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If you sold or otherwise transferred all of your registered holding of Existing Ordinary Shares in the Company before 27 May 2010 (the date upon which the Existing Ordinary Shares were marked "ex" the entitlement to the Open Offer by the London Stock Exchange) please send this document, the Form of Proxy and (if applicable) the Non-CREST Application Form at once to the purchaser or transferee or to the stockbroker, bank or other agent through whom or by whom the sale or transfer was made, for delivery to the purchaser or transferee. However, this document, the Form of Proxy and the Non-CREST Application Form should not be forwarded or sent in, into or from a Restricted Jurisdiction or any other jurisdiction that may be restricted by law. If you sold or otherwise transferred only part of your registered holding of Existing Ordinary Shares before 27 May 2010, please immediately contact your stockbroker, bank or other agent through whom the sale or transfer was effected and, in the case of Qualifying Non-CREST Shareholders, please refer to the instructions regarding split applications set out in the Non-CREST Application Form. If the Existing Ordinary Shares which were sold or transferred were held in uncertificated form and were sold or transferred before 27 May 2010, a claim transaction will automatically be generated by CREST which, on settlement, will transfer the appropriate number of Open Offer Entitlements to the purchaser or transferee.

The distribution of this document and/or the accompanying documents, and/or the transfer of Open Offer Entitlements and Excess CREST Open Offer Entitlements through CREST and/or Open Offer Shares into jurisdictions other than the UK (including Australia, Canada, Japan, New Zealand, South Africa or the United States) may be restricted by law and therefore persons into whose possession this document and any accompanying documents come should inform themselves about and observe any such restrictions. Any failure to comply with any of those restrictions may constitute a violation of the securities laws of any such jurisdiction. In particular, such documents should not be distributed, forwarded to or transmitted in or into any Restricted Jurisdiction. The attention of Overseas Shareholders and any person (including, without limitation, stockbrokers, banks or other agents) who has a contractual or other legal obligation to forward this document into a jurisdiction other than the UK is drawn to paragraph 6 of Part II (*Terms and Conditions of the Open Offer*) of this document.

This document comprises (i) a circular prepared in accordance with the Listing Rules, and (ii) a prospectus prepared in accordance with the Prospectus Rules. This document has been approved by the Financial Services Authority and has been filed with the Financial Services Authority in accordance with Rule 3.2 of the Prospectus Rules. This document will be made available to the public in accordance with the Prospectus Rules.

Application will be made to the UK Listing Authority and to the London Stock Exchange for the New Ordinary Shares to be listed on the Official List and admitted to trading on the London Stock Exchange's main market for listed securities. Subject to, amongst other things, Resolution 1 being passed, it is expected that Admission will become effective and that dealings in the New Ordinary Shares will commence at 8.00 a.m. on 15 June 2010.

Subject to, amongst other things, Resolution 1 being passed, the admission of the Ordinary Shares to the Official List and to trading on the London Stock Exchange's main market for listed securities will be cancelled and application will be made for the Ordinary Shares to be admitted to trading on AIM. The expected last date for dealings in Ordinary Shares on the London Stock Exchange is 23 June 2010, with dealings in the Ordinary Shares on AIM expected to commence on the following day.

STANELCO PLC

(Incorporated and registered in England and Wales under the Companies Act 2006 with registered number 01873702)

**Firm Placing and Placing and Open Offer of up to 2,806,525,416 New Ordinary Shares
at 0.125 pence per share
Proposed move to AIM
Change of name to Biome Technologies plc
Approval of new management incentive scheme
and
Notice of General Meeting**

Issued and fully paid share capital immediately following Admission

<i>Amount</i>	<i>Number</i>
£5,884,866.33	5,884,866,333

Singer
Capital Markets

Sponsor, Financial Adviser and Broker

The latest time and date for acceptance and payment in full under the Open Offer is 11.00 a.m. on 11 June 2010. The procedure for acceptance and payment is set out in Part II (*Terms and Conditions of the Open Offer*) and, where relevant, in the Non-CREST Application Form.

Your attention is drawn to the discussion of risks and other factors which should be considered in connection with an application under the Open Offer or otherwise in connection with any investment in the New Ordinary Shares, set out in the section entitled "Risk Factors". Your attention is also drawn to the letter from the Chairman of Stanelco set out in Part I of this document (*Letter from the Chairman of Stanelco PLC*). **NOTWITHSTANDING THIS, YOU SHOULD READ THE ENTIRE DOCUMENT AND ANY DOCUMENTS INCORPORATED BY REFERENCE.**

Notice of a General Meeting of Stanelco PLC to be held at the offices of Osborne Clarke, One London Wall, London EC2Y 5EB at 10.00 a.m. on 14 June 2010 is set out on pages 112 to 114 of this document. The Form of Proxy for use at the meeting accompanies this document and, to be valid, should be completed and returned to Capita Registrars, PXS, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, United Kingdom as soon as possible and, in any event, so as to arrive by no later than 10.00 a.m. on 12 June 2010. Completion and return of the Form of Proxy will not preclude Shareholders from attending and voting in person at the General Meeting should they so wish.

If you hold Existing Ordinary Shares in CREST, you may appoint a proxy by completing and transmitting a CREST proxy instruction to the Registrar (CREST participant ID RA10), so that it is received by no later than 10.00 a.m. on 12 June 2010. In addition, Shareholders (including Shareholders who hold their Ordinary Shares in certificated form) may submit a proxy vote via the internet by accessing the registrar's website www.capitashareportal.com. The completion and return of a CREST Proxy Instruction or the submission of a vote on the registrar's website will not preclude you from attending and voting in person at the General Meeting or any adjournment thereof, if you so wish and are so entitled.

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SUMMARY

The following summary information should be read as an introduction to the more detailed information appearing elsewhere in this document and any document incorporated by reference. Any decision to invest in New Ordinary Shares should be based on consideration of this document and any document incorporated by reference as a whole. Where a claim relating to the information contained in this document is brought before a court, a plaintiff investor might, under the national legislation of EEA States, have to bear the costs of translating this document before legal proceedings are initiated. Civil liability attaches to those persons who are responsible for this summary, including any translation of this summary, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of this document.

1. Introduction

The Directors announced today that the Company proposes to raise approximately £2.3 million (net of expenses) by way of a Firm Placing and Placing and Open Offer.

It is also proposed that the Company undertakes a change of name to Biome Technologies plc and a move to AIM.

The Issue together with the change of name and move to AIM are conditional upon, *inter alia*, Shareholder approval which will be sought at the General Meeting of the Company to be held on 14 June 2010.

2. Background To and Reasons for the Issue and Use of Proceeds

Background

Since 2007, the principal focus of the Group's business has been directed towards bioplastics.

Stanelco's other principal business interest is RF applications which is involved in the design and manufacture of electrical equipment that utilises radio frequency for heating and sealing.

When embarking on the new strategy in 2007, the Board recognised that growth in the short term would not be profitable. Given the unforeseen litigation with Novamont and the resulting costs, the Company's cash resources are being reduced at a rate exceeding that which was originally anticipated. Consequently, the Group has been forced to raise funds earlier than the Board originally expected.

Intended strategy if the Issue is successful

Going forward, Stanelco's intended strategy is to continue to develop and broaden its underlying bioplastics business organically through the exploitation of higher value areas where the properties of bioplastic materials are most suitable and valued.

Stanelco will continue to develop the RF business in line with its re-emergence as a small scale OEM engineering business.

In support of the Group's growth strategy, the Directors will reduce their remuneration packages by approximately 30 per cent. following the successful completion of the Proposals, and make further staff cost reductions.

The Board of Stanelco believes that the strategy being followed has strong prospects of building a valuable and fast growing business. However, it cannot be pursued unless the Issue is successful, and the Board therefore urges Shareholders to support it.

Funding

In order to continue to pursue the Group's intended strategy, the Company is seeking to raise up to £3.5 million (before expenses) from the Issue.

Provided that the Issue becomes unconditional, the net proceeds anticipated to be received by Stanelco will be approximately £2.8 million (assuming that the Issue is fully subscribed). It is envisioned that these funds will be invested as follows:

- approximately 40 per cent. in the development of its bioplastics business;
- approximately 35 per cent. to fund working capital; and
- the remainder of the funds will be used for meeting central administrative overheads including salary costs and property rents.

3. Proposed move to AIM

In view of the Group's size, the Board has decided that it is now appropriate to move trading in the Company's shares to AIM.

In addition, due to the expiry of the rights conferred by the Company's "Golden Share" in Biotec, Stanelco is no longer eligible for a Premium Listing, as Stanelco no longer controls the majority of its assets.

Accordingly, regardless of the success of the Issue, the Company will apply to have its Premium Listing cancelled.

4. Proposed Management Incentive Scheme

Subject to the approval of Shareholders at the General Meeting, it is proposed that the Company will adopt the Stanelco plc Public Equity Plan. This plan will provide a performance based incentive for the Company's Executive Directors and other senior executives of Stanelco with the aim of ensuring that the interests of the Executive Directors and other key executives and Shareholders are closely aligned.

5. Principal terms and timing of the Issue

(a) Structure

Stanelco intends to issue 2,000,000,096 New Ordinary Shares through the Firm Placing and up to 806,525,320 New Ordinary Shares through the Placing and Open Offer at 0.125 pence per New Ordinary Share to raise gross proceeds of £3.5 million.

The Issue Price represents a 37.5 per cent. discount to the Stanelco closing price of 0.20 pence per Ordinary Share on 26 May 2010, being the Business Day prior to the date of the announcement of the Issue.

(b) Firm Placing

The Firm Placed Shares are not subject to clawback and are not part of the Placing and Open Offer.

(c) Placing and Open Offer

Under the Open Offer, Qualifying Shareholders will have a Basic Entitlement of:

0.262 of an Open Offer Share for each Existing Ordinary Share

Qualifying Shareholders may also apply, under the Excess Application Facility, for additional Excess Shares (save that the total number of New Ordinary Shares to be issued by the Company pursuant to the Issue shall be limited to 2,806,525,416). Accordingly, to the extent that valid subscriptions under the Open Offer are made for in excess of 806,525,320 New Ordinary Shares, applications under the Excess Application Facility will be allocated by the Directors to Shareholders who apply under the Excess Application Facility *pro rata* to their existing holdings of Existing Ordinary Shares.

(d) Conditionality

The Issue is conditional upon the following:

- the passing of Resolution 1 to be proposed at the General Meeting;

- Admission becoming effective by not later than 8.00 a.m. on 15 June 2010; and
- the Placing Agreement becoming unconditional in all respects.

(e) *Important notice*

The Open Offer is not a rights issue and any Open Offer Shares not applied for by Qualifying Shareholders under their Basic Entitlement will not be sold in the market on behalf of, or placed for the benefit of, Qualifying Shareholders who do not apply under the Open Offer, but may be allotted to Qualifying Shareholders to meet any valid applications under the Excess Application Facility or may be placed under the Placing and the Net Proceeds will be retained for the benefit of the Company.

6. Current Trading and Prospects

Stanelco announced its Final Results for the year ended 31 December 2009 on 29 April 2010. Stanelco reported turnover of £17.9 million (2008: £14.8 million), a loss from operations of £2.6 million (2008: £2.8 million) and a loss before taxation of £3.6 million (2008: £0.5 million (profit)).

In the Company's interim management statement made on 29 April 2010, the following statements were made:

“Group revenues continued to grow strongly during the three months to 31 March 2010 and the Group's overall trading performance remains in line with the Board's expectations for the year.

Previously, Stanelco held a casting vote over certain matters in Biotec (the “Golden Share”); this arrangement expired on 31 December 2009 and shareholder control with SPHERE SA moved seamlessly to a clear 50/50 basis. The Company will no longer consolidate 100% of Biotec's results. The revenue and cash balances reported in this announcement, therefore, include 50% of the figures reported by Biotec and the prior year figures are reported on the same basis to allow a like-for-like comparison.

Group revenues increased from £2.1 million to £2.6 million in the three months to 31 March 2010 on a like-for-like basis (including 50% of Biotec's revenues), an increase of 26% compared with the same period last year. This reflected a 76% increase in bioplastic sales made by the UK bioplastics business, Biome Bioplastics, a 58% increase in sales in RF Applications division and a 7% increase in third party sales from our joint venture, Biotec.

Our cash position at 31 March 2010 was £2.4 million, including 50% of Biotec's cash balance.”

Going concern

Although the Company's Annual Report and Accounts for the financial year ended 31 December 2009 were not qualified and were prepared on going concern basis, the independent auditor's report (contained within Stanelco's Annual Report and Accounts) drew Shareholders' attention to the disclosures made by the Directors that Stanelco requires further financing in order to continue with its intended strategy and highlighted that, if the Issue was not successful, an alternative strategy had been identified by the Board that focuses on conserving cash resources, whilst seeking to realise potential value for Shareholders.

The Company's independent auditor further highlighted that, as the success of the Issue or alternative strategy can not be guaranteed, the Directors have concluded that these circumstances represent a material uncertainty that casts significant doubt of the Company's ability to continue as a going concern.

Therefore, in order to support the intended strategy of the Company and to address the concerns regarding the ability of the Stanelco to continue as a going concern, the Board believes that it is vital that Shareholders vote in favour of Resolution 1 and support the Issue.

7. Working capital

The Company is of the opinion that taking into account the net proceeds of the Firm Placing and the Placing, the Group has sufficient working capital for its present requirements, that is for at least 12 months from the date of this document.

The Company has raised approximately £2.5 million through the Firm Placing and has conditionally raised approximately £0.54 million through the Placing.

In the event that either (i) Resolution 1 at the General Meeting is not passed; or (ii) the conditions to the Placing Agreement are not satisfied or waived; or (iii) Admission does not take place, the Issue will not proceed and therefore the Group will only have sufficient financial resources to fund its current operations into September 2010.

If such an event were to occur, the Group would therefore be obliged to immediately follow an alternate strategy that focuses principally on conserving cash resources whilst seeking to realise potential value through an orderly disposal of the Group's assets.

The Board anticipates that the alternative strategy will almost certainly include:

- a substantial reduction in the bioplastic commercial activities by Stanelco, placing reliance on SPHERE to drive any future sales;
- the termination of bioplastic product development activities by Stanelco. Biotec has no market facing technical development and such activities will therefore end;
- the holding of Biotec as an investment with a view to realising value at some point (pre-emption rights, the current patent dispute with Novamont and the joint venture agreement limit options in this regard);
- the reduction of the Stanelco Board to one or two individuals charged with a part-time monitoring role; and
- managing the RF business for minor cash generation whilst seeking a viable exit route for the business.

The Board will also consider delisting the Ordinary Shares from the public markets completely to save further costs.

In the Board's opinion, it is not anticipated this alternate strategy (outlined above) will realise significant, if any, value for Shareholders and, accordingly, there is a material risk that value of the Ordinary Shares will be significantly impacted.

The Directors believe that the actions outlined in the alternate strategy above are realistically available to the Group and are confident that, if implemented as soon as possible once it becomes clear that the Issue will not proceed, these actions would allow the Group to conserve sufficient cash resources to fund its reduced operations for at least 12 months.

However, if none of the actions listed in the alternative strategy above are successful, the Board believes that there is a reasonable prospect that the Company could enter into insolvent liquidation by September 2010.

Accordingly, to support the continued development and intended strategy of the Company and to address the concerns regarding the ability of Stanelco to continue as a going concern, the Board believes it is very important that Shareholders vote in the favour of Resolution 1 in order that the Issue can proceed.

8. Directors' Intentions

Certain Directors and members of the Company's senior management team have agreed to subscribe for an aggregate of 97,600,000 New Ordinary Shares in the Firm Placing and the Placing.

9. Summary of risk factors

The Group's business is subject to certain risks including, but not limited to:

Risks relating to the business of Stanelco

- If Resolution 1 is not passed at the General Meeting or the Issue does not otherwise proceed, Stanelco will be obliged to immediately follow an alternate strategy that focuses principally on conserving the cash resources whilst seeking to realise potential value through an orderly disposal of the Group's assets.
- Failure to protect Stanelco's intellectual property may have a material adverse effect on the Group's ability to develop its business.
- Biotech may lose its litigation with Novamont and, even if successful, the litigation may be costly and protracted.
- A significant proportion of the Group's revenues are from single customer.
- Stanelco's bioplastics production is operated through a 50/50 joint venture.
- The Group operates in a competitive environment.
- The Group may fail to develop or commercialise new products.
- Stanelco is dependent on certain key management and personnel.
- Stanelco may be adversely affected by political, economic and regulatory factors outside of its control.
- Stanelco may not be able to implement its strategy as described in this document.

Risks relating to the Ordinary Shares

- The Ordinary Shares are no longer eligible for a Premium Listing and, if Resolution 1 is not passed, there is a risk that the Ordinary Shares would cease to be traded on any market.
- Following an admission to AIM, the Company will be subject to the regulatory and disciplinary controls of the AIM Rules.
- The price of Ordinary Shares may fluctuate.
- An active liquid trading market for the Ordinary Shares may not develop; an investment in shares traded on AIM is perceived to involve a higher degree of risk and can be less liquid than investment in a company whose shares are listed on the Official List.
- A perceived or actual disposal by major investors or further issuances could adversely affect the market price for Ordinary Shares.
- Dividend payments on the Ordinary Shares are not guaranteed.
- The market price of the Ordinary Shares may not reflect the underlying value of the assets held by the Group.
- The proportionate interests of Shareholders in the Company will be reduced to the extent that Shareholders do not take up Open Offer Shares through the Open Offer.

RISK FACTORS

Prospective investors should be aware that an investment in the Ordinary Shares involves a higher than normal degree of risk. Any investment in the Ordinary Shares is subject to a number of risks and uncertainties. Before making any investment decision, prospective investors should carefully consider all the information contained in this document including, in particular, the risk factors described below. The risks and uncertainties described below are a list of risks and uncertainties currently known to the Directors which may apply to Stanelco following Admission. Additional risks and uncertainties not currently known to the Directors, or that the Directors currently deem immaterial, may also have an adverse effect on the Group's business, financial condition and results of operations. If any of the risks described in this document actually occur, Stanelco may not be able to conduct its business as currently planned and its financial condition, operating results and cash flows could be seriously harmed. In that case, the market price of the Ordinary Shares could decline, and all or part of an investment in the Ordinary Shares could be lost.

Investors' attention is directed, in particular, to the paragraph headed "Working Capital, the Importance of Your Vote and Your Support for the Open Offer" in these Risk Factors and in paragraph 19 of Part I (*Letter from the Chairman of Stanelco plc*) of this document.

RISKS RELATING TO THE BUSINESS OF STANELCO

Working capital, the importance of your vote and your support for the Open Offer.

In order to ensure that adequate working capital is available to the Group in order to continue its current operations, that is, sufficient for at least 12 months from the date of this document, the Directors believe that a minimum £2.7 million (before expenses) will need to be raised pursuant to the Issue.

The Company has raised approximately £2.5 million through the Firm Placing and has conditionally raised approximately £0.54 million through the Placing.

In the event that either (i) Resolution 1 at the General Meeting is not passed; or (ii) the conditions to the Placing Agreement are not satisfied or waived; or (iii) Admission does not take place, the Issue will not proceed and therefore the Group will only have sufficient financial resources to fund its current operations into September 2010.

If such an event were to occur, the Group would therefore be obliged to immediately follow an alternate strategy that focuses principally on conserving cash resources whilst seeking to realise potential value through an orderly disposal of the Group's assets.

The Board anticipates that the alternative strategy will almost certainly include:

- a substantial reduction in the bioplastic commercial activities by Stanelco, placing reliance on SPHERE to drive any future sales;
- the termination of bioplastic product development activities by Stanelco. Biotec has no market facing technical development and such activities will therefore end;
- the holding of Biotec as an investment with a view to realising value at some point (pre-emption rights, the current patent dispute with Novamont and the joint venture agreement limit options in this regard);
- the reduction of the Stanelco Board to one or two individuals charged with a part-time monitoring role; and
- managing the RF business for minor cash generation whilst seeking a viable exit route for the business.

The Board will also consider delisting Stanelco's Ordinary Shares from the public markets completely to save further costs.

In the Board's opinion, it is not anticipated this alternate strategy (outlined above) will realise significant, if any, value for Shareholders and, accordingly, there is a material risk that the value of the Ordinary Shares will be significantly impacted.

The Directors believe that the actions outlined in the alternative strategy above are realistically available to the Group and are confident that, if implemented as soon as possible once it becomes clear that the Issue will not proceed, these actions would allow the Group to conserve sufficient cash resources to fund its reduced operations for at least 12 months.

However, if none of the actions listed above in the alternate strategy are successful, the Board believes that there is a reasonable prospect that the Company could enter into insolvent liquidation by September 2010.

Accordingly, to support the continued development and intended strategy of the Company (as set out in paragraph 2 above) and to address the concerns regarding the ability of Stanelco to continue as a going concern (as set out in paragraph 3 of Part 1), the Board believes it is very important that Shareholders vote in the favour of Resolution 1 in order that the Issue can proceed.

Failure to protect Stanelco's intellectual property may have a material adverse effect on the Group's ability to develop its business

The Group's ability to manufacture its existing products depends on the Group's right to use its intellectual property, particularly patents, on which the Group has spent significant amounts during the development phase. In addition, the development and production of future products will also depend on the Group's right to use certain intellectual property.

Although the Group attempts to protect its intellectual property by applying for patents where appropriate, there can be no assurance that patents will be issued with respect to applications now pending or which may be applied for in the future. The lack of any such patents may have a material adverse effect on the Group's ability to develop its business. No assurance can be given that patents granted or licensed to the Group will be sufficiently broad in their scope to provide protection for the Group against other third party technologies. There can be no assurance as to the validity or scope of any patents which have been, or may in the future be, granted or licensed to the Group or that claims relating to such patents will not be asserted by other parties.

The Group's activities may infringe upon other parties' intellectual property

A number of other companies are actively engaged in the development and manufacture of bioplastics. These competitors, as well as other parties, may have applied for (or been granted) patents or have other intellectual property rights which impinge on the areas of activity of the Group.

To the extent that such other rights exist, the Group may be prevented from carrying out certain activities, or be inhibited from developing and exploiting its own products and business. If this is the case, the Group may need to obtain alternative technologies or reach commercial acceptable terms on the exploitation of other parties' intellectual property rights. There can be no assurance that the Group will be able to obtain alternative technologies or, if any licences are required, that the Group will be able to obtain any such licences on commercially acceptable terms, if at all.

Further, to the extent that the Group manufactures products or uses technologies which breach (or may appear to breach) intellectual property owned by third parties, there is a risk that the Group could become involved in litigation which could be costly and protracted and ultimately be liable for damages if the breach is proven.

Biotec may lose its litigation with Novamont and, even if successful, the litigation may be costly and protracted

As previously announced by the Company, Novamont has filed claims in France and in two courts in Italy alleging that bioplastic materials produced by Biotec (Stanelco's 50/50 owned joint venture with SPHERE) and sold by Biotec and SPHERE infringe three of its patents. Biotec is currently defending this litigation.

Although, as announced on 19 April 2010, the court in France has ruled that Biotec is not infringing any of Novamont's patents, it is still open to Novamont to appeal this decision. In addition, there is no guarantee that the Italian courts will make the same findings at those of the French court.

As a result, it remains the case that there is no guarantee that Biotec will be ultimately successful in defending all or any of the claims made against it. If Biotec is unsuccessful in some or all of the claims made against it, it could be required to pay damages to Novamont for infringing its intellectual property rights. In addition, Biotec could be made to bear some or all of Novamont's costs in carrying out the litigation, which could be substantial.

Accordingly, in the event that the litigation is ultimately unsuccessful, Biotec may require further funding from Stanelco and/or SPHERE. In the event that such funding is not available, or Stanelco or SPHERE choose not to invest such further funds, Biotec may potentially become insolvent. However, the litigation is likely to be protracted (i.e. longer than 12 months from the date of this document) and therefore any result ending in insolvency is likely only in the longer term. Furthermore, due to the joint venture structure of Biotec, if it were to become insolvent, any administration process would not have recourse over the remaining assets of the Group. In the event of Biotec's insolvency, the Company is also confident that it would be able to manufacture its products using a third party under commercially acceptable terms within a reasonable timeframe.

Further, even if Biotec does not become insolvent, Biotec's ability to continue to produce its existing products, and to develop further products, could be materially affected. In order to continue producing its existing products, Biotec might need to negotiate a licence with Novamont which might not be obtainable on commercial terms, if at all.

There is no guarantee that the litigation will be resolved in the near future and the potential claim amounts are unquantifiable. In the meantime, the conduct of the litigation is costly and consumes a significant amount of the Group's available cash.

Third parties may infringe upon the Group's intellectual property rights

The Group also faces the risk that its intellectual property may be infringed by a third party. There can be no assurance that the Group will successfully prevent or restrict any such infringing activity. In particular, litigation may be expensive and protracted.

Furthermore, the Group faces the risk that certain processes operated by or on behalf of the Group rely on know-how which is protected by confidentiality, but does not have patent protection. If such know-how was leaked, the consequences to the Group are likely to prove very damaging. As a consequence, litigation may be necessary and could result in substantial cost to, and diversion of efforts by, the Group's management with no guarantee of success in either bringing or defending any infringement claims, regardless of the merits of such claims.

The Group does not carry any intellectual property insurance.

The granting of a patent does not guarantee that the rights of others are not infringed, that the patent will be upheld if challenged or that competitors will not develop technology to avoid the Company's patented technology

The enforceability of a patent is dependent on a number of factors which may vary between jurisdictions. These factors include the validity of the patent and the scope of protection it provides. The validity of a patent depends upon factors such as the novelty of the invention, the requirement in many jurisdictions that the invention not be obvious in light of the prior art (including any prior use or documentary disclosure of the invention), the utility of the invention and the extent to which the patent specification clearly discloses the best method of using the product. The legal interpretation of these requirements often varies between jurisdictions. The scope of rights provided by a patent can also differ between jurisdictions. There can be no assurance that others will not seek to imitate the Group's products, and in doing so, attempt to design their products in such a way as to circumvent the patent rights owned by, or licensed to, the Group. Additionally, the ability of the legal process to provide efficient and effective procedures for dealing with actual or

suspected infringements can vary considerably between jurisdictions and can result in the outflow of substantial time and expense.

There is a limited supply of some of the raw materials on which the Group's manufacturing process depends, and the price of raw materials may be highly volatile

The Group's products and manufacturing processes utilise a number of raw materials and other commodities, which are sourced from a limited number of suppliers. If the supply of any of the Group's raw materials is constrained for any reason, the Group may not be able to obtain sufficient supplies, or supplies of a suitable quality, from other sources.

Further, the markets for these materials and commodities may be subject to high price volatility which may or may not have a material impact on the Group's profitability and trading position. The prices of many of these raw materials are affected by many factors, including crop harvests, factory utilisation and wider economic factors such as energy prices. Movement in the price levels of the Group's raw materials has in the past had, and may in the future have, a corresponding impact on finished product costs. The Group's ability to pass through increases in the cost of raw materials to its customers depends on competitive conditions and the pricing methods employed in the markets in which it operates, and the failure to pass through price increases may adversely affect the results of operations.

The prices of competing oil based materials may change, impacting on the Group's competitive position

Many of the Group's products compete with traditional oil-based materials. The price of oil (and therefore products produced from oil) may be highly volatile. To the extent that the price of oil-based materials decreases, it may be more difficult for the Group to compete with such products, having a material impact on the Group's profitability and results of operations.

The average selling prices of the Group's products could decrease, which may negatively impact on its gross margins and sales.

The Group is subject to extensive regulation and there is a risk that the Group may lose contracts or could be subject to fines or penalties for any non-compliance with the relevant industry regulations

The Group's business, operations and properties, past and present, are subject to a wide variety of UK, EU and local laws and regulations governing: the health, safety and working conditions of the Group's employees; pensions; air emissions; waste water discharge; noise levels; energy efficiency; and the presence, use, handling, storage and disposal of hazardous materials, substances and wastes. Existing legislation and modification to existing legislation and/or regulation and introduction of new legislative and regulatory initiatives may affect the Group's operations and the conduct of its businesses, and the cost of complying with such legislation or modified and/or new legislation or regulation or the effects of such legislation or modified and/or new legislation or regulation may have an adverse effect on the results of operations of the Group.

In particular, some of the Group's products are employed in the food and pharmaceutical industries, both of which are highly regulated. There is a risk that the Group may lose contracts or could be subject to fines or penalties for any non-compliance with the relevant industry regulations. Further, there is a risk of litigation and reputational damage, as well as product liability and indemnity risks. The Group may also be required to make significant expenditure in order to comply with present or new regulations. Whilst the Group endeavours to ensure that its products conform to the highest levels of applicable regulation, any product that proves detrimental to consumer health or safety could result in legal action being brought against the Group and/or result in reputational damage to the Group.

There can be no assurance that the necessary insurance cover will be available to the Group at a commercially acceptable cost or that, in the event of any claim, the level or extent of insurance carried by the Group now or in the future will be adequate, or that a product liability or other claim would not materially and/or adversely affect the business of the Group.

Foreign currency fluctuations may impact margins

The Group sells its products in a number of countries around the world. Fluctuations in exchange rates may affect product demand in different regions and may adversely affect the profitability of products provided by the Group in foreign markets where payment for the Group's products is made in local currency.

In addition, certain of the Group's raw materials are sourced from certain foreign countries and are paid for in local currencies. Accordingly, fluctuations in exchange rates may affect the price of the Group's raw materials, which the Group may not be able to pass on to customers. Accordingly, any fluctuations in exchange rates may adversely affect the Group's profitability and results of operations.

The Group will review its hedging policy where appropriate, but there can be no assurance that this will protect the Group against inherent exchange rate risks.

Foreign currency fluctuations impact results of overseas operations

A significant proportion of the Group's business is carried on outside the UK in the local currency. To the extent that there are fluctuations in exchange rates, this may have an impact on the figures consolidated in the Group's accounts, which could have a material impact on the Group's financial position or results of operations, as shown in the Group's accounts.

A significant proportion of the Group's revenues are from single customer

The Group's ability to generate revenues for a number of its products is reliant on a small number of large customers and is dependent upon the co-operation of SPHERE. Changes to these customers' specifications or designs could cause delays to anticipated revenues from the Group's products and loss of business to competitors could materially and/or adversely affect the strategy as set out in this document.

SPHERE is a significant customer of Biotec. To the extent that SPHERE cancels or reduces its orders, there could be a material impact on Biotec's profitability and results of operations.

Bioplastics production operated through a 50/50 joint venture

The production of some of the Group's products must be made through the Biotec joint venture which is a 50/50 joint venture with SPHERE. Whilst the day-to-day running of the operations is undertaken by a managing director, his actions and those of the joint venture shareholders are governed by a joint venture agreement. An advisory board constituted by two members from each shareholder provides the forum for debating and decision making of certain decisions related to the business.

The advisory board covers such matters as pricing, appointment of a managing director, intellectual property and control of the strategic direction of the business. It is possible that the advisory board could be in stalemate on some matters that might require arbitration or could ultimately lead to liquidation of the assets of the business.

In addition, the current financial performance of the Group's business and its future success will be influenced by the growth strategy and achievements of SPHERE with respect to bioplastic materials, in particular as regards the operation of Biotec. To the extent that SPHERE's strategic aims differ from those of the Company, there may be a material impact on the operation of Biotec and, accordingly, the Group's business.

Production originates from a single plant and the Group's manufacturing process is dependent on the efficient operation of its infrastructure

The Group's manufacturing process is dependent on the continued, efficient operation of its production facilities, which are all based in a single plant at its Biotec joint venture in Germany. If the infrastructure were to suffer any physical damage (for example, by fire or flood) the production yields and delivery times required by the Group's customers could be affected, which could materially and/or adversely affect the Group's ability to generate revenues.

New competitors may enter the market

Competitors may be able to develop products and services that are more attractive to customers than the Group's products and services. In order to be successful in the future, the Group may need to continue to finance substantial research and development activities and continue to respond promptly and effectively to the challenges of technological change and competitors' innovations. An inability to devote sufficient resources to research and development activities in order to achieve this may lead to a material and/or adverse effect on the Group's business.

The Group may fail to develop new products

The future success of the Group is dependent on new product development over the coming years. If the Group fails to successfully design and introduce new and improved products it is possible that the Company may find that its current product suite becomes obsolete and unmarketable.

The Group may fail to commercialise new products

The Group's ability to generate revenues in part depends on the efforts and cooperation of third parties, over whom the Group has little control. Any new sales of the Group's products may also be subject to potential delays arising from customers' acceptance and approval processes.

There is no assurance that the Group will be successful in the commercialisation of its products and services and, if commercialised, that there will be a market for these products.

Some of the Group's products will be incorporated into the manufacturing processes of OEMs. No assurance can be given that these OEMs will achieve and sustain the costs, production yields, or delivery times required to meet the Group's strategic requirements to remain profitable from these relationships. This could have a material and/or adverse effect on the Group's business.

The Group depends on certain key management and personnel

Loss of key management could have adverse consequences for the Group. While the Group has entered into service agreements with each of the Company's executive directors, the retention of their services cannot be guaranteed.

The Group also currently depends upon the expertise and continued service of certain key executives and other suitably qualified personnel. Furthermore, the Group's ability to accommodate its anticipated growth will also depend on its ability to attract and retain additional qualified managers and finance, marketing, technical and other personnel. The Group's ability to compete effectively depends upon its ability to attract new employees and to retain and motivate its existing workforce. Competition for these employees is intense due to the limited number of qualified professionals. If the Group fails to attract and retain such personnel it may be difficult for the Group to manage its business and meet its objectives, and its operational results or financial condition may be materially and/or adversely affected.

Operations breach environmental or health and safety regulations

The operations and activities of the business are regulated by health and safety regulations both in the UK and other countries. There may be a change in such regulations which materially and/or adversely affect the Company's ability to implement successfully the strategy set out in this document.

If the Group was to commit a serious breach of such regulations this may adversely affect the Company's ability to implement successfully the strategy set out in this document.

Adverse changes in tax legislation

Tax rules and their interpretation may change. Any change in any member of the Group's tax status or to taxation legislation or its interpretation may affect the Company's ability to provide returns to Shareholders.

Adverse changes in the political, economic and regulatory environment in the countries in which the business operates or intends to operate

The Group is subject to political, economic and regulatory factors in the various countries in which it operates. There may be a change in government regulation or policies which materially and/or adversely affect the Company's ability to implement successfully the strategy set out in this document.

Overall growth and demand for the Group's products is dependent on a number of factors including the general economic climate, market conditions and consumer confidence. Any changes to these conditions may materially and/or adversely affect the Company's ability to implement and carry out successfully the strategy set out in this document and may materially and/or adversely affect the Company's customers, suppliers and other parties.

There can be no certainty that the Group will be able to implement successfully the strategy set out in this document

The ability of the Group to implement its strategy in a competitive market requires effective planning and management control systems. The Group's future growth will depend on its ability to expand and improve operational, financial and management information and control systems in line with the Group's growth. Failure to do so could have a material and/or adverse effect on the Group's business, financial condition and results of operations.

Future acquisitions

Future acquisitions made by the Company may not yield the returns anticipated of them. This could have a material and/or adverse effect on the Group's wider business and financial condition.

Counterparty risk

There is a risk that parties with whom the Group trades or has other business relationships (including customers, suppliers and other parties) may become insolvent. This may be as a result of general economic conditions or factors specific to that company. In the event that a party with whom the Group trades becomes insolvent, this could have an adverse impact on the revenues and profitability of the Group.

RISKS RELATING TO THE ISSUE AND THE ORDINARY SHARES

The Company's Ordinary Shares are no longer eligible for a Premium Listing

Due to the expiry of the rights conferred by the Company's "Golden Share" in Biotec, Stanelco is no longer able to consolidate 100 per cent. of Biotec's assets into the Group's balance sheet. As a result, the Company is no longer eligible for a Premium Listing on the main market of the London Stock Exchange, as Stanelco no longer controls the majority of its assets.

Consequently, if the Group is unable to comply with the continuing obligations imposed upon it pursuant to Chapter 9 of the Listing Rules and does not to voluntarily cancel its Premium Listing, the UK Listing Authority may ultimately exercise its right to suspend and/or cancel the admission of the Ordinary Shares to the Official List.

Given the circumstances in which the Company finds itself, the Directors believe that the Group will be unable to comply with the ongoing eligibility requirements of a Premium Listing for the foreseeable future. Therefore, the Directors propose that the Company voluntarily cancels its Premium Listing.

The Directors believe that it would be in the Group's best interests for the trading of its Ordinary Shares to be transferred to AIM.

If Resolution 1 is not passed, there is a risk that the UK Listing Authority may ultimately exercise its right to suspend and/or cancel the admission of the Ordinary Shares to the Official List. This would mean that the Ordinary Shares would cease to be traded on any market.

Therefore, in order to avoid the potential negative implications to Shareholders of potentially having the listing of the Ordinary Shares on the Official List suspended and/or cancelled, it is vital that Shareholders vote in favour of Resolution 1. The passing of the Resolution 1 would allow the Directors to voluntarily cancel the Premium Listing of the Ordinary Shares and to have the Ordinary Shares admitted to trading on AIM.

Following an admission to AIM, the Company will be subject to the regulatory and disciplinary controls of the AIM Rules

Following admission to AIM, the Company will be subject to the regulatory and disciplinary controls of the AIM Rules. The obligations of a company whose shares are traded on AIM are similar to those of companies whose shares are listed on the Official List, with certain exceptions (as set out in more detail in section 5 of Part I (*Letter from the Chairman of Stanelco plc*) of this document). The AIM Rules may offer lower levels of protections to shareholders than the Listing Rules (which currently apply to the Company).

The price of Ordinary Shares may fluctuate

The share price of publicly traded companies can be highly volatile. The price at which the Ordinary Shares will trade and the price which investors may realise for their Ordinary Shares will be influenced by a large number of factors, some specific to Stanelco and its operations, some which may affect the packaging sector or quoted companies generally, and many of which are outside the control of Stanelco. These include, but are not limited to:

- actual or anticipated variations in periodic operating results;
- announcements of technological innovations by Stanelco or its competitors;
- new products or services introduced or announced by Stanelco or its competitors;
- changes in financial estimates or recommendations by securities analysts;
- conditions or trends in the packaging industry;
- changes in the market valuations of similar companies;
- announcements by Stanelco of significant acquisitions, strategic partnerships, joint ventures or capital commitments;
- additions or departures of key personnel;
- disputes or other developments relating to proprietary rights, including patents, litigation matters and Stanelco's ability to obtain, maintain and defend patent protection for its technologies and to avoid infringement of third party intellectual property rights;
- terrorism or war affecting the economical and investment climate generally;
- natural and other types of disaster; and
- trading volume of the Ordinary Shares.

In addition, the stock market in general, and the market for technology companies in particular, have experienced extreme price and volume fluctuations that have affected the market prices for securities and which have often been unrelated or disproportionate to the operating performance of those companies. These broad market and industry factors may seriously harm the market price of the Ordinary Shares, regardless of Stanelco's operating performance.

An active liquid trading market for the Ordinary Shares may not develop

Investment in shares traded on AIM is perceived to involve a higher degree of risk and can be less liquid than investment in companies whose shares are listed on the Official List. AIM has been in existence since June 1995, but its future success and liquidity in the market for the Company's securities cannot be guaranteed.

A significant limit on liquidity of the Ordinary Shares could result in Shareholders realising less than their initial investments.

Possibility of falling stock prices due to future sales or issuance of Ordinary Shares

Sales of a substantial number of Ordinary Shares in the public market after the Issue, whether from investors who acquired New Ordinary Shares in the Issue, or from pre-existing Shareholders, or the perception that these sales might occur, could adversely depress the market price of the Ordinary Shares.

In addition, the Company may in the future issue equity or equity-linked securities to finance its operations. This could adversely affect the market for, or the market price of, the Ordinary Shares. The Company has no current plans for a subsequent offering of its shares or of rights or invitations to subscribe for shares. However, it is possible that the Company may decide to issue additional shares in the future. An additional offering of shares by the Company or the public perception that an offering may occur, could have an adverse effect on the market price of the Company's issued Ordinary Shares.

Dividend payments are not guaranteed

The policy of the Company is not to pay dividends (see section 5.1(e) in Part VI (*Additional Information*) for further information).

There is no guarantee that the Company will be able to pay dividends in the future or, even if it is able, that it will do so.

Ordinary Shares may not be a suitable investment for all recipients of this document

Ordinary Shares may not be a suitable investment for all the recipients of this document. Before making a final decision, investors are advised to consult an appropriate independent investment adviser authorised under the FSMA who specialises in advising on the acquisition of shares and other securities.

The value of the Ordinary Shares and the income received from them can go down as well as up and investors may get back less than their original investment.

In the event of a winding-up of the Company, the Ordinary Shares will rank behind any liabilities of the Company and therefore any return for Shareholders will depend on the Company's assets being sufficient to meet the prior entitlements of creditors.

The market price of the Ordinary Shares may not reflect the underlying value of the assets held by the Group

There is no guarantee that the market price of the Ordinary Shares will fully reflect the underlying value of the assets held by the Group. As well as being affected by the underlying value of the assets held, the market value of the Ordinary Shares will, amongst other factors, be influenced by the supply and demand for the Ordinary Shares in the market. As such, the market value of the Ordinary Shares may vary considerably from the underlying value of the Group's assets. The market price of the Ordinary Shares may also fall, and remain below, the Issue Price.

The proportionate interests of Shareholders in the Company will be reduced by the Firm Placing and will be further reduced to the extent that Shareholders do not take up the offer of Open Offer Shares under the Open Offer

Following the issue of the New Ordinary Shares pursuant to the Issue, Qualifying Shareholders (including Shareholders in any Restricted Jurisdiction and other jurisdictions where participation is restricted for legal, regulatory or other reasons) who do not take up any of their Basic Entitlement (and who do not take up any Excess Shares under the Excess Application Facility) will suffer a dilution of up to 47.7 per cent. to their respective economic interests in the Company (assuming that the Issue is fully subscribed). If Qualifying Shareholders subscribe for their Basic Entitlement in full they will suffer a dilution of up to 34.0 per cent. to their economic interests in the Company (assuming the Issue is fully subscribed).

Shareholders with a registered address outside the UK may not be able to participate in the Issue

Securities laws of certain jurisdictions may restrict the Company's ability to allow participation by Shareholders in the Issue. In particular, the exercise of Open Offer Entitlements may not be available to Shareholders with a registered address in any country outside the UK. Subject to certain limited exceptions, non-UK Shareholders are not able to exercise Open Offer Entitlements granted in respect of New Ordinary Shares under the Open Offer and will not receive the economic benefit (if any) of such entitlements. Their proportionate ownership interests in the Company will therefore be diluted. Non-UK Shareholders, or Qualifying Shareholders who have registered addresses outside the UK, or who are citizens of or resident in countries other than the UK (including, without limitation, the United States or any other Restricted Jurisdiction) should consult their professional advisers as to whether they require any governmental or other consent or need to observe any other formalities to enable them to receive New Ordinary Shares or to take up their entitlements under the Open Offer.

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Each of the times and dates set out below and mentioned elsewhere in this document may be adjusted by the Company, in which event details of the new times and dates will be notified to the FSA, the London Stock Exchange and, where appropriate, Qualifying Shareholders. All references to a time of day in this document are to London time.

Record Date for entitlement to participate in the Open Offer	close of business on 26 May 2010
Announcement of the Issue, publication of the Prospectus and posting of the Prospectus, Form of Proxy and, to Qualifying non-CREST Shareholders only, the Non-CREST Application Form	27 May 2010
Ex-entitlement date for the Open Offer	27 May 2010
Basic Entitlements and Excess CREST Open Offer Entitlements credited to CREST stock accounts of Qualifying CREST Shareholders	28 May 2010
Recommended latest time for requesting withdrawal of Basic Entitlements and Excess CREST Open Offer Entitlements from CREST	4.30 p.m. on 7 June 2010
Latest time for depositing Basic Entitlements and Excess CREST Open Offer Entitlements into CREST	3.00 p.m. on 8 June 2010
Latest time and date for splitting Non-CREST Application Forms (to satisfy <i>bona fide</i> market claims only)	3.00 p.m. on 9 June 2010
Latest time for receipt of completed Non-CREST Application Forms and payment in full under the Open Offer or settlement of relevant CREST instructions (as appropriate)	11.00 a.m. on 11 June 2010
Latest time for receipt of Forms of Proxy and electronic proxy appointments via the CREST system	10.00 a.m. on 12 June 2010
Results of the Issue announced through a Regulatory Information Service	14 June 2010
General Meeting	10.00 a.m. on 14 June 2010
Admission of, and commencement of dealings in, the New Ordinary Shares	By 8.00 a.m. on 15 June 2010
New Ordinary Shares in uncertificated form expected to be credited to accounts in CREST	15 June 2010
Expected date of despatch of definitive share certificates for New Ordinary Shares in certificated form	22 June 2010
Expected last day of dealing in Ordinary Shares on the Official List	9 July 2010
Expected date of Admission to AIM and first day of dealing in Ordinary Shares	12 July 2010

If you have any questions relating to this document or the completion and return of the Non-CREST Application Form, please telephone Capita Registrars between 8.30 a.m. and 5.30 p.m. (London time) Monday to Friday on 0871 664 0321 from within the UK or +44 20 8639 3399 if calling from outside the UK. Calls to the 0871 664 0321 number cost 10 pence per minute (including VAT) plus your service provider's network extras. Calls to the helpline from outside the UK will be charged at applicable international rates. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. The helpline cannot provide advice on the merits of the Issue nor give any financial, legal or tax advice.

The date of Admission is expected to be 15 June 2010. The timing of Admission is dependent upon, amongst other things, the passing of Resolution 1 at the General Meeting. If there is a delay in the passing of such resolution the date of Admission may change.

STATISTICS RELATING TO THE ISSUE

Number of Existing Ordinary Shares in issue at the date of this document	3,078,340,917
Issue Price per New Ordinary Share	0.125 pence
Basic Entitlement under the Open Offer	0.262 Open Offer Shares for each Existing Ordinary Share
Number of Firm Placed Shares	2,000,000,096
Number of Open Offer Shares ⁽¹⁾	806,525,320
Number of Ordinary Shares in issue immediately following the Issue ⁽¹⁾	5,884,866,333
Percentage of the Enlarged Issued Share Capital represented by the New Ordinary Shares issued pursuant to the Issue ⁽¹⁾	47.7 per cent.
Estimated Net Proceeds ⁽¹⁾	£2.8 million

Notes:

- (1) Assumes that the Issue is fully subscribed.
- (2) Estimated expenses of the Issue are approximately £0.7 million.

DIRECTORS, COMPANY SECRETARY, REGISTERED OFFICE AND ADVISERS

Directors	John F Standen (<i>Non-Executive Chairman</i>) Paul R Mines (<i>Chief Executive</i>) Susan J Bygrave (<i>Group Finance Director</i>) Elizabeth J Filkin (<i>Non-Executive Director</i>)
Company Secretary	Donna R Simpson-Strange
Registered Office and business address of the Directors	Starpol Technology Centre North Road Marchwood Southampton Hampshire SO40 4BL
Sponsor, Financial Adviser and Stockbroker	Singer Capital Markets Limited 1 Hanover Street London W1S 1YZ
Auditors and Reporting Accountants to the Company	Grant Thornton UK LLP No.1 Dorset Street Southampton Hampshire SO15 2DP
Solicitors to the Company	Osborne Clarke One London Wall London EC2Y 5EB
Solicitors to Singer	Hammonds LLP 7 Devonshire Square London EC2M 4YM
Registrars	Capita Registrars Northern House Woodsome Park Fenay Bridge Huddersfield West Yorkshire HD8 0GA
Bankers to the Company	Royal Bank of Scotland plc Conqueror House Vision Park Histon Cambridge CB24 9NL
Receiving Agent	Capita Registrars Corporate Actions The Registry 34 Beckenham Road Beckenham Kent BR3 4TU

FORWARD-LOOKING STATEMENTS

Some of the statements under “Summary Information”, “Risk Factors”, Part I (*Letter from the Chairman of Stanelco plc*), Part III (*Business Overview of Stanelco*) and Part IV (*Operating and Financial Review*) and elsewhere in this document include forward-looking statements which reflect Stanelco’s or, as appropriate, the Directors’ current views with respect to financial performance, business strategy, plans and objectives of management for future operations (including development plans relating to Stanelco’s products and services). These statements include forward-looking statements both with respect to Stanelco and the sectors and industries in which Stanelco operates. Statements which include the words “expects”, “intends”, “plans”, “believes”, “projects”, “anticipates”, “will”, “targets”, “aims”, “may”, “would”, “could”, “continue” and similar statements of a future or forward-looking nature identify forward-looking statements.

All forward-looking statements address matters that involve risks and uncertainties. Accordingly, there are or will be important factors that could cause Stanelco’s actual results to differ materially from those indicated in these statements. These factors include but are not limited to those described in the section headed “Risk Factors”, which should be read in conjunction with the other cautionary statements that are included in this document. Any forward-looking statements in this document reflect Stanelco’s current views with respect to future events and are subject to these and other risks, uncertainties and assumptions relating to Stanelco’s business, results of operations, financial conditions and growth strategy. For the avoidance of doubt, nothing in this paragraph qualifies the working capital statement set out in paragraph 18 of Part VI (*Additional Information*).

These forward-looking statements speak only as of the date of this document. Subject to any obligations under the Prospectus Rules, the Disclosure and Transparency Rules and the Listing Rules and, save as required by the FSA, the London Stock Exchange, the City Code or applicable law and regulations, the Company undertakes no obligation publicly to update or review any forward-looking statement, whether as a result of new information, future developments or otherwise. All subsequent written and oral forward-looking statements attributable to Stanelco or individuals acting on behalf of Stanelco are expressly qualified in their entirety by this paragraph. Prospective investors should specifically consider the factors identified in this document which could cause actual results to differ before making an investment decision.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Financial Data

The financial information in this document has been prepared in accordance with IFRS, and therefore complies with Article 4 of the EU IAS Regulation (Regulation 1606/2002) and those parts of the Companies Act 1985 and/or Companies Act 2006 applicable to companies reporting under IFRS. The Group's financial statements are also consistent with the International Financial Reporting Standards as issued by the International Accounting Standards Board.

Certain figures contained in this document, including financial, statistical and operating information, have been subject to rounding adjustments. Accordingly, in certain circumstances, the sum of the numbers in a column or row in a table contained in this document may not conform exactly to the total figure given for that column or row. Shareholders should read the whole of this document (including the information incorporated by reference) and not rely solely on the summary financial information provided herein.

Third Party Information

The Company confirms that third party information is sourced where it appears in this document and has been accurately reproduced and, so far as the Company is aware and is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

The information in this document about the Company's market position in absolute terms or in relation to the competitors constitutes the Company's overall assessment based on internal as well as external sources.

Defined Terms

Except for certain names of natural persons and legal entities and capitalised terms that need no further explanation, the capitalised terms used in this Prospectus, including capitalised abbreviations, are defined or explained in the section entitled "Definitions".

Currencies

Unless otherwise indicated, all references in this Prospectus to "EUR", "€" or "Euro" are to the lawful currency of the European Economic and Monetary Union.

Unless otherwise indicated, all references in this Prospectus to "GBP", "£", "pounds sterling", "pounds", "sterling", "pence" or "p" are to the lawful currency of the United Kingdom.

Unless otherwise indicated, all references in the Prospectus to "USD" or "\$" or "Dollar" are to the lawful currency of the United States of America.

Times

All times, unless otherwise stated, are references to London time.

IMPORTANT INFORMATION

Notice to US Shareholders and Shareholders in Restricted Jurisdictions

None of the New Ordinary Shares or the Open Offer Entitlements have been approved or disapproved by the US Securities and Exchange Commission, any state securities commission in the US or any other US regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering of the New Ordinary Shares or the accuracy or adequacy of this document or the Non-CREST Application Form. Any representation to the contrary is a criminal offence in the US.

Subject to certain exceptions, this document does not constitute an offer of the New Ordinary Shares to any person with a registered address, or who is resident or located, in the US or any of the Restricted Jurisdictions. The New Ordinary Shares have not been and will not be registered under the relevant laws of any state, province or territory of the US or any of the Restricted Jurisdictions and may not be offered, sold, resold, taken up, transferred, delivered or distributed, directly or indirectly, within the US or any Restricted Jurisdiction except pursuant to an applicable exemption from registration requirements.

Each person to whom the New Ordinary Shares are distributed, offered or sold outside the US (other than US Persons) will be deemed by its subscription for, or purchase of, the New Ordinary Shares to have represented and agreed, on its behalf and on behalf of any investor accounts for which it is subscribing for or purchasing the New Ordinary Shares that:

- (a) it is not a US Person and it is acquiring the New Ordinary Shares from the Company or Singer in an “offshore transaction” as defined in Regulation S; and
- (b) the New Ordinary Shares have not been offered to it by the Company or Singer by means of any “directed selling efforts” as defined in Regulation S.

Any New Ordinary Shares sold during the Issue will be “restricted securities” within the meaning of Rule 144(a)(3) under the US Securities Act.

The ability of an Overseas Shareholder to bring an action against the Company may be limited under law. The Company is a public limited company incorporated in England. The rights of holders of Ordinary Shares are governed by English law and by the Company’s Articles. These rights differ from the rights of shareholders in typical US corporations and some other non-UK corporations.

Notice to EEA Shareholders

In relation to each member state of the EEA which has implemented the Prospectus Directive (each, a “**relevant member state**”) (except for the UK), with effect from and including the date on which the Prospectus Directive was implemented in that relevant member state (the “**relevant implementation date**”), no New Ordinary Shares have been offered or will be offered pursuant to the Issue to the public in that relevant member state prior to the publication of a prospectus in relation to the New Ordinary Shares which has been approved by the competent authority in that relevant member state or, where appropriate, approved in another relevant member state and notified to the competent authority in the relevant member state, all in accordance with the Prospectus Directive, except that with effect from and including the relevant implementation date, offers of New Ordinary Shares may be made to the public in that relevant member state at any time:

- (a) to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;
- (b) to any legal entity which has two or more of (i) an average of at least 250 employees during the last financial year; (ii) a total balance sheet of more than €43 million; and (iii) an annual turnover of more than €50 million, as shown in its last annual or consolidated accounts; or
- (c) in any other circumstances falling within Article 3(2) of the Prospectus Directive, provided that no such offer of New Ordinary Shares shall result in a requirement for the publication by the Company or Singer of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purpose of the expression an “offer of any New Ordinary Shares to the public” in relation to any New Ordinary Shares in any relevant member state means the communication in any form and by any means of sufficient information on the terms of the Issue and any New Ordinary Shares to be offered so as to enable an investor to decide to purchase any New Ordinary Shares, as the same may be varied in that relevant member state by any measure implementing the Prospectus Directive in that relevant member state, and the expression “**Prospectus Directive**” means Directive 2003/71/EC and includes any relevant implementing measure in each relevant member state.

In the case of any New Ordinary Shares being offered to a financial intermediary as that term is used in Article 3(2) of the Prospectus Directive, such financial intermediary will also be deemed to have represented, acknowledged and agreed that the New Ordinary Shares acquired by it in the Issue have not been acquired on a non-discretionary basis on behalf of, nor have they been acquired with a view to their offer or resale to persons in circumstances which may give rise to an offer of any New Ordinary Shares to the public other than their offer or resale in a relevant member state to qualified investors as so defined or in circumstances in which the prior consent of the Company and Singer has been obtained to each such proposed offer or resale. Each of the Company and Singer and their respective affiliates, and others, will rely upon the truth and accuracy of the foregoing representation, acknowledgement and agreement.

Notice to Overseas Shareholders

All Overseas Shareholders and any person (including, without limitation, a nominee, custodian or trustee) who has a contractual or other legal obligation to forward this document or any Non-CREST Application Form, if and when received, or other document to a jurisdiction outside the UK, should read paragraph 6 of Part II (*Terms and Conditions of the Open Offer*) of this document.

An Overseas Shareholder may not be able to enforce a judgment against some or all of the Directors and executive officers. All of the Directors and executive officers are residents of the UK. Consequently, it may not be possible for an Overseas Shareholder to effect service of process upon the Directors and executive officers within the Overseas Shareholder’s country of residence or to enforce against the Directors and executive officers judgments of courts of the Overseas Shareholder’s country of residence based on civil liabilities under that country’s securities laws. There can be no assurance that an Overseas Shareholder will be able to enforce any judgments in civil and commercial matters or any judgments under the securities laws of countries other than the UK against the Directors or executive officers who are residents of the UK or countries other than those in which judgment is made. In addition, English or other courts may not impose civil liability on the Directors or executive officers in any original action based solely on the foreign securities laws brought against Stanelco or the Directors or the executive officers in a court of competent jurisdiction in England or other countries.

Notice to all Shareholders

Copies of this document will be available free of charge during normal business hours on any weekday (except Saturdays, Sundays and public holidays) at the offices of Singer Capital Markets Limited, One Hanover Street, London W1S 1YZ and the Company’s registered office at Starpol Technology Centre, North Road, Marchwood, Southampton, Hampshire SO40 4BL as well as the Company’s website (www.stanelcopl.co.uk) from the date of this document until the date which is one month from the date of Admission.

Prospective investors should not treat the contents of this document as advice relating to legal, taxation, investment or any other matters. Prospective investors should inform themselves as to: (a) the legal requirements within their own countries for the purchase, holding, transfer, repurchase or other disposal of New Ordinary Shares; (b) any foreign exchange restrictions applicable to the purchase, holding, transfer, repurchase or other disposal of New Ordinary Shares which they might encounter; and (c) the income or other taxation consequences which may apply in their own countries as a result of the purchase, holding, transfer, repurchase or other disposal of New Ordinary Shares. Prospective investors must rely upon their own representatives, including their own legal advisers and accountants as to legal, taxation, investment and other related matters concerning the Company and an investment in New Ordinary Shares.

Any reproduction or distribution of this document, in whole or in part, and any disclosure of its contents or use of any information herein for any purpose other than in considering an investment in the New Ordinary Shares offered hereby, is prohibited. Each offeree of the New Ordinary Shares by accepting delivery of this document agrees to the foregoing.

Except to the extent expressly set out below in Part V (*Historical Financial Information Relating to Stanelco*) of this document, neither the content of the Company's website (or any other website) nor the content of any website accessible from hyperlinks on the Company's website (or any other website) is incorporated into, or forms part of, this document.

In connection with the Issue, Singer and any of its affiliates, acting as investors on their own accounts, may take up New Ordinary Shares in the Issue and in that capacity may retain, purchase or sell for their own account such New Ordinary Shares or related investments otherwise than in connection with the Issue. Accordingly, references in this document to New Ordinary Shares being offered or placed should be read as including any offering or placement of New Ordinary Shares to Singer or any of its affiliates acting in such capacity. Singer does not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

Qualifying Non-CREST Shareholders, other than, subject to certain exceptions, those with registered addresses in the Restricted Jurisdictions, will be sent a Non-CREST Application Form. Qualifying CREST Shareholders (who will not receive a Non-CREST Application Form) will receive a credit to their appropriate stock accounts in CREST in respect of their Basic Entitlements and Excess CREST Open Offer Entitlements which will be enabled for settlement on 28 May 2010. Applications under the Open Offer may only be made by the Qualifying Shareholder originally entitled or by a person entitled by virtue of a *bona fide* market claim arising out of a sale or transfer of Ordinary Shares prior to the date on which the Ordinary Shares were marked "ex" the entitlement by the London Stock Exchange. If the Basic Entitlements and Excess CREST Open Offer Entitlements are for any reason not enabled by 5.00 p.m. on 28 May 2010 or such later time and/or date as the Company may decide, a Non-CREST Application Form will be sent to each Qualifying CREST Shareholder in substitution for the Basic Entitlements and Excess CREST Open Offer Entitlements credited to its stock account in CREST. Qualifying CREST Shareholders who are CREST sponsored members should refer to their CREST sponsors regarding the action to be taken in connection with this document and the Open Offer. The Non-CREST Application Form is personal to the relevant Qualifying Shareholder(s) named thereon and cannot be transferred, sold or assigned except to satisfy *bona fide* market claims.

The Issue comprises an offer by the Company of up to 2,806,525,416 New Ordinary Shares. If the issue is fully subscribed, the New Ordinary Shares will represent approximately 47.7 per cent. of the issued ordinary share capital of the Company immediately following the Issue. The New Ordinary Shares to be issued pursuant to the Issue will, following Admission, rank *pari passu* in all respects with the Existing Ordinary Shares and will carry the right to receive all dividends and distributions declared, made or paid on or in respect of the Ordinary Shares after Admission.

In considering whether to apply for New Ordinary Shares, you should rely only on the information in this document and any documents incorporated by reference. Recipients of the document acknowledge that (i) they have not relied on Singer or any person affiliated with it in connection with any investigation of the accuracy of any information contained in this document and any documents incorporated by reference or their investment decision; and (ii) they have relied only on the information contained in this document and any documents incorporated by reference, and that no person has been authorised to give any information or make any representations other than those contained in this document and any documents incorporated by reference and, if given or made, such information or representations must not be relied on as having been authorised by the Company or Singer. Without prejudice to any obligation of the Company to publish a supplementary prospectus pursuant to section 87G of FSMA and paragraph 3.4 of the Prospectus Rules, neither the delivery of this document nor any subscription of shares made pursuant to this document shall, under any circumstances, create any implication that there has been no change in the affairs of the Group since, or that the information contained in this document, including information incorporated by reference, is correct at any time subsequent to, the date of this document. No statement in this document is intended to be a profit forecast.

If the Company is required to publish a supplementary prospectus pursuant to section 87G of FSMA and paragraph 3.4 of the Prospectus Rules, Qualifying Shareholders will, pursuant to section 87Q of FSMA, have a statutory right to withdraw their acceptance to subscribe for Open Offer Shares pursuant to the Open Offer before the end of the period of two working days beginning with the first working day after the date on which the supplementary prospectus was published.

No person has been authorised to give any information or to make any representations other than those contained in this document and, if given or made, such information or representations must not be relied on as having been authorised by the Company.

Singer, which is authorised and regulated in the UK by the Financial Services Authority, is acting as sponsor, financial adviser and broker exclusively to the Company and no one else in connection with the Issue and Admission and will not regard any other person (whether or not a recipient of this document) as its client in relation to the Issue and Admission and will not be responsible to anyone other than the Company for providing the protections afforded to clients of Singer, or for providing advice in relation to the Issue or Admission or any transaction or arrangement referred to in this document. Apart from the responsibilities and liabilities, if any, which may be imposed on Singer by FSMA or the regulatory regime established thereunder, Singer accepts no responsibility whatsoever or makes any representation or warranty, express or implied, for or in respect of the contents of this document, including its accuracy, completeness or verification or regarding the legality of an investment in the New Ordinary Shares by a subscriber thereof under the laws applicable to such subscriber or for any other statement made or purported to be made by them, or on their behalf, in connection with the Company, the New Ordinary Shares, the Issue, and nothing in this document is, or shall be relied upon as, a promise or representation in this respect, whether as to the past or future. Singer accordingly disclaims to the fullest extent permitted by applicable law all and any responsibility and liability whether arising in tort, contract or otherwise (save as referred to above) which it might otherwise be found to have in respect of this document or any such statement.

None of the New Ordinary Shares or the Open Offer Entitlements have been approved or disapproved by the US Securities and Exchange Commission, any State securities commission in the United States or any other US regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering of the New Ordinary Shares or the accuracy or adequacy of this document or the Non-CREST Application Form. Any representation to the contrary is a criminal offence in the United States.

Subject to certain exceptions, neither this document nor the Non-CREST Application Form is or constitutes an invitation or offer of New Ordinary Shares to any person with a registered address, or who is resident or located, in any Restricted Jurisdiction. The New Ordinary Shares have not been and will not be registered under the Securities Act or under any securities laws of any state or other jurisdiction of the United States and may not be taken up, offered, sold, resold, delivered or distributed, directly or indirectly, within, into or from the United States except pursuant to an applicable exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in compliance with the securities laws of any state or other jurisdiction of the United States. The New Ordinary Shares have not been and will not be registered under the relevant laws of any other Restricted Jurisdiction or any state, province or territory thereof and may not be taken up, offered, sold, resold, delivered or distributed, directly or indirectly, within, into or from any other Restricted Jurisdiction or to, or for the account or benefit of, any person with a registered address in, or who is resident or ordinarily resident in, or a citizen of, any other Restricted Jurisdiction except pursuant to an applicable exemption. There will be no public offer in any Restricted Jurisdiction.

Offers of New Ordinary Shares are being made outside the United States in offshore transactions within the meaning of and in accordance with the safeharbour from the registration requirements in Regulation S under the Securities Act.

All Overseas Shareholders and any person (including, without limitation, a nominee, custodian or trustee) who has a contractual or other legal obligation to forward this document or any Non-CREST Application Form, if and when received, or other document to a jurisdiction outside the UK, should read paragraph 6 of Part II (*Terms and Conditions of the Open Offer*) of this document.

PART I

LETTER FROM THE CHAIRMAN OF STANELCO

STANELCO PLC

*(Incorporated and registered in England and Wales under the Companies Act 2006
with registered number 01873702)*

John F Standen (Non-Executive Chairman)

Paul R Mines (Chief Executive)

Susan J Bygrave (Group Finance Director)

Elizabeth J Filkin (Non-Executive Director)

Registered office:

Starpol Technology Centre

North Road

Marchwood

Southampton

Hampshire

SO40 4BL

27 May 2010

To Shareholders and persons with information rights

Dear Shareholder

1. Introduction

The Directors announced today that the Company proposes to raise approximately £3.5 million (before expenses) by way of a Firm Placing and Placing and Open Offer, summary details of which are set out in paragraph 9 of this letter. 2,000,000,096 New Ordinary Shares will be issued through the Firm Placing and a maximum of 806,525,320 New Ordinary Shares will be issued through the Placing and Open Offer. Together, they represent approximately 91.2 per cent. of the existing issued ordinary shares capital of the Company and 47.7 per cent. of the enlarged issued share capital of the Company immediately following Admission.

The Issue Price of 0.125 pence represents a 37.5 per cent. discount to the closing price of 0.20 pence per Existing Ordinary Share on 26 May 2010 (being the last Business Day prior to the date of the announcement of the Issue). Under the Listing Rules, the issue of the New Ordinary Shares at the Issue Price will require the approval of the Shareholders of the Company.

The Issue is conditional, amongst other things, upon the passing of Resolution 1 to be proposed at the General Meeting to be held at the offices of Osborne Clarke at One London Wall, London, EC2Y 5EB at 10.00 a.m. on 14 June 2010. The notice convening the General Meeting is set out at the end of this document.

In addition to the Issue, it is also proposed that the Company changes its name to Biome Technologies plc and adopts a new management incentive scheme. In addition, the Board proposes that the admission of the Ordinary Shares be transferred from the Official List and from trading on the London Stock Exchange's main market for listed securities to trading on AIM. Further details of the change of name, the proposed move to AIM and the proposed new management incentive scheme are set out in paragraphs 4 to 7 below.

The purpose of this document is to provide Shareholders with details of the Issue, the change of name, the proposed move to AIM and the proposed new management incentive scheme, and to explain why the Board considers these Proposals to be in the best interests of the Company and its Shareholders as a whole and to recommend that you vote in favour of the resolutions to be proposed at the General Meeting.

2. Background to and Reasons for the Issue and Use of Proceeds

Background

In the second quarter of 2007, Paul Mines and I became Chief Executive and Chairman, respectively, of Stanelco. Over the following months, the Board conducted a strategic review of the Group's business, reviewing the opportunities that were available to deliver the greatest shareholder value over the longer term. As a result of this review, it was concluded that the principal focus of the business should be directed towards bioplastics. It was believed that, through targeted engagement with key potential customers and by both using and building upon the intellectual property and products available within Biotec (Stanelco's 50/50 owned joint venture with SPHERE), Stanelco would be capable of gaining traction in new and profitable niche areas where bioplastics products would be an attractive alternative to oil-based plastics and would be capable of gaining scale.

Following this strategic review a commercial and technical team was recruited for bioplastics and investment was made in laboratory and pilot facilities at the UK headquarters in Southampton. Whilst the initial approach necessarily focused on achieving sales with the existing range of materials already developed by Biotec, work also began on developing new bioplastics materials with improved functional properties and high renewable content.

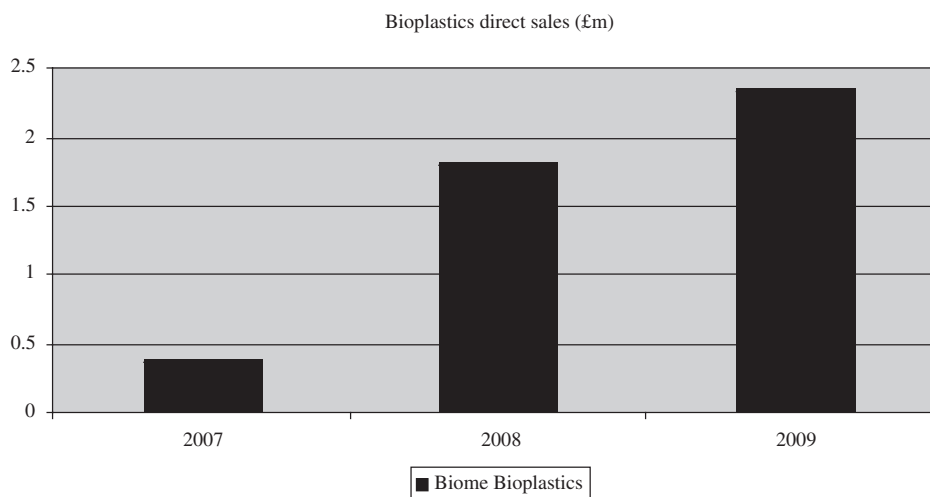
As announced on 29 May 2007, Novamont brought proceedings against Biotec in 2007 claiming that certain of Biotec's products infringed the French and Italian designations of three of its patents. Following legal advice, Biotec has, jointly with SPHERE, carried out a robust defence of these claims and these proceedings remain ongoing.

On 19 April 2010, the Company announced that the French court had decided that Biotec's products did not infringe any of Novamont's patents which are subject to the litigation and found one of Novamont's patents to be partially invalid. Whilst the finding of the French court does not affect the Italian cases (referred to above) and an appeal against the finding of the French court is possible, the Board continues to believe that mounting a vigorous defence against these actions is of vital importance to the preservation of the Group's long term value and future prospects. However, it is recognised that the Group has incurred significant legal costs in defending these actions which, since 2007, have accounted for the majority of approximately £2.2 million of legal and professional costs within the accounts of Biotec (fully consolidated until 31 December 2009).

Shareholders will be aware that substantial progress has been made in developing the Company's bioplastics business through 2008 and 2009 by focusing Stanelco's resources on the most appropriate areas to drive sales growth. During the two years since adopting this new strategy, Stanelco's direct sales have grown from £0.4 million (2007) to £2.4 million (2009), a compound annual growth rate of approximately 144.5 per cent.

Further, the Company is now engaged with a variety of large-scale international customers and partners on a number of key commercial and development partnerships in the applications of food, horticulture and electronics to exploit the Group's existing products as well as the broadening pipeline of new bioplastics materials with enhanced functional properties. Most recently, the Company has announced the launch of materials with enhanced thermal properties and greater clarity.

The Final Results for the year ended 31 December 2009, announced on 29 April 2010, reported Group turnover of £17.9 million (2008: £14.8 million) and a loss from operations of £2.6 million (2008: £2.8 million). The graph below shows the Group's direct bioplastics revenues (excluding its 50 per cent. share of Biotec) for the three years to 31 December 2009. The Directors believe that the growth in direct bioplastics sales show that Group is making good progress in implementing a strategy to become a leading player in the global bioplastics marketplace. In addition, the Directors are confident that as the Group's bioplastics revenues continue to grow, the Company will be beneficially impacted by the effects of enhanced economies of scale and operational gearing within the business.



Stanelco's other principal business interest is RF applications which is involved in the design and manufacture of electrical equipment that utilises radio frequency for heating and sealing. This had been the technology platform for the aborted Greenseal project in which, before the strategic review of 2007, it had been intended to deploy this technology at significant scale in the food tray lidding market. Since 2007, considerable work has been done by Stanelco's management in improving the sales and operational performance of RF and in 2009, 23 per cent. revenue growth was achieved. The Board believes that the RF business's prospects remain strong for the future, having received a number of significant advance orders for the current financial year.

In 2006, Stanelco raised £18.2 million in order to take advantage of the technology associated with Greenseal, to complete the acquisition of Biotec and expand Biotec's business into the US. In 2007, following the failure of customer trials for the Greenseal technology, further development of Greenseal was halted and its assets were written off in the Group's accounts. The final instalment of £1.6 million relating to the acquisition of Biotec was also paid in 2007. Cash and cash equivalents at 31 December 2006 were £12.9 million and have fallen over the period to £3.2 million at 31 December 2009. This cash has been used *inter alia* to support the Novamont litigation, the development and commercialisation of the bioplastic product range and growth in working capital.

When embarking on the new strategy in 2007, the Board recognised that growth in the short term would not be profitable and believed that, should it be required to approach Shareholders again for funds, it would have to show tangible evidence that its adopted strategy was delivering results. The Board believes that this progress is being made. However, given the unforeseen litigation with Novamont and the resulting costs, the Company's cash resources are being reduced at a rate exceeding that which was originally anticipated. Consequently, the Group has been forced to raise funds earlier than the Board originally expected.

Intended strategy if the Issue is successful

Going forward, Stanelco's intended strategy is to continue to develop and broaden its underlying bioplastics business organically through the exploitation of higher value areas where the properties of bioplastic materials are most suitable and valued. For the avoidance of doubt, Stanelco will not seek to address all conventional uses of oil-based plastics.

Stanelco's development work will seek not only to enhance the functional characteristics of its products but also to reduce the cost base of these materials in order to improve margins generated. Stanelco's products will also continue to have high levels of renewable constituents while also providing recycling or composting characteristics as required by each market. The Group will continue to seek to protect its existing intellectual property in a robust manner and will seek to protect new developments through patents and confidentiality in an appropriate manner.

Stanelco has also invested in sales representation in the North America over the last 20 months and intends to continue aggressive development of this market, which has a strong focus on renewable content for materials.

Biome Bioplastics will be utilised as the industrial brand for the development of the bioplastics business and Stanelco's commercial and technical development will continue to take place within this wholly owned subsidiary. The Biotec joint venture will continue to be optimised for supporting the manufacturing scale-up of existing and new products.

Stanelco will continue to develop the RF business in-line with its re-emergence as a small scale OEM engineering business. Opportunities will also be sought to accelerate the business to a meaningful scale or to realise best value for Shareholders.

The Board has also examined all operational savings that can be made in order to underline to Shareholders our belief that the current development strategy is working and will continue to do so. In support of our growth strategy the Directors will reduce their remuneration packages during this period of cash constraint by approximately 30 per cent. following successful completion of the Proposals, and make further staff cost reductions. These savings will reduce the cash burn in respect of central costs by approximately £0.3 million per annum.

The Board believes that the strategy being followed has strong prospects of building a valuable and fast growing business. However, it cannot be pursued unless the Issue is successful, and the Board therefore urges Shareholders to support it.

Funding

In order to continue to pursue the Group's intended strategy, the Company is seeking to raise up to £3.5 million (before expenses) from the Issue.

Provided that the Issue becomes unconditional, the net proceeds anticipated to be received by Stanelco will be approximately £2.8 million (assuming that the Issue is fully subscribed). It is envisioned that these funds will be invested as follows:

- approximately 40 per cent. in the development of its bioplastics products;
- approximately 35 per cent. to fund working capital; and
- the remainder of the funds will be used for meeting central administrative overheads, including salary costs and property rents.

The Company is confident that the cash generation of Biotec is sufficient to meet the envisioned ongoing costs of the Novamont litigation and therefore does not currently anticipate using a significant amount of the net proceeds of the Issue to finance the resolution of the litigation.

The Company has conditionally raised approximately £2.5 through the Firm Placing and approximately £0.54 million through the Placing.

In the event that Resolution 1 at the General Meeting is not passed, the Issue will not proceed. The Group will therefore be obliged to immediately follow an alternate strategy that focuses principally on conserving cash resources whilst seeking to realise potential value through an orderly disposal of the Group's assets.

The Board anticipates that such a strategy will almost certainly include:

- the cessation of the bioplastic commercial activities by Stanelco, placing reliance on SPHERE to drive any future sales;
- termination of bioplastic product development activities by Stanelco. Biotec has no market facing technical development and so such activities will therefore end;
- the holding of Biotec as an investment with a view to realising value at some point (pre-emption rights, the current patent dispute with Novamont and the joint venture agreement limit options in this regard);
- the reduction of the Stanelco Board to one or two individuals charged with a part-time monitoring role; and

- managing the RF business for minor cash generation whilst seeking a viable exit route for the business.

The Board will also consider a delisting of the Group from the public markets completely to save further costs. In the Board's opinion, it is not anticipated this alternate strategy will realise significant value for Shareholders and there is a material risk that Shareholder value will be significantly impacted. The implications of the Issue not proceeding are considered further in paragraph 19 "Working Capital and Importance of the Vote and Your Participation in the Open Offer" below.

3. Current Trading and Prospects

Stanelco announced its Final Results for the year ended 31 December 2009 on 29 April 2010, which are incorporated by reference (see Part VII (*Information Incorporated by Reference*) of this document). Stanelco reported turnover of £17.9 million (2008: £14.8 million), a loss from operations of £2.6 million (2008: £2.8 million) and a loss before taxation of £3.6 million (2008: £0.5 million (profit)).

In the Company's interim management statement on 29 April 2010, the following statements were made:

"Group revenues continued to grow strongly during the three months to 31 March 2010 and the Group's overall trading performance remains in line with the Board's expectations for the year.

Previously, Stanelco held a casting vote over certain matters in Biotec (the "Golden Share"); this arrangement expired on 31 December 2009 and shareholder control with SPHERE SA moved seamlessly to a clear 50/50 basis. The Company will no longer consolidate 100% of Biotec's results. The revenue and cash balances reported in this announcement, therefore, include 50% of the figures reported by Biotec and the prior year figures are reported on the same basis to allow a like-for-like comparison.

Group revenues increased from £2.1 million to £2.6 million in the three months to 31 March 2010 on a like-for-like basis (including 50% of Biotec's revenues), an increase of 26% compared with the same period last year. This reflected a 76% increase in bioplastic sales made by the UK bioplastics business, Biome Bioplastics, a 58% increase in sales in RF Applications division and a 7% increase in third party sales from our joint venture, Biotec.

Our cash position at 31 March 2010 was £2.4 million, including 50% of Biotec's cash balance."

Going concern

Although the Company's Annual Report and Accounts for the financial year ended 31 December 2009 were not qualified and were prepared on going concern basis, the independent auditor's report (contained within Stanelco's Annual Report and Accounts) drew Shareholders' attention to the disclosures made by the Directors that Stanelco requires further financing in order to continue with its intended strategy and highlighted that, if the Issue was not successful, an alternative strategy had been identified by the Board (as set out in paragraph 19 below) that focuses on conserving cash resources, whilst seeking to realise potential value for Shareholders.

The Company's independent auditor further highlighted that, as the success of the Issue or alternative strategy can not be guaranteed, the Directors have concluded that these circumstances represent a material uncertainty that casts significant doubt of the Company's ability to continue as a going concern.

Therefore, in order to support the intended strategy of the Company (as set out in paragraph 2 above) and to address the concerns regarding the ability of the Stanelco to continue as a going concern, the Board believes that it is vital that Shareholders vote in favour of Resolution 1 and support the Open Offer.

Further information in relation the Company's working capital position and the importance of your vote is set out in paragraph 19 below.

4. Change of Name to Biome Technologies plc

In the Company's announcement on 25 January 2010, it was stated that following continued high levels of growth, it has re-branded its bioplastics business as Biome Bioplastics Ltd in order to invest in establishing the name Biome Bioplastics as a brand in the sector.

Following the rebranding described above, the Directors have decided that it would be in the best interests of the Company to change its name to Biome Technologies plc into order to align the branding of the Group with the name that reflects its activities more appropriately. Biome is a scientific word used to describe ecologically similar climatic conditions such as communities of plants, animals and soil organisms and are often referred to as an ecosystem.

The change of name is conditional on the passing of Resolution 1 to be proposed at the General Meeting.

Following the change of name to Biome Technologies plc the Company also intends to change ticker symbol on the London Stock Exchange from "SEO" to "BIOM". It is expected that this change will take place on or around 12 July 2010.

5. Background to and reasons for the proposed move to AIM

In view of the Group's size the Board has decided that it is now appropriate to move trading in the Company's shares to AIM.

It is expected that the move to AIM will significantly reduce the Company's regulatory workload and expense to a level consistent with the Group's current structure. The Board believes that the move will have negligible impact on the ability of Shareholders to trade Ordinary Shares and access information in relation to the Company.

In addition, as described in the Company's 2009 Annual Report and Accounts, due to the expiry of the rights conferred by the Company's "Golden Share" in Biotec, Stanelco is no longer able to consolidate 100 per cent. of Biotec's assets into the Group's balance sheet. As a result, the Company is no longer eligible for a Premium Listing on the Official List, as Stanelco no longer controls the majority of its assets.

Consequently, if the Group is unable to comply with the continuing obligations imposed upon it pursuant to Chapter 9 of the Listing Rules and does not voluntarily cancel its Premium Listing, the UK Listing Authority may ultimately exercise its right to suspend and or cancel the admission of the Ordinary Shares to the Official List.

Given the circumstances in which the Company finds itself, the Directors believe that the Group will be unable to comply with the ongoing eligibility requirements of a Premium Listing for the foreseeable future. Therefore, the Directors propose that the Company voluntarily cancels its Premium Listing.

The Directors believe that it would be in the Group's best interests for the trading of its Ordinary Shares to be transferred to AIM.

Therefore, in order to avoid the potential negative implications to Shareholders of potentially having the listing of the Ordinary Shares on the Official List suspended and/or cancelled, it is vital that Shareholders vote in favour of Resolution 1. The passing of the Resolution 1 would allow the Directors to voluntarily cancel its Premium Listing and to have the Ordinary Shares admitted to trading on AIM.

Consequences of an admission to AIM

Following admission to AIM, the Company will be subject to the regulatory and disciplinary controls of the AIM Rules. The obligations of a company whose shares are traded on AIM are similar to those of companies whose shares are listed on the Official List, with certain exceptions, including those referred to below:

- Under the Listing Rules, a company admitted to the Official List and to trading on the main market of the London Stock Exchange is required to appoint a 'sponsor' under certain circumstances such as when undertaking a large transaction or capital raising. The responsibilities of the sponsor include providing assurance to the FSA when required that the responsibilities of the listed company have

been met. Under the AIM Rules, a 'nominated adviser' is required to be engaged at all times by a company whose shares are traded on AIM and has ongoing responsibilities to both the company in question and the London Stock Exchange. On admission to AIM, the Company intends to appoint Singer as the Company's nominated adviser.

- Under the AIM Rules, prior shareholder approval is required only for (1) reverse takeovers (being an acquisition or acquisitions in a twelve month period which either (a) exceed 100 per cent. on various size tests, such as the ratio of the transaction consideration to the market capitalisation of the AIM company; or (b) result in a fundamental change in the Company's business, board or voting control) and (2) disposals that result in a fundamental change of business (being disposals that exceed 75 per cent. of various size tests, such as the ratio of the transaction consideration to the market capitalisation of the AIM company). Under the Listing Rules, a broader range of transactions require advance shareholder approval.
- There is no requirement under the AIM Rules for a prospectus or an admission document to be published for further issues of securities to institutional investors, except when seeking admission for a new class of securities, a reverse takeover or as otherwise required by law.
- The Combined Code does not apply directly to companies whose shares are traded on AIM. The Directors recognise, however, the importance of high standards of corporate governance and intend that the Company should observe the requirements of the QCA Guidelines and the Combined Code to the extent the Directors consider appropriate having regard to the size, nature and resources of the Group.
- The ABI Guidelines, which give guidance on issues such as executive compensation and share based remuneration, corporate governance, share capital management and the issue and allotment of shares on a pre-emptive or non pre-emptive basis, do not apply directly to companies whose shares are traded on AIM. The Directors recognise, however, the importance of high standards of corporate governance and intend that the Company should observe the requirements of the ABI Guidelines to the extent the Directors consider appropriate having regard to the size, nature and resources of the Group.

Liquidity on AIM is currently provided by market makers who are member firms of the London Stock Exchange and are obliged to quote a share price for each company for which they make a market between 8.00 a.m. and 4.30 p.m. on business days.

Companies whose shares trade on AIM are treated as unlisted for the purposes of certain UK tax reliefs. Following the move to AIM, individuals who hold Ordinary Shares may, after two years, therefore be eligible for certain inheritance tax benefits. Shareholders and prospective investors should consult their own professional advisers on whether an investment in an AIM security is suitable for them, or whether the tax benefit referred to above may be available to them. In particular, they should note that it is not possible to hold shares traded on AIM in individual savings accounts (ISAs). The Directors understand that, following admission to AIM, Shareholders will, under current HM Revenue & Customs guidance, have 30 days to transfer their shareholding in the Company into their own name or to sell the holding and retain the proceeds within the relevant ISA. Further details of the tax impact of the proposed move to AIM are set out at paragraph 14 of Part VI (*Additional Information*) of this document.

The comments on the tax implications described in this document are based on the Directors' current understanding of tax law and practice, are not tailored to any individual circumstances and are primarily directed at individuals who are UK resident and domiciled. Tax rules can change and the precise tax implications for you will depend on your particular circumstances. If you are in any doubt as to your tax position, you should consult your own independent professional adviser.

AIM is a market designed primarily for emerging or small companies, to which a higher investment risk tends to be attached than for larger or more established companies. AIM securities are not admitted to the Official List.

6. Move to AIM

Conditional on Resolution 1 being approved at the General Meeting, the Company will apply to cancel the listing of the Ordinary Shares on the Official List and to trading on the London Stock Exchange's main market for listed securities.

As set out in paragraph 5 of this Part 1 the Company will apply to the London Stock Exchange for admission of the Ordinary Shares to AIM. It is anticipated that the listing of the Ordinary Shares on the Official List will cease at close of business on 9 July 2010, being not less than 20 Business Days from the passing of the relevant resolution. Admission is expected to take place and dealings are expected to commence on AIM at 8.00 a.m. on 12 July 2010. As the Company is currently listed on the Official List, the AIM Rules do not require any form of admission document to be published by the Company in connection with the Admission.

Ordinary Shares that are held in uncertificated form will continue to be held and dealt through CREST. Share certificates representing those Ordinary Shares held in certificated form will continue to be valid and no new Ordinary Share certificates will be issued.

7. Proposed Management Incentive Scheme

Subject to the approval of Shareholders at the General Meeting, it is proposed that the Company will adopt the Stanelco plc Public Equity Plan. This plan will provide a performance based incentive for the Company's Executive Directors and other senior executives of Stanelco with the aim of ensuring that the interests of the Executive Directors and other key executives and Shareholders are closely aligned.

As part of the introduction of the Stanelco plc Public Equity Plan, the Board proposes that no further share options will be granted to participants in this new plan under any of the Company's share option plans during the three years following the approval of the new plan at the General Meeting.

Further details are set out in paragraph 6.6 of Part VI (*Additional Information*) of this document.

8. Dividend Policy

The Company is a growing business which historically invested, and continues to invest, in order to maximise the future growth opportunities as set out in this document. The Company has not paid any dividends to its Shareholders in its recent past and the Board does not currently consider it appropriate to pay any dividends. The Board may reconsider this policy once the Group becomes cash generative.

9. Principal Terms and Timing of the Issue

(a) *Structure*

Stanelco intends to issue 2,000,000,096 New Ordinary Shares through the Firm Placing and up to 806,525,320 New Ordinary Shares through the Placing and Open Offer at 0.125 pence per New Ordinary Share to raise gross proceeds of £3.5 million.

(b) *Firm Placing*

The Firm Placees have agreed to subscribe for 2,000,000,096 New Ordinary Shares at the Issue Price (representing gross proceeds of £2.5 million). The Firm Placed Shares are not subject to clawback and are not part of the Placing and Open Offer.

(c) *Placing and Open Offer*

Under the Open Offer, Qualifying Shareholders will have a Basic Entitlement of:

0.262 of an Open Offer Share for each Existing Ordinary Share

Qualifying Shareholders may also apply, under the Excess Application Facility, for additional Excess Shares (save that the total number of New Ordinary Shares to be issued by the Company pursuant to the Issue shall be limited to 2,806,525,416). Accordingly, to the extent that valid subscriptions under the Issue are made for in excess of 806,525,320 New Ordinary Shares, applications under the Excess

Application Facility will be allocated by the Directors to Shareholders who apply under the Excess Application Facility *pro rata* to their existing holdings of Ordinary Shares.

Under the Placing and Open Offer, Stanelco intends to issue up to 806,525,320 New Ordinary Shares at the Issue Price (representing gross proceeds of £1.0 million).

The Conditional Placees have agreed to subscribe for the Conditional Placed Ordinary Shares pursuant to the Placing.

(d) ***Conditionality***

The Issue is conditional upon the following:

- the passing of Resolution 1 to be proposed at the General Meeting to be held on 14 June 2010;
- Admission of the New Ordinary Shares becoming effective by not later than 8.00 a.m. on 15 June 2010; and
- the Placing Agreement becoming unconditional in all respects.

(e) ***Important notice***

The Open Offer is not a rights issue and any Open Offer Shares not applied for by Qualifying Shareholders under their Basic Entitlement will not be sold in the market on behalf of, or placed for the benefit of, Qualifying Shareholders who do not apply under the Open Offer, but may be allotted to Qualifying Shareholders to meet any valid applications under the Excess Application Facility or may be placed under the Placing and the Net Proceeds will be retained for the benefit of the Company.

10. Effect of the Issue

Upon completion of the Issue, the New Ordinary Shares will represent 47.7 per cent. of the Enlarged Issued Share Capital (assuming the Issue is fully subscribed). The New Ordinary Shares will be issued pursuant to authorities to be sought at the General Meeting. Following the issue of the New Ordinary Shares pursuant to the Issue, a Qualifying Shareholder who does not take up any of his Basic Entitlement (and does not take up any Excess Shares under the Excess Application Facility) will suffer a dilution of 47.7 per cent. to his economic interests in the Company (assuming full subscription of the Issue).

The Issue Price represents a 37.5 per cent. discount to the Stanelco closing price of 0.20 pence per Ordinary Share on 26 May 2010, being the Business Day prior to the date of the announcement of the Issue. When setting the Issue Price, the Directors took into account the price at which the New Ordinary Shares need to be offered to investors: (i) to ensure the success of the Issue; and (ii) to raise a very significant level of equity compared to the market capitalisation of the Company. The Directors believe that both the Issue Price and the discount are appropriate.

The Net Proceeds of the Issue are anticipated to be between £2.8 million (if the Issue is fully subscribed) or £2.3 million (being the net proceeds of the Firm Placing and the Placing). Therefore, based on the Group's financial results for the year ended 31 December 2009, the impact of the net proceeds of the Issue would have been to increase the Group's net assets of £19.0 million as at that date by £2.8 million (if the Issue is fully subscribed) and £2.3 million (if only the minimum amount of the Issue is subscribed).

If it had taken place at 1 January 2009, the Issue would have been dilutive of the earnings per share of the Company for the year ended 31 December 2009.

11. Admission, Dealings and Settlement

The New Ordinary Shares will, when issued, rank in full for dividends and other distributions and otherwise *pari passu* in all respects with the Existing Ordinary Shares.

Applications will be made to the UK Listing Authority for the New Ordinary Shares to be admitted to the Official List and to the London Stock Exchange for the New Ordinary Shares to be admitted to trading on the London Stock Exchange's main market for listed securities.

It is expected that Admission will become effective and dealings will commence in the New Ordinary Shares at 8.00 a.m. (London time) on 15 June 2010.

12. Taxation

Your attention is drawn to paragraph 14 of Part VI (*Additional Information*) of this document. If you are in any doubt as to your tax position, you should consult your own professional adviser without delay.

13. General Meeting

The notice convening the General Meeting, at which the Resolutions summarised below will be proposed, is set out on pages 112 to 114 of this document. Resolution 1 is required in order to enable the Company to implement the Proposals and, accordingly, the Proposals are conditional on such Resolution being passed. Resolution 2 is required in order to enable the Company to introduce the proposed Stanelco plc Public Equity Plan.

14. The Resolutions

Resolution 1 (which will be proposed as a special resolution) proposes to:

- (i) remove any limit on the authorised share capital of the Company and amend the Articles of the Company accordingly. The current authorised share capital of the Company does not grant sufficient headroom to the Company to carry out the Issue and therefore needs to be increased or removed. Under the Companies Act, companies are now permitted to remove the limit on their authorised share capital, and many companies have taken this step. Shareholders remain protected against dilution by the need to obtain authority to allot shares in respect of future issues;
- (ii) authorise the Directors under section 551 of the Companies Act to allot shares in the Company up to an aggregate nominal amount of £2,806,525.42 for the purposes of the Issue, comprising the allotment of the New Ordinary Shares. If given, this authority will expire on 14 September 2011 and is additional to any subsisting authorities to allot relevant securities or shares in the Company. The total authority of the Directors to allot relevant securities will relate to an aggregate nominal amount of £2,806,525.42, representing approximately 91.2 per cent. of the current issued share capital. The purpose of the authority is to enable the Directors to allot 2,806,525,416 New Ordinary Shares in connection with the Issue;
- (iii) disapply the pre-emption rights provisions of section 561 of the Companies Act in respect of the allotment of equity securities (as defined in section 560 of the Companies Act) pursuant to the Issue, comprising the allotment of the New Ordinary Shares. If given, this authority will expire at the same time as the authority referred to in paragraph (i) will expire and is in addition to any subsisting powers to disapply pre-emption rights. Pursuant to this resolution pre-emption rights will be disapplied in respect of New Ordinary Shares up to an aggregate nominal amount of £2,806,525.42, which represents approximately 91.2 per cent. of the current issued share capital of the Company and would result in pre-emption rights being disapplied in total (pursuant to this resolution and all existing authorities) in respect of New Ordinary Shares up to an aggregate nominal amount of £2,806,525.42 which represents approximately 91.2 per cent. of the current issued share capital of the Company;
- (iv) approve the issue of 2,806,525,416 New Ordinary Shares under the Issue, on the terms set out in this document, at the Issue Price (which represents a discount of 37.5 per cent. to the closing price of the Ordinary Shares on 26 May 2010 (being the last Business Day prior to the date of the announcement

of the Issue)). This approval is required for the purposes of the Listing Rules, as the Issue Price represents a discount of 37.5 per cent., being a discount of greater than 10 per cent. to the closing price of the Ordinary Shares at the time of announcement of the Issue;

- (v) approve the change of the Company's name to "Biome Technologies plc"; and
- (vi) to grant permission for the cancellation of the admission of the Ordinary Shares to the Official List and to trading on the main market of the London Stock Exchange, and for the application for the admission of the Ordinary Shares to trading on AIM (such application for admission not to become effective prior to 12 July 2010, being not less than 20 Business Days from the passing of the resolution).

Resolution 2 (which will be proposed as an ordinary resolution) will approve the rules of the Stanelco plc Public Equity Plan, authorise the Directors to make such modifications to the PEP as they may consider appropriate to take account of the requirements of best practice and for the implementation of the PEP and to adopt the PEP as so modified and to do all such other acts and things as they may consider appropriate to implement the PEP. The PEP is more particularly described in paragraph 6.6 of Part VI (*Additional Information*) of this document.

Conditionality of the Proposals

Resolution 2 is being proposed to in order to adopt the Stanelco plc Public Equity Plan (as set out in paragraph 7 above). However, if the Issue does not proceed, the Directors do not consider it appropriate for Company to adopt the management incentive scheme and therefore the authority under Resolution 2 is conditional upon the passing of Resolution 1 and the success of the Issue.

15. Action to be Taken

15.1 *General Meeting*

You will find accompanying this document a Form of Proxy. Whether you intend to be present at the General Meeting or not, you are asked to complete the Form of Proxy in accordance with the instructions printed thereon and to return it to Capita Registrars, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU, using the accompanying pre-paid envelope (for use in the UK only) as soon as possible and, in any event, so as to be received by no later than 10.00 a.m. on 12 June 2010.

If you hold Existing Ordinary Shares in CREST, you may appoint a proxy by completing and transmitting a CREST Proxy Instruction to the Registrar (CREST participant ID RA10), so that it is received by no later than 10.00 a.m. on 12 June 2010. In addition, Shareholders (including Shareholders who hold their Existing Ordinary Shares in certificated form) may submit a proxy vote via the internet by accessing the registrar's website www.capitashareportal.com. The completion and return of a CREST Proxy Instruction will not preclude you from attending and voting in person at the General Meeting or any adjournment thereof, if you so wish and are so entitled.

The completion and return of the Form of Proxy or a CREST Proxy Instruction or the submission of a vote on the registrar's website will not preclude you from attending the General Meeting and voting in person if you wish to do so. If the Form of Proxy is not returned or the CREST Proxy Instruction submitted by 10.00 a.m. on 12 June 2010, your vote will not count.

15.2 *Open Offer*

- (a) *Qualifying Non-CREST Shareholders (i.e. holders of Ordinary Shares who hold their Ordinary Shares in certificated form)*

If you are a Qualifying Non-CREST Shareholder you will receive a Non-CREST Application Form which gives details of your Basic Entitlement under the Open Offer (as shown by the number of Open Offer Entitlements set out in Box 3 of the Non-CREST Application Form). If you wish to apply for Open Offer Shares under the Open Offer, you should complete the Non-CREST Application Form in accordance with the procedure for application set out in

paragraph 4.1 of Part II (*Terms and Conditions of the Open Offer*) of this document and on the Non-CREST Application Form itself. Qualifying Shareholders who wish to subscribe for more than their Basic Entitlement should complete Boxes 5, 6, 7 and 8 on the Non-CREST Application Form. Completed Non-CREST Application Forms, accompanied by full payment in accordance with the instructions in paragraph 4.1(d) of Part II (*Terms and Conditions of the Open Offer*) of this document, should be posted using the accompanying pre-paid envelope (if posted from the UK) or returned by post or by hand (during normal business hours only) to Capita Registrars, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, in either case, as soon as possible and in any event so as to be received by no later than 11.00 a.m. on 11 June 2010. If you do not wish to apply for any Shares under the Open Offer, you should not complete or return the Non-CREST Application Form.

(b) *Qualifying CREST Shareholders*

If you are a Qualifying CREST Shareholder you will not be sent a Non-CREST Application Form. You will receive a credit to your appropriate stock account in CREST in respect of the Basic Entitlement under the Open Offer and also an Excess CREST Open Offer Entitlement for use in connection with the Excess Application Facility. You should refer to the procedure for application set out in paragraph 4.2 of Part II (*Terms and Conditions of the Open Offer*) of this document. The relevant CREST instructions must have settled in accordance with the instructions in paragraph 4.2 of Part II (*Terms and Conditions of the Open Offer*) by no later than 11.00 a.m. on 11 June 2010.

Qualifying CREST Shareholders who are CREST sponsored members should refer to their CREST sponsors regarding the action to be taken in connection with this document and the Open Offer.

If you are in any doubt as to the action you should take, you should immediately seek your own personal financial advice from an appropriately qualified independent professional adviser.

16. Effect on employee share option schemes

Options held under the Company's share option schemes on the day of the General Meeting will be adjusted to reflect any dilutive effect of the Issue (which is described in paragraph 10 above) by increasing the number of Ordinary Shares under option or award or decreasing any exercise price in respect of each grant, as appropriate. The adjustment will be determined by the Board and approved by the Company's auditors (and HMRC where necessary).

17. Further Information

Your attention is drawn to the further information set out in Parts II to VIII of this document. You are advised to read the whole of this document (including the documents incorporated by reference and specified in Part VII (*Information Incorporated by Reference*) of this document) and not rely solely on the information contained in this letter.

18. Directors' Intentions

The Directors currently beneficially own, in aggregate, 3,100,000 Existing Ordinary Shares representing approximately 0.1 per cent. of the issued ordinary share capital of the Company as at 26 May 2010 (the latest practicable date prior to publication of this document). Certain Directors and members of the Company's senior management team have agreed to subscribe for an aggregate of 97,600,000 New Ordinary Shares in the Firm Placing and Placing.

19. Working Capital, the Importance of Your Vote and Your Support for the Open Offer

The Company is of the opinion that taking into account the net proceeds of the Firm Placing and Placing, the Group has sufficient working capital for its present requirements, that is, for at least 12 months from the date of this document.

The Company has raised approximately £2.5 million through the Firm Placing and has conditionally raised approximately £0.54 million through the Placing.

In the event that either (i) Resolution 1 at the General Meeting is not passed; or (ii) the conditions to the Placing Agreement are not satisfied or waived; or (iii) Admission does not take place, the Issue will not proceed and therefore the Group will only have sufficient financial resources to fund its current operations into September 2010.

If such an event were to occur, the Group would therefore be obliged to immediately follow an alternate strategy that focuses principally on conserving cash resources whilst seeking to realise potential value through an orderly disposal of the Group's assets.

The Board anticipates that the alternative strategy will almost certainly include:

- a substantial reduction in the bioplastic commercial activities by Stanelco, placing reliance on SPHERE to drive any future sales;
- the termination of bioplastic product development activities by Stanelco. Biotec has no market facing technical development and such activities will therefore end;
- the holding of Biotec as an investment with a view to realising value at some point (pre-emption rights, the current patent dispute with Novamont and the joint venture agreement limit options in this regard);
- the reduction of the Stanelco Board to one or two individuals charged with a part-time monitoring role; and
- managing the RF business for minor cash generation whilst seeking a viable exit route for the business.

The Board will also consider delisting Stanelco's Ordinary Shares from the public markets completely to save further costs.

In the Board's opinion, it is not anticipated this alternate strategy (outlined above) will realise significant, if any, value for Shareholders and, accordingly, there is a material risk that the value of the Company's Ordinary Shares will be significantly impacted.

The Company believes that the actions outlined in the alternate strategy above are realistically available to the Group and are confident that, if implemented as soon as possible once it becomes clear that the Issue will not proceed, these actions would allow the Group to conserve sufficient cash resources to fund its reduced operations for at least 12 months.

However, if none of the actions listed in the alternative strategy above are successful, the Board believes that there is a reasonable prospect that the Company could enter into insolvent liquidation by September 2010.

Accordingly, to support the continued development and intended strategy of the Company (as set out in paragraph 2 above) and to address the concerns regarding the ability of Stanelco to continue as a going concern (as set out in paragraph 3 above), the Board believes it is very important that Shareholders vote in the favour of Resolution 1 in order that the Issue can proceed.

Implications of Shareholders not voting in favour of Resolution 1: Eligibility for Premium Listing

As described in paragraph 5 above, the Company is no longer eligible for a Premium Listing on the Official List.

If the Group is unable to comply with the continuing obligations under the Listing Rules for the foreseeable future and does not voluntarily cancel its Premium Listing, the UK Listing Authority may ultimately exercise its right to suspend and or cancel the admission of Company's Ordinary Shares to the Official List.

Given the circumstances in which the Company now finds itself, the Directors believe that the Group will be unable to comply with the ongoing eligibility requirements of a Premium Listing for the foreseeable future. Accordingly, the Directors propose that the Company voluntarily cancels its Premium Listing.

Therefore, in order to avoid the potential negative implications to Shareholders of potentially having the listing of the Ordinary Shares on the Official List suspended and/or cancelled, it is vital that Shareholders vote in favour of Resolution 1.

The passing of Resolution 1 would allow the Directors to voluntarily cancel its Premium Listing and to have its Ordinary Shares admitted to trading on AIM.

Further information on the background and reasons for the proposed cancellation of the Premium Listing are set out in Paragraph 6 above.

20. Recommendation

The Board, which has received financial advice from Singer in connection with the Proposals and the adoption of the PEP, considers that these proposals and the passing of the Resolutions are in the best interests of the Company and the Shareholders as a whole.

In providing its advice Singer has taken into account the Board's commercial assessments.

Accordingly, the Board unanimously recommends that you vote in favour of the Resolutions to be proposed at the General Meeting, as the Directors intend to do in respect of their own beneficial holdings totalling 3,100,000 Existing Ordinary Shares, representing approximately 0.1 per cent. of the Existing Ordinary Shares of the Company as at 26 May 2010.

Yours faithfully

John Standen
Chairman

PART II

TERMS AND CONDITIONS OF THE OPEN OFFER

1. Introduction

The Company proposes to issue up to 2,806,525,416 New Ordinary Shares in order to raise gross proceeds of up to £3.5 million (approximately £2.8 million net of expenses) by way of the Firm Placing and Placing and Open Offer. 2,000,000,096 New Ordinary Shares will be issued through the Firm Placing and a maximum of 806,525,320 New Ordinary Shares will be issued through the Placing and Open Offer.

Upon completion of the Firm Placing and Placing and Open Offer, the New Ordinary Shares will represent 47.7 per cent. of the Enlarged Issued Share Capital (assuming full subscription of the Issue).

The New Ordinary Shares to be issued pursuant to the Firm Placing and Placing and Open Offer will, following Admission, rank *pari passu* in all respects with the Existing Ordinary Shares and will carry the right to receive all dividends and distributions declared, made or paid on or in respect of the Ordinary Shares after Admission.

The Conditional Placees have agreed to subscribe for the Conditional Placed Ordinary Shares pursuant to the Placing.

The Company has entered into the Placing Agreement pursuant to which Singer has agreed to use its reasonable endeavours to procure conditional placees for the Firm Placed Shares and the Conditional Placed Shares at the Issue Price. The Conditional Placed Shares have been placed subject to clawback to satisfy valid applications under the Open Offer.

The Open Offer is an opportunity for Qualifying Shareholders to apply to subscribe for Open Offer Shares at the Issue Price in accordance with the terms of the Open Offer.

Any Qualifying Shareholder who has sold or transferred all or part of his registered holding of Existing Ordinary Shares prior to the close of business on 26 May 2010 is advised to consult his stockbroker, bank or other agent through or to whom the sale or transfer was effected as soon as possible since the invitation to apply for Open Offer Shares under the Open Offer may be a benefit which may be claimed from him by the purchasers under the rules of the London Stock Exchange.

A summary of the arrangements relating to the Open Offer is set out below. This document and, for Qualifying Non-CREST Shareholders, the Non-CREST Application Form contain the formal terms and conditions of the Open Offer. Your attention is drawn to paragraph 4 of this Part II (*Terms and Conditions of the Open Offer*) which gives details of the procedure for application and payment for the Open Offer Shares.

2. The Open Offer

Subject to the terms and conditions set out below (and, in the case of Qualifying Non-CREST Shareholders, in the Non-CREST Application Form), Qualifying Shareholders are being given the opportunity to apply for any number of Open Offer Shares (subject to the limit on the number of New Ordinary Shares that are to be issued pursuant to the Issue) at the Issue Price (payable in full on application and free of all expenses) and will have a Basic Entitlement of:

0.262 an Open Offer Share for each Existing Ordinary Share

registered in the name of each Qualifying Shareholder on the Record Date and so in proportion for any other number of Existing Ordinary Shares held. Applications by Qualifying Shareholders will be satisfied in full up to their Basic Entitlements.

Basic Entitlements will be rounded down to the nearest whole number and any fractional entitlements to Open Offer Shares will be aggregated and made available to Qualifying Shareholders under the Excess Application Facility. **Accordingly, Qualifying Shareholders with fewer than 4 Existing Ordinary Shares will not receive an Open Offer Entitlement but may apply for Excess Shares under the Excess Application Facility.**

Qualifying Shareholders may apply to acquire less than their Basic Entitlement should they so wish. In addition, Qualifying Shareholders may apply to acquire Excess Shares using the Excess Application Facility. Please refer to paragraphs 4.1(c) and 4.2(c) of this Part II (*Terms and Conditions of the Open Offer*) for further details of the Excess Application Facility.

Holdings of Existing Ordinary Shares in certificated and uncertificated form will be treated as separate holdings for the purpose of calculating Basic Entitlements, as will holdings under different designations and in different accounts.

Qualifying CREST Shareholders will have their Open Offer Entitlements credited to their stock accounts in CREST and should refer to paragraphs 4.2(a) to 4.2(l) of this Part II (*Terms and Conditions of the Open Offer*) and also to the CREST Manual for further information on the relevant CREST procedures.

Qualifying Shareholders may apply to acquire any number of Open Offer Shares subject to the limit on applications under the Excess Application Facility referred to below. The Basic Entitlement, in the case of Qualifying Non-CREST Shareholders, is equal to the number of Open Offer Shares shown in Box 3 on the Non-CREST Application Form or, in the case of Qualifying CREST Shareholders, is equal to the number of Open Offer Entitlements standing to the credit of their stock account in CREST.

The Excess Application Facility enables Qualifying Shareholders to apply for any whole number of Excess Shares in excess of their Basic Entitlement (save that the total number of Ordinary Shares to be issued by the Company pursuant to the Issue shall be limited to 2,806,525,416). Qualifying Non-CREST Shareholders who wish to apply to subscribe for more than their Basic Entitlement should complete Boxes 5, 6, 7 and 8 on the Non-CREST Application Form. To the extent that valid subscriptions under the Issue are made for in excess of 2,806,525,416 New Ordinary Shares, Excess Applications will be allocated by the Directors to Shareholders who apply under the Excess Application Facility *pro rata* to their existing holdings. However, no assurance can be given that such applications by Qualifying Shareholders will be met in full or in part or at all.

The aggregate number of New Ordinary Shares available for subscription pursuant to the Open Offer (including under the Excess Application Facility) is 806,525,320 New Ordinary Shares.

Following the issue of the New Ordinary Shares pursuant to the Firm Placing and Placing and Open Offer, a Qualifying Shareholder who does not take up any of his Basic Entitlement (and does not take up any Excess Shares under the Excess Application Facility) will suffer a dilution of 47.7 per cent. to his economic interests in the Company (assuming full subscription of the Issue). If a Qualifying Shareholder subscribes for his Basic Entitlement in full he will suffer a dilution of 34.0 per cent. to his economic interests in the Company.

Qualifying Shareholders should be aware that the Open Offer is not a rights issue. Qualifying Non-CREST Shareholders should also note that their Non-CREST Application Forms are not negotiable documents and cannot be traded. Qualifying CREST Shareholders should note that, although the Basic Entitlements and Excess CREST Open Offer Entitlements will be credited to CREST and be enabled for settlement, applications in respect of Basic Entitlements and Excess CREST Open Offer Entitlements may only be made by the Qualifying Shareholder originally entitled or by a person entitled by virtue of a *bona fide* market claim raised by Euroclear's Claims Processing Unit. Open Offer Shares not applied for under the Open Offer will not be sold in the market for the benefit of those who do not apply to take up their Basic Entitlements and Excess CREST Open Offer Entitlements, but may be allotted to Qualifying Shareholders to meet any valid applications under the Excess Application Facility or may be placed under the Placing and the net proceeds will be retained for the benefit of the Company. Qualifying Shareholders who do not apply to take up Open Offer Shares will have no rights under the Open Offer.

The Existing Ordinary Shares are already admitted to CREST. No further application for admission to CREST is accordingly required for the New Ordinary Shares. All such New Ordinary Shares, when issued and fully paid, may be held and transferred by means of CREST.

Application will be made for the Basic Entitlements and Excess CREST Open Offer Entitlements to be admitted to CREST. The conditions for such admission having already been met, the Basic Entitlements and Excess CREST Open Offer Entitlements are expected to be admitted to CREST with effect from 28 May 2010.

The Open Offer Shares will be issued credited as fully paid and will rank *pari passu* in all respects with the Existing Ordinary Shares. The Open Offer Shares are not being made available in whole or in part to the public except under the terms of the Open Offer.

3. Conditions and further terms of the Open Offer

The Issue is conditional upon the following:

- (a) the passing of Resolution 1 to be proposed at the General Meeting to be held on 14 June 2010;
- (b) Admission becoming effective by not later than 8.00 a.m. on 15 June 2010; and
- (c) the Placing Agreement becoming unconditional in all respects.

Accordingly, if any of these conditions are not satisfied or waived (where capable of waiver), the Issue will not proceed and any applications made by Qualifying Shareholders will be rejected. In such circumstances, application monies will be returned (at the applicant's sole risk), without payment of interest, as soon as practicable thereafter. Revocation of applications for New Ordinary Shares cannot occur after dealings have begun.

No temporary documents of title will be issued in respect of Open Offer Shares held in uncertificated form. Definitive certificates in respect of Open Offer Shares taken up are expected to be posted to those Qualifying Shareholders who have validly elected to hold their Open Offer Shares in certificated form on or before 22 June 2010. In respect of those Qualifying Shareholders who have validly elected to hold their Open Offer Shares in uncertificated form, the Open Offer Shares are expected to be credited to their stock accounts maintained in CREST on or before 15 June 2010.

Applications will be made for the New Ordinary Shares (including the Open Offer Shares) to be listed on the Official List and to be admitted to trading on the London Stock Exchange's main market for listed securities. Admission is expected to occur on 15 June 2010, when dealings in the New Ordinary Shares are expected to begin.

All monies received by the Receiving Agent in respect of Open Offer Shares will be placed on deposit by the Receiving Agent.

If for any reason it becomes necessary to adjust the expected timetable as set out in this document, the Company will make an appropriate announcement to a Regulatory Information Service giving details of the revised dates.

4. Procedure for application and payment

The action to be taken by Qualifying Shareholders in respect of the Open Offer depends on whether, at the relevant time, a Qualifying Shareholder has a Non-CREST Application Form in respect of his Open Offer Entitlement or a Qualifying Shareholder has Basic Entitlements and Excess CREST Open Offer Entitlements credited to his CREST stock account in respect of such entitlement.

Qualifying Shareholders who hold their Existing Ordinary Shares in certificated form will be allotted Open Offer Shares in certificated form. Qualifying Shareholders who hold all or part of their Existing Ordinary Shares in uncertificated form will be allotted Open Offer Shares in uncertificated form to the extent that their entitlement to Open Offer Shares arises as a result of holding Existing Ordinary Shares in uncertificated form. However, it will be possible for Qualifying Shareholders to deposit Open Offer Entitlements into, and withdraw them from, CREST. Further information on deposit and withdrawal from CREST is set out in paragraph 4.2(g) of this Part II (*Terms and Conditions of the Open Offer*).

CREST sponsored members should refer to their CREST sponsor, as only their CREST sponsor will be able to take the necessary action specified below to apply under the Open Offer in respect of the Basic Entitlements and Excess CREST Open Offer Entitlements of such members held in CREST. CREST members who wish to apply under the Open Offer in respect of their Basic Entitlements and Excess CREST Open Offer Entitlements in CREST should refer to the CREST Manual for further information on the CREST procedures referred to below.

Qualifying Shareholders who do not want to take up or apply for the Open Offer Shares under the Open Offer should take no action and should not complete or return the Non-CREST Application Form. Qualifying Shareholders are, however, encouraged to vote at the General Meeting by attending in person or by completing and returning the Form of Proxy accompanying this document.

4.1 ***If you have a Non-CREST Application Form in respect of your entitlement under the Open Offer***

(a) *General*

Subject as provided in paragraph 6 of this Part II (*Terms and Conditions of the Open Offer*) in relation to Overseas Shareholders, Qualifying Non-CREST Shareholders will receive a Non-CREST Application Form. The Non-CREST Application Form shows the number of Existing Ordinary Shares registered in their name on the Record Date in Box 2. It also shows the number of Open Offer Shares which represents their Basic Entitlement under the Open Offer, as shown by the total number of Open Offer Entitlements allocated to them set out in Box 3. Box 4 shows how much they would need to pay if they wish to take up their Basic Entitlement in full. Any fractional entitlements to Open Offer Shares will be aggregated and made available to Qualifying Shareholders under the Excess Application Facility. Any Qualifying Non-CREST Shareholders with fewer than 4 Existing Ordinary Shares will not receive a Basic Entitlement but may apply for Excess Shares pursuant to the Excess Application Facility (see paragraph 4.1(c) of this Part II (*Terms and Conditions of the Open Offer*)). Qualifying Non-CREST Shareholders may apply for less than their Basic Entitlement should they wish to do so. Qualifying Shareholders wishing to apply for Open Offer Shares representing less than their Basic Entitlement may do so by completing Boxes 5, 7 and 8 of the Non-CREST Application Form. Qualifying Non-CREST Shareholders who have taken up their Basic Entitlement in full may also apply for Excess Shares under the Excess Application Facility by completing Box 6 of the Non-CREST Application Form (see paragraph 4.1(c) of this Part II (*Terms and Conditions of the Open Offer*)). Qualifying Non-CREST Shareholders may hold such a Non-CREST Application Form by virtue of a *bona fide* market claim (see paragraph 4.1(b) of this Part II (*Terms and Conditions of the Open Offer*)).

The instructions and other terms set out in the Non-CREST Application Form form part of the terms of the Open Offer to Qualifying Non-CREST Shareholders.

(b) *Bona fide market claims*

Applications to acquire Open Offer Shares may only be made on the Non-CREST Application Form and may only be made by the Qualifying Non-CREST Shareholder named in it or by a person entitled by virtue of a *bona fide* market claim in relation to a purchase of Existing Ordinary Shares through the market prior to the date upon which the Existing Ordinary Shares were marked “ex” the entitlement to participate in the Open Offer. Non-CREST Application Forms may not be assigned, transferred or split, except to satisfy *bona fide* market claims up to 3.00 p.m. on 9 June 2010. The Non-CREST Application Form is not a negotiable document and cannot be separately traded. A Qualifying Non-CREST Shareholder who has sold or otherwise transferred all or part of his holding of Existing Ordinary Shares prior to the date upon which the Existing Ordinary Shares were marked “ex” the entitlement to participate in the Open Offer, should consult his broker or other professional adviser as soon as possible, as the invitation to acquire Open Offer Shares under the Open Offer may be a benefit which may be claimed by the transferee. Qualifying Non-CREST Shareholders who have sold all or part of their registered holdings should, if the market claim is to be settled outside CREST, complete Box 9

on the Non-CREST Application Form and immediately send it to either the stockbroker, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee or to the Receiving Agent in accordance with the instructions set out in the accompanying Non-CREST Application Form. The Non-CREST Application Form should not, however, be forwarded to or transmitted in, into or from a Restricted Jurisdiction. If the market claim is to be settled outside CREST, the beneficiary of the claim should follow the procedures set out in the accompanying Non-CREST Application Form. If the market claim is to be settled in CREST, the beneficiary of the claim should follow the procedures set out in paragraph 4.2(b) of this Part II (*Terms and Conditions of the Open Offer*).

(c) *Excess Application Facility*

Qualifying Shareholders who have taken up their Basic Entitlement in full may apply to acquire Excess Shares using the Excess Application Facility, should they wish. Qualifying Non-CREST Shareholders wishing to apply for Excess Shares may do so by completing Boxes 5, 6, 7 and 8 of the Non-CREST Application Form. The total number of Open Offer Shares is fixed and will not be increased in response to any Excess Applications. Excess Applications will therefore only be satisfied to the extent that other Qualifying Shareholders do not apply for their Basic Entitlements in full or where fractional entitlements have been aggregated and made available under the Excess Application Facility. Applications under the Excess Application Facility shall be allocated by the Directors to Shareholders *pro rata* to their existing holdings of Existing Ordinary Shares but no assurance can be given that the applications by Qualifying Shareholders will be met in full or in part or at all. Excess monies in respect of applications which are not met in full will be returned to the applicant (at the applicant's risk) without interest as soon as practicable thereafter by way of cheque or CREST payment, as appropriate.

(d) *Application procedures*

Qualifying Non-CREST Shareholders wishing to apply to acquire all or any of the Open Offer Shares to which they are entitled should complete the Non-CREST Application Form in accordance with the instructions printed on it. Completed Non-CREST Application Forms should be posted in the accompanying pre-paid envelope or returned by post or by hand (during normal office hours only) to Capita Registrars, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU, UK (who will act as Receiving Agent in relation to the Open Offer), so as to be received by the Receiving Agent, in either case, by no later than 11.00 a.m. on 11 June 2010, after which time Non-CREST Application Forms will not be valid. Qualifying Non-CREST Shareholders should note that applications, once made, will be irrevocable and receipt thereof will not be acknowledged. If a Non-CREST Application Form is being sent by first-class post in the UK, Qualifying Shareholders are recommended to allow at least four working days for delivery. Non-CREST Application Forms delivered by hand will not be checked upon delivery and no receipt will be provided.

Completed Non-CREST Application Forms should be returned with a cheque or banker's draft drawn in sterling on a bank or building society in the UK which is either a member of the Cheque and Credit Clearing Company Limited or the CHAPS Clearing Company Limited or which has arranged for its cheques and banker's drafts to be cleared through facilities provided by any of those companies or committees. Such cheques or banker's drafts must bear the appropriate sort code in the top right-hand corner and must be for the full amount payable on application.

Cheques should be drawn on a personal account in respect of which the Qualifying Shareholder has sole or joint title to the funds and should be made payable to "Capita Registrars Limited re Stanelco PLC Open Offer" and crossed "A/C Payee Only". Third party cheques may not be accepted (other than building society cheques or banker's drafts where the building society or bank has confirmed that the relevant Qualifying Shareholder has title to the underlying funds) and will be subject to the Money Laundering Regulations which would delay Qualifying Shareholders receiving their Open Offer Shares (see paragraph 5 of this Part II (*Terms and*

Conditions of the Open Offer). Payments via CHAPS, BACS or electronic transfer will not be accepted.

Cheques and banker's drafts will be presented for payment on receipt and it is a term of the Open Offer that cheques and banker's drafts will be honoured on first presentation. The Company may elect to treat as valid or invalid any applications made by Qualifying Non-CREST Shareholders in respect of which cheques are not so honoured. If cheques or banker's drafts are presented for payment before the conditions of the Issue are fulfilled, the application monies will be kept in a separate non-interest bearing bank account. If the Issue does not become unconditional, no Open Offer Shares will be issued and all monies will be returned (at the applicant's sole risk), without payment of interest, to applicants as soon as practicable following the lapse of the Issue.

Subject to the provisions of the Placing Agreement, the Company may in its sole discretion, but shall not be obliged to, treat a Non-CREST Application Form as valid and binding on the person by whom or on whose behalf it is lodged, even if not completed in accordance with the relevant instructions or not accompanied by a valid power of attorney where required, or if it otherwise does not strictly comply with the terms and conditions of the Open Offer. The Company further reserves the right (but shall not be obliged) to accept either:

- (i) Non-CREST Application Forms received after 11.00 a.m. on 11 June 2010; or
- (ii) applications in respect of which remittances are received before 11.00 a.m. on 11 June 2010 from authorised persons (as defined in FSMA) specifying the Open Offer Shares applied for and undertaking to lodge the Non-CREST Application Form in due course but, in any event, within two Business Days.

Multiple applications will not be accepted. All documents and remittances sent by post by or to an applicant (or as the applicant may direct) will be sent at the applicant's own risk.

If Open Offer Shares have already been allotted to a Qualifying Non-CREST Shareholder and such Qualifying Non-CREST Shareholder's cheque or banker's draft is not honoured upon first presentation or such Qualifying Non-CREST Shareholder's application is subsequently otherwise deemed to be invalid, the Receiving Agent shall be authorised (in its absolute discretion as to manner, timing and terms) to make arrangements, on behalf of the Company, for the sale of such Qualifying Non-CREST Shareholder's Open Offer Shares and for the proceeds of sale (which for these purposes shall be deemed to be payments in respect of successful applications) to be paid to and retained by the Company. None of the Receiving Agent, Singer or the Company, nor any other person, shall be responsible for, or have any liability for, any loss, expense or damage suffered by such Qualifying Non-CREST Shareholder as a result.

(e) *Effect of application*

By completing and delivering a Non-CREST Application Form the applicant:

- (i) represents and warrants to the Company, the Receiving Agent and Singer that he has the right, power and authority, and has taken all action necessary, to make the application under the Open Offer and to execute, deliver and exercise his rights, and perform his obligations under any contracts resulting therefrom and that he is not a person otherwise prevented by legal or regulatory restrictions from applying for Open Offer Shares or acting on behalf of any such person on a non-discretionary basis;
- (ii) agrees that all applications under the Open Offer and any contracts or non-contractual obligations resulting therefrom shall be governed by and construed in accordance with the laws of England and Wales;
- (iii) confirms that in making the application he is not relying on any information or representation in relation to the Group other than those contained in this document and

any documents incorporated by reference, and the applicant accordingly agrees that no person responsible solely or jointly for this document including any documents incorporated by reference or any part thereof, or involved in the preparation thereof, shall have any liability for any such information or representation not so contained and further agrees that, having had the opportunity to read this document including any documents incorporated by reference, he will be deemed to have had notice of all information in relation to the Group contained in this document (including information incorporated by reference);

- (iv) confirms that in making the application he is not relying and has not relied on Singer or any other person affiliated with Singer in connection with any investigation of the accuracy of any information contained in this document or his investment decision;
- (v) confirms that no person has been authorised to give any information or to make any representation concerning the Company or the Group or the New Ordinary Shares (other than as contained in this document) and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Company, the Receiving Agent or Singer;
- (vi) represents and warrants to the Company, the Receiving Agent and Singer that he is the Qualifying Shareholder originally entitled to the Open Offer Entitlements or that he received such Open Offer Entitlements by virtue of a *bona fide* market claim;
- (vii) represents and warrants to the Company, the Receiving Agent and Singer that if he has received some or all of his Open Offer Entitlements from a person other than the Company, he is entitled to apply under the Open Offer in relation to such Open Offer Entitlements by virtue of a *bona fide* market claim;
- (viii) requests that the Open Offer Shares to which he will become entitled be issued to him on the terms set out in this document and the Non-CREST Application Form, subject to the Articles of Association of the Company;
- (ix) represents and warrants to the Company, the Receiving Agent and Singer that he is not, nor is he applying on behalf of any person who is, a citizen or resident, or which is a corporation, partnership or other entity created or organised in or under any laws, of any Restricted Jurisdiction or any jurisdiction in which the application for Open Offer Shares is prevented by law and he is not applying with a view to re-offering, re-selling, transferring or delivering any of the Open Offer Shares which are the subject of his application to, or for the benefit of, a person who is a citizen or resident or which is a corporation, partnership or other entity created or organised in or under any laws of any Restricted Jurisdiction or any jurisdiction in which the application for Open Offer Shares is prevented by law (except where proof satisfactory to the Company has been provided to the Company that he is able to accept the invitation by the Company free of any requirement which it (in its absolute discretion) regards as unduly burdensome), nor acting on behalf of any such person on a non-discretionary basis nor (a) person(s) otherwise prevented by legal or regulatory restrictions from applying for Open Offer Shares under the Open Offer; and
- (x) represents and warrants to the Company, the Receiving Agent and Singer that he is not, and nor is he applying as nominee or agent for, a person who is or may be liable to notify and account for tax under the Stamp Duty Reserve Tax Regulations 1986 at any of the increased rates referred to in section 93 (depository receipts) or section 96 (clearance services) of the Finance Act 1986.

If you have any questions relating to this document or the completion and return of the Non-CREST Application Form, please telephone Capita Registrars between 8.30 a.m. and 5.30 p.m. (London time) Monday to Friday on 0871 664 0321 from within the UK or

+44 20 8639 3399 if calling from outside the UK. Calls to the 0871 664 0321 number cost 10 pence per minute (including VAT) plus your service provider's network extras. Calls to the helpline from outside the UK will be charged at applicable international rates. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. The helpline cannot provide advice on the merits of the Issue nor give any financial, legal or tax advice.

Qualifying Shareholders who do not want to take up or apply for the Open Offer Shares under the Open Offer should take no action and should not complete or return the Non-CREST Application Form. Qualifying Shareholders are, however, encouraged to vote at the General Meeting by attending in person or by completing and returning the Form of Proxy enclosed with this document.

4.2 ***If you have Basic Entitlements and Excess CREST Open Offer Entitlements credited to your stock account in CREST in respect of your entitlement under the Open Offer***

(a) *General*

Subject as provided in paragraph 6 of this Part II (*Terms and Conditions of the Open Offer*) in relation to certain Overseas Shareholders, each Qualifying CREST Shareholder will receive a credit to his stock account in CREST of his Open Offer Entitlements equal to the number of Open Offer Shares which represents his Basic Entitlement together with an Excess CREST Open Offer Entitlement (see paragraph 4.2(c) for further details). Any fractional entitlements to Open Offer Shares will be disregarded in calculating Qualifying Shareholders' Basic Entitlement and will be aggregated and made available under the Excess Application Facility. Any Qualifying CREST Shareholders with fewer than 4 Existing Ordinary Shares will not receive a Basic Entitlement but may apply for Excess Shares pursuant to the Excess Application Facility (see paragraph 4.2(c) of this Part II (*Terms and Conditions of the Open Offer*)).

The CREST stock account to be credited will be an account under the participant ID and member account ID that apply to the Existing Ordinary Shares held on the Record Date by the Qualifying CREST Shareholder in respect of which the Basic Entitlements and Excess CREST Open Offer Entitlements have been allocated.

If for any reason the Basic Entitlements and/or Excess CREST Open Offer Entitlements cannot be admitted to CREST, or the stock accounts of Qualifying CREST Shareholders cannot be credited, on 28 May 2010, or such later time and/or date as the Company may decide, a Non-CREST Application Form will be sent to each Qualifying CREST Shareholder in substitution for the Basic Entitlements and Excess CREST Open Offer Entitlements which should have been credited to his stock account in CREST. In these circumstances the expected timetable as set out in this document will be adjusted as appropriate and the provisions of this document applicable to Qualifying Non-CREST Shareholders with Non-CREST Application Forms will apply to Qualifying CREST Shareholders who receive such Non-CREST Application Forms.

CREST members who wish to apply to acquire some or all of their entitlements to Open Offer Shares should refer to the CREST Manual for further information on the CREST procedures referred to below. Should you need advice with regard to these procedures, please contact Capita Registrars between 8.30 a.m. and 5.30 p.m. (London time) Monday to Friday on 0871 664 0321 from within the UK or +44 20 8639 3399 if calling from outside the UK. Calls to the 0871 664 0321 number cost 10 pence per minute (including VAT) plus your service provider's network extras. Calls to the helpline from outside the UK will be charged at applicable international rates. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. The helpline cannot provide advice on the merits of the Open Offer nor give any financial, legal or tax advice.

(b) *Market claims*

Each of the Basic Entitlements and the Excess CREST Open Offer Entitlements will constitute a separate security for the purposes of CREST and will have a separate ISIN. Although Basic Entitlements and the Excess CREST Open Offer Entitlements will be admitted to CREST and be enabled for settlement, applications in respect of Basic Entitlements and the Excess CREST Open Offer Entitlements may only be made by the Qualifying Shareholder originally entitled or by a person entitled by virtue of a *bona fide* market claim transaction. Transactions identified by the CREST Claims Processing Unit as “cum” the Basic Entitlement and the Excess CREST Open Offer Entitlement will generate an appropriate market claim transaction and the relevant Basic Entitlement(s) and Excess CREST Open Offer Entitlement(s) will thereafter be transferred accordingly.

(c) *Excess Application Facility*

Qualifying Shareholders who have taken up their Basic Entitlement in full may apply to acquire Excess Shares using the Excess Application Facility, should they wish. The Excess Application Facility enables Qualifying CREST Shareholders to apply for additional Excess Shares in excess of their Basic Entitlement (save that the total number of Ordinary Shares to be issued by the Company pursuant to the Issue shall be limited to 2,806,525,416). If Qualifying Shareholders wish to subscribe for Excess Shares using the Excess Application Facility for more than 50,000,000 New Ordinary Shares, they should contact Capita Registrars on 0871 664 0321 if calling from the UK or +44 871 664 0321 if calling from outside the UK.

An Excess CREST Open Offer Entitlement may not be sold or otherwise transferred. Subject as provided in paragraph 6 of this Part II (*Terms and Conditions of the Open Offer*) in relation to Overseas Shareholders, the CREST accounts of Qualifying CREST Shareholders will be credited with an Excess CREST Open Offer Entitlement in order for any applications for Excess Shares to be settled through CREST.

Qualifying CREST Shareholders should note that, although the Basic Entitlements and the Excess CREST Open Offer Entitlements will be admitted to CREST, they will have limited settlement capabilities (for the purposes of market claims only). Neither the Basic Entitlements nor the Excess CREST Open Offer Entitlements will be tradable or listed and applications in respect of the Open Offer may only be made by the Qualifying Shareholders originally entitled or by a person entitled by virtue of a *bona fide* market claim.

To apply for Excess Shares pursuant to the Open Offer, Qualifying CREST Shareholders should follow the instructions in paragraph 4.2(f) below and must not return a paper form and cheque.

Should a transaction be identified by the CREST Claims Processing Unit as “cum” the Basic Entitlement and the relevant Basic Entitlement be transferred, the Excess CREST Open Offer Entitlements will not transfer with the Basic Entitlement claim, but will be transferred as a separate claim. Should a Qualifying CREST Shareholder cease to hold all of his Existing Ordinary Shares as a result of one or more *bona fide* market claims, the Excess CREST Open Offer Entitlement credited to CREST and allocated to the relevant Qualifying Shareholder will be transferred to the purchaser. Please note that a separate USE Instruction must be sent in respect of any application under the Excess CREST Open Offer Entitlement.

Fractions of Excess Shares will not be issued under the Excess Application Facility and fractions of Excess Shares will be rounded down to the nearest whole number. Any fractional Excess Shares will be aggregated and sold for the benefit of the Company.

The total number of Open Offer Shares is fixed and will not be increased in response to any applications under the Excess Application Facility. Applications under the Excess Application Facility will therefore only be satisfied to the extent that other Qualifying Shareholders do not apply for their Basic Entitlements in full or where fractional entitlements have been aggregated and made available under the Excess Application Facility. Applications under the Excess Application Facility shall be allocated by the Directors to Shareholders *pro rata* to their existing holdings of Existing Ordinary Shares but no assurance can be given that the applications by Qualifying Shareholders will be met in full or in part or at all. Excess monies in respect of applications which are not met in full will be returned to the applicant (at the applicant's risk) without interest as soon as practicable thereafter by way of cheque or CREST payment, as appropriate.

CREST members who wish to apply to acquire some or all of their Excess CREST Open Offer Entitlements should refer to the CREST Manual for further information on the CREST procedures referred to below. Should you need advice with regard to these procedures, please telephone Capita Registrars between 8.30 a.m. and 5.30 p.m. (London time) Monday to Friday on 0871 664 0321 from within the UK or +44 20 8639 3399 if calling from outside the UK. Calls to the 0871 664 0321 number cost 10 pence per minute (including VAT) plus your service provider's network extras. Calls to the helpline from outside the UK will be charged at applicable international rates. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. The helpline cannot provide advice on the merits of the Issue nor give any financial, legal or tax advice.

(d) *USE Instructions*

Qualifying CREST Shareholders who are CREST members and who want to apply for Open Offer Shares in respect of all or some of their Basic Entitlement and Excess CREST Open Offer Entitlements in CREST must send (or, if they are CREST sponsored members, procure that their CREST sponsor sends) a USE Instruction to Euroclear which, on its settlement, will have the following effect:

- (i) the crediting of a stock account of the Receiving Agent under the participant ID and member account ID specified below, with a number of Basic Entitlements and/or Excess CREST Open Offer Entitlements corresponding to the number of Open Offer Shares applied for; and
- (ii) the creation of a CREST payment, in accordance with the CREST payment arrangements, in favour of the payment bank of the Receiving Agent in respect of the amount specified in the USE Instruction which must be the full amount payable on application for the number of Open Offer Shares referred to in paragraph (d)(i) above.

(e) *Content of USE Instruction in respect of Basic Entitlements*

The USE Instruction 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:

- (i) the number of Open Offer Shares for which application is being made (and hence the number of the Basic Entitlement(s) being delivered to Capita Registrars);
- (ii) the ISIN of the Basic Entitlement. This is GB00B51T4H58;
- (iii) the CREST participant ID of the accepting CREST member;
- (iv) the CREST member account ID of the accepting CREST member from which the Basic Entitlements are to be debited;
- (v) the participant ID of Capita Registrars in its capacity as Receiving Agent. This is 7RA33;

- (vi) the member account ID of Capita Registrars in its capacity as Receiving Agent. This is 27088 STA;
- (vii) the amount payable by means of a CREST payment on settlement of the USE Instruction. This must be the full amount payable on application for the number of New Ordinary Shares referred to in paragraph (e)(i) above;
- (viii) the intended settlement date. This must be on or before 11.00 a.m. on 11 June 2010; and
- (ix) the Corporate Action Number for the Open Offer. This will be available by viewing the relevant corporate action details in CREST.

In order for an application under the Open Offer to be valid, the USE Instruction must comply with the requirements as to authentication and contents set out above and must settle on or before 11.00 a.m. on 11 June 2010.

In order to assist prompt settlement of the USE Instruction, CREST members (or their sponsors, where applicable) may consider adding the following non-mandatory fields to the USE Instruction:

- (i) a contact name and telephone number (in the free format shared note field); and
- (ii) a priority of at least 80.

CREST members and, in the case of CREST sponsored members, their CREST sponsors, should note that the last time at which a USE Instruction may settle on 11 June 2010 in order to be valid is 11.00 a.m. on that day.

(f) *Content of USE Instruction in respect of Excess CREST Open Offer Entitlements*

The USE Instruction must be properly authenticated in accordance with Euroclear specifications and must contain, in addition to the other information that is required for settlement in CREST, the following details:

- (i) the number of Open Offer Shares for which the application is being made (and hence the number of the Excess CREST Open Offer Entitlement(s) being delivered to Capita Registrars);
- (ii) the ISIN of the Excess CREST Open Offer Entitlement. This is GB00B55G4491;
- (iii) the CREST participant ID of the accepting CREST member;
- (iv) the CREST member account ID of the accepting CREST member from which the Excess CREST Open Offer Entitlements are to be debited;
- (v) the participant ID of Capita Registrars in its capacity as Receiving Agent. This is 7RA33;
- (vi) the member account ID of Capita Registrars in its capacity as Receiving Agent. This is 27088STA;
- (vii) the amount payable by means of a CREST payment on settlement of the USE Instruction. This must be the full amount payable on application for the number of New Ordinary Shares referred to in paragraph (f)(i) above;
- (viii) the intended settlement date. This must be on or before 11.00 a.m. on 11 June 2010; and
- (ix) the Corporate Action Number for the Open Offer. This will be available by viewing the relevant corporate action details in CREST.

In order for the application in respect of an Excess CREST Open Offer Entitlement under the Open Offer to be valid, the USE Instruction must comply with the requirements as to authentication and contents set out above and must settle on or before 11.00 a.m. on 11 June 2010.

In order to assist prompt settlement of the USE Instruction, CREST members (or their sponsors, where applicable) may consider adding the following non-mandatory fields to the USE Instruction:

- (i) a contact name and telephone number (in the free format shared note field); and
- (ii) a priority of at least 80.

CREST members and, in the case of CREST sponsored members, their CREST sponsors, should note that the last time at which a USE Instruction may settle on 11 June 2010 in order to be valid is 11.00 a.m. on that day. Please note that automated CREST generated claims and buyer protection will not be offered on the Excess CREST Open Offer Entitlement security.

In the event that the Issue does not become unconditional by 8.00 a.m. on 15 June 2010 or such later time and date as the Directors determine (being no later than 8.00 a.m. on 15 July 2010), the Open Offer will lapse, the Basic Entitlements and Excess CREST Open Offer Entitlements admitted to CREST will be disabled and the Registrar will refund the amount paid by a Qualifying CREST Shareholder by way of a CREST payment, without interest, as soon as practicable thereafter. The interest earned on such monies will be retained for the benefit of the Company.

(g) *Deposit of Open Offer Entitlements into, and withdrawal from, CREST*

A Qualifying Non-CREST Shareholder's entitlement under the Open Offer as shown by the number of Open Offer Entitlements set out in his Non-CREST Application Form may be deposited into CREST (either into the account of the Qualifying Shareholder named in the Non-CREST Application Form or into the name of a person entitled by virtue of a *bona fide* market claim). Similarly, Basic Entitlements and Excess CREST Open Offer Entitlements held in CREST may be withdrawn from CREST so that the entitlement under the Open Offer can be applied for through a Non-CREST Application Form. Normal CREST procedures (including timings) apply in relation to any such deposit or withdrawal, subject (in the case of a deposit into CREST) as set out in the Non-CREST Application Form.

A holder of a Non-CREST Application Form who is proposing to deposit the entitlements set out in such form into CREST is recommended to ensure that the deposit procedures are implemented in sufficient time to enable the person holding or acquiring the Basic Entitlements and the entitlement to apply under the Excess Application Facility following their deposit into CREST to take all necessary steps in connection with taking up the entitlement prior to 11.00 a.m. on 11 June 2010. After depositing their Basic Entitlement into their CREST account, CREST holders will, shortly after that, receive a credit for their Excess CREST Open Offer Entitlement, which will be managed by the Registrar.

In particular, having regard to normal processing times in CREST and on the part of Capita Registrars, the recommended latest time for depositing a Non-CREST Application Form with the CREST Courier and Sorting Service, where the person entitled wishes to hold the entitlement under the Open Offer set out in such Non-CREST Application Form as Basic Entitlements or Excess CREST Open Offer Entitlements in CREST, is 3.00 p.m. on 8 June 2010 and the recommended latest time for receipt by Euroclear of a dematerialised instruction requesting withdrawal of Basic Entitlements or Excess CREST Open Offer Entitlements from CREST is 4.30 p.m. on 7 June 2010, in either case so as to enable the person acquiring or (as appropriate) holding the Basic Entitlements and the Excess CREST Open Offer Entitlements following the deposit or withdrawal (whether as shown in a Non-CREST Application Form or held in CREST) to take all necessary steps in connection with applying in respect of the Basic Entitlements or in respect of the Excess CREST Open Offer Entitlements, as the case may be, prior to 11.00 a.m. on 11 June 2010. CREST holders inputting the withdrawal of their Open Offer Entitlement from their CREST account must ensure that they withdraw both their Basic Entitlement and the Excess CREST Open Offer Entitlement.

Delivery of a Non-CREST Application Form with the CREST deposit form duly completed whether in respect of a deposit into the account of the Qualifying Shareholder named in the Non-CREST Application Form or into the name of another person, shall constitute a representation and warranty to the Company and Capita Registrars by the relevant CREST member(s) that it is/they are not in breach of the provisions of the notes under the paragraph headed "Instructions for deposit of Open Offer Entitlements into, and withdrawal from, CREST" on page 3 of the Non-CREST Application Form, and a declaration to the Company and Capita Registrars from the relevant CREST member(s) that it is/they are not citizen(s) or resident(s) of any Restricted Jurisdiction or any jurisdiction in which the application for New Ordinary Shares is prevented by law and, where such deposit is made by a beneficiary of a market claim, a representation and warranty that the relevant CREST member(s) is/are entitled to apply under the Open Offer by virtue of a *bona fide* market claim.

(h) *Validity of application*

A USE Instruction complying with the requirements as to authentication and contents set out above which settles by no later than 11.00 a.m. on 11 June 2010 will constitute a valid application under the Open Offer.

(i) *CREST procedures and timings*

CREST members and (where applicable) their CREST sponsors should note that Euroclear does not make available special procedures in CREST for any particular corporate action. Normal system timings and limitations will therefore apply in relation to the input of a USE Instruction and its settlement in connection with the Open Offer. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST sponsored member, to procure that his CREST sponsor takes) such action as shall be necessary to ensure that a valid application is made as stated above by 11.00 a.m. on 11 June 2010. In this connection CREST members and (where applicable) their CREST sponsors are referred in particular to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

(j) *Incorrect or incomplete applications*

If a USE Instruction includes a CREST payment for an incorrect sum, the Company, through Capita Registrars, reserves the right:

- (i) to reject the application in full and refund the payment to the CREST member in question, without payment of interest;
- (ii) in the case that an insufficient sum is paid, to treat the application as a valid application for such lesser whole number of Open Offer Shares as would be able to be applied for with that payment at the Issue Price, refunding any unutilised sum to the CREST member in question, without payment of interest; and
- (iii) in the case that an excess sum is paid, to treat the application as a valid application for all the Open Offer Shares referred to in the USE Instruction, refunding any unutilised sum to the CREST member in question, without payment of interest.

(k) *Effect of valid application*

A CREST member who makes or is treated as making a valid application in accordance with the above procedures thereby:

- (i) represents and warrants to the Company, the Receiving Agent and Singer that he has the right, power and authority, and has taken all action necessary, to make the application under the Open Offer and to execute, deliver and exercise his rights, and perform his obligations, under any contracts resulting therefrom and that he is not a person otherwise

prevented by legal or regulatory restrictions from applying for Open Offer Shares or acting on behalf of any such person on a non-discretionary basis;

- (ii) agrees to pay the amount payable on application in accordance with the above procedures by means of a CREST payment in accordance with the CREST payment arrangements (it being acknowledged that the payment to the Registrar's payment bank in accordance with the CREST payment arrangements shall, to the extent of the payment, discharge in full the obligation of the CREST member to pay to the Company the amount payable on application);
- (iii) agrees that all applications under the Open Offer and any contracts or non-contractual obligations resulting therefrom shall be governed by, and construed in accordance with, the laws of England and Wales;
- (iv) confirms that in making the application he is not relying on any information or representation in relation to the Group other than those contained in this document or any documents incorporated by reference, and the applicant accordingly agrees that no person responsible solely or jointly for this document including any document incorporated by reference or any part thereof, or involved in the preparation thereof, shall have any liability for any such information or representation not so contained and further agrees that, having had the opportunity to read this document including any documents incorporated by reference, he will be deemed to have had notice of all the information in relation to the Group contained in this document (including information incorporated by reference);
- (v) confirms that in making the application he is not relying and has not relied on Singer or any other person affiliated with Singer in connection with any investigation of the accuracy of any information contained in this document or his investment decision;
- (vi) confirms that no person has been authorised to give any information or to make any representation concerning the Company or the Group or the New Ordinary Shares (other than as contained in this document) and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Company, the Receiving Agent or Singer;
- (vii) represents and warrants to the Company, the Receiving Agent and Singer that he is the Qualifying Shareholder originally entitled to the Basic Entitlements and Excess CREST Open Offer Entitlements or that he has received such Basic Entitlements and Excess CREST Open Offer Entitlements by virtue of a *bona fide* market claim;
- (viii) represents and warrants to the Company, the Receiving Agent and Singer that if he has received some or all of his Basic Entitlements and Excess CREST Open Offer Entitlements from a person other than the Company, he is entitled to apply under the Basic Entitlements and Excess CREST Open Offer in relation to such Open Offer Entitlements by virtue of a *bona fide* market claim;
- (ix) requests that the New Ordinary Shares to which he will become entitled be issued to him on the terms set out in this document and subject to the Articles of Association of the Company;
- (x) represents and warrants to the Company, the Receiving Agent and Singer that he is not, nor is he applying on behalf of any Shareholder who is, a citizen or resident, or which is a corporation, partnership or other entity created or organised in or under any laws, of any Restricted Jurisdiction or any jurisdiction in which the application for Open Offer Shares is prevented by law and he is not applying with a view to re-offering, re-selling, transferring or delivering any of the Open Offer Shares which are the subject of his application to, or for the benefit of, a Shareholder who is a citizen or resident or which is a corporation, partnership or other entity created or organised in or under any laws of

any Restricted Jurisdiction or any jurisdiction in which the application for Open Offer Shares is prevented by law (except where proof satisfactory to the Company has been provided to the Company that he is able to accept the invitation by the Company free of any requirement which it (in its absolute discretion) regards as unduly burdensome), nor acting on behalf of any such person on a non-discretionary basis nor a person otherwise prevented by legal or regulatory restrictions from applying for Open Offer Shares under the Open Offer; and

- (xi) represents and warrants to the Company, the Receiving Agent and Singer that he is not, and nor is he applying as nominee or agent for, a person who is or may be liable to notify and account for tax under the Stamp Duty Reserve Tax Regulations 1986 at any of the increased rates referred to in section 93 (depository receipts) or section 96 (clearance services) of the Finance Act 1986.

(l) *Company's discretion as to the rejection and validity of applications*

Subject to the provisions of the Placing Agreement, the Company may in its sole discretion:

- (i) treat as valid (and binding on the CREST member concerned) an application which does not comply in all respects with the requirements as to validity set out or referred to in this Part II (*Terms and Conditions of the Open Offer*);
- (ii) accept an alternative properly authenticated dematerialised instruction from a CREST member or (where applicable) a CREST sponsor as constituting a valid application in substitution for or in addition to a USE Instruction and subject to such further terms and conditions as the Company may determine;
- (iii) treat a properly authenticated dematerialised instruction (in this sub-paragraph the "first instruction") as not constituting a valid application if, at the time at which the Registrar receives a properly authenticated dematerialised instruction giving details of the first instruction or thereafter, either the Company or the Registrar has received actual notice from Euroclear of any of the matters specified in Regulation 35(5)(a) of the CREST Regulations in relation to the first instruction. These matters include notice that any information contained in the first instruction was incorrect or notice of lack of authority to send the first instruction; and
- (iv) accept an alternative instruction or notification from a CREST member or CREST sponsored member or (where applicable) a CREST sponsor, or extend the time for settlement of a USE Instruction or any alternative instruction or notification, in the event that, for reasons or due to circumstances outside the control of any CREST member or CREST sponsored member or (where applicable) CREST sponsor, the CREST member or CREST sponsored member is unable validly to apply for Open Offer Shares by means of the above procedures. In normal circumstances, this discretion is only likely to be exercised in the event of any interruption, failure or breakdown of CREST (or any part of CREST) or on the part of the facilities and/or systems operated by the Registrar in connection with CREST.

5. Money Laundering Regulations

5.1 Holders of Non-CREST Application Forms

To ensure compliance with the Money Laundering Regulations, Capita Registrars may require, at its absolute discretion, verification of the identity of the person by whom or on whose behalf the Non-CREST Application Form is lodged with payment (which requirements are referred to below as the "**verification of identity requirements**"). If the Non-CREST Application Form is submitted by a UK regulated broker or intermediary acting as agent and which is itself subject to the Money Laundering Regulations, any verification of identity requirements are the responsibility of such broker or intermediary and not of the Receiving Agent. In such case, the lodging agent's stamp should be inserted on the Non-CREST Application Form.

The person lodging the Non-CREST Application Form with payment and in accordance with the other terms as described above (“**acceptor**”), including any person who appears to Capita Registrars to be acting on behalf of some other person, accepts the Open Offer in respect of such number of Open Offer Shares as is referred to therein (for the purposes of this paragraph 5, the “**relevant Open Offer Shares**”) shall thereby be deemed to agree to provide Capita Registrars with such information and other evidence as the Registrar may require to satisfy the verification of identity requirements.

If Capita Registrars determines that the verification of identity requirements apply to any acceptor or application, the relevant Open Offer Shares (notwithstanding any other term of the Open Offer) will not be issued to the relevant acceptor unless and until the verification of identity requirements have been satisfied in respect of that acceptor or application. The Receiving Agent is entitled, in its absolute discretion, to determine whether the verification of identity requirements apply to any acceptor or application and whether such requirements have been satisfied, and neither the Receiving Agent nor the Company will be liable to any person for any loss or damage suffered or incurred (or alleged), directly or indirectly, as a result of the exercise of such discretion.

If the verification of identity requirements apply, failure to provide the necessary evidence of identity within a reasonable time may result in delays in the despatch of share certificates or in crediting CREST accounts. If, within a reasonable time following a request for verification of identity, the Receiving Agent has not received evidence satisfactory to it as aforesaid, the Company may, in its absolute discretion, treat the relevant application as invalid, in which event the monies payable on acceptance of the Open Offer will be returned (at the acceptor’s risk) without interest to the account of the bank or building society on which the relevant cheque or banker’s draft was drawn.

Submission of a Non-CREST Application Form with the appropriate remittance will constitute a warranty to each of the Receiving Agent, the Company, and Singer from the applicant that the Money Laundering Regulations will not be breached by application of such remittance.

The verification of identity requirements will not usually apply:

- (i) if the applicant is an organisation required to comply with the Money Laundering Directive (2005/60/EC of the European Parliament and of the EC Council of 26 October 2005 on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing); or
- (ii) if the acceptor is a regulated UK broker or intermediary acting as agent and is itself subject to the Money Laundering Regulations; or
- (iii) if the applicant (not being an applicant who delivers his application in person) makes payment by way of a cheque drawn on an account in the applicant’s name; or
- (iv) if the aggregate subscription price for the Open Offer Shares is less than €15,000 (approximately £12,711.86 as at 26 May 2010).

In other cases the verification of identity requirements may apply. Satisfaction of these requirements may be facilitated in the following ways:

- (a) if payment is made by cheque or banker’s draft in sterling drawn on a branch in the UK of a bank or building society which bears a UK bank sort code number in the top right hand corner the following applies. Cheques should be made payable to “Capita Registrars Limited re Stanelco PLC Open Offer” in respect of an application by a Qualifying Shareholder and crossed “A/C Payee Only” in each case. Third party cheques may not be accepted (with the exception of building society cheques or bankers’ drafts where the building society or bank has confirmed the name of the account holder by stamping or endorsing the cheque/bankers’ draft to such effect). However, third party cheques will be subject to the Money Laundering Regulations which would delay Shareholders receiving their Open Offer Shares. The account name should be the same as that shown on the Non-CREST Application Form; or

- (b) if the Non-CREST Application Form is lodged with payment by an agent which is an organisation of the kind referred to in paragraph 5.1(i) above or which is subject to anti-money laundering regulation in a country which is a member of the Financial Action Task Force (the non-European Union members of which are Argentina, Australia, Brazil, Canada, China, Gibraltar, Hong Kong, Iceland, Japan, Mexico, New Zealand, Norway, Russian Federation, Singapore, South Africa, Switzerland, Turkey, UK Crown Dependencies and the US and, by virtue of their membership of the Gulf Cooperation Council, Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates), the agent should provide with the Non-CREST Application Form, written confirmation that it has that status and a written assurance that it has obtained and recorded evidence of the identity of the person for whom it acts and that it will on demand make such evidence available to the Registrar. If the agent is not such an organisation, it should contact the Registrar at the address set out in the section headed "Directors, Company Secretary, Registered Office and Advisers".

To confirm the acceptability of any written assurance referred to in paragraph 5.1(b) above, or in any other case, the acceptor should contact Capita Registrars on the shareholder helpline on 0871 664 0321, or, if calling from overseas, +44 20 8639 3399 (calls to the 0871 numbers are charged at 10 pence per minute plus network extras).

If the Non-CREST Application Form(s) is/are in respect of Open Offer Shares with an aggregate subscription price of €15,000 (approximately £12,711.86 as at 26 May 2010) or more and is/are lodged by hand by the acceptor in person, or if the Non-CREST Application Form(s) in respect of Open Offer Shares is/are lodged by hand by the acceptor and the accompanying payment is not the acceptor's own cheque, he should ensure that he has with him evidence of identity bearing his photograph (for example, his passport) and separate evidence of his address.

If, within a reasonable period of time following a request for verification of identity, and in any case by no later than 11.00 a.m. on 11 June 2010, Capita Registrars has not received evidence satisfactory to it as aforesaid, Capita Registrars may, at its discretion, as agent of the Company, reject the relevant application, in which event the monies submitted in respect of that application will be returned without interest to the account at the drawee bank from which such monies were originally debited (without prejudice to the rights of the Company to undertake proceedings to recover monies in respect of the loss suffered by it as a result of the failure to produce satisfactory evidence as aforesaid).

5.2 Basic Entitlements and Excess CREST Open Offer Entitlements in CREST

If you hold your Basic Entitlements and Excess CREST Open Offer Entitlements in CREST and apply for Open Offer Shares in respect of all or some of your Basic Entitlements and Excess CREST Open Offer Entitlements as agent for one or more persons and you are not a UK or EU regulated person or institution (e.g. a UK financial institution), then, irrespective of the value of the application, the Registrar is obliged to take reasonable measures to establish the identity of the person or persons on whose behalf you are making the application. You must therefore contact Capita Registrars before sending any USE or other instruction so that appropriate measures may be taken.

Submission of a USE Instruction which on its settlement constitutes a valid application as described above constitutes a warranty and undertaking by the applicant to provide promptly to Capita Registrars such information as may be specified by Capita Registrars as being required for the purposes of the Money Laundering Regulations. Pending the provision of evidence satisfactory to Capita Registrars as to identity, Capita Registrars may in its absolute discretion take, or omit to take, such action as it may determine to prevent or delay issue of the Open Offer Shares concerned. If satisfactory evidence of identity has not been provided within a reasonable time, then the application for the Open Offer Shares represented by the USE Instruction will not be valid. This is without prejudice to the right of the Company to take proceedings to recover any loss suffered by it as a result of failure to provide satisfactory evidence.

6. Overseas Shareholders

This document has been approved by the FSA, being the competent authority in the UK.

Accordingly, the making of the Open Offer to persons resident in, or who are citizens of, or who have a registered address in, countries other than the UK may be affected by the law or regulatory requirements of the relevant jurisdiction. The comments set out in this paragraph 6 are intended as a general guide only and any Overseas Shareholders who are in any doubt as to their position should consult their professional advisers without delay.

6.1 *General*

The distribution of this document and the Non-CREST Application Form and the making of the Open Offer to persons who have registered addresses in, or who are resident or ordinarily resident in, or citizens of, or which are corporations, partnerships or other entities created or organised under the laws of countries other than the UK or to persons who are nominees of or custodians, trustees or guardians for citizens, residents in or nationals of, countries other than the UK may be affected by the laws or regulatory requirements of the relevant jurisdictions. Those persons should consult their professional advisers as to whether they require any governmental or other consents or need to observe any applicable legal requirement or other formalities to enable them to apply for Open Offer Shares under the Open Offer.

No action has been or will be taken by the Company or Singer or any other person to permit a public offering or distribution of this document (or any other offering or publicity materials or application form(s) relating to the Open Offer Shares) in any jurisdiction where action for that purpose may be required, other than in the UK.

Receipt of this document and/or a Non-CREST Application Form and/or a credit of Basic Entitlements or Excess CREST Open Offer Entitlements to a stock account in CREST will not constitute an invitation or offer of securities for subscription, sale or purchase in those jurisdictions in which it would be illegal to make such an invitation or offer and, in those circumstances, this document and/or the Non-CREST Application Form must be treated as sent for information only and should not be copied or redistributed.

Due to restrictions under the securities laws of the Restricted Jurisdictions and certain commercial considerations, Non-CREST Application Forms will not be sent to, and neither Basic Entitlements nor Excess CREST Open Offer Entitlements will be credited to stock accounts in CREST of, Excluded Overseas Shareholders or their agents or intermediaries, except where the Company is satisfied, at its sole and absolute discretion, that such action would not result in the contravention of any registration or other legal requirement in the relevant jurisdiction.

No person receiving a copy of this document and/or a Non-CREST Application Form and/or a credit of Basic Entitlements or Excess CREST Open Offer Entitlements to a stock account in CREST in any territory other than the UK may treat the same as constituting an invitation or offer to him, nor should he in any event use any such Non-CREST Application Form and/or credit of Basic Entitlements or Excess CREST Open Offer Entitlements to a stock account in CREST unless, in the relevant territory, such an invitation or offer could lawfully be made to him and such Non-CREST Application Form and/or credit of Basic Entitlements or Excess CREST Open Offer Entitlements to a stock account in CREST could lawfully be used, and any transaction resulting from such use could be effected, without contravention of any registration or other legal or regulatory requirements. In circumstances where an invitation or offer would contravene any registration or other legal or regulatory requirements, this document and/or the Non-CREST Application Form must be treated as sent for information only and should not be copied or redistributed.

It is the responsibility of any person (including, without limitation, custodians, agents, nominees and trustees) outside the UK wishing to apply for Open Offer Shares under the Open Offer to satisfy himself as to the full observance of the laws of any relevant territory in connection therewith, including obtaining any governmental or other consents that may be required, observing any other

formalities required to be observed in such territory and paying any issue, transfer or other taxes due in such territory.

None of the Company, Singer nor any of their respective representatives is making any representation to any offeree or purchaser of Open Offer Shares regarding the legality of an investment in the Open Offer Shares by such offeree or purchaser under the laws applicable to such offeree or purchaser.

Persons (including, without limitation, custodians, agents, nominees and trustees) receiving a copy of this document and/or a Non-CREST Application Form and/or a credit of Basic Entitlements or Excess CREST Open Offer Entitlements to a stock account in CREST, in connection with the Open Offer or otherwise, should not distribute or send either of those documents nor transfer Basic Entitlements or Excess CREST Open Offer Entitlements in or into any jurisdiction where to do so would or might contravene local securities laws or regulations. If a copy of this document and/or a Non-CREST Application Form and/or a credit of Basic Entitlements or Excess CREST Open Offer Entitlements to a stock account in CREST is received by any person in any such territory, or by his custodian, agent, nominee or trustee, he must not seek to apply for Open Offer Shares unless the Company and Singer determine that such action would not violate applicable legal or regulatory requirements. Any person (including, without limitation, custodians, agents, nominees and trustees) who does forward a copy of this document and/or a Non-CREST Application Form and/or transfers Basic Entitlements or Excess CREST Open Offer Entitlements into any such territory, whether pursuant to a contractual or legal obligation or otherwise, should draw the attention of the recipient to the contents of this Part II (*Terms and Conditions of the Open Offer*) and specifically the contents of this paragraph 6.

Subject to paragraphs 6.2 to 6.8 below, any person (including, without limitation, custodians, agents, nominees and trustees) outside the UK wishing to apply for Open Offer Shares must satisfy himself as to the full observance of the applicable laws of any relevant territory, including obtaining any requisite governmental or other consents, observing any other requisite formalities and pay any issue, transfer or other taxes due in such territories.

The Company reserves the right to treat as invalid any application or purported application for Open Offer Shares that appears to the Company or its agents to have been executed, effected or dispatched by an Excluded Overseas Shareholder or on behalf of such a person by their agent or intermediary or in a manner that may involve a breach of the laws or regulations of any jurisdiction or if the Company or its agents believe that the same may violate applicable legal or regulatory requirements or if it provides an address for delivery of the share certificates of Open Offer Shares or, in the case of a credit of Basic Entitlements or Excess CREST Open Offer Entitlements to a stock account in CREST, to a CREST member whose registered address would be, in a Restricted Jurisdiction or any other jurisdiction outside the UK in which it would be unlawful to deliver such share certificates or make such a credit.

The attention of Overseas Shareholders is drawn to paragraphs 6.2 to 6.8 below.

Notwithstanding any other provision of this document or the Non-CREST Application Form, the Company reserves the right to permit any Qualifying Shareholder who is an Excluded Overseas Shareholder to apply for Open Offer Shares if the Company, in its sole and absolute discretion, is satisfied that the transaction in question is exempt from, or not subject to, the legislation or regulations giving rise to the restrictions in question.

Overseas Shareholders who wish, and are permitted, to apply for Open Offer Shares should note that payment must be made in sterling denominated cheques or bankers' drafts or where such an Overseas Shareholder is a Qualifying CREST Shareholder, through CREST.

Due to restrictions under the securities laws of the Restricted Jurisdictions and subject to certain exceptions, Excluded Overseas Shareholders will not qualify to participate in the Open Offer and will not be sent a Non-CREST Application Form nor will their stock accounts in CREST be credited with Basic Entitlements or Excess CREST Open Offer Entitlements.

The Open Offer Shares have not been and will not be registered under the relevant laws of any Restricted Jurisdiction or any state, province or territory thereof and may not be offered, sold, resold,

transferred, delivered or distributed, directly or indirectly, in or into any Restricted Jurisdiction or to, or for the account or benefit of, any person with a registered address in, or who is resident or ordinarily resident in, or a citizen of, any Restricted Jurisdiction except pursuant to an applicable exemption.

No public offer of Open Offer Shares is being made by virtue of this document or the Non-CREST Application Forms into any Restricted Jurisdiction. Receipt of this document and/or an Non-CREST Application Form and/or a credit of a Basic Entitlement or an Excess CREST Open Offer Entitlement to a stock account in CREST will not constitute an invitation or offer of securities for subscription, sale or purchase in those jurisdictions in which it would be illegal to make such an invitation or offer and, in those circumstances, this document and/or the Non-CREST Application Form must be treated as sent for information only and should not be copied or redistributed.

6.2 *United States*

Subject to certain exceptions, this document is intended for use only in connection with offers and sales of New Ordinary Shares outside the United States and is not to be sent or given to any person within the United States. The New Ordinary Shares offered hereby are not being registered under the Securities Act, for the purposes of sales outside of the United States.

This document may not be transmitted in or into the United States and may not be used to make offers or sales to US holders of Ordinary Shares.

Subject to certain exceptions, the New Ordinary Shares will be distributed, offered or sold, as the case may be, outside the United States in offshore transactions within the meaning of, and in accordance with, Regulation S under the Securities Act.

Each person to which the New Ordinary Shares are distributed, offered or sold outside the United States will be deemed by its subscription for, or purchase of, the New Ordinary Shares to have represented and agreed, on its behalf and on behalf of any investor accounts for which it is subscribing or purchasing the New Ordinary Shares, as the case may be, that:

- (i) it is acquiring the New Ordinary Shares from the Company in an “offshore transaction” as defined in Regulation S under the Securities Act; and
- (ii) the New Ordinary Shares have not been offered to it by the Company or Singer by means of any “directed selling efforts” as defined in Regulation S under the Securities Act.

Each subscriber or purchaser acknowledges that the Company and Singer will rely upon the truth and accuracy of the foregoing representations and agreements, and agrees that if any of the representations and agreements deemed to have been made by such subscriber or purchaser by its subscription for, or purchase of, the New Ordinary Shares, as the case may be, are no longer accurate, it shall promptly notify the Company and Singer. If such subscriber or purchaser is subscribing for, or purchasing, the New Ordinary Shares as a fiduciary or agent for one or more investor accounts each subscriber or purchaser represents that it has sole investment discretion with respect to each such account and full power to make the foregoing representations and agreements on behalf of each such account.

Each subscriber or purchaser acknowledges that it will not resell the New Ordinary Shares absent registration or an available exemption or safeharbour from registration under the Securities Act.

6.3 *Canada*

This document is not, and is not to be construed as, a prospectus, an advertisement or a public offering of these securities in Canada. No securities commission or similar regulatory authority in Canada has reviewed or in any way passed upon this document or the merits of the New Ordinary Shares, and any representation to the contrary is an offence.

In addition, the relevant exemptions are not being obtained from the appropriate provincial authorities in Canada. Accordingly, the New Ordinary Shares are not being offered for purchase by persons resident in Canada or any territory or possessions thereof. Applications from any Canadian Person

who appears to be or whom the Company has reason to believe to be so resident or the agent of any person so resident will be deemed to be invalid. Neither this document nor a Non-CREST Application Form will be sent to and no Basic Entitlements or Excess CREST Open Offer Entitlements will be credited to a stock account in CREST of any shareholder in the Company whose registered address is in Canada. If any Non-CREST Application Form is received by any shareholder in the Company whose registered address is elsewhere but who is, in fact, a Canadian Person or the agent of a Canadian Person so resident, he should not apply under the Open Offer.

For the purposes of this paragraph 6.3, “**Canadian Person**” means a citizen or resident of Canada, including the estate of any such person or any corporation, partnership or other entity created or organised under the laws of Canada or any political sub-division thereof.

6.4 *Australia*

Neither this document nor the Non-CREST Application Form has been lodged with, or registered by, the Australian Securities and Investments Commission. A person may not: (i) directly or indirectly offer for subscription or purchase or issue an invitation to subscribe for or buy or sell, the Open Offer Shares; or (ii) distribute any draft or definitive document in relation to any such offer, invitation or sale, in Australia or to any resident of Australia (including corporations and other entities organised under the laws of Australia but not including a permanent establishment of such a corporation or entity located outside Australia). Accordingly, neither this document nor any Non-CREST Application Form will be issued to, and no Basic Entitlements or Excess CREST Open Offer Entitlements will be credited to a CREST stock account of, shareholders in the Company with registered addresses in, or to residents of, Australia.

6.5 *Other Restricted Jurisdictions*

The New Ordinary Shares have not been and will not be registered under the relevant laws of any Restricted Jurisdiction or any state, province or territory thereof and may not be offered, sold, resold, delivered or distributed, directly or indirectly, in, into or from any Restricted Jurisdiction or to, or for the account or benefit of, any person with a registered address in, or who is resident or ordinarily resident in, or a citizen of, any Restricted Jurisdiction except pursuant to an applicable exemption.

No offer of New Ordinary Shares is being made by virtue of this document or the Non-CREST Application Forms into any Restricted Jurisdiction.

6.6 *Other overseas territories*

Non-CREST Application Forms will be sent to Qualifying Non-CREST Shareholders and Basic Entitlements or Excess CREST Open Offer Entitlements will be credited to the stock account in CREST of Qualifying CREST Shareholders. Qualifying Shareholders in jurisdictions other than the Restricted Jurisdictions may, subject to the laws of their relevant jurisdiction, take up Open Offer Shares under the Open Offer in accordance with the instructions set out in this document and the Non-CREST Application Form. Such Qualifying Shareholders who have registered addresses in, or who are resident or ordinarily resident in, or citizens of, countries other than the UK should, however, consult appropriate professional advisers as to whether they require any governmental or other consents or need to observe any further formalities to enable them to apply for any Open Offer Shares.

6.7 *Representations and warranties relating to Overseas Shareholders*

(a) *Qualifying Non-CREST Shareholders*

Any person completing and returning a Non-CREST Application Form or requesting registration of the Open Offer Shares comprised therein represents and warrants to the Company, Singer and the Registrar that, except where proof has been provided to the Company’s satisfaction that such person’s use of the Non-CREST Application Form will not result in the contravention of any applicable legal requirements in any jurisdiction: (i) such person is not requesting registration of the relevant Open Offer Shares from within any Restricted Jurisdiction; (ii) such person is not in any territory in which it is unlawful to make

or accept an offer to acquire Open Offer Shares or to use the Non-CREST Application Form in any manner in which such person has used or will use it; (iii) such person is not acting on a non-discretionary basis for a person located within any Restricted Jurisdiction or any territory referred to in (ii) above at the time the instruction to accept was given; and (iv) such person is not acquiring Open Offer Shares with a view to the offer, sale, resale, transfer, delivery or distribution, directly or indirectly, of any such Open Offer Shares into any of the above territories. The Company and/or the Registrar may treat as invalid any acceptance or purported acceptance of the allotment of Open Offer Shares comprised in a Non-CREST Application Form if it: (i) appears to the Company or its agents to have been executed, effected or dispatched from a Restricted Jurisdiction or in a manner that may involve a breach of the laws or regulations of any jurisdiction or if the Company or its agents believe that the same may violate applicable legal or regulatory requirements; or (ii) provides an address in a Restricted Jurisdiction for delivery of the share certificates of Open Offer Shares (or any other jurisdiction outside the UK in which it would be unlawful to deliver such share certificates); or (iii) purports to exclude the representation and warranty required by this sub-paragraph (a).

(b) *Qualifying CREST Shareholders*

A CREST member or CREST sponsored member who makes a valid acceptance in accordance with the procedures set out in this Part II (*Terms and Conditions of the Open Offer*) represents and warrants to the Company and Singer that, except where proof has been provided to the Company's satisfaction that such person's acceptance will not result in the contravention of any applicable legal requirement in any jurisdiction: (i) neither it nor its client is within any Restricted Jurisdiction; (ii) neither it nor its client is in any territory in which it is unlawful to make or accept an offer to acquire Open Offer Shares; (iii) it is not accepting on a non-discretionary basis for a person located within any Restricted Jurisdiction or any territory referred to in (ii) above at the time the instruction to accept was given; and (iv) neither it nor its client is acquiring any Open Offer Shares with a view to the offer, sale, resale, transfer, delivery or distribution, directly or indirectly, of any such Open Offer Shares into any of the above territories. A CREST member or CREST sponsored member who makes a valid acceptance in accordance with the procedures set out in this Part II (*Terms and Conditions of the Open Offer*) also represents and warrants that it is making an application for New Ordinary Shares for its own long-term investment and will not sell, dispose of or transfer the New Ordinary Shares allocated to it as part of the Open Offer within a period of six months from the date of allotment of such New Ordinary Shares.

6.8 *Waiver*

The provisions of this paragraph 6 and of any other terms of the Open Offer relating to Overseas Shareholders may be waived, varied or modified as regards specific Shareholders or on a general basis by the Company, in its absolute discretion. Subject to this, the provisions of this paragraph 6 supersede any terms of the Open Offer inconsistent herewith. References in this paragraph 6 to Shareholders shall include references to the person or persons executing a Non-CREST Application Form and, in the event of more than one person executing a Non-CREST Application Form, the provisions of this paragraph 6 shall apply to them jointly and to each of them.

7. Withdrawal rights

Persons wishing to exercise or direct the exercise of statutory withdrawal rights pursuant to section 87Q(4) of FSMA after the issue by the Company of a prospectus supplementing this document must do so by lodging a written notice of withdrawal within two Business Days commencing on the Business Day after the date on which the supplementary prospectus is published. The withdrawal notice must include the full name and address of the person wishing to exercise statutory withdrawal rights and, if such person is a CREST member, the participant ID and the member account ID of such CREST member. The notice of withdrawal must be deposited by hand (during normal business hours only) or by facsimile on 020 8639 2142 to Capita Registrars (please call Capita Registrars on the shareholder helpline on 0871 664 0321, or, if calling from

overseas, +44 20 8639 3399 for further details) so as to be received within two Business Days commencing on the Business Day after the date on which the supplementary prospectus is published. Notice of withdrawal given by any other means or which is deposited with Capita Registrars after expiry of such period will not constitute a valid withdrawal, provided that the Company will not permit the exercise of withdrawal rights after payment by the relevant person for the Open Offer Shares applied for in full and the allotment of such Open Offer Shares to such person becoming unconditional save to the extent required by statute. In such event, Shareholders are advised to seek independent legal advice.

In this regard, reference is also made to paragraph 9 of this Part II (*Terms and Conditions of the Open Offer*).

8. Admission, settlement and dealings

The result of the Open Offer is expected to be announced on 14 June 2010. Applications will be made to the UK Listing Authority for the Open Offer Shares to be listed on the Official List and to the London Stock Exchange for the Open Offer Shares to be admitted to trading on the London Stock Exchange's main market for listed securities. It is expected that Admission will become effective and that dealings in the Open Offer Shares, fully paid, will commence at 8.00 a.m. on 15 June 2010.

The Existing Ordinary Shares are already admitted to CREST. No further application for admission to CREST is accordingly required for the New Ordinary Shares. All such shares, when issued and fully paid, may be held and transferred by means of CREST.

Basic Entitlements and Excess CREST Open Offer Entitlements held in CREST are expected to be disabled in all respects after 11.00 a.m. on 11 June 2010 (being the latest practicable date for applications under the Open Offer). If the conditions to the Open Offer described above are satisfied, New Ordinary Shares will be issued in uncertificated form to those persons who submitted a valid application for New Ordinary Shares by utilising the CREST application procedures and whose applications have been accepted by the Company. On 15 June 2010, Capita Registrars will instruct Euroclear to credit the appropriate stock accounts of such persons with such persons' entitlements to Open Offer Shares with effect from Admission (expected to be on 15 June 2010). The stock accounts to be credited will be accounts under the same CREST participant IDs and CREST member account IDs in respect of which the USE Instruction was given.

Notwithstanding any other provision of this document, the Company reserves the right to send Qualifying CREST Shareholders a Non-CREST Application Form instead of crediting the relevant stock account with Basic Entitlements and Excess CREST Open Offer Entitlements, and to allot and/or issue any Open Offer Shares in certificated form. In normal circumstances, this right is only likely to be exercised in the event of any interruption, failure or breakdown of CREST (or of any part of CREST) or on the part of the facilities and/or systems operated by the Registrar in connection with CREST.

For Qualifying Non-CREST Shareholders who have applied by using a Non-CREST Application Form, share certificates in respect of the New Ordinary Shares validly applied for are expected to be despatched by post by 22 June 2010. No temporary documents of title will be issued and, pending the issue of definitive certificates, transfers will be certified against the UK share register of the Company. All documents or remittances sent by or to applicants, or as they may direct, will be sent through the post at their own risk. For more information as to the procedure for application, Qualifying Non-CREST Shareholders are referred to paragraph 4.1 of this Part II (*Terms and Conditions of the Open Offer*), and the Non-CREST Application Form.

9. Times and dates

The Company shall, in its discretion, and after consultation with its financial and legal advisers, be entitled to amend the dates on which Non-CREST Application Forms are despatched or amend or extend the latest date for acceptance under the Open Offer and all related dates set out in this document and in such circumstances shall notify the FSA, and make an announcement on a Regulatory Information Service approved by the FSA and, if appropriate, by Shareholders but Qualifying Shareholders may not receive any further written communication.

If a supplementary prospectus is published by the Company two or fewer Business Days prior to the latest time and date for acceptance and payment in full under the Open Offer specified in this document, the latest date for acceptance under the Open Offer shall be extended to the date that is at least three Business Days after the date of publication of the supplementary prospectus (and the dates and times of principal events due to take place following such date shall be extended accordingly).

10. Taxation

Certain statements regarding UK taxation in respect of the New Ordinary Shares and the Open Offer are set out in paragraph 14 in Part VI (*Additional Information*). Shareholders who are in any doubt as to their tax position in relation to taking up their entitlements under the Open Offer, or who are subject to tax in any jurisdiction other than the UK, should immediately consult a suitable professional adviser.

11. Governing law and jurisdiction

The terms and conditions of the Open Offer as set out in this document, the Non-CREST Application Form and any non-contractual obligation related thereto shall be governed by, and construed in accordance with, the laws of England and Wales. The courts of England and Wales are to have exclusive jurisdiction to settle any dispute which may arise out of or in connection with the Open Offer, this document or the Non-CREST Application Form including, without limitation, disputes relating to any non-contractual obligations arising out of or in connection with the Open Offer, this document or the Non-CREST Application Form. By taking up Open Offer Shares under the Open Offer in accordance with the instructions set out in this document and, where applicable, the Non-CREST Application Form, Qualifying Shareholders irrevocably submit to the jurisdiction of the courts of England and Wales and waive any objection to proceedings in any such court on the ground of venue or on the ground that proceedings have been brought in an inconvenient forum.

12. Further information

Your attention is drawn to the further information set out in this document and also to the terms, conditions and other information printed on any Non-CREST Application Form.

PART III

BUSINESS OVERVIEW OF STANELCO

1. Background

(A) *History and background to the Group*

Stanelco's business was for many years based on the manufacture and supply of high frequency thermal processing systems, including RF (Radio Frequency) equipment. In the late 1990s, Stanelco, utilising solid-state technologies and types of power supply being newly developed at that time, embarked on the production of RF furnaces for use in the production of fibre optic cable and became a leading independent supplier of solid-state furnaces to the fibre optics industry.

In August 2003, Stanelco acquired Adept which brought knowledge of the formulation of water soluble films into the Group. In June 2004, Stanelco acquired Aquasol, an intellectual property based company with particular expertise in water-soluble packaging. This brought some packaging design skills and patents into the Stanelco Group which are now, in certain limited cases, providing royalty income to the Group. During 2004, Stanelco developed partially a product which applied its RF sealing equipment to the welding of recyclable plastic mono materials for tray lidding and thermoforming, specifically in the food packaging area. This process was trademarked as Greenseal.

In June 2005, the Group acquired Biotec from EKI, providing the Group with additional expertise in biodegradable materials and a considerable intellectual property portfolio. A placing of 44 million Ordinary Shares, raising £9 million, took place primarily to part fund this acquisition. Shortly following the acquisition of Biotec, Stanelco entered into a joint venture by selling on 50 per cent. of Biotec to SPHERE, a European manufacturer of household packaging products.

In June 2006, Stanelco raised a further £3.7 million (net of expenses) by way of an equity placing to use as working capital and to meet a stage payment for the Biotec acquisition and in November 2006, the Group raised a further £15.8 million (before expenses) by way of an equity placing and open offer to provide further funding to use in its efforts to convert its technology into commercially viable products and to meet the remaining stage payment for the Biotec acquisition.

At the beginning of 2007, a new non-executive chairman was appointed and a strategic review of the business identified a number of changes that should be made. This ultimately led to the appointment of a change in the senior executive team and the business re-focusing its activities around the development of bioplastic products. The assets of the Adept business were sold and the Aquasol activities significantly reduced. The RF applications division returned to its core business of manufacturing RF furnaces and induction heaters and the Greenseal development was halted.

Through 2008 and 2009, a commercial team and supporting technical team for the bioplastics business were established. Investment was made in laboratory and pilot facilities at the UK headquarters in Southampton. Work also began on developing new bioplastics materials with improved functional properties and high renewable content.

At the beginning of 2010, after demonstrating two years of significant sales growth, the UK bioplastics business was rebranded as Biome Bioplastics.

(B) *Overview of the current business*

Stanelco currently has two divisions: bioplastics and RF applications. Bioplastics, which represented approximately 93 per cent. of Group revenues for the year ended 31 December 2009, owns, develops and produces a range of biodegradable and sustainable bioplastic resins that substitute existing oil-based materials in the production of plastics. RF applications exploits the heating properties of high frequency electro-magnetic fields and is established as a leading supplier of RF furnaces to the optical fibre market.

The bioplastics division comprises, Biome Bioplastics, a direct subsidiary of Stanelco, responsible for the development and sale of the Group's new bioplastic products, and Biotec, a 50/50 joint venture with SPhere, which manufactures the bioplastic resins and owns the original product patents.

Further details on Stanelco's major businesses are set out below:

(i) *Biome Bioplastics*

Biome Bioplastics is a leading innovator and supplier in the emerging bioplastics market and is a wholly-owned subsidiary of Stanelco. Its research team has extensive industry know-how relevant to the development and production of bioplastics through approximately 20 years' experience developing materials in this sector. The team works closely with the Company's customers to ensure that the products developed fit the customers' specific needs. The laboratory facilities in Southampton allow the team to both test material performance and run pilot manufacturing tests on prototype products. A technical support team works closely with the sales team advising potential customers on everything from raw materials and production processes through to understanding how materials and additives behave during processing and storage.

Applications

The division's bioplastics can be found in a broad array of applications, with customers currently specifying Stanelco's bioplastics not only for their biodegradation properties but also for their renewable content. These applications include the following:

- Horticulture/agriculture e.g. plant pots;
- Packaging e.g. wraps;
- Electronics e.g. casings for electrical goods;
- Office products e.g. pens;
- Food service e.g. disposable gloves, cutlery, cups and plates; and
- Personal care/cosmetics e.g. razors.

Products

Biome Bioplastics' products are made from sustainable and renewable resources such as corn starch, cellulose and potato starch. Its product range includes:

- BiomeHT – a new class of bioplastic with a higher temperature capability than conventional bioplastics;
- BiomeCord – a range of starch based biodegradable materials developed for use in fine fibres, yarns and cords;
- BiomeClear – a product that produces a transparent, high clarity film, compared with conventional bioplastics; and
- BiomeEasyflow – a set of biodegradable products designed for both extrusion coating and lamination applications.

The above products have all been developed by the UK team. In addition, Biome Bioplastics sells the following range of products developed by Biotec:

- Biome Bioplast GF 106/2 – a potato starch based product that gives a soft, strong flexible film that is both biodegradable and compostable;
- Biome Bioplast GS2189 – a biodegradable and compostable product for injection moulding or sheet extrusion;

- Biome Bioplast Wrap 100 – a biodegradable and compostable product which produces a paper-like film with a matt or gloss surface;
- Biome Bioplast 105 – an injection moulding product with greater transparency than GS2189; and
- Biome Bioplast TPS – a potato starch resin which can be extruded into gels, foams and sheets.

Sales and Marketing

The Biome Bioplastics sales and marketing activities are targeted both at the conversion area of the supply chain as well as on brand owners, aiming to encourage product adoption by the converters and also react to the growing interest from leading brand owners in making their products from renewable materials. The sales team covers both Europe and North America.

(ii) *Biotec*

Biotec, the manufacturing facility used by Stanelco, is a 50/50 joint venture with SPHERE.

Biotec is a capable and modern automated facility based in Germany that could provide capacity for up to 20,000 tonnes per annum in its current configuration. It currently employs 27 full-time staff.

Until 31 December 2009, Stanelco held a “Golden Share” in the ownership arrangement with SPHERE which gave it a casting vote in respect of material decisions affecting the joint venture and, therefore, led to it being accounted for as a subsidiary of the Group. From 1 January 2010 this arrangement has ceased and Biotec will, therefore, no longer be fully consolidated in the Group’s results.

(iii) *Aquasol*

Aquasol is an intellectual property company with a number of patents which produce a royalty stream for the Group.

(iv) *RF Applications*

The RF Applications division exploits the heating properties of high frequency electromagnetic fields and is established as a leading supplier of RF furnaces to the optical fibre market. Its current strategy is to widen its product offering by developing a number of complementary products that can be sold alongside the furnaces or independently.

2. Selected financial information

Shareholders should refer to the selected financial information on the Group to be found in Part V (*Historical Financial Information Relating to Stanelco*) of this document and Part IV (*Operating and Financial Review of Stanelco*) of this document.

PART IV

OPERATING AND FINANCIAL REVIEW OF STANELCO

1. Business Performance And Operating and Financial Review

The key information that comprises the discussion of the Company's current trading and prospects can be found in the Letter from the Chairman of the Company contained in Part I (*Letter from the Chairman of Stanelco plc*) of this document.

The key information that comprises the operating and financial review of the Company for the year ended 31 December 2009 can be found in the 'Chief Executive's Statement' section on pages 7 to 12 and the 'Directors' Report' section on pages 13 to 17 of its Annual Report and Accounts for the year ended 31 December 2009 and is incorporated by reference herein.

The key information that comprises the operating and financial review of the Company for the year ended 31 December 2008 can be found in the 'Chief Executive's Statement' section on pages 5 to 8 and the 'Directors' Report' section on pages 9 to 14 of its Annual Report and Accounts for the year ended 31 December 2008 and is incorporated by reference herein.

The key information that comprises the operating and financial review of the Company for the year ended 31 December 2007 can be found in the 'Chief Executive's Statement' section on pages 5 to 7 and the 'Directors' Report' section on pages 8 to 13 of its Annual Report and Accounts for the year ended 31 December 2007 and is incorporated by reference herein.

See Part VII (*Information Incorporated by Reference*) of this document for further details about information that has been incorporated by reference into this document.

Investors should read the whole of this document and the documents incorporated by reference and should not just rely on the summary operating and financial information set out in this Part IV.

2. Liquidity and Capital Resources

The Company's liquidity requirements arise primarily from the need to fund its development activities, working capital and capital expenditure requirements. Stanelco's principal source of liquidity is its cash flow from operations and the raising of equity financing.

The Company does not have any borrowing facilities.

Cash flow analysis

The table below shows certain cash flow data for the Group for the periods ended 31 December 2009, 2008 and 2007:

	<i>Year ended 31 December 2009 £'000</i>	<i>Year ended 31 December 2008 £'000</i>	<i>Year ended 31 December 2007 £'000</i>
Net cash used in operating activities	(2,318)	(1,354)	(5,085)
Net cash used in investing activities	(466)	(837)	(1,722)
Net cash from financing activities	(270)	263	2,168

	<i>Year ended 31 December 2009 £'000</i>	<i>Year ended 31 December 2008 £'000</i>	<i>Year ended 31 December 2007 £'000</i>
Net decrease in cash and cash equivalents in the period	(3,054)	(1,928)	(4,639)
Effect of exchange rate changes	(108)	250	(218)
Cash and cash equivalents at the beginning of the period	6,381	8,059	12,916
Cash and cash equivalents at the end of the period	<u>3,219</u>	<u>6,381</u>	<u>8,059</u>

In 2009, net cash used in operating activities arose primarily from the operating loss, with £523,000 being absorbed into working capital as the business expanded and offsetting the add back of £0.8 million of depreciation and amortisation. Net cash used in investing activities included £0.4 million of capitalised product development costs and £69,000 of capital expenditure.

In 2008, net cash used in operating activities arose primarily from the operating loss, with a £1.4 million inflow from working capital resulting from close cash management during the year. In 2008 the add back of £0.8 million of depreciation and amortisation was offset by a £0.8 million adjustment in respect of a share option credit and a movement in provisions. Net cash used in investing activities included £0.4 million of capitalised product development costs and £0.3 million of capital expenditure.

In 2007, net cash used in operating activities arose primarily from the operating loss after exceptional items, with a £2.4 million add back for amortisation and impairment of intangible assets being offset, to a large extent, by £1.96 million absorbed into working capital. Net cash used in investing activities included £1.0 million of capital expenditure and £1.9 million of deferred consideration, offset by £0.6 million of interest and £0.6 million of proceeds from the disposal of tangible assets. Net cash from financing activities included £1.3 million from a leaseback transaction and a £0.7 million minority interest investment from a joint venture partner.

Subject to the need to maintain cash for working capital requirements, there are no legal restrictions on the ability for subsidiary companies and joint venture holdings to transfer cash funds to the parent company. However, given the ongoing litigation between Novamont and Biotec (as described in section 2 of Part I (*Letter from the Chairman of Stanelco plc*) of this document), the Company has not drawn its share of interest on loans to Biotec since Biotec's acquisition in 2005. This decision has been taken by the Company and its joint venture partner (SPHERE) in order to allow Biotec to retain sufficient cash resources to fund the costs of the litigation process. Upon a favourable outcome of the litigation, the Company expects to demand the outstanding interest be paid and to begin transferring across its share of profits, probably in the form of loan repayments.

Equity

The Company has one class of ordinary shares. During the three years to 31 December 2009, the Company has not conducted any equity fundraisings.

As part of the Issue, the Company intends to issue up to 2,806,525,416 New Ordinary Shares at a price of 0.125p per New Ordinary Share. Shareholders will be asked to vote on this proposal at the General Meeting.

Contractual obligations and commercial commitments

The following table summarises the Group's contractual obligations and commercial commitments as at 31 December 2009:

	<i>Finance leases 31 December 2009 £'000</i>	<i>Operating leases 31 December 2009 £'000</i>
Within one year	297	295
In the second to fifth years	529	1,137
After five years	–	1,738
Total	<u>826</u>	<u>3,170</u>

Of the £3,170,000 of operating lease commitments outstanding at 31 December 2009, £3,146,000 relates to leases for land and buildings. A significant proportion of these are sub-let and there existed at 31 December 2009, £1,569,000 of commitments for future lease receipts (£233,000 within one year, £933,000 within the second to fifth years and £403,000 after five years). Since 31 December 2009, one of the Company's sub-tenants has gone into liquidation. As a result, the Company has lost committed lease receipts of £121,000 per year. The Company will actively seek a replacement sub-tenant.

The Group intends to cover its obligations and commitments in the table above with cash flows from operating activities (including the future lease receipts) and from the proceeds of the Issue.

Off-balance sheet arrangements

Other than the operating lease commitments relating to properties and other assets disclosed above, the Group has not entered into and is not party to any material off-balance sheet arrangements.

3. Treasury Management

The Group's financial instruments comprise cash and cash equivalents (held in sterling, euros and dollars to match local transaction requirements), promissory notes, finance leases and items such as trade debtors and creditors arising in the ordinary course of business.

Although kept under consideration during the period under review, the Group did not use any derivative financial instruments. Matching trading relationships and debt with currency cash flows largely covers foreign exchange transaction exposures within acceptable levels. The Finance Director is responsible for the Group's treasury management function.

4. Capitalisation and Indebtedness

4.1 Capitalisation

The table below sets out the capitalisation of the Company, extracted without material adjustment from Stanelco's Annual Report and Accounts for the year ended 31 December 2009 (which are incorporated by reference into this document). This table should be read together with the financial statements and the notes to those financial statements incorporated by reference into this document.

<i>Capital and reserves</i>	<i>£m</i>
Called up share capital	3.1
Share premium account	38.62
Total capitalisation as at 31 December 2009	41.72

Total capitalisation excludes the share option reserve, the currency translation reserve and retained losses, which together amounted to a negative balance of £26.28 million at 31 December 2009. There has been no material change to the capitalisation of the Company since 31 December 2009.

4.2 Indebtedness

As at the 31 March 2010, the Group had total cash and cash equivalents of £2.4 million.

The Company has no long or short term borrowing facilities.

PART V

HISTORICAL FINANCIAL INFORMATION RELATING TO STANELCO

The consolidated financial statements of the Company and its subsidiary undertakings included in the Annual Report and Accounts for the financial years ended 31 December 2009, 31 December 2008 and 31 December 2007, together with the audit reports thereon are incorporated by reference into this document as set out in Part VII (*Information Incorporated by Reference*).

Copies of the financial statements referred to above are available from the offices of Stanelco at Starpol Technology Centre, North Road, Marchwood, Southampton, Hampshire SO40 4BL during normal business hours on any weekday (other than Saturday, Sunday or public holiday) or online at <http://www.stanelcopl.com>.

The chartered accountant and registered auditor for Stanelco for the financial years ended 31 December 2007, 31 December 2008 and 31 December 2009, who was Grant Thornton UK LLP of No.1 Dorset Street, Southampton, Hampshire SO15 2DP, made a report under section 235 of the Companies Act 1985 or Section 495 of the Companies Act 2006, as applicable, in respect of the statutory consolidated accounts for the financial years ended 31 December 2007, 31 December 2008 and 31 December 2009. These reports were unqualified and did not contain a statement under section 237(2) or (3) of the Companies Act 1985 or Section 498(2) or (3) of the Companies Act 2006 (as applicable).

PART VI

ADDITIONAL INFORMATION

1. Responsibility

The Company and each of the Directors, whose names and functions are set out in this document, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Company and 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 does not omit anything likely to affect the import of such information.

2. Incorporation and general company details

2.1 The Company was incorporated in England and Wales on 20 December 1984 under the name of Microstone Public Limited Company with the registered number 01873702 as a public company with limited liability under the Companies Act 1948. The Company changed its name to Merchant Manufacturing Estate Company plc on 14 May 1985 and then to Stanelco plc on 16 August 1991. The Company's registered office and its head office is at Starpol Technology Centre, North Road, Marchwood, Southampton, Hampshire, SO40 4BL. It is domiciled in the United Kingdom.

The telephone number of the Company is +44 (0)2380 867100.

2.2 The Company is the ultimate holding company of the Group, and has the following significant subsidiary undertakings, being those considered by the Company to be likely to have a significant effect on the assessment of the assets and liabilities, financial position and/or profits and losses of the Group.

<i>Company</i>	<i>Country of Registration</i>	<i>Class</i>	<i>Percentage of Shares held</i>
Stanelco RF Technologies Limited	England and Wales	2 ordinary £1 shares	100
InGel Technologies Limited	England and Wales	9,500 ordinary "A" 1p shares	93.7 ⁽¹⁾
Biome Bioplastics Limited	England and Wales	2 ordinary £1 shares	100
Aquasol Limited	England and Wales	29,000 ordinary £1 shares	100
Stanelco Inc.	USA	100 ordinary shares US\$0.01	100
Biotec Holding GmbH registered office is Werner Heisenberg-Strasse 32, D-46446 Emmerich, Germany	Germany	1 ordinary share of 25,000 Euro	50
Bio-tec Biologische Naturverpackungen GmbH & Co.KG (a limited partnership) whose registered office is Werner Heisenberg-Strasse 32, D-46446 Emmerich, Germany	Germany	1 ordinary share of 1,200 Euro	50 ⁽²⁾
Bio-tec Biologische Naturverpackungen Forschungs und EntwicklungsGmbH whose registered office is Werner Heisenberg-Strasse 32, D-46446 Emmerich, Germany	Germany	1 ordinary share of 26,000 Euro	50 ⁽²⁾

(1) 6.3% held by Carclo Limited (Company number: 00196249) which is not a member of the Group.

(2) Held by Biotec Holding GmbH.

The Company owns directly or indirectly 100 per cent. of the issued shares of the above companies and can exercise 100 per cent. of the voting rights save as highlighted above.

The Ordinary Shares have the ISIN number GB0005814198 and trade on the London Stock Exchange.

The registered office of each of the above companies is at Starpol Technology Centre, North Road, Marchwood, Southampton SO40 4BL (unless otherwise stated in paragraph 2.2).

3. Share capital

3.1 The following table shows the issued share capital of the Company (i) as at the date of this document and (ii) following Admission:

	<i>Issued Share Capital (fully paid) (£)</i>	<i>Number of Ordinary Shares</i>
(i) Current	3,078,341	3,078,340,917
(ii) Proposed*	5,884,866	5,884,866,333

* Assuming full subscription under the Issue.

As at the date of this document, none of the share capital of the Company was held as treasury shares.

3.2 The following changes to the share capital of the Company have taken place in the three years preceding the date of this document:

<i>Applicant</i>	<i>Date</i>	<i>Number and class of share allotted</i>
KBC Peel Hunt	12 June 2007	34,205,689 ordinary shares ⁽¹⁾
PH Nominees Ltd A/c Peclt	9 June 2008	66,488,404 ordinary shares ⁽²⁾

Notes:

(1) In consideration of a debt owed to Bruce Drew, David Edwards, Barbara Earley and William McCarthy as additional consideration for the sale of their shares in Aquasol Limited to the Company.

(2) In consideration for the purchase of Aquasol Limited.

3.3 As at the date of this document, the following options to subscribe for Ordinary Shares have been granted to current and former employees and Directors under the Share Schemes:

(a) *Enterprise Management Incentive Scheme*

<i>Year of grant</i>	<i>Exercise price(s) (Pence)</i>	<i>Exercise period commencing</i>	<i>Exercise period ending</i>	<i>Number of Ordinary Shares</i>
2004	3.875	2007	2014	4,972,223
2005	15.5	2008	2015	500,000
2005	15.25	2008	2015	75,000
2005	12.25	2008	2015	250,000
2005	19.0	2008	2015	750,000
2005	14.75	2008	2015	500,000
2006	12.25	2009	2016	750,000
Total				7,797,223

(b) *Stand Alone Unapproved Share Options*

<i>Year of grant</i>	<i>Exercise price(s) (Pence)</i>	<i>Exercise period commencing</i>	<i>Exercise period ending</i>	<i>Number of Ordinary Shares</i>
2002	2.56	2004	2011	4,670,626
2002	2.663	2005	2012	5,538,866
2003	4.75	2006	2013	8,000,000
2003	3.5	2006	2013	8,000,000
2005	10.7	2008	2015	400,000
Total				<u>26,609,492</u>

(c) *Stanelco plc 2005 Unapproved Share Option Plan and Stanelco plc Employment Benefit Trust**

The Company obtained shareholder approval at its Annual General Meeting in 2005 for the adoption of the Stanelco PLC 2005 Unapproved Share Option Plan and the Stanelco PLC Employee Benefit Trust. The Company has granted a number of share options to the Employee Benefit Trust pursuant to the 2005 Share Option Plan. A summary of these grants appear in the table below.

<i>Year of grant</i>	<i>Exercise price(s) (Pence)</i>	<i>Exercise period commencing</i>	<i>Exercise period ending</i>	<i>Number of Ordinary Shares</i>
2007	0.52	2010	2017	103,846,154
2008	0.80	2011	2018	88,100,000
2008	0.43	2011	2018	44,186,046
2009	0.61	2012	2019	158,524,591
Total				<u>394,656,791</u>

* The above options are held by the Trustee of the EBT for the benefit of all current and former Directors and employees. The exercise of options held by the Trustee on behalf of certain individuals are subject to conditions and all the above appointments are revocable.

Save as disclosed in section 3.2, no share or loan capital of the Company or any of its subsidiaries has within the two years immediately preceding the date of this document been issued or is now proposed to be issued, fully or partly paid, for cash or otherwise. No commissions, discounts, brokerage or other special terms have, within the same two year period, been granted by the Company or any of its subsidiaries in connection with the issue or sale of any part of the share or loan capital thereof, save as disclosed in this paragraph 3.3, no share or loan capital of the Company or any of its subsidiaries is under option or agreed conditionally or unconditionally to be put under option.

4. Information concerning the New Ordinary Shares

4.1 Following the passing of Resolution 1 to be proposed at the General Meeting:

(a) the Directors will be generally and unconditionally authorised in accordance with section 551 of the Companies Act to exercise all the powers of the Company to allot relevant securities (as defined in that section) for the purposes of the Issue and otherwise up to an aggregate nominal amount of £3,728,185 representing the following:

- £2,806,526 being the nominal amount of the shares to be issued in connection with the Issue;
- £921,659 being the remaining unused authorities granted at the previous annual general meeting of the Company, such authority to expire at the next annual general meeting of the Company; and

- (b) the Directors will be empowered (pursuant to section 570 of the Companies Act) to allot equity securities (as defined in section 560 of the Companies Act) for cash pursuant to the authority described in paragraph 4(a) above as if section 561 of the Companies Act did not apply to such allotment for the purposes of the Issue and of any other allotment of equity securities by way of rights in proportion to the respective number of shares held by or deemed to be held by the holders of equity securities or other persons entitled to participate in the issue on the relevant record date and in respect of any other issue up to an aggregate nominal amount of £2,960,443, such power being expressed to expire on the date of the next annual general meeting of the Company.
- 4.2 Save for the allotments referred to in paragraph 3.2 above, for the three years preceding the publication of this document no capital of the Company has been allotted for cash or for a consideration other than cash.
- 4.3 Save for the issue of the New Ordinary Shares and the grant of options under the Share Schemes, as disclosed in paragraph 3.3 above, no capital of the Company is proposed to be issued or is under option or is agreed conditionally or unconditionally to be put under option.
- 4.4 The New Ordinary Shares will be created under the Companies Act.
- 4.5 The Existing Ordinary Shares and the New Ordinary Shares will be issued pursuant to the Firm Placing and Placing and Open Offer, rank *pari passu* in all respects and will rank in full for all dividends and other distributions thereafter declared, made or paid on the ordinary share capital of the Company. The New Ordinary Shares are being issued for cash and the amount payable in respect of each share (including any premium) is payable in full upon allotment.
- 4.6 The Existing Ordinary Shares are, and the New Ordinary Shares will be, in registered form and capable of being held in uncertificated form. None of the New Ordinary Shares is being marketed or made available in whole or in part to the public other than through the Issue. The New Ordinary Shares to be issued pursuant to the Issue are being issued at a price of 0.125 pence per New Ordinary Share, representing a premium of 0.025 pence over the nominal value of each Ordinary Share of 0.1 pence each. The expected issue date is 15 June 2010.
- 4.7 Application will be made to the UK Listing Authority for the New Ordinary Shares to be listed on the Official List. Application will be made to the London Stock Exchange for the New Ordinary Shares to be admitted to trading on its main market for listed securities. It is expected that Admission will become effective, and that dealings in the New Ordinary Shares will commence on the London Stock Exchange, by no later than 8.00 a.m. on 15 June 2010.
- 4.8 Subject to, amongst other things, Resolution 1 being passed, the admission of the Ordinary Shares to the Official List and to trading on the London Stock Exchange will be cancelled and the Ordinary Shares will be admitted to trading on AIM. The expected last date for dealing in Ordinary Shares on the London Stock Exchange is 23 June 2010, with dealing in the Ordinary Shares on AIM expected to commence on the following day.
- 4.9 Following the cancellation of the admission of the Ordinary Shares to the Official List and to trading on the London Stock Exchange, and the admission to AIM (if the conditions described in the previous paragraph are satisfied), the New Ordinary Shares will not be listed on any stock exchange other than AIM.
- 4.10 Other than through the Issue, the Directors have no present intention of issuing any Ordinary Shares.
- 4.11 No temporary documents of title in respect of the New Ordinary Shares have been or will be issued.
- 4.12 The New Ordinary Shares will be denominated in pounds sterling.

5. Articles of Association

- 5.1 The principal objects of the Company, which are treated as being set out in the Articles since 1 October 2009, are to act as a holding company and to carry on as a general commercial company and to purchase, acquire and take options over any property, to carry on business or activity, whether trading, manufacturing, investing or otherwise, and any rights or privileges over or in respect of any property.

The Articles contain, *inter alia*, provisions to the following effect:

(a) *Voting Rights*

Subject to paragraph (f) below, and to any special terms as to voting upon which any shares may for the time being, be held, on a show of hands every member present, in person or by proxy, shall have one vote and on a poll every member present, in person or by proxy, shall have one vote for each share in the capital of the Company held by him. A proxy need not be a member of the Company.

(b) *Variation of Rights*

If at any time the capital of the Company is divided into different classes of shares all or any of the rights or privileges attached to any class of shares in the Company may be modified, abrogated or varied with the consent in writing of the holders of three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. At every such separate general meeting (except an adjourned meeting), the quorum shall be two persons holding or representing by proxy one-third in nominal value of the issued shares of that class.

(c) *Alteration of Capital*

The Company may from time to time by ordinary resolution increase its share capital, consolidate and divide all or any of its share capital into shares of a larger nominal value, subdivide all or any of its shares into shares of a smaller nominal value and cancel any shares not taken, or agreed to be taken, by any person. The Company may, subject to the Companies Act, by special resolution reduce or cancel its share capital or any capital redemption reserve or share premium account.

Subject to and in accordance with the provisions of the Companies Act, the Company may purchase its own shares (including any redeemable shares), provided that the Company shall not purchase any of its shares unless such purchase has been sanctioned by a special resolution passed at a separate meeting of the holders of any class of shares convertible into equity share capital of the Company.

(d) *Transfer of Shares*

A member may transfer all or any of his shares (1) in the case of certificated shares by instrument in writing in any usual or common form or in such other form as may be approved by the Directors and (2) in the case of uncertificated shares, through any uncertificated securities facility in accordance with the Uncertificated Securities Regulations. The instrument of transfer of a certificated share shall be executed by or on behalf of the transferor and, if the share is not fully paid, by or behalf of the transferee. The Directors may in their absolute discretion refuse to register the transfer of any share which is not fully paid, provided that dealings in the shares are not prevented from taking place on an open and proper basis. The Directors may also refuse to register any transfer of shares, whether fully paid or not in favour of more than four persons jointly. Subject to paragraph (f) below, the Articles contain no restrictions on the free transferability of fully paid shares provided that the transfer is in respect of only one class of share and is accompanied by the share certificate and any other evidence of title required by the Directors and that the provisions in the Articles relating to the deposit of instruments for transfer have been complied with. The registration of transfers in respect of certificated shares may be suspended by the Directors at such times and for such periods as the Directors determine, but such periods not exceeding 30 days in any year.

(e) *Dividends*

- (i) The Company may by ordinary resolution in general meeting declare dividends provided that no dividend shall be paid otherwise than out of profits and no dividend shall exceed the amount recommended by the Directors. The Directors may from time to time pay such interim dividends as appear to the Directors to be justified by the profits of the Company.
- (ii) No dividend or interim dividend shall be paid otherwise in accordance with the provisions of the statutes which apply to the Company.
- (iii) Subject to the rights of persons, if any, holding shares with any special dividend rights, (priority or preference), and subject to paragraph (f) below, all dividends shall be apportioned and paid *pro rata* according to the amounts paid or credited as paid on the shares during any portion or portions of the period in respect of which the dividend is paid. If any share is issued on terms providing it shall rank for dividend as if paid up in full or in part from a particular date, whether past or future, such share shall rank for dividend accordingly. No amount paid or credited as paid in advance of calls shall be regarded as paid on shares for this purpose.
- (iv) All dividends, or other sums payable, that remain unclaimed for one year after having been declared may be invested or otherwise made use of by the Directors for the benefit of the Company until claimed. All dividends unclaimed for a period of 12 years after the payment date for such dividend shall if the Directors resolve be forfeited and shall revert to the Company. The payment of any unclaimed dividend interest or other sum payable by the Company on or in respect of any share into a separate account shall not constitute the Company a trustee of such sum.
- (v) The Board may set aside out of the profits of the Company such sum as a reserve prior to declaring any dividend. The Board may also divide the reserve into such special funds as they think fit. The Board may also without placing the same to reserve carry forward any profits which they think prudent not to divide.
- (vi) The Board may, if authorised by an ordinary resolution of the Company, offer the holders of ordinary shares the right to elect to receive additional shares, credited as fully paid, instead of cash in respect of any dividend or any part of any dividend. The Directors at their discretion make the right to participate in any such elections subject to restrictions necessary or expedient to deal with legal, regulatory or other difficulties in respect of overseas shareholders.

(f) *Suspension of Rights*

If a member or any other person appearing to be interested in shares in the capital of the Company has been duly served with notice under section 793 of the Companies Act and is in default in supplying to the Company within 28 days after service of such notice (or such longer period as may be specified in such notice) the information thereby required, then (if the Directors so resolve) such member shall not be entitled to be present, to vote on any question or to exercise any right conferred by membership in relation to meetings of the Company in respect of the shares which are the subject of such notice.

(g) *Return of Capital*

Subject to any preferred, deferred or other special rights, or subject to such conditions or restrictions to which any share in the capital of the Company may be issued, on a winding-up or other return of capital, the holders of Ordinary Shares are entitled to share in any surplus assets *pro rata* to the amount paid up on their ordinary shares. A liquidator may, with the sanction of a special resolution of the Company and any other sanction required by the Companies Act, divide amongst the members *in specie* or in kind the whole or any part of the assets of the Company, those assets to be set at such value as he deems fair. A liquidator may also vest the whole or any part of the assets of the Company in trustees on trusts for the benefit of the members.

(h) *Pre-emption Rights*

There are no rights of pre-emption under the Articles in respect of transfers of issued Ordinary Shares.

In certain circumstances, the Company's shareholders may have statutory pre-emption rights under the Companies Act in respect of the allotment of new shares in the Company. These statutory pre-emption rights would require the Company to offer new shares for allotment by existing shareholders on a *pro rata* basis before allotting them to other persons. In such circumstances, the procedure for the exercise of such statutory pre-emption rights would be set out in the documentation by which such shares would be offered to the Company's shareholders.

(i) *Shareholder Meetings*

An annual general meeting is to be held once every year at such time and place as may be determined by the Directors and upon not giving less than 21 days' notice in writing. Annual general meetings should be held within a period of not more than 15 months after the holding of the last preceding annual general meeting. General meetings may be called whenever the directors think fit or when one has been requisitioned in accordance with the Companies Act. Two members present in person or by proxy and entitled to vote shall be a quorum for all purposes.

General meetings other than annual general meetings (including general meetings convened to consider a special resolution or, requiring special notice) are called on not less than 14 days notice in writing, exclusive of the day on which it is served or deemed to be served and of the day on which the meeting is to be held. The annual general meeting may be called on shorter notice providing all members entitled to attend and vote thereat agree and a general meeting can be called on shorter notice if a majority in number of the members having a right to attend and vote thereat agree, being a majority together holding not less than 95 per cent. in nominal value of the shares giving that right. Notice is to be given to all members on the register at the close of business on a day determined by the Company, in hard copy form, electronic form or by means of a website.

The Company may specify in the notice of meeting a time, not more than 48 hours before the time fixed for the meeting, by which a person must be entered into the register in order to have the right to attend or vote at the meeting. In every notice calling a meeting of the Company there shall appear with reasonable prominence a statement that a member entitled to attend and vote is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him/her, and that a proxy need not be a member.

(j) *Directors' Interests*

Subject to and in accordance with the Companies Act, the Directors may authorise any matter or situation in which a Director has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the interests of the Company (including, without limitation, in relation to the exploitation of any property, information or opportunity, whether or not the Company could take advantage of it) (a "**Relevant Situation**") including without limitation, the continuing performance by the conflicted Director of his duties and acceptance of or continuing in any office, employment or position in addition to that of his office as a Director.

A Director shall declare the nature and extent of his interest in a Relevant Situation to the Board at a meeting of the Directors or by notice to the directors in accordance with the Companies Act as soon as reasonably practicable and before the company enters into the transaction or arrangement.

(k) *Directors*

Subject to paragraph (j) above, a director shall be entitled to vote (and be counted in the quorum) in respect of any resolution relating to any of the following matters namely:

- (i) the giving of any security, guarantee or indemnity in respect of money lent or obligations incurred by him or by any other persons at the request of or for the benefit of the Company or any of its subsidiary undertakings or its parent company (if any) or any other subsidiary undertaking of any such parent company; or
- (ii) obligation of the Company or any of its subsidiary undertakings for which the director himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security; or
- (iii) an offer of shares or debentures or other securities of or by the Company or any of its subsidiary undertakings or its parent company (if any) or any other subsidiary undertaking of any such parent company for subscription or purchase in which offer he is or is to be or may be entitled to participate as a holder of securities or in the underwriting or sub-underwriting of which he is to participate; or
- (iv) any other company in which he or any person connected with him is interested, directly or indirectly, and whether as an officer or shareholder (that to his knowledge does not hold an interest in shares representing one per cent. or more of either any class of the equity share capital or the voting rights in such company) or otherwise; or
- (v) an arrangement for the benefit of the employees of the Company or any of its subsidiary undertakings which does not award him any privilege or benefit not generally awarded to the employees to whom such arrangement relates; or
- (vi) the purchase and/or maintenance of any insurance policy for the benefit of directors or the benefit of persons including Directors.

Fees shall be paid out of the funds of the Company to Directors for their services at such rates (if any) as the Directors may from time to time determine provided that such fees do not in the aggregate exceed the sum of £100,000 per annum (exclusive of value added tax if applicable) or such other figure as the Company may by ordinary resolution determine. Such remuneration shall be divided between the Directors as they shall agree or, failing agreement, equally.

Any director who devotes special attention to the business of the company, or otherwise performs services which in the opinion of the Directors are outside the scope of the ordinary duties of a director, may be paid such additional remuneration as the Directors or any committee authorised by the Directors may determine.

The Directors (including alternate Directors) may also be paid all reasonable travelling, hotel and other expenses properly incurred by them in connection with the business of the Company, including their expenses of travelling to and from meetings of the Directors, committee meetings or general meetings.

The remuneration and other terms and conditions of appointment of a director appointed as managing director or to any other executive office or employment under the Company shall from time to time (without prejudice to the provisions of any agreement between him and the Company) be fixed by the Directors, and may (without limitation) be by way of fixed salary, lump sum, commission on the dividends or profits of the Company (or any other company in which the Company is interested) or other participation in any such profits or otherwise or by any or all or partly by one and partly by another or others of those modes.

6. Share schemes

The Company operates the following share schemes and has granted the following Stand Alone Options, the principal provisions of which are summarised below.

6.1 *Stanelco PLC 2005 Unapproved Share Option Plan (“2005 Share Option Plan”)*

The 2005 Share Option Plan was adopted by the Board on 22 April 2005.

(a) *Eligibility*

Any Director or employee of the Company or any subsidiary of the Company (nominated by the Board) who is required to devote substantially the whole of their working hours to the business of the Group, and any discretionary trust established by the Company for the benefit of, among others, such employees (including the Stanelco plc Employee Benefit Trust (“EBT”)) are eligible to participate in the 2005 Share Option Plan at the discretion of the Board.

(b) *Assignment*

No option granted to an employee may be transferred, assigned or charged and any purported transfer, assignment or charge shall cause the option to lapse forthwith. This is subject to one exception, upon the death of the option holder the option shall vest in their personal representatives, until the first anniversary of their death.

Options granted under the 2005 Share Option Plan to the trustee of the EBT may be assigned to beneficiaries of the EBT or may be exercised by the EBT and the resulting shares held on the terms of the EBT for the benefit of the beneficiaries.

(c) *Grant of Option*

Awards granted under the 2005 Share Option Plan take the form of options to acquire shares in the capital of the Company either by purchase or subscriptions. Options may normally only be granted within 42 days after the announcement of the Company’s annual or half yearly results. Options may also be granted at any other time at which the Board determines that exceptional circumstances have arisen which justify the grant of options.

No payment shall be required in consideration of the grant of an option.

Options may not be granted under the 2005 Share Option Plan more than ten years after the approval of the 2005 Share Option Plan by the Company in general meeting.

(d) *Exercise Price*

The exercise price of any options shall be determined by the Board but shall not be less than the higher of (i) the nominal value of a share in the capital of the Company and (ii) “Market Value,” being the average of the middle market quotation of such share derived from the daily official list of the London Stock Exchange for the 21 immediately preceding dealing days prior to the date of the grant.

The Board may grant options with an exercise price lower than the Market Value if such grants are approved by the shareholders of the Company in general meeting or the Board resolves that exceptional circumstances have arisen which justify a lower price.

The exercise price may be adjusted in the event of any capitalisation, rights issue or any consolidation, subdivision or reduction of capital in the Company, subject to the agreement of the option holder and the Company and in the absence of such agreement in such manner as the auditors confirm to be fair and reasonable, provided always that such exercise price shall not be reduced below the nominal value of a share in the capital of the Company.

(e) *Exercise Condition*

Options may be granted subject to exercise conditions which may consist of the attainment by the Company, a participating company or employee (or any combination of these) of a target or targets which is or are factual and capable of objective measurement. Such target or targets will be specified prior to the date of grant but may be amended during the currency of the

option if (1) events have occurred which cause the Board to consider reasonably that a different condition would be a fairer or more reasonable measure of performance and (2) that such different condition would be no more and no less difficult to satisfy than the original condition.

(f) *Plan Limits*

On any date of grant, the aggregate number of shares placed under options to subscribe for shares under the 2005 Share Option Plan when added to the number of shares allocated for subscription in the preceding ten years under any other employees' share scheme adopted by the Company cannot exceed 20 per cent. of the Company's issued ordinary share capital on that day.

Any shares that were already in issue when an option was granted over them and any shares subject to options which have lapsed, shall be disregarded for the purpose of this limit.

(g) *Individual Participation Limit*

There is no restriction or limit on the number of shares which can be subject to options granted under the 2005 Share Option Plan to any individual and the Board will have the ultimate discretion as to the level of shares put under option for the benefit of any particular eligible employee.

(h) *Variation of Share Capital*

In the event of any capitalisation or rights issue or any consolidation, subdivision or reduction of capital by the Company, the number of shares subject to option and the option price for each of those shares shall be adjusted in such manner as the parties to the option agreement shall agree and in default of agreement, as the Auditors confirm to be fair and reasonable.

(i) *Exercise of Options*

In normal circumstances, provided that any exercise condition has been fulfilled to the reasonable satisfaction of the Board, any subsisting option may be exercised in whole or in part by the option holder by giving the Company notice following the earliest of either (i) the third anniversary date of grant (or such other time as specified by the Board in the option certificate), (ii) the death of the option holder, or (iii) the option holder ceasing to be a Director or employee of any participating company by reason of injury, disability, redundancy (as defined in the Employment Rights Act 1996) or retirement or any other reason at the discretion of the Board.

(j) *Termination of the Plan*

The Board or the Company in general meeting may at any time resolve to terminate the 2005 Share Option Plan in which event no further options shall be granted but upon any termination the provisions of the 2005 Share Option Plan shall, in relation to options then subsisting, continue in full force and effect.

6.2 *The Stanelco plc Employee Benefit Trust ("EBT")*

The EBT is constituted by a trust deed entered into between the Company and Channel House Trustees Limited which is an independent professional Trustee registered in Jersey.

The Trustee of the EBT has power to appoint other trustees.

The EBT is a discretionary trust for the benefit of Directors, employees and former employees of the Company and their spouses, parents, children, other issue and dependants.

The Trustee of the EBT may either purchase existing shares in the capital of the Company in the market or subscribe for new shares in the Company. These shares may be used for the purpose of the

2005 Share Option Plan or any other employee share schemes established by the Company. The Trustee of the EBT may also grant options over shares in the capital of the Company to beneficiaries.

There is no limit or restriction on the maximum number of shares in the capital of the Company that the Trustee of the EBT may hold at any time.

6.3 ***Stand Alone Unapproved Share Options granted to Individuals (the “Stand Alone Unapproved Options”)***

Stand Alone Unapproved Options over 26,609,492 Ordinary Shares have been granted to various individuals pursuant to Stand Alone Unapproved Option Agreements, as detailed at paragraph 3.5(b). The principal terms pursuant to which the Stand Alone Unapproved Options were granted are summarised below:

(a) *Exercise Price*

The exercise price for the Stand Alone Unapproved Options varies between 2.56 pence and 10.7 pence per Ordinary Share.

(b) *Exercise of Option*

The Stand Alone Unapproved Options may be exercised in whole or in part by giving the Company notice at any time during a period that normally commences three years from the date of grant and ends ten years from the date of grant (the “**Option Period**”). If the option is not exercised within this period the option shall lapse and cease to be exercisable.

The Stand Alone Unapproved Options may vest in the relatives of the option holders in the event of their death, at any time during the Option Period.

(c) *Taxation*

To the extent any income tax and any employees’ and employers’ national insurance contributions arise upon the exercise of the Stand Alone Unapproved Options (which have not already been recovered under the PAYE system) the option holder will be liable to account for such amounts to the Company on the exercise of the options.

(d) *Amendments*

The Board may make any amendments, with the consent of the option holders, as it considers necessary or desirable to take account of any change in legislation or to obtain more favourable taxation exchange control or regulatory treatment for the option holders or the Group.

(e) *Adjustment of Stand Alone Unapproved Options*

The exercise price and the number of shares subject to option may be adjusted by the Board (subject to the Auditors confirming in writing to the Board that such adjustments, in their opinion, are fair and reasonable) in the event of a variation of the issued share capital of the Company. This includes a variation by way of a capitalisation, a rights issue, sub-division, reduction or consolidation.

(f) *Transferability and Pensionability*

The option is personal to Terry Robins and may not be transferred or assigned. Any benefits under the option shall not be pensionable.

6.4 ***Stanelco plc Enterprise Management Incentive Scheme (“EMI Scheme”)***

Options over 7,797,223 Ordinary Shares have been granted pursuant to the EMI Scheme and remain outstanding as at the date of this document. The principal terms pursuant to which these options were granted are as follows:

- (a) *Rules*
The rules of the the EMI Scheme were approved and adopted by the shareholders of the Company on 3 June 2004.
- (b) *General*
The rules of the EMI Scheme allow options to be granted in accordance with the requirements of Schedule 5 Income Tax (Earnings and Pensions) Act 2003. The options granted are options to subscribe for Ordinary Shares.
- (c) *Eligibility*
Any employee of the Group who commits at least 25 hours per week or 75 per cent. of his working time to the Group and does not hold a material interest (that is a direct or indirect interest in or an ability to control 30 per cent. or more of the Company's shares) in the Company either alone or with an associate is eligible to receive an EMI Scheme option.
- (d) *Exercise Price*
The exercise price per share payable by an option holder on the exercise of an option is determined by the remuneration committee of the Company at the date of grant and will not be less than the market value of the Ordinary Shares at the date of grant.
- (e) *Grant of Options*
Pursuant to the EMI Scheme, options may only be granted within the period of 42 days following the preliminary announcement of the annual or half yearly results of the Group for any financial period or at any time, if the circumstances are sufficiently exceptional to justify the grant of an option.
- (f) *Scheme Limits*
No more than 15 per cent. of the Company's issued share capital from time to time will be made subject to EMI Scheme options or options under any other employees' share incentive scheme established by the Group.

Options may not be granted under the EMI Scheme, if as a result, the aggregate market value of shares (calculated at the date of grant) would exceed £3,000,000.
- (g) *Personal Limits*
Options may not be granted to an option holder if the aggregate market value (calculated at the date of grant) of all shares subject to the EMI Scheme option, when aggregated with the market value of all shares subject to an option which has been granted pursuant to a HMRC approved share option scheme, exceeds £100,000.

6.5 *Option Agreements*

EMI Scheme options granted by the Company are granted by way of an agreement entered into between the employee and the Company. The principal terms of the agreements are summarised below:

- (a) *Exercise of Option*
An option holder may normally exercise his option in whole or in part by giving the Company notice at any time during the period commencing on the third anniversary of the date of grant and ending on the day before the tenth anniversary of the date of grant. If the option is not exercised within this period it will lapse and cease to be exercisable.

If a disqualifying event (as defined from time to time by legislation) occurs before the third anniversary the Company must notify the option holder and shall allow the option holder to exercise his option early.

If an option holder ceases to be employed within the Group for any reason other than death, redundancy or termination of employment by the Company serving due notice his option shall lapse.

(b) *Exchange of Options*

In the event of a company re-organisation by way of a takeover, or an amalgamation or a reconstruction sanctioned by the Court an option holder may exchange his existing option for an option with equivalent rights over shares in the acquiring company.

(c) *Listing*

Upon allotment of any Ordinary Shares on the exercise of an option the Company shall apply for the admission of those shares to the London Stock Exchange.

(d) *Tax Indemnity*

In the event that any income tax or any employee's and employer's national insurance contributions arise on the exercise of an option, an option holder must reimburse the Company for such sums, either from their own resource or by allowing the Company to sell, on the option holder's behalf such number of shares as are subject to the option and which equal the liability.

(e) *Amendment*

The option agreement may be varied by both parties to take account of changes to relevant legislation, such amendments will only be effective if made in writing and signed by both parties.

(f) *Transferability*

An option is not transferable and may only be exercisable by the person to whom it was granted or, in the case of a deceased option holder, his personal representatives. If an option holder purports to make any transfer or create any interest in his option the option shall lapse.

6.6 ***Summary of the Principal Terms of the Stanelco plc Public Equity Plan (the "PEP")***

Operation

The Remuneration Committee will supervise the operation of the PEP.

Eligibility

Any employee (including an executive Director) of the Company and its subsidiaries will be eligible to participate in the PEP at the discretion of the Remuneration Committee. However, it is currently intended that participation will initially be limited to the Chief Executive, Group Finance Director and certain other senior executives.

Grant of awards

The Remuneration Committee may grant awards within six weeks of shareholder approval of the PEP. Thereafter, awards may be granted within six weeks of the Company's announcement of its results for any period. The Remuneration Committee may also grant awards at any other time when it considers there to be exceptional circumstances which justify the granting of awards. It is intended that the first awards will be made shortly following shareholder approval of the PEP.

An award may not be granted more than 5 years after shareholder approval of the PEP. No payment is required for the grant of an award. Awards are not transferable, except on death. Awards are not pensionable.

Structure of awards

An award will comprise a number of points which may entitle the participant to receive Ordinary Shares or cash to the extent that a performance condition is satisfied.

The first awards to be made shortly following shareholder approval of the PEP will only vest if a performance condition relating to the Company's total shareholder return ("TSR") is satisfied and provided that a financial underpin is met.

The performance condition applying to the first awards to be granted under the PEP will require the Company's TSR to increase by a minimum hurdle rate of 10 per cent. per annum (non-compounded) over a performance period of four years commencing on the date of grant of the award. The Remuneration Committee may, however, terminate the performance period on the third anniversary of grant and measure the TSR performance condition at that time if it sees fit.

The base TSR figure for the purposes of calculating the Company's TSR per Ordinary Share over the performance period shall be the higher of the Issue Price (i.e. 0.125 pence) and the average price of an Ordinary Share over the five dealing days following the publication of this document. The end TSR figure for these purposes shall be the average price of an Ordinary Share over the last three months of the performance period plus any dividends declared during that period.

As to the financial underpin, the Remuneration Committee must at the end of the performance period be satisfied that the Company's underlying performance in respect of (i) growth in earnings (ii) profit margins and (iii) gearing is reflective of the size of the pool of value which would otherwise be created by reference to the extent to which the TSR performance condition has been satisfied (see "Vesting of initial awards" below). Following a review of the Company's performance against these measures, the Remuneration Committee may scale back (but not increase) the size of the pool of value to be created.

The Remuneration Committee may vary the performance conditions (i.e. in the case of the first set of awards either the TSR performance condition or the financial underpin) applying to awards if an event has occurred which causes the Remuneration Committee to consider that it would be appropriate to amend the performance conditions, provided the Remuneration Committee considers the varied conditions to be fair and reasonable and not materially less challenging than the original conditions would have been but for the event in question.

The Remuneration Committee can set performance conditions with a different base TSR figure from that described above for future awards provided that, in the reasonable opinion of the Remuneration Committee, the new conditions are not materially less challenging in the circumstances than those described above.

Vesting of initial awards

In respect of the first set of awards to be granted under the PEP, if the Company's TSR increases by the minimum hurdle rate of 10 per cent. per annum (non-compounded) over the performance period then, subject to the financial underpin, a pool of value equal to 15 per cent. of the total TSR in excess of the minimum hurdle rate will be created at the end of the performance period.

Once it has been created, the pool of value will then be notionally allocated to participants *pro rata* to the number of points they hold at the end of the performance period relative to the maximum number of points which may be awarded under the PEP – i.e. 1,000,000 (see "Limits" below).

As soon as reasonably practicable after the end of the performance period, the Company may then transfer assets with a value equal to 50 per cent. of the amount so allocated to each participant either directly to him or, if it sees fit, to the trustee of an employee benefit trust so as to be held for the benefit of, *inter alia*, the participant and certain of his relatives on the basis that those assets may, at the discretion of the trustee of the relevant trust, be available for distribution to them at any time following such transfer. Assets with a value equal to the other 50 per cent. of the amount so allocated to a participant may then be transferred to the participant or, if the Company sees fit, to the trustee of an

employee benefit trust on the same basis 12 months after the end of the performance period (subject to his continued employment with the Company's group).

It is anticipated that the assets that may be transferred as set out above will be Ordinary Shares (which, to the extent lawful, may be new issue Ordinary Shares, Ordinary Shares held in treasury or Ordinary Shares purchased in the market) or cash.

Limits

The maximum number of points which may be awarded under the PEP is 1,000,000.

The maximum value of the assets which may be transferred under the PEP is capped at £50 million.

Leaving employment

Unless the Remuneration Committee determines otherwise, an award will lapse upon the earlier of a participant giving or receiving notice of the cessation of his office or employment within the Company's group and the cessation of such office or employment.

Corporate events

In the event of a takeover or winding up of the Company (not being an internal corporate reorganisation), all awards will vest early subject to the extent to which the performance conditions have been satisfied at that time. The Remuneration Committee may also decide, if it sees fit, to apply a *pro rata* reduction to the value of any assets it decides to transfer as a result of the vesting of awards to reflect the reduced period of time between the grant date and the vesting date relative to the original vesting period. Any and all such assets will, however, be transferred at the time of the relevant transaction.

In the event of an internal corporate reorganisation, awards will be replaced by equivalent new awards unless the Remuneration Committee decides that awards should vest on the basis which would apply in the case of a takeover.

If a demerger, special dividend or other similar event is proposed which, in the opinion of the Remuneration Committee, would affect the market price of Ordinary Shares to a material extent, then the Remuneration Committee may decide that awards will vest on the basis which would apply in the case of a takeover as described above.

Rights attaching to Ordinary Shares

Any Ordinary Shares allotted under the PEP will rank equally with Ordinary Shares then in issue (except for rights arising by reference to a record date prior to their allotment).

Variation of capital

In the event of any variation of the Company's share capital or in the event of a demerger, payment of a special dividend or similar event which materially affects the market price of the Ordinary Shares, the Remuneration Committee may make such adjustments as it considers appropriate to the terms of an award.

Alterations

The Remuneration Committee may, at any time, amend the PEP in any respect, provided that the prior approval of Shareholders is obtained for any amendments that are to the advantage of participants in respect of the rules governing eligibility, the overall limit on the number of points which may be awarded, the percentage of the growth in TSR which may accrue to a pool of value, the cap on the maximum value of the assets which may be transferred, the basis for determining a participant's entitlement to, and the terms of, the Ordinary Shares or cash to be acquired and the adjustment of awards.

The requirement to obtain the prior approval of Shareholders will not, however, apply to any minor alteration made to benefit the administration of the PEP, to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for participants or for any company in the Company's group. For the avoidance of doubt, this means that the prior approval of Shareholders will not be required to amend the PEP in such a way as to deliver awards on broadly the same commercial terms as described in this paragraph 6.6 but in a manner which results in different tax treatment for the participant and/or the Company's group. Shareholder approval will also not be required for any amendments to any performance condition applying to an award.

7. Directors' profiles and other interests

7.1 The Board is comprised of the following persons:

John F Standen, aged 61, Non Executive Chairman

John is a Non Executive Director of Lavendon Group plc. He is also Chairman of Council at the University of Hull. John was previously Non-Executive Chairman of Reg Vardy plc until its sale in 2006. He spent his career in corporate finance and was Chief Executive of BZW Corporate Finance before retiring from Barclays Bank plc in 1998.

Paul R Mines, aged 46, Chief Executive Officer

An engineer with an MBA from London Business School, Paul spent his earlier career at ICI plc and Courtaulds plc and has 17 years' experience in the plastics and packaging industry, managing high growth markets, turnarounds and M&A. For the eight years to 2006, Paul was CEO of Betts Group Holdings Ltd having led a management buy-out of the company from Courtaulds plc. He is currently Non Executive Chairman of CEL-FSolar Systems Limited (trading as Ecolution), a renewable energy business backed by HBOS growth capital. He is also a Director of Windmine Limited and Sulgrave Road Management Company Limited.

Susan J Bygrave, aged 44, Group Finance Director

Sue was appointed Group Finance Director on 5 January 2009. Prior to joining Stanelco, she was Group Finance Director of VEGA Group plc (now VEGA Consulting Services Limited), a specialist professional services group, then listed on the London Stock Exchange. Prior to this she worked for Mettoni Group plc, DCS Group plc and KPMG, with whom she qualified as a chartered accountant.

Elizabeth J Filkin, aged 69, Senior Independent Non Executive Director

Elizabeth was Parliamentary Commissioner for Standards. She is Chairman of the Advertising Advisory Committee, and Non Executive Chairman of Annington Homes plc.

The business address of the Directors is Starpol Technology Centre, North Road, Marchwood, Southampton, Hampshire, SO40 4BL.

7.2 The interests of each Director and those of any person connected with them within the meaning of section 252 to 255 of the Companies Act ("Connected Person"), all of which are beneficial (except as noted below), in the share capital of the Company which (i) have been notified to the Company pursuant to section 177 or 182 of the Companies Act, or (ii) are required to be entered into the register maintained under section 809 of the Companies Act, or (iii) are interests of a Connected Person which would, if the Connected Person were a Director, be required to be disclosed under (i) or (ii) above, and the existence of which is known or could with reasonable diligence be ascertained by the Director, are as follows:

<i>Name</i>	<i>Number of Ordinary Shares</i>	<i>Percentage of issued ordinary share capital (%)</i>
John F Standen	2,000,000	0.06
Paul R Mines	1,100,000	0.04

The Directors are also interested in unissued Ordinary Shares under share options held by them pursuant to the Share Schemes, which are as follows:

<i>Name of Director</i>	<i>Option Type</i>	<i>Date of Grant</i>	<i>Earliest Date of Exercise</i>	<i>Date of Lapse</i>	<i>Exercise Price</i>	<i>Ordinary Shares</i>
Paul Mines	2005 Share	4 July 2007	4 July 2010	3 July 2017	£0.52	57,692,308
	Option Plan	28 April 2008	28 April 2011	27 April 2018	£0.80	37,500,000
Susan Bygrave	2005 Share	24 April 2009	24 April 2012	23 April 2019	£0.61	49,180,328
	Option Plan	24 April 2009	24 April 2012	23 April 2019	£0.61	48,360,656

Save as disclosed above, no Director has any interest in the share capital or loan capital of the Company or any of its subsidiaries nor does any Connected Person have any such interests, whether beneficial or non-beneficial.

The Directors have held the following directorships and/or been a partner in the following partnerships within the five years prior to the date of this document:

<i>Name</i>	<i>Current Directorships/ Partnerships</i>	<i>Previous directorships/partnerships within five years prior to this document</i>
John F Standen	Standen Consult Limited Media Initiatives Group Limited Private Software Limited Lavendon Group plc Xploite plc	Reg Vardy plc Leonard Cheshire Disability Financial Objects Limited Reg Vardy (EBT) Limited Chapel Thorpe plc Avisen plc Leaseway Vehicle Retail Limited AT Communications Group plc

<i>Name</i>	<i>Current Directorships/ Partnerships</i>	<i>Previous directorships/partnerships within five years prior to this document</i>
Paul R Mines	Sulgrave Road Management Company Limited Windmine Limited Biome BioPlastics Limited Aquasol Limited Ingel Technologies Limited Stanelco RF Technologies Limited Celf-F Solar Systems Limited (T/A Ecolution) Stanelco Inc	Betts Group Holdings Limited Betts International Limited Betts Limited Betts UK Limited

<i>Name</i>	<i>Current Directorships/ Partnerships</i>	<i>Previous directorships/partnerships within five years prior to this document</i>
Susan J Bygrave	Biome BioPlastics Limited Aquasol Limited Ingel Technologies Limited Stanelco RF Technologies Limited Stanelco Inc	VEGA Consulting Services Limited (formerly VEGA Group plc) VEGA Consultants Limited VEGA Consulting Limited VEGA Consulting Services Limited (formerly Crew Services Limited) VEGA Security Services Limited VEGA Services Limited VEGA Software Engineering Limited VEGA Space Limited VEGA Trustees (No. 2) Limited VEGA Trustees Limited Mettoni Group plc
<i>Name</i>	<i>Current Directorships/ Partnerships</i>	<i>Previous directorships/partnerships within five years prior to this document</i>
Elizabeth J Filkin	Jarvis PLC TIRI – Making Integrity Work Annington Holdings plc Trustee Vodafone Foundation	Senator Capital Elizabeth Philip Highes Hall Company The Association for Television on Demand Limited

(a) No Director for at least the previous five years:

- (i) has any convictions in relation to fraudulent offences; or
- (ii) has been bankrupt or the subject of an individual voluntary arrangement, or has had a receiver appointed to any asset of such Director; or
- (iii) save as set out below, has been a director of any company which, while he was a director, had a receiver appointed or went into compulsory liquidation, creditors' voluntary liquidation, administration or company voluntary arrangement, or made any composition or arrangement with its creditors generally or with any class of its creditors:
 - (A) John F Standen was appointed Chairman of AT Communications Group plc in April 2009, which was placed into administration on 3 August 2009. The administrators are Messrs. Dunckley and Shierson of Grant Thornton LLP. On 4 August 2009, a wholly owned subsidiary of Daisy Group plc entered into agreements to acquire the trading assets of AT Communications plc;
 - (B) Susan J Bygrave was appointed as director of Mettoni Group plc in October 2000, which was placed into receivership on 5 July 2002. The receivers were Messrs. Hudson, Bailey, Rollings and Dubey of Ernst & Young LLP. Mettoni Group plc was dissolved on 14 April 2009; and
 - (C) Elizabeth J Filkin was appointed as Director of Jarvis plc in August 2003, which was placed in administration on 26 March 2010. The administrators are Messrs. Bowers, Brown, Edwards and Khan of Deloitte & Touche LLP; or
- (iv) has been a partner of any partnership which, while he was a partner, went into compulsory liquidation, administration or partnership voluntary arrangement, or had a receiver appointed to any partnership asset; or
- (v) has had any public criticism and/or sanction by statutory or regulatory authorities (including designated professional bodies); or

- (vi) has been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company.
- (b) As at 26 May 2010 (being the latest practicable date prior to the publication of this document), and so far as the Directors are aware, no person, directly or indirectly, jointly or severally, exercises or could exercise control over the Company.
- (c) As at 26 May 2010 (being the latest practicable date prior to the publication of this document), and so far as the Directors are aware, no person following the Firm Placing and Placing and Open Offer, directly or indirectly, jointly or severally, exercises or could exercise control over the Company.
- (d) So far as the Directors are aware, there are no arrangements the operation of which may at a later date result in a change of control of the Company.
- (e) As at 26 May 2010 (being the latest practicable date prior to the publication of this document), and so far as is known to the Company by virtue of the notifications made to it pursuant to the Companies Act and/or the Disclosure and Transparency Rules, the name of each person (other than any Director) who, directly or indirectly, is interested in three per cent. or more of the Company's share capital, and the amount of such person's interest, is as follows:

<i>Name</i>	<i>Number of Ordinary Shares</i>	<i>Percentage of issued ordinary share capital</i>
TD Waterhouse, Stockbrokers	353,437,660	11.48
Barclays plc	260,426,821	8.46
Schroders plc	182,899,143	5.94
HSDL, Stockbrokers	176,418,140	5.73
Self Trade, Stockbrokers	167,608,317	5.44
Hargreaves Lansdown Asset Management	128,452,529	4.17
HSBC Private Bank	98,671,084	3.21
Charles Stanley, Stockbrokers	99,031,630	3.22

- (f) None of the Company's major holders of shares listed above has voting rights which are different from other holders of Ordinary Shares.
- (g) Transactions with related parties are disclosed on pages 73, 71 and 75 of the Group's Annual Report and Accounts for the years ended 31 December 2007, 2008 and 2009, respectively, are incorporated into this document by reference. See Part VII (*Information Incorporated by Reference*) of this document for more information on documents incorporated by reference. There have been no transactions with related parties between 31 December 2009 and the date of this document, other than intra-group transactions.

7.3 **Directors' confirmations**

- (a) There are no loans made or guarantees granted or provided by any member of the Group to or for the benefit of any Director.
- (b) No Director is or has been interested in any transaction which is or was unusual in its nature or conditions or significant to the business of the Group and which was effected by the Company or any of its subsidiaries during the current or immediately preceding financial year or which was effected by the Company or any of its subsidiaries during any earlier financial year and remains in any respect outstanding or unperformed.
- (c) In respect of the Directors, there are no conflicts of interest between any duties they have to the Company and their private interests and/or other duties they may have.

- (d) As at 26 May 2010 (being the last practicable date prior to the publication of this document) so far as the Company is aware there are no arrangements in place between the Company and any shareholders with more than three per cent. or more of the issued share capital or voting rights of the Company relating to control of the Company and appointment of any Director.

The aggregate amount of remuneration (including any contingent or deferred compensation) payable and benefits in kind granted to the current Directors was £492,272 for the financial year ended 31 December 2009.

- (e) The remuneration of each Director for the year ended 31 December 2009 was as follows:

<i>Directors</i>	<i>Salary/fees</i> (£)	<i>Bonus</i> (£)	<i>Pension</i> <i>contribution</i> (£)	<i>Car</i> <i>allowances</i> (£)	<i>Taxable benefits</i> <i>in kind</i> (£)
John F Standen	45,000	–	–	–	–
Paul R Mines	150,000	38,250	15,000	9,600	1,341
Elizabeth J Filkin	25,000	–	–	–	–
Susan Bygrave	145,798	37,613	14,580	9,600	490
Total	365,798	75,863	29,580	19,200	1,831

The 2009 bonuses are still subject to approval by the Remuneration Committee and a final decision on whether these will be paid will be made once the result of the Issue is known.

8. Directors' service contracts

8.1 *Executive Directors' service contracts and emoluments*

The service contracts of the Executive Directors contain standard provisions in relation to confidential information, inventions, non-compete restrictive covenants (for a period of 12 months following termination) and non-solicitation/non-dealing restrictive covenants (for a period of 6 months following termination).

- (a) *Paul R Mines (Chief Executive Officer)*

Paul R Mines has a rolling service contract with the Company, dated 16 April 2007, requiring 12 months' notice of termination by the Company and four months' notice of termination by Paul R Mines.

- (b) *Susan J Bygrave (Group Finance Director)*

Susan J Bygrave has a rolling service contract with the Company, dated 5 January 2009, requiring 12 months' notice of termination by the Company and six months' notice of termination by Susan J Bygrave.

These service contracts do not contain provisions for pre-determined compensation that exceeds salary and benefits in kind for the notice periods.

Save as set out in paragraphs 8.1(a) and (b) above, there are no service agreements in existence between any of the Directors and the Company or any of its subsidiaries which cannot be determined by the employing company without payment of compensation (other than statutory compensation) within one year.

8.2 *Non Executive Directors' letters of appointment*

- (a) *John F Standen (Chairman)*

The services of John F Standen as Non-Executive Director are provided under the terms of a letter of appointment from the Company to John F Standen dated 23 February 2007. The appointment was for a fixed term of one year continuing on a rolling one year basis thereafter for a fee of £45,000 per annum. No notice period is specified in the contract.

(b) *Elizabeth J Filkin*

The services of Elizabeth J Filkin as Senior Independent Non-Executive Director of the Company are provided under the terms of a letter of appointment from the Company to Elizabeth J Filkin dated 1 September 2003. The appointment was for an initial fixed term of one year continuing on a rolling one year basis thereafter for a fee of £15,000 per annum. No notice period is specified in the contract.

8.3 ***Directors' loans***

There are no loans made or guarantees granted or provided by any member of the Group to or for the benefit of any Director.

9. The board and corporate governance

The Board is committed to the highest standards of corporate governance and has fully addressed the provisions of the Combined Code. The Company was in compliance with the provisions of the Combined Code during its last financial year and has remained so up to the date of this document.

10. Committee details

10.1 ***Remuneration committee***

The members of the Remuneration Committee are:

- (a) Elizabeth J Filkin (Chairman)
- (b) John F Standen

The Chairman of the committee is appointed by the Board on the recommendation of the nomination committee. The quorum for the Committee is two and the Committee may at each meeting appoint one of their number to be the Secretary of the Committee.

The Remuneration Committee meets at least twice each year (the Chairman having power to call a meeting at such other times as the committee requires).

The duties of the Committee are to:

- (c) determine and agree with the Board policy for the remuneration of the executives (including pension rights and compensation payments);
- (d) consider the basic salary paid to the executives and any recommendations made by the Chairman of the Company for changes to that basic salary;
- (e) consider any bonuses to be paid to the executives or recommended to be paid by the Chairman and any performance related remuneration;
- (f) advise on and determine all performance-related formulae and targets relevant to the remuneration of the executives and to consider eligibility for annual bonuses and benefits under long term incentive schemes;
- (g) administer all aspects of any share option scheme operated or to be established by the Company;
- (h) have regard to any published guidelines or recommendations regarding the remuneration of directors of listed companies and formation and operation of share option schemes which the Committee considers relevant or appropriate;
- (i) ensure levels of remuneration, including pensions, are disclosed as required by law or stock exchange regulation, and to make recommendations to the Directors in relation to the disclosure of remuneration packages and structures;

- (j) consider other benefits granted to the executives and any recommendations of the Chairman for changes in those benefits;
- (k) determine the policy for and scope of the pension arrangements applicable to the executives;
- (l) consider and make recommendations in respect of the terms of the service contracts of the executives and to ensure that contractual terms on termination, and any payments made, are fair to the individual and the Company, that poor performance is not rewarded and that the duty to mitigate loss is fully recognised;
- (m) consider other matters relating to the remuneration of or terms of employment applicable to the executives and referred to the Committee by the Board;
- (n) agree the policy for authorising claims for expenses from the executives;
- (o) be aware of and advise the Board on any major changes in employee benefit structures throughout the Company and its Group;
- (p) ensure the Committee has access to reliable and up-to-date information about remuneration in other companies and to judge the implications of this information carefully; and
- (q) be exclusively responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any remuneration consultants advising the Committee.

10.2 *Audit committee*

The members of the Audit Committee are:

- (a) Elizabeth Filkin (*Chairman*); and
- (b) John F Standen

The Chairman of the Audit Committee is appointed by the Board. The quorum for the Committee is two and the Committee may at each meeting appoint one of their number to be the Secretary of the Committee.

The duties of the Audit Committee are to:

- (c) make recommendations to the Board in relation to the appointment, reappointment and removal of the Auditors and to approve the remuneration and terms of engagement of the Auditors;
- (d) discuss with the Auditors before the audit commences the nature and scope of the audit, and other relevant matters and ensure co-ordination where more than one audit firm is involved;
- (e) review and monitor the independence and objectivity of the Auditors and the effectiveness of the audit process;
- (f) monitor the integrity of the financial statements of the Company and any formal announcements relating to the Company's financial performance, reviewing significant financial reporting judgements contained in them and in particular to review the half year and annual financial statements before submission to the Board;
- (g) discuss problems and reservations arising from the audit, and any matters the Auditors may wish to discuss (in the absence of management where necessary);
- (h) review the Auditors management letter and management's response;
- (i) review the Company's internal financial controls and the Company's internal control and risk management systems;
- (j) review the Company's statement on internal control systems prior to endorsement by the Board;

- (k) monitor and review the effectiveness of any internal audit function, ensure co-ordination between the internal and external auditors and ensure that it is adequately resourced and has appropriate standing within the Company;
- (l) develop and implement policy on the engagement of the Auditors to supply non-audit services and to report to the Board, identifying any matters in respect of which the Committee considers that action or improvement is needed and making recommendations as to the steps to be taken;
- (m) review arrangements by which staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters and ensure that arrangements are in place for the proportionate and independent investigation of such matters with appropriate follow-up action; and
- (n) consider the major findings of the Auditors or any internal investigations and management's response.

10.3 *Nomination committee*

The members of the Nomination Committee are:

- (a) John F Standen (*Chairman*); and
- (b) Elizabeth J Filkin

The Chairman of the Nomination Committee is appointed by the Board. The quorum for the Committee is two and shall include a majority of independent Non Executive Directors. The committee may at each meeting appoint one of their number to be the Secretary of the committee.

The Duties of the Nomination Committee are to:

- (c) be responsible for identifying and nominating candidates to fill Board vacancies as and when they arise, save that appointments as Chairman or Chief Executive should be matters for the whole Board;
- (d) before making an appointment, evaluate the balance of skills, knowledge and experience on the Board and, in the light of this evaluation, prepare a description of the role and capabilities required for a particular appointment;
- (e) review annually the time required from a Non Executive Director and assess whether the Non Executive Director is spending enough time to fulfil their duties;
- (f) consider candidates from a wide range of backgrounds;
- (g) give full consideration to succession planning in the course of its work, taking into account the challenges and opportunities facing the Company and the skills and expertise therefore needed on the Board, reporting to the Board regularly;
- (h) regularly review the structure, size and composition (including the skills, knowledge and experience) of the Board and make recommendations to the Board with regard to any changes;
- (i) keep under review the leadership needs of the organisation, both executive and non executive, with a view to ensuring the continued ability of the organisation to compete effectively in the marketplace;
- (j) make a statement in the annual report about its activities, the process used for appointments and explain if external advice or open advertising has not been used; the membership of the Committee, number of Committee meetings and attendance over the course of the year;
- (k) ensure that on appointment to the Board, Non Executive Directors receive a formal letter of appointment setting out clearly what is expected of them in terms of time commitment, committee service and involvement outside Board meetings;

- (l) consider and make recommendations to the Board about the re-appointment of any Non Executive Director at the conclusion of their specified term of office or retiring in accordance with the Articles; and
- (m) consider and make recommendations to the Board on any matter relating to the continuation in office of any Director at any time.

11. Firm Placing and Placing and Open Offer arrangements

11.1 *Placing Agreement*

Pursuant to the Placing Agreement dated 26 May 2010 between the Company (1) and Singer (2), Singer has agreed to use its reasonable endeavours to place the Firm Placed Shares and the Conditional Placed Shares at the Issue Price, as well as acting as sponsor, financial adviser bookrunner and broker to the Company in connection with the Firm Placing and Placing and Open Offer.

The Placing Agreement provides, *inter alia*, for payment of the following amounts by the Company to Singer:

- (a) a corporate advisory fee of £125,000 in respect of the publication of the prospectus;
- (b) a corporate advisory fee of £150,000 payable on the completion of the Issue;
- (c) a fee equal to 4.5 per cent. of the product of the number of the Firm Placed Shares and the Placing Shares (in each case placed by Singers (together, the “**Singer Placed Shares**”)) multiplied by the Issue Price; and
- (d) a fee equal to two per cent. of the product of the aggregate number of shares issued pursuant to the Issue less the number of Singer Placed Shares, DVL Placed Shares and Field Placed Shares multiplied by the Issue Price.

The Company will bear all other expenses of and incidental to the Issue, including the fees of the London Stock Exchange and the FSA, printing costs, registrar’s and receiving banker’s fees. All legal and accounting fees of the Company and of Singer, all stamp duty and other taxes and duties payable.

The agreement contains certain customary warranties and indemnities from the Company in favour of Singer and is conditional, *inter alia*, upon:

- (a) the Placing Agreement having become unconditional in all respects (save for the condition relating to Admission) and not having been terminated in accordance with its terms prior to Admission;
- (b) the passing of Resolution 1 at the General Meeting; and
- (c) Admission becoming effective not later than 8.00 a.m. on 15 June 2010 or such later time and/or date as Singer may, in its absolute discretion, elect, being not later than 15 July 2010.

Singer may terminate the agreement in certain circumstances prior to Admission, if, *inter alia*, an event occurs, or if there is a change in national or international financial, monetary, economic, political or market conditions, which in its reasonable opinion is or may be materially adverse to the Company or to the Issue.

11.2 *Introduction Fee Agreement with Dorcas Ventures Limited*

The Company engaged Dorcas Ventures Limited (“**DVL**”) pursuant to a letter agreement dated 23 April 2010 to introduce placees in connection with the Placing. In consideration for this service, the Company agreed to pay DVL a commission of 10 per cent. of the aggregate gross amount subscribed by such placees (“**DVL Placed Shares**”). This agreement is conditional upon the Placing Agreement becoming unconditional in all respects.

11.3 *Introduction Fee Agreement with Broker Profile Limited*

On 11 May 2010, the Company appointed Broker Profile Limited (“**BPL**”) to act as client stockbroker relations consultants, pursuant to which BPL agreed to carry out a programme of marketing to private client stockbrokers and investment managers (the “**BPL Placees**”).

In consideration of BPL’s marketing to the BPL Placees, the Company agreed to pay BPL a fee (the “**Consultancy Fee**”). The Consultancy Fee consists of (i) a fixed fee, payable at the date of the agreement, of £5,000 and (ii) a performance bonus, payable on completion of the Issue, equal to 3 per cent. of all the aggregate gross amount subscribed for New Ordinary Shares by the BPL Placees.

11.4 *Introduction Fee Agreement with Hybridan*

On 6 May 2010, the Company appointed Hybridan LLP (“**Hybridan**”) to act as placing agent, pursuant to which Hybridan agreed to introduce certain prospective investors in the Issue, to the Company and Singer (the “**Hybridan Placees**”).

In consideration of the introduction of such prospective investors, the Company agrees to pay Hybridan a commission on completion of the Issue (the “**Hybridan Commission**”). The Hybridan Commission shall be an amount equal to six per cent. of all the aggregate gross amount subscribed for New Ordinary Shares by the Hybridan Placees (or seven per cent. in the event that the amount subscribed for New Ordinary Shares by the Hybridan Placees exceeds £1,000,000).

11.5 *Introduction Fee Agreement with Jessica Field and Olivia Field*

The Company engaged Jessica Field and Olivia Field pursuant to a letter agreement dated 18 May 2010 to introduce placees in connection with the Placing. In consideration for this service, the Company agreed to pay Jessica Field and Olivia Field collectively a commission of 10 per cent. of the aggregate gross amount subscribed by such placees (“**Field Placed Shares**”). This agreement is conditional upon the Placing Agreement becoming unconditional in all respects.

12. **Mandatory bids, squeeze-out and sell-out rules relating to the Ordinary Shares**

12.1 *Mandatory bid*

The City Code applies to the Company. Under the City Code, if an acquisition of Ordinary Shares were to increase the aggregate holding of the acquiror and its concert parties to shares carrying 30 per cent. or more of the voting rights in the Company, the acquiror and, depending on the circumstances, its concert parties, would be required (except with the consent of the Panel on Takeovers and Mergers) to make a cash offer for the outstanding shares in the Company at a price not less than the highest price paid for the Ordinary Shares by the acquiror or its concert parties during the previous 12 months. This requirement would also be triggered by any acquisition of shares by a person holding (together with its concert parties) shares carrying between 30 and 50 per cent. of the voting rights in the Company if the effect of such acquisition were to increase that person’s percentage of the voting rights.

12.2 *Squeeze-out*

Under the Companies Act, if an offeror were to acquire or unconditionally contract to acquire 90 per cent. of the shares to which the offer relates and 90 per cent. of the voting rights attached to those shares, then within three months of the last day on which its offer can be accepted, it could compulsorily acquire the remaining 10 per cent. It would do so by sending a notice to outstanding Shareholders telling them that it will compulsorily acquire their shares and then, six weeks later, it would execute a transfer of the outstanding shares in its favour and pay the consideration to the Company, which would hold the consideration on trust for outstanding Shareholders. The consideration offered to the Shareholders whose shares are compulsorily acquired under the Companies Act must, in general, be the same as the consideration that was available under the takeover offer.

12.3 *Sell-out*

The Companies Act would also give minority Shareholders in the Company a right to be bought out in certain circumstances by an offeror who had made a takeover offer. If at any time before the end of the period within which a takeover offer could be accepted, the offeror holds or had unconditionally contracted to acquire (i) not less than 90 per cent. of the shares in the Company to which the offer relates and (ii) shares to which the offer relates which, with or without any other shares in the Company which the offeror has acquired or contracted to acquire, carry not less than 90 per cent. of the voting rights in the Company, then any holder of shares to which the offer related who had not accepted the offer could by a written communication to the offeror require it to acquire those shares. The offeror would be required to give any Shareholder notice of his right to be bought out within one month of that right arising. Sell-out rights cannot be exercised after the end of the period of three months from the last date on which the offer can be accepted or, if later, three months from the date on which the notice is served on the Shareholders notifying them of their sell-out rights. If a Shareholder exercises his/her rights, the offeror is bound to acquire those shares on the terms of the offer or on such other terms as may be agreed.

12.4 *Public takeover bids in the last and current financial years*

There have been no public takeover bids by third parties in respect of the share capital of the Company in the last or current financial year.

13. **Material contracts**

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of the Group (i) within two years immediately preceding the date of this document and are, or may be, material; or (ii) which contains any provision under which any member of the Group has any obligation or entitlement which is material to the Group as at the date of this document.

13.1 *Joint Venture with SPHERE*

Pursuant to a Joint Venture Agreement dated 1 September 2005 between (1) SP Metal SA (now SPHERE) and (2) the Company (the “**Joint Venture Agreement**”), the Company agreed to sell 50 per cent. of the share capital and 50 per cent. of the shareholder indebtedness of Biotec to SPHERE.

The consideration paid by SPHERE was 50 per cent. of the purchase price paid by the Company for the purchase of Biotec from EKI in June 2005 (total consideration being US\$25m). Both parties agreed to provide Biotec with initial funding in the amount of €3m with further funding requirements to be determined by the advisory board of Biotec.

The parties have agreed that any intellectual property (“**IP**”) which is owned by a party at completion shall remain the property of that party. Any IP owned by Biotec at the date of the Joint Venture Agreement or arising in the course of activities of Biotec shall remain the property of Biotec (except for radio frequency technology and/or shock absorbing accurate panel technology which the Company will be entitled to).

Under the Joint Venture Agreement an advisory board was established consisting of four members, two members from each party. The powers and duties of the board include but are not limited to; approval of the annual accounts, resolution of the utilisation of proceeds, appointment and removal of managing directors, supervision of the managing directors, review and approval of the annual budget and determination of further funding requirements.

The Joint Venture Agreement includes provisions for a deadlock procedure, separation of the parties, transfer of shares, succession of the Joint Venture Agreement, non-compete clauses and an arbitration clause.

13.2 *Firm Placing and Placing and Open Offer arrangements*

The Placing Agreement and the introduction fee agreements with Dorcas Ventures Limited, Hybridan LLP, Broker Profile Limited and Jessica Field and Olivia Field, as described in section 11 of this Part VI, are material contracts of the Company.

14. **United Kingdom Taxation**

14.1 *General*

The following statements are of a general nature only and are based on current UK tax law and the published practice of HM Revenue and Customs (“**HMRC**”) as at the date of this document, either of which is subject to change at any time (including, possibly, retrospective changes). It should also be noted a budget is scheduled to be held on 22 June 2010.

This taxation section generically covers certain UK tax consequences of holding ordinary shares for Qualifying Shareholders who are resident and, in the case of individuals, ordinarily resident in (and only in) the UK for UK tax purposes, who hold their Ordinary Shares as investments who are the beneficial owners of their Ordinary Shares and who have not (and are not deemed to have) acquired their Ordinary Shares by reason of an office or employment. The statements may also not apply to certain classes of Qualifying Shareholders such as, for example, dealers in securities, broker dealers, insurance companies and collective investment schemes.

Any person who is in any doubt as to their tax position should consult an appropriate professional tax adviser without delay.

14.2 *Taxation of chargeable gains*

(a) *New Ordinary Shares acquired pursuant to the Open Offer*

The acquisition of Open Offer Shares by Qualifying Shareholders may not technically qualify as a reorganisation of the share capital for the purposes of UK tax on chargeable gains. However, provided the open offer is made to all shareholders, HMRC’s published practice to date has been to treat an acquisition of shares by an existing shareholder up to his *pro rata* entitlement pursuant to the terms of an open offer as a reorganisation. Specific confirmation as to whether the Open Offer will be treated as a reorganisation has not been requested from HMRC.

If the acquisition of the Open Offer Shares by Qualifying Shareholders is regarded as a reorganisation, the Open Offer Shares and the Existing Ordinary Shares in respect of which they are issued will, for the purposes of UK taxation of chargeable gains, be treated as the same asset and as having been acquired at the same time as the Existing Ordinary Shares. The amount paid for the Open Offer Shares will be added to the base cost of the Qualifying Shareholder’s holding of Existing Ordinary Shares.

If, or to the extent that, the acquisition of Open Offer Shares is not regarded as a reorganisation, the Open Offer Shares acquired by each Qualifying Shareholders will, for the purposes of UK taxation of chargeable gains, be treated as a separate acquisition of New Ordinary Shares.

(b) *New Ordinary Shares acquired pursuant to the Placing*

The issue of New Ordinary Shares pursuant to the Placing will not be treated as a reorganisation of the share capital of the Company for the purposes of UK tax on chargeable gains. Accordingly, any such New Ordinary Shares will be treated as a separate holding for the purposes of UK tax on chargeable gains.

(c) *Disposal of New Ordinary Shares*

A disposal of New Ordinary Shares acquired under the Firm Placing and Placing and Open Offer by a Shareholder who is resident, or in the case of an individual, ordinarily resident in the UK for tax purposes in the relevant year of assessment may give rise to a chargeable gain (or allowable loss) for the purposes of UK capital gains tax (where the Shareholder is an individual) or UK corporation tax

of chargeable gains (where the Shareholder is within the charge to UK corporation tax), depending on their circumstances and subject to any available exemptions or reliefs.

An individual Shareholder who ceases to be resident or ordinarily resident in the UK (for tax purposes) for a period broadly of less than five years and who disposes of the New Ordinary Shares during that period of temporary non-residence may also be liable to UK capital gains tax on his return to the UK (subject to any available exemptions or reliefs).

A Shareholder who is not resident nor, in the case of an individual, ordinarily resident for tax purposes in the UK (and is not temporarily non-resident as described above) should not be liable for UK tax on capital gains realised on the sale or other disposal of his New Ordinary Shares unless such New Ordinary Shares are used, held or acquired for the purposes of a trade, professional or vocation carried on in the UK through a branch or agency or, in the case of a corporate Shareholder, through a permanent establishment. Such Shareholders may be subject to foreign taxation on any gain under local law, subject to the terms of any applicable double tax treaty.

14.3 *Taxation of dividends*

Under current UK tax law, the Company will not be required to withhold tax at source from any dividend payments it makes on the New Ordinary Shares.

(a) *Individuals*

A Qualifying Shareholder who is an individual resident in the UK for tax purposes and who receives a dividend from the Company will be entitled to a tax credit which may be set off against his total income tax liability on the dividend. The tax credit will be equal to 10 per cent of the aggregate of the dividend and the tax credit (the “**gross dividend**”), which is also equal to one-ninth of the amount of the net cash dividend received.

The tax credit will be treated as discharging the individual’s liability to income tax in respect of the gross dividend, unless and except to the extent that the gross dividend, when added to all other income of the Qualifying Shareholder in the relevant tax year, falls above the threshold for the higher rate of income tax. In this case the individual will, if the dividend is received prior to 6 April 2010, to that extent, pay tax calculated as 32.5 per cent of the gross dividend less the related tax credit. So, for example, a dividend of £90 will carry a tax credit of £10 and the income tax payable on the dividend by an individual liable to income tax at the higher rate would be 32.5 per cent. of £100, namely £32.50, less the tax credit of £10, leaving a net tax charge of £22.50 (which is 25 per cent. of the net cash dividend received).

With effect from 6 April 2010, to the extent that an individual receives a dividend falling above the £150,000 threshold for the additional rate of income tax, the individual will be subject to tax on the gross dividend exceeding the threshold at the rate of 42.5 per cent. Taking into account the related tax credit, the effective top rate of tax on the net cash dividend will be 36.1 per cent. A UK resident individual Qualifying Shareholder who is not liable to income tax in respect of the gross dividend will not be entitled to any payment from HMRC in respect of any part of the tax credit.

(b) *Companies*

A Qualifying Shareholder which is within the charge to UK corporation tax will not normally be subject to UK corporation tax on any dividend received from the Company. Such a corporate Qualifying Shareholder will not be entitled to any payment from HMRC in respect of the tax credit attaching to any dividend paid by the Company.

The Government enacted legislation in 2009 which significantly changes the tax treatment of dividends received by shareholders within the charge to UK corporation tax. The new legislation has, amongst other things, removed the current blanket exemption from UK corporation tax which had generally applied to a dividend paid by one UK resident company to another. However, with the introduction of the new legislation dividends paid on the New Ordinary Shares to UK resident corporate shareholders will generally continue to qualify for exemption from UK corporation tax. Qualifying Shareholders within the charge to UK corporation tax are advised to consult their

independent professional tax advisers in relation to the implications of the new legislation without delay.

14.4 *Inheritance tax (“IHT”)*

The treatment of the Ordinary Shares for IHT purposes will be driven by the individual Shareholders’ own personal circumstances and any individual Shareholders who are concerned with the potential IHT implications should consult an appropriate professional tax adviser without delay.

14.5 *Stamp duty and stamp duty reserve tax (“SDRT”)*

No stamp duty or SDRT should be payable on the issue of the New Ordinary Shares pursuant to:

- (a) the Firm Placing and Placing; and/or
- (b) the Open Offer.

Subject to an exemption for certain low value transactions, any subsequent dealings by Shareholders in the New Ordinary Shares held in certificated form should be subject to stamp duty or SDRT. An instrument which transfers on sale New Ordinary Shares will generally be liable to stamp duty at the rate of 0.5 per cent. (rounded to the nearest multiple of £5) of the consideration paid. An unconditional agreement to transfer such shares will generally be liable to SDRT at the rate of 0.5 per cent. of the consideration paid, but such liability will be cancelled if the agreement is completed by a duly stamped transfer, and stamp duty is duly paid on that instrument, within six years of the agreement having become unconditional. Stamp duty or SDRT is normally the liability of the purchaser.

Under the CREST system for settlement of paperless share transfers, no stamp duty or SDRT should arise on the issue or transfer of shares into the system provided (i) the shares are not issued or transferred into the CREST account of, or of a nominee for, a Depository Receipts System or the CREST account of, or of a nominee for, a Clearance Services which has not made an election under s97A of the Finance Act 1986, and (ii) in the case of SDRT, the transfer is not for money or money’s worth.

Transfers of Shares within CREST are generally liable to SDRT (at a rate of 0.5 per cent. of the amount or value of the consideration payable) rather than stamp duty, and SDRT on such transactions settled within the system or reported through it for regulatory purposes would normally be collected from the purchaser and accounted for by CREST.

The comments above relating to stamp duty and SDRT apply whether or not a Shareholder is resident or ordinarily resident in the UK.

The statements in this paragraph are intended as a general guide to the current UK stamp duty and SDRT position and do not apply (i) to persons such as market makers, dealers, brokers, intermediaries and other persons (or nominees or agents for such persons) who issue depository receipts or operate clearance services to whom special rules apply or (ii) as regards transfers of shares to any of the persons mentioned in (i). Investors other than those to which the above general statements should apply are strongly recommended to consult their own professional tax advisers.

14.6 *Move to AIM*

In the event that the Company’s Ordinary Shares are admitted to trading on AIM, different tax rules will apply. Companies whose shares are traded on AIM are treated as unquoted for the purpose of certain UK tax reliefs. Individual and corporate investors who are resident or ordinarily resident in the United Kingdom for tax purposes may be able to benefit from these reliefs, as well as other more general reliefs. Shareholders or prospective investors should consult their own professional advisers on whether an investment in an AIM security is suitable for them. Any person who is in any doubt as to his or her tax position or who may be subject to tax in any jurisdiction other than the UK should consult an appropriate professional tax adviser without delay.

15. Employees

The average number of people employed by the Group over the last three financial years was as follows:

	2007	2008	2009
Group (excluding Biotec)	27	20	21
Biotec	27	28	26

16. Investments

There are no investments made, being made by the Company or to be made in the future in respect of which firm commitments have been made.

17. Property, plant and equipment/environmental issues

The Group's principal establishment for the operation of its business is leased, the details of which are as follows:

<i>Property</i>	<i>Tenure</i>	<i>Lease expiry date</i>	<i>Current annual rent</i>	<i>Approx. area</i>
Starpol Technology Centre, North Road, Marchwood, Southampton, Hampshire SO40 4BL	Leasehold	2019	£50,000	8,000 sq ft

The Company has entered into an agreement for lease relating to Units 1A.1 and 1A.2 Marchwood Industrial Park, Marchwood, Southampton, Hampshire SO40 4BL (“Unit 1A.1” and “Unit 1A.2”). A separate underlease has been entered into for Unit 1A.1, with the benefit of the security of tenure provisions pursuant to the Landlord and Tenant Act 1954, on the following terms:

<i>Property</i>	<i>Landlord</i>	<i>Rent Review</i>	<i>Insurance</i>	<i>Service Charge</i>	<i>Lease expiry date</i>	<i>Annual rent (£)</i>	<i>Approx area (sq ft)</i>
Unit 1A.1	Oceanic Estates Limited (Head Landlord)	11 December 2011	The Head Landlord insures the premises and if he fails to do so, the Landlord shall insure the premises. The insurance charge is recovered from the tenant.	Service charge, at a rate equivalent to 10 per cent. of the annual rent, is recovered from the tenant.	15 September 2016	111,949.50	17,219

To the best of the Company's knowledge, as at 26 May 2010 (being the last practicable date prior to the publication of this document), the Company is unaware of any environmental issues that may affect the company's utilisation of its tangible fixed assets.

18. Working capital

The Company is of the opinion that taking into account the net proceeds of the Firm Placing and the Placing, the Group has sufficient working capital for its present requirements, that is, for at least 12 months from the date of this document.

For further information in relation to the Company's working capital position and the importance of your vote and your support for the offer, please see paragraph 19 of Part I (*Letter from the Chairman of Stanelco plc*) of this document.

19. Research and development, patents and licenses

The Group incurs development cost in research expenditure which is written off in the profit and loss account each year it is incurred. Development costs are written off in the same manner unless the Directors are satisfied as to the technical, commercial and financial viability of individual projects. In this situation, the expenditure is deferred and amortised over the period during which the Group is expected to benefit. The Directors carry out an annual review of these projects to ensure the criteria for capitalisation is still satisfied and where necessary will change the impairment to the profit and loss account.

	2007	2008	2009
<i>Research and Development costs</i>	£	£	£
	442,057	541,000	476,000

20. Significant Change

There has been no significant change in the financial or trading position of the Group since 31 December 2009, the end of the last period for which audited financial statements have been published.

21. Litigation

Save as set out below, there are no, and have been no, governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) during the period of 12 months prior to the date of this document which may have, or may have had in the recent past, significant effects on the Company's and/or the Group's financial position or profitability.

The Company is aware of legal proceedings issued by Novamont S.p.A ("Novamont") against Biotec Biologische Naturverpackungen GmbH & Co KG claiming infringement of the French and Italian designations of Novamont's European Patents. The Company is defending these claims. These proceedings are ongoing. The total potential claim amount in relation to the Novamont litigation is unquantifiable. Please see section 2 of Part I (*Letter from the Chairman of Stanelco plc*) for further information.

22. General

- (a) The auditors of the Company are Grant Thornton UK LLP who have audited the financial statements of the Company for the period ended 31 December 2009, 31 December 2008 and 31 December 2007.
- (b) Singer of One Hanover Street, London W1S 1YZ which is authorised and regulated by the Financial Securities Authority, has given and has not withdrawn its written consent to the inclusion in this document of its name in the form and context in which it appears. Singer may be said to have an indirect material economic interest which may be dependent on the success of the Firm Placing and Placing and Open Offer by virtue of its interest in fees payable by the Company under the Placing Agreement.
- (c) The expenses of and incidental to the Firm Placing and Placing and Open Offer are estimated to amount to approximately £0.7 million (excluding VAT), and will be payable by the Company. The estimated net cash proceeds of the Firm Placing and Placing and Open Offer accruing to the Company are £2.8 million (assuming the Issue is fully subscribed) and will be used for the purposes described in Part I (*Letter from the Chairman of Stanelco plc*) of this document.
- (d) There are no arrangements under which future dividends are waived or agreed to be waived.
- (e) Documents to be sent to Shareholders will be posted to their registered addresses and, in the case of joint holders, will be posted to the registered address of the first-named holder. In addition, appropriate public announcements and advertisements will be made in accordance with the Listing Rules.
- (f) The financial information included herein does not constitute statutory accounts within the meaning of section 240 of the Companies Act 1985. Statutory accounts for the periods ended 31 December 2009, 31 December 2008 and 31 December 2007 have been delivered to the Registrar of Companies. The auditors have reported on these accounts; their report was unqualified and did not contain a

statement under section 237(2) (accounting records or returns inadequate or accounts not agreeing with records and returns) or 237(3) (failure to obtain necessary information and explanation) of the Companies Act 1985.

- (g) No dividend has been paid during the financial periods ended 31 December 2009, 31 December 2008 or 31 December 2007.

23. General Documents available for inspection

Copies of the following documents may be inspected at the offices of Osborne Clarke at One London Wall, London EC2Y 5EB during usual business hours on any weekday (excluding Saturdays and public holidays) up to and including the date of Admission:

- (a) the Articles;
- (b) the annual report and audited consolidated accounts of the Company and its subsidiaries for the financial periods ended 31 December 2009, 31 December 2008 and 31 December 2007, and the Final Results for the year ended 31 December 2009;
- (c) the Stanelco plc Public Equity Plan referred to in paragraph 6.6 above;
- (d) the written consent referred to in paragraph 22(b) above;
- (e) the Non-CREST Application Form;
- (f) the Form of Proxy; and
- (g) this document.

24. Availability of documents

Copies of this document will be available free of charge to the public at the offices of Singer at One Hanover Street, London W1S 1YZ during normal business hours on any week day (Saturdays and public holidays excepted) for the life of this document.

Dated: 27 May 2010

PART VII

INFORMATION INCORPORATED BY REFERENCE

The following documentation, which was sent to Shareholders at the relevant time and/or is available for inspection in accordance with paragraph 22 of Part VI (*Additional Information*) of this document, contains information which is relevant to the Issue Proposals. The documents are also available on the Company's website at www.stanelcoplc.com.

The table below sets out the various sections of such documents which are incorporated by reference into this document so as to provide the information required under the Prospectus Rules and to ensure that Shareholders and others are aware of all the information which, according to the particular nature of the Company and of the New Ordinary Shares, is necessary to enable the Shareholders and others to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Company.

<i>Information incorporated by reference into this document</i>	<i>Destination of incorporation</i>	<i>Page reference in this document</i>
The Company's Annual Report and Accounts for the year ended 31 December 2009		
• Directors Report (p13-17)	Part IV (Operating and Financial Review)	68
• Corporate Governance Report (p18-22)	Part VI (Additional Information)	72
• Report of the Independent Auditor (p28-29)	Part V (Historical Financial Information Relating to Stanelco)	71
• Consolidated Income Statement, Consolidated Balance Sheet, Company Balance Sheet, Consolidated Statement of Changes in Equity, Consolidated Cash Flow Statement (p40-48)	Part V (Historical Financial Information Relating to Stanelco)	71
• Related Party Transactions (p75)	Part VI (Additional Information)	72
• Accounting policies (p30-39)	Part V (Historical Financial Information Relating to Stanelco)	71
The Company's Annual Report and Accounts for the year ended 31 December 2008		
• Directors Report (p9-14)	Part IV (Operating and Financial Review)	68
• Corporate Governance Report (p15-19)	Part VI (Additional Information)	72
• Report of the Independent Auditor	Part V (Historical Financial Information Relating to Stanelco)	71
• Consolidated Income Statement, Consolidated Balance Sheet, Company Balance Sheet, Consolidated Statement of Changes in Equity, Consolidated Cash Flow Statement (p34-43)	Part V (Historical Financial Information Relating to Stanelco)	71
• Related Party Transactions (p71)	Part VI (Additional Information)	72
• Accounting policies (p26-34)	Part V (Historical Financial Information Relating to Stanelco)	71

The Company's Annual Report and Accounts for the year ended 31 December 2007

• Directors Report (p8-13)	Part IV (Operating and Financial Review)	68
• Corporate Governance Report (p14-18)	Part VI (Additional Information)	72
• Report of the Independent Auditor (p24-25)	Part V (Historical Financial Information Relating to Stanelco)	71
• Consolidated Income Statement, Consolidated Balance Sheet, Company Balance Sheet, Consolidated Statement of Changes in Equity, Consolidated Cash Flow Statement (p35-43)	Part V (Historical Financial Information Relating to Stanelco)	71
• Related Party Transactions (p73)	Part VI (Additional Information)	72
• Accounting policies (p26-34)	Part V (Historical Financial Information Relating to Stanelco)	71
Final Results for the year ended 31 December 2009	Part I (Letter from the Chairman)	27

PART VIII

DEFINITIONS

The following definitions apply throughout this document, unless the context otherwise requires:

“Admission”	the admission of the New Ordinary Shares to the Official List becoming effective in accordance with the Listing Rules and the admission of such shares to trading on the main market for listed securities of the London Stock Exchange becoming effective in accordance with the Admission and Disclosure Standards;
“Admission and Disclosure Standards”	the requirements contained in the publication “Admission and Disclosure Standards” containing, <i>inter alia</i> , the admission requirements to be observed by companies seeking admission to trading on the London Stock Exchange’s main market for listed securities;
“AIM”	the AIM market operated by the London Stock Exchange;
“AIM Rules”	the AIM rules for companies as published by the London Stock Exchange;
“Annual Report and Accounts”	the annual report and accounts prepared by the Company for the financial years ended 31 December 2007 and/or 31 December 2008 and/or 31 December 2009 (as the case may be);
“Aquasol Agreement”	the share purchase agreement in relation to the entire issued share capital of Aquasol Limited entered into between (1) Bruce Michael Drew, David Brian Edwards, Barbara Anne Earley and William John McCarthy and (2) the Company on 3 June 2004;
“Articles”	the articles of association of the Company;
“Audit Committee”	the duly authorised audit committee of the Board;
“Auditors”	Grant Thornton LLP;
“Basic Entitlement”	the <i>pro rata</i> entitlement of Qualifying Shareholders to subscribe for 0.262 Open Offer Shares for every Existing Ordinary Share registered in their name as at the Record Date;
“Biotec”	Biotec Holding GmbH, a company registered and incorporated in Germany;
“Board”	the board of Directors of the Company from time to time;
“Business Day”	any day on which banks are generally open in London for the transaction of business other than a Saturday or Sunday or public holiday;
“Capita Registrars”	a trading name for Capita Registrars Limited;
“certificated” or “in certificated form”	a share or other security which is not in uncertificated form (that is, not in CREST);
“City Code”	the UK City Code on Takeovers and Mergers;
“Closing Price”	the closing, middle market quotation of an Existing Ordinary Share, as published in the Daily Official List;

“Combined Code”	the Combined Code on Corporate Governance of the Financial Reporting Council 2008;
“Companies Act”	the Companies Act 2006, as amended;
“Conditional Placees”	any persons who have agreed to subscribe for Conditional Placed Shares;
“Conditional Placed Shares” or “Placing Shares”	the 430,639,904 Open Offer Shares to be allotted and issued by the Company under the Placing subject to claw back to satisfy valid applications by Qualifying Shareholders under the Open Offer or Excess Application Facility pursuant to the Placing Agreement;
“CREST”	the system for the paperless settlement of trades in securities and the holding of uncertificated securities in accordance with the CREST Regulations operated by Euroclear;
“CREST account”	the account operated by CREST in which uncertificated securities are held;
“CREST Manual”	the rules governing the operation of CREST, consisting of the CREST Reference Manual, CREST International Manual, CREST Central Counterparty Service Manual, CREST Rules, Registrars Service Standards, Settlement Discipline Rules, CCSS Operations Manual, Daily Timetable, CREST Application Procedure and CREST Glossary of Terms (all as defined in the CREST Glossary of Terms promulgated by Euroclear on 15 July 1996 and as amended since);
“CREST member”	a person who has been admitted by Euroclear as a system member (as defined in the CREST Regulations);
“CREST participant”	a person who is, in relation to CREST, a system participant (as defined in the CREST Regulations);
“CREST Proxy Instrument”	the appropriate CREST message made to appoint a proxy, properly authenticated in accordance with Euroclear’s specifications;
“CREST Regulations”	the Uncertificated Securities Regulations 2001 (SI 2001 No. 3755), as amended from time to time;
“CREST sponsor”	a CREST participant admitted to CREST as a CREST sponsor;
“CREST sponsored member”	a CREST member admitted to CREST as a sponsored member;
“Daily Official List”	the daily official list of the London Stock Exchange;
“Dealing Day”	a day upon which dealings in domestic securities may take place on and with the authority of the London Stock Exchange;
“Director(s)”	the director(s) of the Company;
“Disclosure and Transparency Rules”	the disclosure and transparency rules made under Part VI of the FSMA (as set out in the FSA Handbook), as amended;
“EBT”	the Stanelco plc Employee Benefit Trust;
“EMI Scheme”	the Stanelco plc Enterprise Management Incentive Scheme;
“Enlarged Issued Share Capital”	the issued ordinary share capital of the Company following the issue of the New Ordinary Shares pursuant to the Firm Placing and Placing and Open Offer;

“EU”	the European Union first established by the treaty made at Maastricht on 7 February 1992;
“Euroclear”	Euroclear UK & Ireland Limited;
“European Economic Area”	the EU, Iceland, Norway and Lichtenstein;
“Excess Application Facility”	the arrangement pursuant to which Qualifying Shareholders may apply for additional Open Offer Shares in excess of their Basic Entitlement in accordance with the terms and conditions of the Open Offer;
“Excess CREST Open Offer Entitlement”	in respect of each Qualifying CREST Shareholder who has taken up his Basic Entitlement in full, the entitlement (in addition to his Basic Entitlement) to apply for Open Offer Shares up to the number of Open Offer Shares comprised in his Open Offer Entitlement, credited to his stock account in CREST, pursuant to the Excess Application Facility, which may be subject to scaling back in accordance with the provisions of this document;
“Excess Shares”	Open Offer Shares which are not taken up by Qualifying Shareholders pursuant to their Basic Entitlement and are offered to Qualifying Shareholders under the Excess Application Facility;
“Exchange Information”	certain business and financial information which the Company is required to publish in accordance with the rules and practices of the UK Listing Authority and the London Stock Exchange;
“Excluded Overseas Shareholder”	other than as agreed in writing by the Company and Singer and as permitted by applicable law, Shareholders who are located or have registered addresses in a Restricted Jurisdiction;
“Executive Directors”	the executive Directors of the Company, being Paul R Mines and Susan J Bygrave;
“Existing Ordinary Shares”	the Ordinary Shares in issue at the Record Date;
“Final Results”	the Company’s final results for the year ended 31 December 2009, as announced on 29 April 2010;
“Firm Placing”	the placing by Singer of the Firm Placed Shares with the Firm Placees pursuant to the Placing Agreement;
“Firm Placed Shares”	the 2,000,000,095 New Ordinary Shares to be allotted and issued by the Company under the Firm Placing;
“Firm Placees”	any persons who have agreed to subscribe for Firm Placed Shares;
“Form of Proxy”	the form of proxy for use at the General Meeting which accompanies this document;
“FSA” or “Financial Services Authority”	the Financial Services Authority of the United Kingdom;
“FSMA”	Financial Services and Markets Act 2000, as amended;
“General Meeting”	the general meeting of the Company to be convened pursuant to the notice set out at the end of this document (including any adjournment thereof);

“Group”	the Company, its subsidiary undertakings and Biotec, and, where the context permits, each of them;
“HMRC”	Her Majesty’s Revenue and Customs;
“IFRS”	International Financial Reporting Standards;
“IHT”	inheritance tax;
“Issue”	the Firm Placing and Placing and Open Offer;
“Issue Price”	0.125 pence per New Ordinary Share;
“ITEPA”	Income Tax (Earnings and Pensions) Act 2003;
“Listing Rules”	the listing rules made under section 73A of the FSMA (as set out in the FSA Handbook), as amended;
“London Stock Exchange”	London Stock Exchange plc or its successor(s);
“Money Laundering Regulations”	the Money Laundering Regulations 2007 (SI 2007 No. 2157), as amended from time to time;
“Net Proceeds”	the proceeds of the Issue, net of expenses;
“New Ordinary Shares”	the new Ordinary Shares to be issued by the Company pursuant to the Firm Placing and Placing and Open Offer;
“Non-CREST Application Form”	the application form for use by Qualifying Non-CREST Shareholders relating to applications for Open Offer Shares (including in respect of Excess Shares under the Excess Application Facility);
“Non-executive Directors”	the non-executive Directors of the Company, being John F Standen and Elizabeth Filkin;
“Nomination Committee”	the duly authorised nomination committee of the Board;
“Novamont”	Novamont S.p.A.;
“Official List”	the Official List of the FSA pursuant to Part VI of the FSMA;
“Open Offer”	the invitation by the Company to Qualifying Shareholders to apply to subscribe for Open Offer Shares on the terms and conditions set out in this document and, in the case of Qualifying Non-CREST Shareholders, in the Non-CREST Application Form;
“Open Offer Entitlement”	an entitlement to subscribe for Open Offer Shares allocated to a Qualifying Shareholder under the Open Offer;
“Open Offer Shares”	the 806,525,320 New Ordinary Shares to be offered, allotted and issued to Qualifying Shareholders under the Open Offer;
“Ordinary Shares”	the ordinary shares of 0.1p each in the capital of the Company;
“Overseas Shareholders”	holders of Ordinary Shares with registered addresses outside the UK or who are citizens of, or incorporated in, registered in or otherwise resident in, countries outside the UK;
“PEP”	the Stanelco plc Public Equity Plan;
“Placing”	the conditional placing by Singer of the Conditional Placed Shares pursuant to the Placing Agreement;

“Placing Agreement”	the conditional agreement dated 26 May 2010 between the Company and Singer, details of which are set out in paragraph 11.1 of Part VI (<i>Additional Information</i>);
“Premium Listing”	as defined in the Listing Rules;
“Proposals”	the Issue, the removal of the limit on the Company’s authorised share capital, the change of name of the Company the cancellation of the admission of the Ordinary Shares to the Official List and to trading on the London Stock Exchange’s main market for listed securities and the application for admission to trading on AIM;
“Prospectus” or “this document”	this document dated 27 May 2010, comprising a prospectus relating to the Company for the purpose of the Issue and the admission of the New Ordinary Shares to the Official List and to trading on the main market for listed securities of the London Stock Exchange (together with any supplements or amendments thereto);
“Prospectus Directive”	Directive 2003/71/EC and includes any relevant implementing measures in each Member State of the European Economic Area that has implemented Directive 2003/71/EC;
“Prospectus Rules”	the prospectus rules made under Part VI of the FSMA (as set out in the FSA Handbook), as amended;
“Qualifying CREST Shareholders”	Qualifying Shareholders holding Ordinary Shares in uncertificated form;
“Qualifying Non-CREST Shareholders”	Qualifying Shareholders holding Ordinary Shares in certificated form;
“Qualifying Shareholders”	holders of Existing Ordinary Shares on the register of members of the Company on the Record Date with the exception (subject to certain exceptions) of persons with a registered address or located or resident in any Restricted Jurisdiction;
“Receiving Agent”	Capita Registrars Limited;
“Record Date”	6.00 p.m. on 26 May 2010;
“Registrar”	Capita Registrars Limited;
“Regulation S”	Regulation S promulgated under the Securities Act;
“Regulatory Information Service”	one of the regulatory information services authorised by the UK Listing authority to receive, process and disseminate regulatory information from listed companies;
“Remuneration Committee”	the duly authorised remuneration committee of the Board;
“Resolution 1”	the resolution numbered 1 to be proposed at the General Meeting (to approve: (a) the Issue and matters associated with it, (b) the abolition of the limit on the Company’s authorised share capital; and (c) to grant the Directors authority to apply for admission of the Ordinary Shares to AIM;
“Resolution 2”	the resolution numbered 2 to be proposed at the General Meeting (to approve the proposed new management incentive scheme);
“Resolutions”	Resolution 1 and Resolution 2;

“Restricted Jurisdiction”	each of Australia, Canada, Japan, New Zealand, South Africa and the United States;
“RF”	radio frequency;
“SDRT”	stamp duty reserve tax;
“Securities Act”	the US Securities Act of 1933, as amended;
“Singer Capital Markets” or “Singer”	Singer Capital Markets Limited whose registered office is at One Hanover Street, London W1S 1YZ;
“Shareholder(s)”	holder(s) of Ordinary Shares;
“Share Option Plan”	Stanelco plc 2005 Unapproved Share Option Plan;
“Share Schemes”	the EBT, the EMI Scheme, the Share Option Plan and the PEP;
“SPhere”	SPhere SA (company number 306591249), formerly SP Metal SA, whose registered office is at 3, Rue Scheffer, 75016 Paris;
“Stanelco” or the “Company”	Stanelco plc (company number 01873702) whose registered office is at Starpol Technology Centre, North Road, Marchwood, Southampton, Hampshire SO40 4BL;
“stock account”	an account within a member account in CREST to which a holding of a particular share or other security in CREST is credited;
“subsidiary”	a subsidiary as that term is defined in section 1159 of the Companies Act;
“subsidiary undertaking”	a subsidiary undertaking as that term is defined in section 1162 of the Companies Act;
“Trustee”	the trustee of the EBT;
“UK Listing Authority”	the Financial Services Authority acting in its capacity as the competent authority in the UK for the purposes of the FSMA;
“uncertificated” or “in uncertificated form”	a share or other security recorded on the relevant register of the share or security concerned as being held in uncertificated form in CREST and title to which by virtue of the CREST regulations, may be transferred by means of CREST;
“United Kingdom” or “UK”	the United Kingdom of Great Britain and Northern Ireland;
“United States” or “US”	the United States of America, its territories and possessions, any State of the United States and the District of Columbia;
“USE”	unmatched stock event as detailed in the CREST Manual; and
“US Persons”	has the meaning ascribed to it under Regulation S.

ANNEX
NOTICE OF GENERAL MEETING

STANELCO PLC

*(Incorporated and registered in England and Wales under the Companies Act 2006
with registered number 01873702)*

NOTICE IS HEREBY GIVEN that a general meeting of Stanelco plc (the “**Company**”) will be held at the offices of Osborne Clarke, One London Wall, London EC2Y 5EB on 14 June 2010 at 10.00 a.m. for the purpose of considering and, if thought fit, passing the following resolutions, of which resolution 1 will be proposed as a special resolution and resolution 2 will be proposed as an ordinary resolution. Except where otherwise defined, terms defined in the accompanying Prospectus shall have the same meaning where used in the following resolutions:

Special Resolution

1. **THAT:**

- 1.1 (a) article 3 of the Company’s articles of association be removed and that subsequent clauses be renumbered accordingly; and
- 1.1 (b) any limit on the maximum amount of shares that may be allotted by the Company which is imposed by the amount of the Company’s authorised share capital that was in force immediately before 1 October 2009 be revoked;
- 1.2 the issue of the New Ordinary Shares for cash at a price of 0.125 pence per share (which represents a discount of greater than 10 per cent. to the Closing Price of the Existing Ordinary Shares) pursuant to the Firm Placing and Placing and otherwise on the terms set out in the Prospectus of which this Notice forms part be and is hereby approved;
- 1.3 in addition and without prejudice to any existing authorities:
 - (a) the directors be and are generally and unconditionally authorised pursuant to section 551 of the Companies Act 2006 (the “**Act**”) to exercise all the powers of the Company to allot shares in the Company, and grant rights to subscribe for or to convert any security into shares of the Company up to an aggregate nominal amount of £2,806,525.42 in connection with the Issue; and
 - (b) the directors be and are hereby empowered, pursuant to section 570(1) of the Act, to allot equity securities (within the meaning of section 560(1) of the Act) for cash, in connection with the Issue pursuant to the authority conferred by resolution 1.3(a) above, as if section 561(1) of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities up to an aggregate nominal amount of £2,806,525.42,provided that in each case this authority shall expire (unless renewed, varied or revoked by the Company in general meeting) on the date falling 15 months from the passing of this resolution or, if earlier, at the conclusion of the next annual general meeting of the Company to be held following the passing of this resolution, save that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the directors may allot relevant securities in pursuance of such offer or agreement as if this authority had not expired and provided further that this authority shall be in addition to and without prejudice to any other authorities in force to allot relevant securities conferred on the directors;
- 1.4 the Company’s name be and it is changed to “Biome Technologies plc”; and
- 1.5 the admission of the Company’s Ordinary Shares to the Official List and to trading on the main market of the London Stock Exchange be cancelled and that application be made for the admission of the Ordinary Shares to trading on AIM (such application for admission not to become effective prior to 24 June 2010.

Ordinary Resolution

2. **THAT**, conditional upon the passing of Resolution 1, the rules of the Stanelco plc Public Equity Plan (the “**PEP**”) produced in draft to this meeting and, for the purposes of identification, initialled by the Chairman (a summary of which is set out in the Prospectus of which this notice of meeting forms part), be approved and the Directors be authorised to make such modifications to the PEP as they may consider appropriate to take account of the requirements of best practice and for the implementation of the PEP and to adopt the PEP as so modified and to do all such other acts and things as they may consider appropriate to implement the PEP.

By order of the Board
Donna Simpson-Strange
Company Secretary

Registered office:
Starpol Technology Centre
North Road
Marchwood
Southampton
Hampshire SO40 4BL
27 May 2010

Notes:

1. Pursuant to Part 13 of the Act and Regulation 41 of the Uncertificated Securities Regulations 2001 (as amended), only those shareholders registered in the register of members of the Company at 6.00 p.m. on 12 June 2010 shall be entitled to attend or vote at the meeting in respect of the number of shares registered in their name at that time. If the meeting is adjourned, only shareholders entered on the Company’s register of members not later than 6.00 p.m. two business days before the day of the adjourned meeting shall be entitled to attend and vote at the meeting. In each case, any changes to the register of members after such time shall be disregarded in determining the rights of any person to attend or vote at the meeting.
2. A member of the Company who wishes to attend the meeting in person should arrive at the offices of Osborne Clarke, One London Wall, London EC2Y 5EB in good time before the meeting, which will commence at 10.00 a.m. In order to gain admittance to the meeting, members may be required to produce their attendance card, which is attached to the form of proxy enclosed with this document, or otherwise prove their identity.
3. A member who is entitled to attend, speak and vote at the meeting may appoint a proxy to attend, speak and vote instead of him. A member may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares (so a member must have more than one share to be able to appoint more than one proxy). To appoint more than one proxy, please contact Capita Registrars, who will be able to advise you on how to do this, on 0871 664 0300 if calling from the UK or on +44 208 639 3399 if calling from outside the UK between 8.30 a.m. and 5.30 p.m. (London time) Monday to Friday. A proxy need not be a member of the Company but must attend the meeting in order to represent you. A proxy must vote in accordance with any instructions given by the member by whom the proxy is appointed. Appointing a proxy will not prevent a member from attending in person and voting at the meeting (although voting in person at the meeting will terminate the proxy appointment). A proxy form is enclosed. The notes to the proxy form include instructions on how to appoint the Chairman of the meeting or another person as a proxy. You can only appoint a proxy using the procedures set out in these notes and in the notes to the proxy form.
4. To be valid, a proxy form, and the original or duly certified copy of the power of attorney or other authority (if any) under which it is signed or authenticated, should reach the Company’s registrar, Capita Registrars, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU, by no later than 10.00 a.m. on 12 June 2010.
5. A member may appoint more than one proxy in relation to the general meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member.
6. Members can submit a proxy form electronically by accessing the Company’s registrar’s website www.capitashareportal.com. Electronic facilities are available to all members and those who use them will not be disadvantaged. Before you can submit your proxy form via the internet, you will be asked to agree to certain terms and conditions. You will require your unique PIN and Shareholder Reference Number (SRN) printed on the front of the proxy form in order to log in (the PIN will expire at the end of the voting period). Full instructions on how to use this service are available at www.capitashareportal.com. If you submit your proxy form via the internet it should reach the Company’s registrar by 10.00 a.m. on 12 June 2010. Should you complete your proxy form electronically and then post a hard copy, the form that arrives last will be counted to the exclusion of instructions received earlier, whether electronic or posted. Please refer to the terms and conditions of the service on the website.
7. You may not use any electronic address provided either in this proxy form or in any related documents (including the notice) to communicate with the Company for any purposes other than those expressly stated.
8. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the meeting (and any adjournment thereof) by following the procedures described in the CREST Manual (available at

www.euroclear.com/CREST). CREST personal members or other CREST sponsored members (and those CREST members who have appointed a voting service provider) should refer to their CREST sponsor or voting service provider, who will be able to take the appropriate action on their behalf.

In order for a proxy appointment or instruction made by means of CREST to be valid, the appropriate CREST message (a “**CREST Proxy Instruction**”) must be properly authenticated in accordance with Euroclear UK & Ireland Limited’s (“**Euroclear**”) specifications and must contain the information required for such instructions, as described in the CREST Manual. The message (regardless of whether it relates to the appointment of a proxy, the revocation of a proxy appointment or to an amendment to the instruction given to a previously appointed proxy) must, in order to be valid, be transmitted so as to be received by the Company’s agent (CREST ID RA10) by the latest time(s) for receipt of proxy appointments specified in Note 4. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the Company’s agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

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, to procure that his CREST sponsor or voting service provider takes) 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.

9. 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 (as amended).
10. In the case of joint holders of shares, the vote of the first named in the register of members who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of other joint holders.
11. The following information is available at www.stanelcoplc.com: (1) The matters set out in this notice of meeting; (2) the total numbers of shares in the Company, and shares in each class, in respect of which members are entitled to exercise voting rights at the meeting; (3) the totals of the voting rights that members are entitled to exercise at the meeting, in respect of the shares of each class; and (4) members’ statements, members’ resolutions and members’ matters of business received by the Company after the first date on which notice of the meeting was given.
12. If you are a person who has been nominated by a member to enjoy information rights in accordance with section 146 of the Act, you do not have the right to appoint a proxy (as that right can only be exercised by members of the Company) but you may have a right under an agreement between you and the member by whom you were nominated to be appointed, or to have someone else appointed, as a proxy for the meeting. If you have no such right or do not wish to exercise it, you may have a right under such an agreement to give instructions to the member as to the exercise of voting rights.
13. A member that is a company or other organisation not having a physical presence cannot attend in person but can appoint someone to represent it. This can be done in one of two ways: Either by the appointment of a proxy (described in Notes 3 to 8 above) or of a corporate representative. Members considering the appointment of a corporate representative should check their own legal position, the Company’s articles of association and the relevant provision of the Act.
14. Members attending the meeting have the right to ask, and, subject to the provisions of the Act, the Company must cause to be answered, any questions relating to the business being dealt with at the meeting.
15. As at 26 May 2010 (being the latest practicable date prior to the publication of this Notice) the Company’s issued share capital consists of 3,078,340,917 ordinary shares carrying one vote each. Therefore the total voting rights in the Company as at 26 May 2010 are 3,078,340,917.

