (an “Election”), among other things, to receive B Shares to be redeemed by the Company pursuant to the Proposals (as defined and described in the Circular) (the “Capital Alternative”). Under the Proposals, holders of Existing Ordinary Shares who made a valid election could elect, in relation to any B Shares to be issued to them, to:

(a) have some or all of their B Shares redeemed by the Company on 17 January 2011 (“Initial Redemption Date”) or such other date as the directors may determine; and/or

(b) hold some or all of their B Shares to be redeemed subsequently on 16 January 2012 (“Final Redemption Date”) or such other date as the directors may determine.

Elections made by Shareholders in respect of B Shares will not take effect until 3.00 p.m. on 14 January 2011 or such other time and/or date as the Directors may determine.

136.1.2 Shareholders who do not validly complete and return their Election Form or, in the case of Shareholders who hold their Existing Ordinary Shares in uncertificated form, do not send a valid USE instruction by 3.00 p.m. on 14 January 2011 (or such later time and/or date as the Directors may determine in their absolute discretion), will be deemed to have elected for the Dividend Alternative (as defined and described in the Circular) (the “Capital Alternative”). Under the Proposals, holders of Existing Ordinary Shares who made a valid election could elect, in relation to any B Shares to be issued to them, to:

The Directors, in their absolute discretion, shall determine all questions as to the form and validity (including time and place of receipt) of any Election Form or USE instruction, which determination shall be final and binding. The Directors also reserve the absolute right to waive any defect or irregularity in relation to, or in relation to the receipt of, any Election Form or USE instruction completed by or on behalf of any Shareholder and such determination will be binding on such Shareholder.

136.2 Income

The B Shares shall confer no right to participate in the profits of the Company save for the right to redemption under Article 136.6 below.

136.3 Capital

136.3.1 Except as provided in Article 136.5, on a return of capital on winding-up (excluding any intra-group reorganisation on a solvent basis) but not any other return of capital the holders of B Shares shall be entitled, in priority to any payment to the holders of every
other class of share in the capital of the Company (except the C Shares) but pari passu with any payment to the holders of C Shares, to 45.0 pence for each B Share held by them.

136.3.2 On a winding-up, the holders of the B Shares shall not be entitled to any further right of participation in the profits or assets of the Company in excess of that specified in Article 136.3.1 above. In the event that there is a winding-up to which Article 136.3.1 applies and the amounts available for payment are insufficient to pay the amounts due on all the B Shares in full, the holders of the B Shares shall be entitled to their prorate proportion of the amounts to which they would otherwise be entitled.

136.3.3 The aggregate entitlement of each holder of B Shares on a winding-up in respect of all of the B Shares held by him shall be rounded down to the nearest penny.

136.3.4 The holders of the B Shares shall (i) not be entitled to any further right of participation in the assets of the Company, and (ii) be deemed if and so far as necessary to have consented to the cancellation of the share premium account referred to in the Circular and to the reserve thereby arising being treated as distributable.

136.4 Voting and general meetings

The holders of B Shares shall not be entitled, in their capacity as holders of such shares, to receive notice of any general meeting of the Company nor to attend, speak or vote at any such general meeting.

136.5 Class rights

136.5.1 The Company may from time to time create, allot and issue further shares, whether ranking pari passu with or in priority or subsequent to the B Shares. The creation, allotment or issue of any such further shares (whether or not ranking in any respect in priority to the B Shares) shall be treated as being in accordance with the rights attaching to the B Shares and shall not involve a variation of such rights for any purpose or require the consent of the holders of the B Shares.

136.5.2 A reduction by the Company of the capital paid up or credited as paid up on the B Shares and the cancellation of such shares shall be treated as being in accordance with the rights attaching to the B Shares and shall not involve a variation of such rights for any purpose or require the consent of the holders of the B Shares.

136.5.3 Without prejudice to the foregoing, the Company is authorised to reduce (or purchase shares in) its capital of any class or classes and such reduction (or purchase) shall not involve a variation of any rights attaching to the B Shares for any purpose or require the consent of the holders of the B Shares.

136.5.4 If at any time a currency other than sterling is accepted as legal tender in the United Kingdom in place of or in addition to sterling, the Directors shall be entitled, without the consent of holders of ordinary shares, B Shares or C Shares, to make such arrangements and adjustments in respect of the method of calculation and payment of any of the entitlements of holders of B Shares under these Articles as the Directors consider necessary, fair and reasonable in the circumstances to give effect to the rights of the B Shares. Any such arrangements and adjustments shall not involve a variation of rights attaching to the B Shares for any purpose.

136.6 Redemption

Subject to the provisions of the Act and these Articles, the Company shall redeem, out of the profits available for distribution, the B Shares as follows:

136.6.1 the B Shares in respect of which a valid Election has been made in accordance with the terms described in the Circular and the Election Form shall be redeemed on the Initial Redemption Date and/or the Final Redemption Date (depending on the terms of the Election or the application of these Articles) or on such other date as the Directors may in their absolute discretion decide;

136.6.2 on redemption of a B Share on either the Initial Redemption Date or the Final Redemption Date or on any other date applicable under these Articles (a “Redemption
the Company will be liable to pay to a holder of B Shares 45.0 pence (the “Redemption Amount”) for each B Share in respect of which a valid Election has been made in accordance with the terms described in the Circular and the Election Form or in respect of which redemption is otherwise effected in accordance with these Articles. The Company’s liability to pay to such holder the Redemption Amount for each such B Share shall be discharged by the Company by a payment to such holder of the Redemption Amount for each such B Share within 21 days of the applicable Redemption Date;

136.6.3 neither the Company nor any of its Directors, officers or employees shall have any liability to any person for any loss or damage arising as a result of the choice of the Redemption Date in accordance with this Article 136.6;

136.6.4 all B Shares redeemed shall be cancelled and the Company shall not be entitled to reissue them;

136.6.5 holders of B Shares who do not elect to have all of their B Shares redeemed on the Initial Redemption Date will not be entitled to receive further notice from the Company in advance of any subsequent redemption of their B Shares by the Company on the Final Redemption Date or any other date on which the Company may effect redemption in accordance with these Articles;

136.6.6 payment in respect of B Shares being redeemed may be made by cheque or by crediting the accounts in a relevant clearing system (e.g. CREST), or otherwise as the directors may determine; and

136.6.7 upon or after the Final Redemption Date and in accordance with these Articles and as may be permitted by the Act, the Directors may reclassify the authorised B Share capital of the Company existing following such redemption (including any unissued B Share capital) into unclassified shares.

137. DELETION OF ARTICLE 136 WHEN NO B SHARES IN EXISTENCE

Article 136 shall remain in force until there are no longer any B Shares in existence notwithstanding any provision in the Articles to the contrary. Thereafter Article 136 shall be and shall be deemed to be of no effect (save to the extent that the provisions of Article 136 are referred to in other Articles) and shall be deleted and replaced with the wording ‘Article 136 has been deleted’, and the separate register for the holders of B Shares shall no longer be required to be maintained by the Company; but the validity of anything done under Article 136 before that date shall not otherwise be affected and any actions taken under Article 136 before that date shall be conclusive and shall not be open to challenge on any grounds whatsoever.

138. RIGHTS AND RESTRICTIONS ATTACHED TO THE C SHARES

138.1 Election Form

138.1.1 Together with the Circular, Shareholders who held their Existing Ordinary Shares in certificated form were sent an Election Form relating to the B Shares and C Shares proposed to be issued by the Company, as more fully described in the Circular. Pursuant to the Election Form or, where Shareholders held their Existing Ordinary Shares in uncertificated form, by following the instructions set out in the Circular, Shareholders could make an Election, among other things, to receive C Shares in respect of which the Special Dividend (as defined in Article 138.2.1 below) would be paid.

138.1.2 Shareholders who do not validly complete and return their Election Form or, in the case of Shareholders who hold their Existing Ordinary Shares in uncertificated form, do not send a valid USE instruction by 3.00 p.m. on 14 January 2011 (or such later time and/or date as the Directors may determine in their absolute discretion), will be deemed to have elected for the Dividend Alternative (as defined and described in the Circular) in respect of each Existing Ordinary Share held by them.

138.1.3 The Directors, in their absolute discretion, shall determine all questions as to the form and validity (including time and place of receipt) of any Election Form or USE instruction, which determination shall be final and binding. The Directors also reserve the absolute right to waive any defect or irregularity in relation to, or in relation to the
receipt of any Election Form or USE instruction completed by or on behalf of any Shareholder and such determination will be binding on such Shareholder.

138.2 Income

138.2.1 Out of the profits available for distribution, a special dividend of 45.0 pence per C Share (the “Special Dividend”) shall, subject to such conditions as the Directors may determine, become payable to the holders of C Shares in priority to any other classes of shares.

138.2.2 The Company’s liability to pay the Special Dividend to such holder of C Shares shall be discharged by the Company by a payment of the Special Dividend to such holder within 21 days of the Initial Redemption Date.

138.2.3 Each C Share in respect of which the Special Dividend becomes payable shall immediately thereupon (but without prejudice to the accrued right to receive such dividend) be reclassified as a Deferred Share with the rights and restrictions described in Article 140.

138.2.4 Neither the Company nor any of its Directors, officers or employees shall have any liability to any person for any loss or damage arising as a result of the choice of the Redemption Date in connection with Article 138.2.2 above.

138.2.5 Neither the Company nor any of its Directors, officers or employees shall have any liability to any person for any loss or damage arising as a result of the choice of the date on which the Special Dividend is declared or paid.

138.3 Capital

The holders of the C Shares will not be entitled to be paid any amount on a return of capital on a winding-up or otherwise and shall be deemed if and so far as necessary to have consented to the cancellation of the share premium account referred to in the Circular and to the reserve thereby arising being treated as distributable.

138.4 Voting and general meetings

The holders of C Shares shall not be entitled, in their capacity as holders of such shares, to receive notice of any general meeting of the Company nor to attend, speak or vote at any such general meeting.

138.5 Class rights

138.5.1 The Company may from time to time create, allot and issue further shares, whether ranking pari passu with or in priority or subsequent to the C Shares. The creation, allotment or issue of any such further shares (whether or not ranking in any respect in priority to the C Shares) shall be treated as being in accordance with the rights attaching to the C Shares and shall not involve a variation of such rights for any purpose or require the consent of the holders of the C Shares.

138.5.2 A reduction by the Company of the capital paid up or credited as paid up on the C Shares without the payment of any amount to holders of the C Shares and the cancellation of such shares shall be treated as being in accordance with the rights attaching to the C Shares and shall not involve a variation of such rights for any purpose or require the consent of the holders of the C Shares.

138.5.3 Without prejudice to the foregoing, the Company is authorised to reduce (or purchase shares in) its capital of any class or classes and such reduction (or purchase) shall not involve a variation of any rights attaching to the C Shares for any purpose or require the consent of the holders of the C Shares.

138.5.4 If at any time a currency other than sterling is accepted as legal tender in the United Kingdom in place of or in addition to sterling, the Directors shall be entitled, without the consent of holders of ordinary shares, B Shares or C Shares, to make such arrangements and adjustments in respect of the method of calculation and payment of any of the entitlements of holders of C Shares under these Articles as the Directors consider necessary, fair and reasonable in the circumstances to give effect to the rights of the
C Shares. Any such arrangements and adjustments shall not involve a variation of rights attaching to the C Shares for any purpose.

139. DELETION OF ARTICLE 138 WHEN NO C SHARES IN EXISTENCE
Article 138 shall remain in force until there are no longer any C Shares in existence notwithstanding any provision in the Articles to the contrary. Thereafter Article 138 shall be and shall be deemed to be of no effect (save to the extent that the provisions of Article 138 are referred to in other Articles) and shall be deleted and replaced with the wording ‘Article 138 has been deleted’, and the separate register for the holders of C Shares shall no longer be required to be maintained by the Company; but the validity of anything done under Article 138 before that date shall not otherwise be affected and any actions taken under Article 138 before that date shall be conclusive and shall not be open to challenge on any grounds whatsoever.

140. RIGHTS AND RESTRICTIONS ATTACHED TO THE DEFERRED SHARES
140.1 Income
The Deferred Shares shall confer no right to participate in the profits of the Company.

140.2 Capital
On a return of capital on a winding-up (excluding any intra-group reorganisation on a solvent basis) there shall be paid to the holders of the Deferred Shares the nominal capital paid up or credited as paid up on such Deferred Shares after:

140.2.1 firstly, paying to the holders of the B Shares 45.0 pence per B Share held by them; and

140.2.2 secondly, paying to the holders of every other class of share in the capital of the Company (other than the B Shares, C Shares and the default share) the nominal capital paid up or credited as paid up on such shares held by them respectively, together with the sum of £100,000,000,000 to each holder of such shares.

The holders of the Deferred Shares shall not be entitled to any further right of participation in the assets of the Company.

140.3 Voting and general meetings
The holders of the Deferred Shares shall not be entitled to receive notice of any general meeting of the Company or to attend, speak or vote at any such meeting.

140.4 Transferability
The Deferred Shares shall not be transferable except in accordance with Article 140.5 below or with the written consent of the Directors.

140.5 Class rights
140.5.1 The Company may from time to time create, allot and issue further shares, whether ranking pari passu with or in priority or subsequent to the Deferred Shares. The creation, allotment or issue of any such further shares (whether or not ranking in any respect in priority to the Deferred Shares) shall be treated as being in accordance with the rights attaching to the Deferred Shares and shall not involve a variation of such rights for any purpose or require the consent of the holders of the Deferred Shares.

140.5.2 A reduction by the Company of the capital paid up or credited as paid up on the Deferred Shares and the cancellation of such shares shall be treated as being in accordance with the rights attaching to the Deferred Shares and shall not involve a variation of such rights for any purpose or require the consent of the holders of the Deferred Shares.

140.5.3 Without prejudice to the foregoing, the Company is authorised to reduce (or purchase shares in) its capital of any class or classes and such reduction (or purchase) shall not involve a variation of any rights attaching to the Deferred Shares for any purpose or require the consent of the holders of the Deferred Shares.
140.6 Purchase

140.6.1 The Company may at any time (and from time to time), subject to the provisions of the Act, without obtaining the sanction of the holder or holders of the Deferred Shares appoint any person to execute on behalf of any holder of Deferred Shares a transfer of all of the Deferred Shares or any part thereof (and/or an agreement to transfer the same) to the Company or to such person as the Directors may determine (whether or not an officer of the Company), and any such transfer shall be for not more than 1.0 pence for all the Deferred Shares then being purchased.

140.6.2 All Deferred Shares purchased by the Company shall be cancelled.

141. DELETION OF ARTICLE 140 WHEN NO DEFERRED SHARES IN EXISTENCE

Article 140 shall remain in force until there are no longer any Deferred Shares in existence notwithstanding any provision in the Articles to the contrary. Thereafter Article 140 shall be and shall be deemed to be of no effect (save to the extent that the provisions of Article 140 are referred to in other Articles) and shall be deleted and replaced with the wording ‘Article 140 has been deleted’, and the separate register for the holders of Deferred Shares shall no longer be required to be maintained by the Company; but the validity of anything done under Article 140 before that date shall not otherwise be affected and any actions taken under Article 140 before that date shall be conclusive and shall not be open to challenge on any grounds whatsoever.

142. RIGHTS AND RESTRICTIONS ATTACHED TO THE DEFAULT SHARE

142.1 Income

The default share shall confer no right to participate in the profits of the Company.

142.2 Capital

On a return of capital on a winding-up (excluding any intra-group reorganisation on a solvent basis) there shall be paid to the holder(s) of the default share the nominal capital paid up or credited as paid up on such default share after:

142.2.1 firstly, paying to the holders of the B Shares 45.0 pence per B Share held by them; and

142.2.2 secondly, paying to the holders of every other class of share in the capital of the Company the nominal capital paid up or credited as paid up on such shares held by them respectively, together with the sum of £100,000,000,000 to each holder of such shares.

The holder(s) of the default share shall not be entitled to any further right of participation in the assets of the Company.

142.3 Voting and general meetings

The holder(s) of the default share shall not be entitled to receive notice of any general meeting of the Company or to attend, speak or vote at any such meeting.

142.4 Transferability

The default share shall not be transferable except in accordance with Article 142.5 below or with the written consent of the Directors.

142.5 Class rights

142.5.1 The Company may from time to time create, allot and issue further shares, whether ranking pari passu with or in priority or subsequent to the default share. The creation, allotment or issue of any such further shares (whether or not ranking in any respect in priority to the default share) shall be treated as being in accordance with the rights attaching to the default share and shall not involve a variation of such rights for any purpose or require the consent of the holder(s) of the default share.

142.5.2 A reduction by the Company of the capital paid up or credited as paid up on the default share and the cancellation of such default share shall be treated as being in accordance with the rights attaching to the default share and shall not involve a variation of such rights for any purpose or require the consent of the holder(s) of the default share.
142.5.3 Without prejudice to the foregoing, the Company is authorised to reduce (or purchase shares in) its capital of any class or classes and such reduction (or purchase) shall not involve a variation of any rights attaching to the default share for any purpose or require the consent of the holder(s) of the default share.

142.6 Purchase

142.6.1 The Company may at any time (and from time to time), subject to the provisions of the Act, without obtaining the sanction of the holder(s) of the default share appoint any person to execute on behalf of the holder(s) of the default share a transfer of the default share (and/or an agreement to transfer the same) to the Company or to such person as the Directors may determine (whether or not an officer of the Company), and such transfer shall be for a consideration of 1.0 pence.

142.6.2 The default share, when purchased by the Company, shall be cancelled.

143. DELETION OF ARTICLE 142 WHEN THE DEFAULT SHARE IS NOT IN EXISTENCE

Article 142 shall remain in force until the default share is no longer in existence notwithstanding any provision in the Articles to the contrary. Thereafter Article 142 shall be and shall be deemed to be of no effect (save to the extent that the provisions of Article 142 are referred to in other Articles) and shall be deleted and replaced with the wording “Article 142 has been deleted”, and the separate register for the holder(s) of the default share shall no longer be required to be maintained by the Company; but the validity of anything done under Article 142 before that date shall not otherwise be affected and any actions taken under Article 142 before that date shall be conclusive and shall not be open to challenge on any grounds whatsoever.
PART VI
UNITED KINGDOM TAXATION IN RELATION TO THE PROPOSALS

The comments below are intended as a general guide only and are based on current United Kingdom tax law and HM Revenue and Customs practice as at the date of publication of this document. The comments apply only to Shareholders who are resident and, if they are individuals, ordinarily resident in the United Kingdom for tax purposes and who hold their Existing Ordinary Shares, New Ordinary Shares, B Shares and C Shares beneficially as an investment and not on trading account. Some of these comments may not apply to a Shareholder who owns 10 per cent. or more of any class of shares in the Company. Shareholders who are in any doubt as to their tax position or who are subject to tax in a jurisdiction other than the United Kingdom should consult an appropriate professional adviser.

1. Capital Reorganisation

For the purposes of United Kingdom taxation of capital gains and corporation tax on chargeable gains ("CGT"):

1.1. The receipt of New Ordinary Shares, B Shares and C Shares should be treated as a reorganisation of the share capital of the Company. Accordingly, the New Ordinary Shares, B Shares and C Shares replacing a Shareholder’s holding of Existing Ordinary Shares as a result of the Capital Reorganisation should be treated as the same asset as the Shareholder’s holding of Existing Ordinary Shares, and as having been acquired at the same time as the Shareholder’s holding of Existing Ordinary Shares was acquired. As a result of the Capital Reorganisation, a Shareholder’s original base cost of his or her Existing Ordinary Shares should be apportioned between the New Ordinary Shares, B Shares and C Shares by reference to their respective market values on the first day on which market prices are quoted or published for the New Ordinary Shares.

1.2. The B Shares and the C Shares will be treated as being paid up for “new consideration” received by the Company. On that basis, the issue of the B Shares or the C Shares should not give rise to any liability to United Kingdom tax in a Shareholder’s hands as income.

2. Capital Alternative

The Company has been advised that the redemption of B Shares by the Company under the Capital Alternative should be treated as a disposal of those shares for United Kingdom tax purposes. Accordingly:

2.1. Shareholders whose B Shares are redeemed under the Capital Alternative should be treated as having disposed of those shares for CGT purposes. This may, depending on individual circumstances, give rise to a liability to CGT. Any gain or loss will be calculated by reference to the difference between the redemption price and the Shareholder’s base cost in the B Shares that are redeemed. Shareholders are referred to paragraph 1 above for information on how the base cost attributable to their B Shares will be determined in the computation of any gain or loss arising.

2.2. The amount of CGT, if any, payable by an individual Shareholder on the redemption of his or her B Shares will depend on his or her personal tax position. No tax will be payable on any gain realised on a redemption of B Shares if the amount of the chargeable gain realised by the Shareholder, when aggregated with other chargeable gains realised by the Shareholder in the year of assessment in question (and after taking account of exemptions and allowable losses as may be available in each case), does not exceed the applicable Shareholder’s annual exempt amount (£10,100 for the tax year 2010/2011).

2.3. Gains realised by an individual Shareholder in a year of assessment (including gains arising on redemption of his or her B Shares) which are in excess of the annual exempt amount will be subject to CGT at 18 per cent. or, in the case of individual Shareholders who pay income tax at the higher rate or above, 28 per cent., subject to any available reliefs or exemptions.

2.4. A corporate Shareholder is taxable on all of its chargeable gains, subject to available reliefs and exemptions, at its applicable rate of corporation tax. Corporate Shareholders are entitled to an indexation allowance that may reduce the amount of any gain that is chargeable.

2.5. No part of the proceeds received by a Shareholder on the redemption of B Shares under the Capital Alternative should be an income distribution in the Shareholder’s hands.

30
3. **Dividend Alternative**

*Income tax*

The Company will not be required to withhold United Kingdom tax at source when paying the Special Dividend.

A United Kingdom resident individual Shareholder who is liable to income tax at the basic rate will pay no tax on the Special Dividend unless it takes that Shareholder’s income into the higher rate tax band.

A United Kingdom resident individual Shareholder who is liable to income tax at the higher rate of 40% will be liable to pay tax equal to 25 per cent. of the cash dividend received to the extent that the aggregate of the cash dividend received and the associated tax credit (equal to one-ninth of the cash dividend), when treated as the top slice of that Shareholder’s income, falls above the threshold for higher rate income tax. A United Kingdom resident individual Shareholder who is liable to income tax at the additional rate of 50% will be liable to pay income tax of approximately 36% on the amount of the Special Dividend to the extent that the Shareholder’s total income, including the Special Dividend and associated tax credit, falls above the threshold of £150,000 for additional rate income tax.

United Kingdom resident taxpayers who are not liable to United Kingdom tax on dividends, including pension funds and charities, will not be liable to pay tax on the Special Dividend.

United Kingdom resident corporate Shareholders will generally not be subject to corporation tax on the Special Dividend.

*CGT*

For CGT purposes, the Special Dividend (and the consequent conversion of the C Shares into Deferred Shares) will not be treated as giving rise to a disposal or part disposal of the C Shares.

Shareholders who receive the Special Dividend should note that, as a consequence of the Capital Reorganisation, a proportion of the base cost of their Existing Ordinary Shares will be attributed to the C Shares. Correspondingly, only a proportion of the base cost of the original holding of Existing Ordinary Shares will be available on a disposal of New Ordinary Shares.

A disposal of the Deferred Shares (including a repurchase of the Deferred Shares) will be treated as a disposal of those shares for CGT purposes and may result in a Shareholder realising a capital loss. However, Shareholders liable to corporation tax should note that section 30 of the Taxation of Chargeable Gains Act 1992 may apply to such a Shareholder. The effect of section 30 applying would be, broadly, to deny the relevant Shareholder any capital loss arising on disposal of the Deferred Shares to the extent that the loss arises as a consequence of payment of the Special Dividend.

4. **Chapter 1, Part 13 Income Tax Act 2007**

If the provisions of Chapter 1, Part 13 ITA 2007 applied in respect of the Capital Alternative, Shareholders who are UK income tax payers might be liable to taxation as if they had received a dividend equal to the amount received on redemption of the B Shares. However, with effect from 24 March 2010, these provisions only apply to companies which are close companies for UK tax purposes. The Company is not considered to be a close company for this purpose and these provisions should not therefore be applicable.

5. **Stamp Duty and Stamp Duty Reserve Tax**

Except in relation to depositary receipt arrangements or clearance services to which special rules apply:

5.1. No stamp duty or SDRT will be payable on the issue of the B Shares or the C Shares.

5.2. No stamp duty or SDRT will be payable on the redemption of B Shares.

5.3. An agreement to sell B Shares, C Shares or Deferred Shares will normally give rise to liability on the purchaser to SDRT, at the rate of 0.5 per cent. of the actual consideration paid. If an instrument of transfer of the B Shares or C Shares (as the case may be) is subsequently produced it will generally be subject to stamp duty at the rate of 0.5 per cent. of the actual consideration paid (rounded up to the nearest £5). When such stamp duty is paid, the SDRT charge will be cancelled.
and any SDRT already paid will be refunded. Stamp duty and SDRT is generally the liability of, or paid by, the purchaser.

5.4. For the avoidance of doubt, a sale of Deferred Shares to the Company will not give rise to any liability to stamp duty or SDRT for the selling Shareholder.
PART VII
ADDITIONAL INFORMATION

1. The Company

1.1. The Company was incorporated and registered in England on 12 January 2006 with registered number 5673306. The registered office of the Company and the business address of all of the Directors is 71 Fenchurch Street, London EC3M 4HH.

1.2. As at 2 December 2010 (being the latest practicable date prior to the publication of this document) the issued share capital of the Company was 73,221,346 Ordinary Shares, carrying one vote each. Therefore, the total number of voting rights in the Company on 2 December 2010 was 73,221,346.

2. Directors’ and other interests

2.1. The names of the Directors are set out on page 5 of this document.

2.2. As at the close of business on 2 December 2010 (being the latest practicable date prior to the posting of this document) the interests of each Director and persons connected with them (all of which are beneficial unless otherwise stated) in the Ordinary Share capital of the Company as notified to the Company in accordance with Rule 3.1.2R of the Disclosure and Transparency Rules and shares under option were as follows:

<table>
<thead>
<tr>
<th>Name</th>
<th>No. of Ordinary Shares</th>
<th>% of issued Ordinary Share Capital</th>
<th>2007 LTIP (no. of shares)</th>
<th>Earliest vesting date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Matthew Fosh</td>
<td>920,911</td>
<td>1.26%</td>
<td>411,500</td>
<td>14 March 2011</td>
</tr>
<tr>
<td>Peter Matson</td>
<td>607,607</td>
<td>0.83%</td>
<td>411,500</td>
<td>14 March 2011</td>
</tr>
<tr>
<td>Jeremy Adams</td>
<td>602,603</td>
<td>0.82%</td>
<td>411,500</td>
<td>14 March 2011</td>
</tr>
<tr>
<td>Oliver Corbett</td>
<td>411,076</td>
<td>0.56%</td>
<td>411,500</td>
<td>14 March 2011</td>
</tr>
<tr>
<td>David Henderson</td>
<td>40,000</td>
<td>0.05%</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>John Hastings-Bass</td>
<td>30,000</td>
<td>0.04%</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Laurie Adams</td>
<td>20,000</td>
<td>0.03%</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>David Pye</td>
<td>10,322</td>
<td>0.01%</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Sir Bryan Carsberg</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Tony Hambro</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
</tbody>
</table>

*The participations of the executive directors in the SIP (and its predecessor AESOP) are not shown in this table. The shares in the SIP and AESOP are held by the Trustees of those schemes.

2.3. Save as disclosed above and in paragraph 2.4 below, no Director has any interest in the Ordinary Share capital or loan capital of the Company or any of its subsidiaries nor does any person connected with the Directors (within the meaning of section 252 of the Act) have any such interests, whether beneficial or non-beneficial.

2.4. As at 2 December 2010 (being the latest practicable date prior to the posting of this document) the total number of voting rights attributable to the issued Ordinary Share capital of the Company was 73,221,346 and the following persons had notified the Company in accordance with Rule 5 of the Disclosure and Transparency Rules that they held, directly or indirectly, 3 per cent. or more of the voting rights attributable to the issued share capital of the Company:
The Company is not aware of any person who exercises, or could exercise, directly or indirectly, jointly or severally, control over the Company.

3. General

3.1 The B Shares and C Shares are not renounceable and will be transferable by an instrument of transfer in usual or common form in accordance with the Articles. The B Shares and C Shares will be in registered form only.

3.2 In furtherance of the arrangements proposed for the eventual buy-back and cancellation of the Deferred Shares and the default share (as described in Part V of this document) the Company has entered into a conditional contract with the Company Secretary, for him to take a transfer of and then sell back to the Company for cancellation the Deferred Shares and the default share for a consideration of 1.0 pence.

4. Consent

RBS Hoare Govett has given and not withdrawn its written consent to the issue of this document with the references to its name in the form and context in which they appear.

5. Documents available for inspection

Copies of the following documents may be inspected at the offices of Debevoise & Plimpton LLP, Tower 42, Old Broad Street, London EC2N 1HQ, during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) from the date of this document up to and including the date of the General Meeting and at the place of the General Meeting for at least 15 minutes before and during the General Meeting:

(a) the Articles of association of the Company;
(b) the proposed amendments to the Articles as a consequence of the Proposals;
(c) the agreement referred to in paragraph 3.2 above;
(d) the consent letter referred to in paragraph 4 above; and
(e) this document.

3 December 2010
PART VIII
DEFINITIONS

The following definitions apply throughout this document and the accompanying documents including the Proxy Form and the Election Form, unless the context otherwise requires:

“Act” the Companies Act 2006, as amended

“2007 LTIP” The long term incentive plan established by the Company and approved by the Shareholders on 10 May 2007

“Admission” admission of the New Ordinary Shares to the Official List and to trading on the London Stock Exchange’s main market for listed securities becoming effective in accordance with the Listing Rules and the rules of the London Stock Exchange respectively

“Admission Date” 23 December 2010 (or such later date as the Directors may determine)

“AESOP” the all employee share ownership plan established by SVB Holdings PLC on 10 January 2001 and approved by the Board of Inland Revenue on 22 January 2001

“Alternatives” the Dividend Alternative and the Capital Alternative, or either of them as the context may require

“Articles” or “Articles of Association” the articles of association of the Company from time to time

“B Shares” the unlisted non-cumulative redeemable preference shares of 45.0 pence each in the capital of the Company carrying the rights and restrictions summarised in Part V of this document

“BACS” The Bankers Automated Clearing System

“Board” or “Directors” the board of directors of the Company or a duly appointed committee of the board

“Business Day” a day (other than a Saturday, Sunday or public holiday) on which sterling deposits may be dealt in on the London inter-bank market and commercial banks are open for general business in London

“C Shares” the unlisted non-cumulative irredeemable preference shares of 1.0 pence each in the capital of the Company carrying the rights and restrictions summarised in Part V of this document

“Capital Alternative” the election for B Shares to be redeemed pursuant to the Proposals and conferring a right to the Redemption Payment as more fully described in Part V of this document

“Capital Reorganisation” the reorganisation of the Company’s share capital comprising the Share Capital Consolidation and the allotment and issue of B Shares and/or C Shares

“Closing Price” the closing middle-market quotations as derived from the Daily Official List on a particular day

“Company” or “Novae” Novae Group plc, incorporated in England and Wales with company number 5673306

“CREST” the relevant system (as defined in the Uncertificated Securities Regulations 2001) in respect of which Euroclear is the Operator (as defined in such regulations)

“CREST Proxy Instruction” a properly authenticated CREST message appointing and instructing a proxy to attend and vote in place of a Shareholder at the General Meeting and containing the information required to be contained in the manual published by Euroclear
“Daily Official List” the daily record setting out the prices of all trades in shares and other securities conducted on the London Stock Exchange

“Deferred Shares” the deferred shares of 1.0 pence each in the capital of the Company carrying the rights and restrictions summarised in Part V of this document

“Directors” the directors of the Company from time to time

“Dividend Alternative” the election (or deemed election) for C Shares conferring a right to a special dividend as more fully described in Part IV of this document

“Election Deadline” 3.00 p.m. on 14 January 2011 (or such later time and/or date as the Directors in their absolute discretion may determine)

“Election Form” the election form enclosed with this document, where this document is sent to Shareholders who hold their Existing Ordinary Shares in certificated form

“Election Period” the period from the date of this document until the Election Deadline during which time Shareholders may make elections for one or more of the Alternatives

“Euroclear” Euroclear UK & Ireland Limited, the operator of CREST

“Existing Ordinary Shares” the existing ordinary shares of 100 pence each in the capital of the Company

“Final Redemption” the redemption of B Shares by the Company on the Final Redemption Date

“Final Redemption Date” 16 January 2012, or such other date as the Directors may determine

“FSA” Financial Services Authority

“FSMA” Financial Services and Markets Act 2000, as amended

“General Meeting” the General Meeting of the Company (or any adjournment thereof) to be held at 11:30 a.m. on Monday, 20 December 2010

“Group” the Company and its subsidiaries from time to time

“HM Revenue and Customs” Her Majesty’s Revenue and Customs

“Initial Redemption” the redemption by the Company of B Shares on the Initial Redemption Date

“Initial Redemption Date” 17 January 2011 or such other date as the Directors may determine


“Listing Rules” the listing rules made by the FSA in exercise of its functions as competent authority pursuant to Part VI of FSMA

“Lloyd’s” the Society of Lloyd’s as incorporated by Lloyd’s Act 1871 by the name of “Lloyd’s”

“London Stock Exchange” London Stock Exchange plc

“NCUL” Novae Corporate Underwriting Limited, a corporate member of Lloyd’s, incorporated in England and Wales with number 3045763, and the sole member of Syndicate 2007 at Lloyd’s for the 2010 underwriting year of account

“New Ordinary Shares” following the Capital Reorganisation, the new ordinary shares of 112.5 pence each in the capital of the Company

“NICL” NICL Limited, incorporated in England and Wales with number 5673327

“NTA” Net Tangible Assets
“Non-United Kingdom Shareholder” a Shareholder who is not resident in the United Kingdom or who is a citizen, resident or national of a country other than the United Kingdom

“Novae Share Schemes” The 2007 LTIP; SIP and AESOP in each case of the Company

“Official List” the official list maintained by the UK Listing Authority for the purposes of Part VI of FSMA

“Part VII Transfer” means the insurance business transfer effected under Part VII of FSMA whereby the in-force book of business, reserves and other insurance assets of NICL were transferred to NCUL

“Proposals” the Redemption Payment, the Special Dividend, the Capital Reorganisation and the proposed Reduction of Capital

“Proxy Form” the form of proxy enclosed with this document for use by Shareholders in connection with the General Meeting

“RBS Hoare Govett” RBS Hoare Govett Limited

“Record Time” 6:00 p.m. on Wednesday, 22 December 2010 (or such later time and/or date as the Directors in their absolute discretion may determine)

“Redemption Payment” the payment of up to 45.0 pence per B Share in aggregate to be paid on redemption of the B Shares

“Reduction of Capital” the proposed cancellation of the Company’s share premium account

“Registrar” Computershare Investor Services PLC

“Regulatory Information Service” a Regulatory Information Service on the list of Regulatory Information Services maintained by the FSA

“Resolutions” the resolutions set out in the notice of the General Meeting contained in Part IX of this document

“Restricted Territory” the United States and Japan

“Return of Capital” the return of capital to Shareholders proposed to be effected by the issue of fully paid B Shares and/or C Shares

“SDRT” stamp duty reserve tax

“Share Capital Consolidation” the consolidation and division of the Existing Ordinary Shares in the manner set out in Resolution 1 of the Resolutions

“Share Entitlement” the entitlement of each Shareholder to be allotted one B Share or one C Share for each Existing Ordinary Share held at the Record Time

“Shareholders” holders of Existing Ordinary Shares, New Ordinary Shares, B Shares, C Shares or Deferred Shares, as the context may require

“SIP” the share incentive plan established by the Company, adopted by Shareholders on 24 April 2006, adopted by the Board on 19 January 2007 and approved by HM Revenue and Customs, as amended on 22 January 2007

“Special Dividend” a special dividend of 45.0 pence per C Share to be declared and paid in accordance with the Dividend Alternative

“UK Listing Authority” or “UKLA” the FSA acting in its capacity as the competent authority for listing under Part VI of FSMA and in the exercise of its functions in respect of admission to the Official List

“United Kingdom” or “UK” the United Kingdom of Great Britain and Northern Ireland

“United States” or “US” the United States of America, its territories, possessions, any State of the United States of America and the District of Columbia

“USE instruction” Unmatched Stock Event
PART IX
NOTICE OF GENERAL MEETING

NOVAE GROUP PLC
(the “Company”)
(incorporated in England and Wales with company number 5673306)

Notice is hereby given that a General Meeting of the Company will be held at the Offices of Novae Group plc at 71 Fenchurch Street, London EC3M 4HH at 11:30 a.m. on Monday, 20 December 2010 for the purpose of considering and, if thought fit, passing the following resolutions which will be proposed, in the case of Resolutions 1, 2, 4 and 5 as special resolutions and, in the case of Resolution 3, as an ordinary resolution.

Special Resolutions
1. THAT, conditional on Admission of the New Ordinary Shares becoming effective by 8.00 a.m. on 23 December 2010 (or such later time and/or date as the directors may in their absolute discretion determine):
(a) the Articles of Association be and are hereby amended by the insertion as new Articles 136 to 143 of the paragraphs set out in the document produced to the meeting and initialled for the purposes of identification by the Chairman (such document being a copy of Part V of the Company’s circular to shareholders dated 3 December 2010);
(b) the directors of the Company be and are hereby generally and unconditionally authorised to:
   (i) capitalise a sum not exceeding £32,949,606 standing to the credit of the share premium account of the Company and to apply such amount in paying up in full at par up to a maximum of 73,221,346 B Shares;
   (ii) capitalise a sum not exceeding £732,214 standing to the credit of the share premium account of the Company and to apply such amount in paying up in full at par up to a maximum of 73,221,346 C Shares; and
   (iii) pursuant to section 551 of the Companies Act 2006 (“the Act”), exercise all the powers of the Company to allot and issue up to 73,221,346 B Shares and up to 73,221,346 C Shares each credited as fully paid up to the holders of the Existing Ordinary Shares, provided that the authority hereby conferred shall expire on 31 July 2011 or, if earlier, at the conclusion of the annual general meeting of the Company to be held in 2011;
(c) each Existing Ordinary Share be sub-divided into 200 shares of 0.5 pence each and immediately upon such sub-division every 225 shares of 0.5 pence each resulting from such sub-division shall be consolidated into one New Ordinary Share provided that all fractions of a share of 112.5 pence (if any) arising out of such sub-division and consolidation shall be consolidated into as many New Ordinary Shares as possible and one default share of £1 (having the rights and restrictions set out in the articles of association of the Company as amended pursuant to paragraph (a) of this Resolution 1) of such nominal value as shall be necessary to ensure that the aggregate nominal value of the then issued share capital of the Company remains constant;
(d) the directors of the Company be authorised for and on behalf of holders of Existing Ordinary Shares to do all such things as they consider necessary or expedient:
   (i) to sell the number of New Ordinary Shares arising from the consolidation of fractional entitlements referred to in paragraph (c) of this Resolution 1 in the market for the benefit of the Company;
   (ii) to transfer the default share arising out of the sub-division and consolidation of the shares referred to in paragraph (c) of this Resolution 1 to the Company Secretary for a consideration of 1.0 pence; and
   (iii) to transfer the Deferred Shares (if any) arising on reclassification of the C Shares in accordance with the articles of association as amended pursuant to paragraph (c) of this Resolution 1 to the Company Secretary;
(e) the Company be and is hereby irrevocably authorised (such authority to expire on 31 July 2011 or, if earlier, at the conclusion of the annual general meeting of the Company to be held in 2011) so far as
it is lawfully able to purchase: (i) the default share arising under paragraph (c) of this Resolution in consideration of the payment to the Company Secretary of 1.0 pence; and (ii) the Deferred Shares (if any) arising on reclassification of the C Shares in accordance with the Articles of Association as amended pursuant to paragraph (a) of this Resolution 1 in consideration of the payment to the Company Secretary of 1.0 pence in aggregate in each case pursuant to a contract for the sale to the Company of the default share and all the Deferred Shares, a copy of which has been produced to the meeting and initialled for the purpose of identification by the Chairman (the terms of which are hereby approved), and the default share and the Deferred Shares so purchased shall be cancelled, and the share capital shall, with effect from such cancellation, be reduced by an amount equal to the nominal value of the default share and the Deferred Shares so cancelled; and

(f) for the purposes of this Resolution 1 and Resolution 2:

   (i) “Admission” means admission of the New Ordinary Shares to the Official List and to trading on the London Stock Exchange’s main market for listed securities becoming effective in accordance with the Listing Rules and the rules of the London Stock Exchange respectively;
   
   (ii) “B Share” means a non-cumulative redeemable preference share of 45.0 pence in the capital of the Company having the rights and subject to the restrictions set out in the Articles of Association of the Company as amended pursuant to paragraph (a) of this Resolution 1;
   
   (iii) “C Share” means a non-cumulative irredeemable preference share of 1.0 pence in the capital of the Company having the rights and subject to the restrictions set out in the Articles of Association of the Company as amended pursuant to paragraph (a) of this Resolution 1;
   
   (iv) “Deferred Shares” means deferred shares of 1.0 pence each in the capital of the Company having the rights and subject to the restrictions set out in the Articles of Association of the Company as amended pursuant to paragraph (a) of this Resolution 1;
   
   (v) “Existing Ordinary Share” means an ordinary share of 100 pence in the capital of the Company which is in existence immediately prior to the passing of this Resolution 1; and
   
   (vi) “New Ordinary Share” means a new ordinary share of 112.5 pence in the capital of the Company having the rights and subject to the restrictions set out in the Articles of Association of the Company as amended pursuant to paragraph (a) of this Resolution 1.

2. THAT, conditional on Resolution 1 being passed and becoming effective and in substitution for all existing authorities (except in relation to the purchase of shares under a contract concluded before the date of this resolution and where such purchase has not yet been executed), the Company be and is hereby generally and unconditionally authorised, in accordance with section 701 of the Act, to make market purchases (within the meaning of section 693 of the Act) of New Ordinary Shares on such terms and in such manner as the directors may from time to time determine provided that:

   (a) the maximum aggregate number of New Ordinary Shares authorised to be purchased is 6,508,564 (representing approximately 10 per cent. of the Company’s issued ordinary share capital as amended by these Resolutions);
   
   (b) the minimum price which may be paid for a New Ordinary Share is 112.5 pence (exclusive of expenses payable by the Company);
   
   (c) the maximum price exclusive of expenses which may be paid for each New Ordinary Share (exclusive of expenses payable by the Company) cannot be more than the higher of:

   (i) 105 per cent. of the average of the middle-market quotations for a New Ordinary Share as derived from the Official List for the five business days immediately preceding the day on which the New Ordinary Share is contracted to be purchased; and
   
   (ii) the value of a New Ordinary Share calculated on the basis of the higher of (A) the last independent trade of, or (B) the highest current independent bid for, any number of New Ordinary Shares on the trading venue where the market purchase by the Company is to be carried out; and
   
   (d) the authority conferred shall expire on 31 July 2011 or, if earlier, at the conclusion of the annual general meeting of the Company to be held in 2011, 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.
Ordinary Resolution

3. THAT, conditional on Resolution 1 above being passed and becoming effective and in substitution for all existing authorities other than pursuant to Resolution 1, the directors be and are hereby generally and unconditionally authorised pursuant to and in accordance with section 551 of the Act:

(a) to exercise all powers of the Company to allot shares in the Company grant rights to subscribe for or to convert any securities into shares in the Company up to an aggregate nominal value of £24,407,115 (such amount to be reduced by the nominal amount allotted or granted under sub-paragraph (b) below in excess of such sum); and

(b) to exercise all the powers of the Company to allot equity securities (as defined in section 560 of the Act) up to an aggregate nominal amount of £48,814,230 (such amount to be reduced by any allotments or grants made under sub-paragraph (a) above) 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 therein where the equity securities respectively attributable to the interests of all those persons at such record dates as the directors may determine are proportionate (as nearly as may be) to the respective numbers of equity securities held (or deemed to be held) by them or are otherwise allotted in accordance with the rights attaching to such equity securities 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 paragraphs 3(a) and (b) above shall expire on 31 July 2011 or, if earlier, at the conclusion of the annual general meeting of the Company to be held in 2011 provided 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 authority conferred hereby had not expired.

Special Resolutions

4. THAT, conditional on the passing of Resolution 3 above and the same becoming effective and in substitution for all such existing authorities, the directors be and are hereby empowered pursuant to section 570 of the Act to allot equity securities (as defined in section 560 of the Act) for cash pursuant to the authority conferred by Resolution 3 as if section 561(1) of the Act did not apply to any such allotment provided that this power shall be limited to:

(a) the allotment of equity securities in connection with a rights issue, open offer or other pre-emptive or pro-rata offer (but, in the case of the authority granted under paragraph (b) of Resolution 3, by way of a rights issue only in favour of holders of ordinary shares and other persons entitled to participate therein where the equity securities respectively attributable to the interests of all those persons at such record dates as the directors may determine are proportionate (as nearly as may be) to the respective numbers of equity securities held or deemed to be held by them or are otherwise allotted in accordance with the rights attaching to such equity securities 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; and

(b) the allotment (otherwise than pursuant to subparagraph (a) above) of equity securities up to an aggregate nominal amount of £3,661,067, and shall expire on 31 July 2011 or, if earlier, at the conclusion of the annual general meeting of the Company to be held in 2011, save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted and/or shares held by the Company in treasury to be sold or transferred after such expiry and the directors may allot equity securities and/or sell or transfer shares held by the Company in treasury in pursuance of such offer or agreement as if the power conferred hereby had not expired.

5. THAT the share premium account of the Company be cancelled.

By Order of the Board

M.J. Turvey

Company Secretary

3 December 2010

Registered Office:

71 Fenchurch Street

London EC3M 4HH

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Notes:

1. (a) Only holders of Existing Ordinary Shares are entitled to attend and vote at the General Meeting.

(b) A shareholder entitled to attend and vote at the General Meeting is entitled to appoint one or more proxies to exercise all or any of his rights to attend, speak and vote at the meeting instead of him. 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 the member. Such proxy or proxies need not be a member or members of the Company. A Proxy Form is enclosed with this document. If you do not have a Proxy Form and believe that you should have one, or if you require additional forms, please contact Computershare Investor Services PLC on 0870 707 1327.

(c) The right to appoint a proxy does not apply to persons whose shares are held on their behalf by another person and who have been nominated to receive communication from the Company in accordance with section 146 of the Companies Act 2006 (“nominated persons”). Nominated persons may have a right under an agreement with the registered shareholder who holds shares on their behalf to be appointed (or to have someone else appointed) as a proxy. Alternatively, if nominated persons do not have such a right, or do not wish to exercise it, they may have a right under such an agreement to give instructions to the person holding the shares as to the exercise of voting rights.

2. To be valid, completed Proxy Forms, must be received (together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power or authority) by Computershare Investor Services PLC at The Pavilions, Bridgwater Road, Bristol BS99 6ZY or lodged using the CREST proxy appointment service (see note 3 below) by no later than 11.30 a.m. on 16 December 2010 or shareholders can submit a proxy appointment electronically at www.eproxyappointment.com. The completion and return of a Proxy Form will not preclude shareholders entitled to attend and vote at the general meeting from doing so in person if they so wish. Shareholders submitting a proxy appointment electronically will require their control number, shareholder reference number and PIN, each as shown on the personalised Proxy Form enclosed with this document.

3. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the general meeting and any adjournment(s) thereof by using 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 or instruction made using the CREST service to be valid, the CREST Proxy Instruction must be properly authenticated in accordance with Euroclear’s specifications and must contain the information required for such instructions, as described in the CREST Manual (www.euroclear.com/CREST). 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 Computershare Investor Services PLC, the Issuer’s Agent (ID 3RA50), no later than 11.30 a.m. on 16 December 2010. 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 Computershare Investor Services PLC 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.

CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear 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.

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.

4. The Company specifies, pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, that only those Shareholders whose names are entered in the register of members of the Company at 11.30 a.m. on 18 December 2010 shall be entitled to attend or vote at the general meeting in respect of the number of shares registered in their names at that time. Changes to entries on the relevant register of securities after 11.30 a.m. on 18 December 2010 shall be disregarded in determining the rights of any person to attend and/or vote at the general meeting.

5. Shareholders may not use any electronic address provided either in this notice of general meeting or any related documents (including the Proxy Form) to communicate with the Company for any purposes other than those expressly stated.

6. The issued share capital of the Company as at close of business on 2 December 2010 (being the latest practicable date prior to the publication of this document) was 73,221,346 ordinary shares, carrying one vote each. Therefore the total voting rights in the Company as at that date were 73,221,346.

7. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If 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 General Meeting.

8. Pursuant to section 319A of the Act, the Company must cause to be answered at the General Meeting any question relating to the business being dealt with at the General Meeting which is put by a member attending the meeting, except in certain circumstances, including if it is undesirable in the interests of the Company or the good order of the meeting that the question be answered or if to do so would involve the disclosure of confidential information.

9. In accordance with section 311A of the Act, the contents of this notice of meeting, details of the total number of shares in respect of which members are entitled to exercise voting rights at the General Meeting and, if applicable, any members’ statements, members’ resolutions or members’ matters of business received by the Company after the date of this notice will be available on the Company’s website www.novae.com.