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# Cattles

Financial Services Since 1927

*(Registered in England no: 543610)*

## **Directors:**

Margaret A Young (*Executive Chairman*)  
James R Drummond Smith (*Finance Director*)  
Robert D East (*Chief Restructuring Officer*)  
Frank R Dee (*Non-executive Director*)  
David A Haxby (*Non-executive Director*)  
Alan J McWalter (*Non-executive Director*)

## **Registered Office:**

Kingston House  
Centre 27 Business Park  
Woodhead Road  
Birstall  
Batley  
WF17 9TD

4 June 2010

*To shareholders, nominated persons and participants in the Cattles Employee Share Incentive Plan*

Dear Sir or Madam

## **Introduction**

The purpose of this document is to give notice of the Annual General Meeting (the **AGM**) and set out the resolutions which are to be proposed at the AGM. In addition, on behalf of the whole board of Directors (the **Board**), I would like to use this opportunity to provide a detailed update on the Company's position in order to address various understandable concerns which have been raised by shareholders either directly with me or via shareholder discussion forums.

This document lists the resolutions (numbered 1 to 8) proposed by the Board which you, as shareholders, are being asked to approve. There are also certain other resolutions (numbered 9 to 12), which have been proposed by a number of independent shareholders. Later in this document, I explain why we believe that resolutions 9 to 12 are not in the Company's or shareholders' interests and why we are therefore urging you to vote against them.

You will also find accompanying this document the Company's Annual Report and Financial Statements for the financial year ended 31 December 2008, together with, in the case of shareholders on the register only, a Form of Proxy and question card.

We have also sent this document to beneficial shareholders whose Cattles shares are not registered in their name, where we have such shareholders' details. It is very important that such shareholders are aware of the information contained in this document and, in particular, the resolutions to be proposed at the AGM.

## **Update on the Company's position**

As you will see from the accompanying Annual Report and Financial Statements, we have now been able to quantify the impact of the historical under-impairment of customer loans on our 2008 results. I am sorry to report that this has led us to record a loss before tax for 2008 of £745.2 million and a deficit on shareholders' funds at 31 December 2008 of £411.4 million. Moreover, although we are still finalising the

2009 results, you should be aware that further significant losses will be reported for that period, as a result of further impairments of the lending book coupled with the decision to stop further lending during 2009. The fact this shortfall is so large underlines the very significant losses incurred by our financial creditors and the Board's belief that the Company's shares have little or no value.

In these circumstances, where the value of the Company's assets is less than the amount of its liabilities and the Company is in financial distress, the Board has a legal obligation to act in the interests of the Company's creditors. This reflects the fact that the losses that have been uncovered have eliminated all of the Company's shareholders' capital (and more).

In many situations of this type, a company would immediately be placed into administration in order to protect creditors' interests and, in effect, formally sever its economic relationship with its shareholders. However, having carefully examined and discussed with creditors the relative impact of such a move in comparison with a solvent restructuring of the Company, the Board has been working with the Company's key financial creditors to try to avoid having to put the Company into administration, a process which would, we believe, adversely impact the performance of our remaining businesses and further reduce the prospects for our employees.

On 24 July 2009, the bond trustee for the Company's 8.125% Bonds due 2017 issued a notice of acceleration, pursuant to which all sums due from the Company under those bonds became immediately due and repayable. Following receipt of this notice, we continued our discussions with those bondholders and our other key financial creditors, leading to the Board agreeing a "Standstill and Equalisation Agreement" (the *SEA*) between the Company, Welcome Financial Services Limited (*Welcome*), other members of the Cattles group (the *Group*) and those financial creditors. Under the terms of this agreement, our key financial creditors have effectively allowed us to continue to trade by agreeing, amongst other things, not to demand, or otherwise enforce, repayment of their loans (including the bonds mentioned above) during the "standstill" period set out in the SEA. The "standstill" period in respect of the Company would automatically end at the beginning of any administration or winding up of the Company.

In return, amongst other things, the financial creditors have the right to receive monthly repayments (or, in the case of the bondholders, direct that money is paid into trust) from the cash generated by the Group, subject to the retention by the Group of sufficient money to fund forecast working capital requirements and other contingencies. The majority of the Group's cash which is not applied to make monthly repayments to creditors must continue to be held in bank accounts which are subject to rights of set-off in favour of certain of its bank lenders who have agreed, as part of the SEA, not to enforce those rights during the period of "standstill". Given the existence of the acceleration notice issued by the bond trustee, without the SEA the Company would very probably have entered administration. The SEA is only a temporary solution and the parties to the SEA have acknowledged that it is intended to form the basis from which a solvent restructuring of the Group may be effected.

Finalising the SEA took significantly longer than we had expected in part due to the impact of on-going litigation, which affects the various creditor groups. Even without this, the SEA negotiations were drawn out and complex (with many different financial creditor groups with a wide geographical spread). Agreeing the document was one of a number of critical issues that the Board had to address, including (i) the impairment review to investigate the application of the Group's impairment policies in the Group's accounts, (ii) the forensic review which was predominantly to assess and take legal advice on liability and related issues and also to investigate what had gone wrong, who was responsible and how they should be dealt with and (iii) a strategic review to try to establish a viable business plan to minimise further losses for the Company's creditors.

As a result of this work, we have replaced a number of senior executives, appointed new auditors, introduced new internal controls into our businesses and begun the process of considering with our legal advisers all possible avenues for potential claims against third parties in relation to the impairment problems which finally came to light in February 2009. This has taken much longer than we would have liked and has necessarily not been transparent to shareholders throughout because of the need to preserve confidentiality in order to protect the Company's interests and any potential claims that it may have against third parties. Until each review was completed, we took the view that frequent but inconclusive updates would not have improved our shareholders' understanding of the situation and would have risked creating further uncertainty and concern among the Company's stakeholders more generally.

In addition to the retrospective analysis into what went wrong, the Board has also completed a business review to identify the optimal strategy and structure to enable the Group to maximise recoveries going forward. During this review and subsequently, no scenario was identified under which the financial creditors would recover all the money they lent to the Company and which would eliminate the deficit on shareholders' funds.

The Board, together with its advisors, conducted an extensive examination of all possible routes to rebuild the lending business of our principal subsidiary, Welcome. However, it proved impossible in today's consumer lending environment and economic conditions to construct a viable business model that the Board could ask the Company's lenders to support. The Board therefore recommended to creditors a plan that focuses on collecting out Welcome's customer loans. It is envisaged that the collection of the bulk of the Welcome loan book could take two to three years and, during this period, the Company's cost base will contract to reflect the reducing size of the book.

Without a viable "go-forward" plan for Welcome and with no overall plan for the business that envisages the Group being able to meet all of its obligations to its financial creditors, the prospect for any recovery in economic value for you, our shareholders, is negligible. For this reason, the Board reported to the General Meeting held on 16 December 2009 that the Company's shares are likely to have little or no value.

Today, the Board is focused on working towards a solvent and consensual restructuring of the Group. There can be no certainty that this will be achieved and it is still possible that the Company may instead be placed in administration. Even if a solvent and consensual restructuring is achieved, the Company's shares will have little or no value.

Negotiating a solvent restructuring is expected to be a complex and drawn-out process, although a number of draft restructuring proposals are already under review by representatives of our key financial creditors. As part of these proposed arrangements, it is possible that we may be able to put forward a shareholders' scheme of arrangement under which, in return for a nominal payment to shareholders, ownership of the Company could be transferred from you to a newly created private holding company. We have asked representatives of the key financial creditors to consider with us what offer they might support to be made to shareholders under such a change of ownership. Given the existing deficit in shareholders' funds and the significant losses the creditors will incur, we would expect any payment to the shareholders contemplated by a shareholder scheme of arrangement not to exceed 1p per share. However, in addition to enabling shareholders to receive some value for their shares and to crystallise such tax losses they may have incurred on their Cattles shares, even a nominal payment under such a shareholder scheme would clearly be preferable to the outcome under an administration where shareholders would receive nothing. The Board continues to work hard to progress a shareholder scheme of arrangement and to agree, subject to obtaining the necessary approvals, a payment to shareholders, but it is too early to say whether such agreement can be reached with all parties.

We have recently announced the possibility of such a proposal to the market and, as a result, the Company is now deemed to be in an "offer period" under the City Code on Takeovers and Mergers. I hope to give you a further update on this at the AGM and, in any event, a further announcement will be made should any agreement be reached on the terms of any proposal to be presented to shareholders.

On a separate point, many of you have asked when the restoration of the listing of the shares will occur. You will recall that the listing of the Company's shares was suspended, at the Company's request, in April 2009 when it became clear that the Company would be unable to publish its 2008 Annual Report and Financial Statements within the timeframe required by the Disclosure and Transparency Rules (DTRs). You should be aware that the filing of the 2008 Annual Report and Financial Statements with Companies House does not affect the current suspension of the listing of the Company's securities as the Company has also been unable to publish its 2009 Annual Report and Financial Statements within the DTRs' timeframe. Any lifting of the suspension would require an application by the Company to the UKLA and could not, in any event, take place before the publication of the 2009 Annual Report and Financial Statements. In light of the prospects for the Group's businesses and its financial circumstances, the Company will not seek to restore the listing of the Company's shares.

The Board believes that it has taken all necessary action since the Company's financial problems became apparent. It has worked extremely hard to maintain financial stability, preserve the Company's assets and thereby maximise the recovery for creditors. In so doing, the interests of shareholders have been protected

by the Board's efforts to avoid what might otherwise have been the immediate financial collapse of the Company. This work has been and remains intensive and I am indebted to all of my colleagues for their commitment and determination to manage the Company through this crisis.

I understand the anger that shareholders feel about the loss of value in their shares and the fact that their interests are subordinated to those of creditors by law. I also share your frustration over the time it is taking to establish responsibility for the events that led to this situation and the legal restrictions which prevent me from being able to comment transparently to you regarding our progress to date. However, I can reassure you that this Board will not turn its back on these challenges or this business; we will continue to act responsibly towards our shareholders, employees and creditors. There is a huge amount of work for us to do, which the current Board is committed to completing, with the ultimate goal of limiting any further damage to any of these groups.

You may also have seen our recent announcement that our Finance Director, James Drummond Smith, will be resigning as a Director of the Company with effect from the conclusion of the AGM. Mr Drummond Smith was appointed as an interim Finance Director and agreed to stay in order to finalise the 2008 Annual Report and Financial Statements. We also announced our intention to appoint Paul Felton-Smith as the successor Finance Director.

### **Business at the Annual General Meeting**

The AGM of Cattles plc will be held on Tuesday 29 June 2010 at The Queens Hotel, City Square, Leeds LS1 1PJ and will start at 11.00 a.m. The formal Notice of the AGM is set out on pages 8 and 9 of this document.

Explanatory notes on all the business to be considered at this year's AGM (apart from resolutions numbered 9 to 12 which are considered in detail below) appear on pages 10 and 11 of this document.

### **Shareholders' statement and requisitions**

On, or around, 31 December 2009, a number of shareholder requests were received by the Company for various resolutions to be added to the agenda for the AGM and for a statement (the *Statement*) to be circulated to shareholders in connection with such resolutions.

As required by company law, the relevant shareholder resolutions are included in the Notice of the AGM as resolutions 9, 10, 11 and 12 and the Statement is included as an Appendix to this document.

**I should say immediately that the Board unanimously recommends shareholders to vote against these resolutions as it considers that such resolutions are not in the interests of the Company or any of its stakeholders.**

**The Board also considers these resolutions to be inconsistent with our objective of securing a consensual restructuring of the Company's finances and that such resolutions could have a destabilising effect on the Company. Accordingly, if such resolutions are passed, they could seriously jeopardise this objective which the Board believes would be detrimental to shareholders' interests.**

**I believe it is important to explain to all shareholders the nature of these resolutions and why the Board recommends shareholders to vote against them.**

### **Resolution 9**

This ordinary resolution is effectively requesting a vote of no confidence in certain members of the Board, namely me, David Haxby, Frank Dee and Alan McWalter, and a request for us to resign forthwith.

In response to this, I would repeat that the Board believes it has taken all necessary action since the Company's financial problems became apparent and has worked to maintain financial stability and to preserve the Company's assets. In summary:

- the Audit Committee immediately commissioned Deloitte LLP (*Deloitte*) to conduct an independent review of the adequacy of the Group's impairment provision following the announcement on 20 February 2009 that the Company would delay the release of its 2008 preliminary results announcement. This review confirmed the Board's belief that there had been a breakdown of internal controls which resulted in the Group's impairment policies being incorrectly applied;

- on 3 March 2009 the Board took decisive action and announced the suspensions of three senior executives of Welcome and, on 10 March 2009, announced the suspensions of two of the Company's Directors and a further senior executive of Welcome;
- the Audit Committee also commissioned an independent forensic review carried out by Freshfields Bruckhaus Deringer LLP with the assistance of Deloitte. As part of this review, the conduct of more than 50 employees and management (including all of the executive and non-executive Directors of the Company) was reviewed;
- following the Board's consideration of the results of the independent forensic review, the employment of each of the suspended Directors and senior executives was terminated with immediate effect;
- a new management structure for the Company and Welcome was put in place and I became the Executive Chairman of the Company. Other executives were recruited, both internally and externally, to complete the new management team;
- following successful discussions with the Company's debt providers, we announced, on 25 November 2009, that the Company had agreed a Standstill and Equalisation Agreement with its key financial creditors which should improve the likelihood of the Company achieving its restructuring objectives;
- the Board is doing everything it can to protect the Company's position in the context of possible claims which the Company may seek to pursue against third parties. In this regard, the Company has retained a separate firm of legal advisors, Berwin Leighton Paisner LLP, to assess the merits of possible claims by the Company against certain third parties;
- the Company is doing all it can to assist the FSA's investigations into the Company's situation;
- the Board is committed to ensuring that those responsible for the events which have caused the Company's demise should face proper investigation of their actions and be called to account. Accordingly, the Company continues to co-operate as fully as possible with all interested regulators and, as mentioned earlier, continues to consider with our legal advisers all possible avenues for potential claims against third parties in relation to the impairment problems which finally came to light in February 2009; and
- further actions taken, and progress made, since agreement of the SEA on 25 November 2009 are described above under the heading "Update on the Company's Position".

I am aware that some shareholders are critical of the fact that the non-executive members of the Board have remained in place following completion of the independent forensic review and the subsequent dismissal of certain Directors and senior executives as referred to above. However, in this most unusual situation, the non-executive Directors have provided leadership and continuity, dealing with a range of challenges, including restoring proper management controls, rebuilding an effective executive management team and working with the executive team in responding to the requirements of the full range of stakeholders, including banks, noteholders and bondholders, regulators, other creditors, employees and shareholders.

I would also like shareholders to understand that, as a result of the independent forensic review, the Company concluded that certain of the former executive Directors of Cattles and certain of the former senior executives of Welcome, over a period of time, had provided incomplete and misleading information and documents and/or failed to escalate matters of concern relating to impairment to the full Board and Audit Committee. The provision of such incomplete and misleading information and documents to the full Board and Audit Committee, in conjunction with the withholding of certain other information and documents, combined to mask the true state of Welcome's loan book and, in particular, the correct level of arrears within that book.

Notwithstanding the Group's reported strong record of growth with stable credit quality and strong earnings performance, the non-executive Directors had regularly challenged certain executives about key matters such as the level of cash being generated by the business, the quality of the rapidly expanding loan book and the adequacy of the loan loss provision.

In response to these challenges, certain executives had provided a range of presentations, documents and verbal reassurances that everything was entirely as it should have been and that there was no reason for concern. In addition to this robust and consistent reassurance from such executives, the Audit Committee regularly sought and received reassurances on a number of matters, including specific assurance about the adequacy of the loan loss provision, from the external auditor to the Company's accounts at that time.

I agreed to take up the position of Executive Chairman to guide the Company through this very challenging period. The Board believes that the continuing active involvement of myself and the non-executive Directors is important to the Company for a number of reasons, not least in retaining our detailed knowledge of the Company's history, our understanding of the events leading up to the discovery of the serious financial problems and our clear understanding of the independent forensic review and its findings.

As mentioned earlier, shareholders' interests have been protected by the Board's efforts to avoid what might otherwise have been the immediate financial collapse of the Company. As a result, instead of an early and total elimination of any hope of preserving any shareholder value, we now have the possibility that shareholders may receive something, however minimal, under a shareholder scheme of arrangement (as referred to earlier).

I urge you to vote against resolution 9.

### **Resolution 10**

This special resolution is a direction to the Board to appoint one or more Directors to the Board with the express role of investigating whether any civil liability and right to damages might exist for the benefit of the Company and/or certain of its stakeholders.

As I have explained above, the Board is already doing everything it can to protect the Company's position in the context of possible claims which the Company may seek to pursue against third parties. Therefore, the Board does not consider that this resolution serves any useful purpose whatsoever.

I urge you to vote against resolution 10.

### **Resolutions 11 and 12**

These special resolutions seek to restrict the ability of the Company to conduct certain transfers, sales and disposals of certain assets of (including debts due to) the Group, without the consent of the Company in General Meeting.

As you may be aware, for a company in our financial position (that is, no profits, no current market capitalisation and negative net assets), the Listing Rules provide considerable protection to shareholders in relation to transfers, sales and disposals (other than those of a revenue nature in the ordinary course of business) in that they require us to send a circular to shareholders and to obtain shareholder approval.

Also, as I said earlier, in the Company's financial situation, the Board has legal obligations to act in such a way as to best protect the interests of creditors.

These two resolutions are therefore considered by the Board to be unnecessary and contrary to the obligations of the Board to creditors and the Board therefore recommends shareholders to vote against these resolutions.

I urge you to vote against resolutions 11 and 12.

### **Recommendation**

The Board considers that all of the ordinary business and the special business which is the subject matter of **resolutions numbered 1 to 8** to be proposed at the AGM is in the best interests of the Company and its shareholders as a whole and **unanimously recommends that shareholders vote in favour of each of those resolutions** as those Directors who hold shares intend to do in respect of their own beneficial holdings.

The Board considers that the resolutions requisitioned by a number of shareholders, which are **resolutions numbered 9 to 12**, to be proposed at the AGM, are not in the best interests of the Company or its shareholders as a whole and **unanimously recommends that shareholders vote against each of those resolutions** as those Directors who hold shares intend to do in respect of their own beneficial holdings.

### **Action shareholders should take**

I look forward to welcoming as many shareholders as possible to the AGM. Shareholders are invited to submit in advance any questions which they would like to ask at the AGM by completing and returning the question card which accompanies this document.

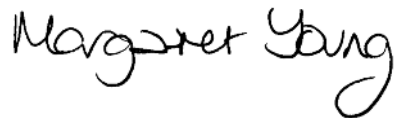
In view of the unusual nature of some of the resolutions to be proposed at the AGM, the Board considers it important that as many votes as possible are cast. All shareholders are therefore strongly encouraged to complete and return the accompanying Form of Proxy as soon as possible and in any event so as to be received by no later than 11.00 a.m. on 27 June 2010 to Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol, BS99 6ZY.

Alternatively, a proxy may also be appointed via the internet or, for CREST members, by using the CREST electronic proxy appointment service.

Further information as to the action shareholders should take to appoint a proxy is set out in notes (i) and (ii) to the Notice of AGM on pages 12 and 13 of this document.

Shareholders can still attend and vote at the AGM even if they have appointed a proxy.

Yours faithfully

A handwritten signature in black ink that reads "Margaret Young". The signature is written in a cursive style with a large, looped 'Y' at the end.

**Margaret A Young**  
Executive Chairman

Cattles plc

**CATTLES PLC**  
(Registered in England No: 543610)

**NOTICE OF ANNUAL GENERAL MEETING**

Notice is given that the fifty-fifth Annual General Meeting of Cattles plc (the *Company*) will be held at The Queens Hotel, City Square, Leeds LS1 1PJ on 29 June 2010 at 11.00 a.m. for the following purposes:

**Ordinary business**

1. To receive the accounts of the Company for the year ended 31 December 2008 and the reports of the Directors and auditor thereon.
2. To re-appoint Robert East, who has been appointed by the Directors since the last Annual General Meeting, as a Director.
3. To re-elect Margaret Young, who is retiring by rotation, as a Director.
4. To re-elect David Haxby, who is retiring after serving as a Director for more than nine years, as a Director.
5. To approve the Directors' remuneration report for the year ended 31 December 2008.
6. To re-appoint Grant Thornton UK LLP, who were appointed by the Directors to fill a casual vacancy of auditor, as the Company's auditor until the conclusion of the next general meeting of the Company at which accounts are laid.
7. To authorise the Directors to agree the auditor's remuneration.

**Special business**

To consider and, if thought fit, pass the following resolution as a SPECIAL RESOLUTION.

8. That a general meeting of the Company, other than an annual general meeting, may be called on not less than 14 clear days' notice.

**Further special business**

To consider and, if thought fit, pass resolutions 9 to 12 which were requisitioned by a number of the Company's shareholders to be added to this Notice of Annual General Meeting. Resolution 9 will be proposed as an ORDINARY RESOLUTION and resolutions 10 to 12 will be proposed as SPECIAL RESOLUTIONS.

9. That the members of the Company find the conduct of the non-executive Directors of the Company over the period since at least 1 January 2008 to be unsatisfactory and not in the interests of the shareholders of the Company in that they have:
  - (i) failed to have due regard for the interests of shareholders of the Company;
  - (ii) permitted accounting irregularities to go unnoticed and unchecked despite constituting an "Audit" committee and having suspicions of irregularities;
  - (iii) permitted information as to the affairs of the Company to be given, in priority, to creditors when shareholders have not been informed until too late to do anything;
  - (iv) permitted the businesses of the Company to run at losses so that the capital of the shareholders has been lost;
  - (v) failed to answer proper questions from members of the Company in general meeting as to which of the non-executive (and former non-executive now Executive Chairman) Directors knew what about the accounting irregularities (or failures to correctly apply the Company's accounting policies in relation to impairments) and when they knew it;
  - (vi) refused to submit to a vote at a general meeting that they consider their position with a view to resignation at 31 December 2009;
  - (vii) permitted the Company to operate since 1 July 2009 whilst providing little or no information of substance to shareholders and allowing the capital of the Company to be eroded,

and accordingly the Directors concerned, namely: Margaret A Young, David A Haxby, Frank R Dee, and Alan J McWalter, no longer hold the trust and confidence of the shareholders of the Company and

ought, in any conscience, to resign forthwith, without compensation for loss, from their offices of Director of the Company and of any of its subsidiary companies in which they, or any of them, hold office as director.

10. That the Company appoint one or more persons as Director or Directors of the Company with the express primary role or roles of investigating whether or not any civil liability and right to compensation damages or otherwise might exist for the benefit of the Company and/or its shareholders, bondholders, noteholders or creditors in contract, tort, negligence, breach of duty (whether by statute or otherwise) or otherwise against any of the present or former Directors, employees, agents, auditors, solicitors, accountants, other advisors of any profession including in relation to Rights Issue, General Meetings, Public Announcements of the Company and its subsidiaries: such appointees to be legally qualified as a barrister or solicitor of not less than 21 years call or admission and a Notary Public and not to hold or have held office in a publicly quoted company in the past nor be a past or present employee of any bank or firm of accountants (whether or not incorporated as auditors or accountants). Any Director or Directors so appointed shall be afforded the same rights as if they were the auditors of the Company and of any of its subsidiary companies, afforded full access to the books and records of the Company and its subsidiary companies; have the right on behalf of the Company to instruct solicitors, barristers and accountants in the name and at the expense of the Company and be remunerated at the same rate as the Finance Director of the Company. Such Director or Directors shall report in writing to the shareholders of the Company not less frequently than every three months.
11. That no debts due to the Company or any of its subsidiaries be transferred or sold, other than to another member of the group of companies of which the Company is part, without the consent of the Company in General Meeting.
12. That neither the whole or any substantial (being in value more than £10,000) part of business assets or undertakings of Shopacheck or The Lewis Group be disposed of, other than to another member of the group of companies of which the Company is part, without the consent of the Company in General Meeting.

By order of the Board



Roland C W Todd  
Company Secretary

Registered Office:  
Kingston House  
Centre 27 Business Park  
Woodhead Road  
Birstall  
Batley  
WF17 9TD

4 June 2010

## EXPLANATORY NOTES TO THE RESOLUTIONS TO BE PROPOSED AT THE AGM

These notes explain the resolutions to be proposed at the AGM.

Resolutions 1 to 7 and 9 are proposed as ordinary resolutions. This means that, for each of those resolutions to be passed, more than half of the votes cast must be in favour of the resolution. Resolutions 8 and 10 to 12 are proposed as special resolutions. This means that, for each of those resolutions to be passed, at least three-quarters of the votes cast must be in favour of the resolution.

### *Resolution 1 – 2008 Report and accounts*

The Company's report and accounts for the year ended 31 December 2008 (the **2008 Accounts**) were not finalised and audited in time for the 2009 Annual General Meeting and were therefore not available to be presented at the 2009 Annual General Meeting. The Directors now present the 2008 Accounts to shareholders at this AGM, together with the reports of the Directors and the Company's auditor for the year ended 31 December 2008.

### *Resolutions 2 to 4 – Re-appointment and re-election of Directors*

Under the Company's articles of association, any Director appointed by the Board since the last Annual General Meeting shall only hold office until the date of the next Annual General Meeting, at which time the Director is required to be re-appointed by the shareholders. Robert East has been appointed as a Director since the 2009 Annual General Meeting and, by resolution 2, therefore stands for re-appointment at the AGM. Biographical details for Robert East are given below.

**Robert East.** Age 50. Joined the Company in June 2008 as Banking Director. Appointed to the Board as Chief Restructuring Officer in July 2009. Previously integration and risk director and integration director for Absa Group and prior to that held a variety of roles in Barclays Bank.

Resolution 3 proposes the re-election of a Director who is retiring by rotation. Under the Company's articles of association, at each Annual General Meeting one third of the Directors (excluding, for this purpose, Robert East above), or, if their number is not a multiple of three, then the number nearest to but not less than one third, are required to retire from office. Directors due to retire by rotation include any Director who wishes to retire and not offer himself or herself for re-election and otherwise are those who have been longest in office since they were last elected and so that, as between persons who were last elected on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot. James Drummond Smith has announced his intention to resign as a Director of the Company with effect from the conclusion of the AGM and is not offering himself for re-election. Margaret Young retires by rotation and is offering herself for re-election.

In accordance with provision A.7.2 of the FRC Combined Code on Corporate Governance (the **Code**), which requires non-executive directors who have served for longer than nine years to stand for re-election, David Haxby, who reached nine years' service on 1 July 2008, is offering himself for re-election. Resolution 4 proposes his re-election.

The other Directors have determined that, in spite of his having served as a Director for more than nine years, David Haxby will continue to be considered as an independent non-executive Director because he continues to be independent in character and judgement and none of the other relationships or circumstances set out in provision A.3.1 of the Code apply to him.

Biographical details for each of these Directors are given below.

**Margaret Young,** MBA. Executive Chairman. Age 55. Appointed to the Board in February 2006. Appointed Executive Chairman on 30 June 2009. Previously a non-executive director of Uniq plc and Royal Numico NV and a managing director of Credit Suisse First Boston and a director of NatWest Markets Corporate Finance Limited. Chairman of the Nomination Committee.

**David Haxby,** LLB, FCA. Age 68. Appointed to the Board 1999. Senior independent non-executive Director. From 1991 until his retirement in 1995 he was the managing partner of the London office of Arthur Andersen. Chairman of the Audit Committee and member of the Remuneration, Nomination and Risk Committees.

Following formal performance evaluation, the Board considers that each of the Directors proposed for re-appointment or re-election continues to make an effective and valuable contribution and demonstrates commitment to the role. Accordingly, the Board unanimously recommends the re-appointment and re-election of these Directors.

#### *Resolution 5 – Approval of Directors’ Remuneration Report 2008*

The Directors’ remuneration report, which may be found on pages 22 to 30 of the 2008 Accounts, gives details of the Directors’ remuneration for the year ended 31 December 2008 and sets out the Company’s overall policy on Directors’ remuneration. The Company’s auditor has audited those parts of the Directors’ remuneration report capable of being audited and their report may be found on page 36 of the 2008 Accounts.

The Board considers that appropriate executive remuneration plays a vital part in helping to achieve the Company’s overall objectives and, accordingly, and in compliance with the legislation, shareholders will be invited to approve the Directors’ remuneration report. The vote is advisory in nature in that payments made or promised to Directors will not have to be repaid, reduced or withheld in the event that the resolution is not passed.

#### *Resolutions 6 and 7 – Re-appointment of auditor and auditor’s remuneration*

Grant Thornton UK LLP (GT) were appointed as the Company’s auditor by the Directors on 7 December 2009 to fill a casual vacancy of auditor following the resignation of PricewaterhouseCoopers LLP. Resolution 6 proposes the re-appointment of GT until the conclusion of the next general meeting of the Company at which accounts are laid. Resolution 7 gives authority to the Directors to determine the auditor’s remuneration.

#### *Resolution 8 – Notice of general meetings*

Under the Companies Act 2006, general meetings (other than annual general meetings) may be called on 14 clear days’ notice. However, the Companies (Shareholders’ Rights) Regulations 2009 (the **Shareholders’ Rights Regulations**), which came into force on 3 August 2009, increased the notice period required for general meetings of a Company to 21 clear days. Companies do have the ability to reduce this notice period to not less than 14 clear days, provided that they offer facilities for shareholders to vote and appoint proxies by electronic means and that, annually, shareholder approval is obtained to reduce the minimum notice period from 21 clear days to 14 clear days. Annual general meetings must continue to be held on at least 21 clear days’ notice.

The Directors are, therefore, proposing this resolution to seek shareholder approval for 14 clear days to be the minimum period of notice for all general meetings of the Company, other than an annual general meeting. The approval will expire at the conclusion of the 2011 Annual General Meeting, when it is intended that renewal of this authority will be sought.

#### *Resolutions 9 to 12 – Shareholder requisitioned resolutions*

These resolutions were requisitioned by a number of shareholders pursuant to the Companies Act 2006 and are considered in the Chairman’s letter which forms part of this document.

## NOTES TO THE NOTICE OF THE AGM

- (i) A member of the Company entitled to attend and vote at the AGM is entitled to appoint one or more proxies to exercise all or any of his rights to attend, speak and vote on his behalf at the AGM. A proxy need not be a member of the Company and can be the beneficial owner of the shares who has been nominated by the member to enjoy information rights under section 146 of the Companies Act 2006, that is the right to receive a copy of all communications sent by the Company to its members generally (a *nominated person*).

A nominated person does not have the right to appoint a proxy to attend, speak and vote instead of him and so has not been sent a Form of Proxy. However, under his agreement with the member, a nominated person may have a right to be appointed (or to have someone else appointed) as proxy and if he does not have such a right (or does not wish to exercise it), he may have a right to give instructions to the member as to how to vote.

A member of the Company may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares held by that member of the Company. A member of the Company may not appoint more than one proxy to exercise the rights attached to any one share. A Form of Proxy, which covers all Resolutions to be proposed at the AGM, is provided for use by holders of ordinary shares to make such appointment and give proxy instructions and should be read in conjunction with the Notice of Annual General Meeting. Completed Forms of Proxy should be returned as soon as possible but in any event so as to be received by no later than 11.00 a.m. on 27 June 2010 to the Company's registrars, Computershare Investor Services PLC.

Alternatively, a member may also submit his Form of Proxy online at [www.eproxyappointment.com](http://www.eproxyappointment.com) following the instructions on the Form of Proxy or, if he has registered for the electronic shareholders' communication service, on the email sent to the member by the Company.

Completion of a Form of Proxy will not prevent a member of the Company from attending and voting in person at the AGM if he so wishes.

To appoint more than one proxy, additional Form(s) of Proxy may be obtained by contacting the Company's registrars', Computershare Investor Services PLC, helpline on 0870 889 4021 or you may photocopy the Form of Proxy. Please indicate in the box next to the proxy holder's name, the number of shares in relation to which they are authorised to act as your proxy. Please also indicate by ticking the box provided, if the proxy instruction is one of multiple instructions being given. All forms must be signed and should be returned together in the same envelope.

- (ii) CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a **CREST Proxy Instruction**) must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications, and must contain the information required for such instruction, as described in the CREST Manual.

To appoint one or more proxies or to give an instruction to a proxy (whether previously appointed or otherwise) via the CREST system, CREST messages must be received by the issuer's agent (ID number 3RA50) not later than 48 hours before the time appointed for holding the AGM. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message generated by the CREST system) from which the issuer's agent is able to retrieve the message by enquiring 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. For further information on CREST procedures, limitations and system timings, please refer to the CREST Manual.

CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, a sponsored member, or has appointed a voting service provider, to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST

system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

- (iii) Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001 and section 360B of the Companies Act 2006, the Company gives notice that only those shareholders entered on the Company's Register of Members (the **Register**) at close of business on 27 June 2010 (or, if the AGM is adjourned, on the Register 48 hours before the time of any adjourned meeting) will be entitled to attend and vote at the AGM in respect of the number of ordinary shares registered in their name at that time. Changes to entries on the Register after that time shall be disregarded in determining the rights of any shareholder to attend and vote at the AGM.
  - (iv) Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.
  - (v) The Memorandum and Articles of Association of the Company, the executive Directors' service contracts and the non-executive Directors' letters of appointment will be available for inspection at the registered office of the Company during business hours only on any weekday (excluding Saturdays, Sundays and English public holidays) from the date of this Notice until the close of the AGM and at the place of the AGM from 10.45 a.m. on 29 June 2010 until the conclusion of the AGM.
  - (vi) As at 3 June 2010, the Company's issued share capital comprised 526,066,902 ordinary shares with voting rights and the Company held no ordinary shares in treasury. Each ordinary share carries the right to one vote at a general meeting of the Company and so the total number of voting rights at that date was 526,066,902.
  - (vii) Any member attending the AGM has the right to ask questions. The Company will answer any such question relating to the business being dealt with at the AGM unless (a) to do so would interfere unduly with the preparation for the AGM, (b) to do so would involve the disclosure of confidential information, (c) the answer has already been given on a website in the form of an answer to a question or (d) it is undesirable in the interests of the Company or the good order of the AGM that the question be answered.
  - (viii) Shareholders, nominated persons and participants in the Cattles Employee Share Incentive Plan should note that the website referred to in note (i) above is only provided for use by members of the Company to submit Forms of Proxy before the AGM electronically by the internet and cannot be used for any other purpose in relation to the AGM.
  - (ix) Except as provided above, shareholders who wish to communicate with the Company in relation to the AGM should do so using the following means:
    - (a) by writing to the Company Secretary at the Company's registered office address at Kingston House, Centre 27 Business Park, Woodhead Road, Birstall, Batley, WF17 9TD; or
    - (b) by writing to the Company's registrars, Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol, BS99 6ZY.
- No other methods of communication will be accepted. In particular, you may not use any electronic address provided either in this Notice or in any related documents (including, without limitation, the 2008 Annual Report and Accounts and the Form(s) of Proxy) to communicate with the Company for any purpose other than those expressly stated in this Notice or in such other related documents.
- (x) The results of the voting at the AGM will be announced through a Regulatory Information Service and will appear on our website [www.cattles.co.uk](http://www.cattles.co.uk)
  - (xi) A copy of this Notice, and other information required by section 311A of the Companies Act 2006, can be found at [www.cattles.co.uk](http://www.cattles.co.uk)

## APPENDIX

### STATEMENT BY IAN B. DEARING REQUIRED TO BE PUBLISHED BY THE COMPANIES ACT 2006

#### *“STATEMENT*

##### *CATTLES PLC*

*On 18 December 2008 an announcement was made publicly by the Company, and thus with the tacit approval of its non executive directors and members of its audit committee, that “trading results in line with expectations for 2008” and “our operating model is proving robust and arrears and impairments are within reasonable tolerances”.*

*Nothing could have been further from the truth as it subsequently emerged, in dribs and drabs, that the impairment policies published, and much vaunted by the company, had not been applied correctly, allegedly as a result of executive directors and senior employees having caused incorrect information to be given to non executive directors and auditors, both internal and external, for a number of years.*

*Trading in the shares of the company and its 6.875% Bonds and 7.125% Bonds was suspended on 23 April 2009 with resumption of trading appearing unlikely.*

*At an Extraordinary General Meeting of the Company held on 16th December 2009 it was asserted by the Directors that the company was insolvent and that the shares in the company were of little or no value.*

*They would not, however, consider their positions as requested by an elderly gentleman whose family had lost over £80,000, nor would they allow shareholders to see the minutes of meetings they said vindicated their actions.*

*The rapid decline and extinguishment of significant shareholder value (from £595.3 million at 31.12.07) has been presided over by a board of executives who have been dismissed (or resigned) and non executives of whom only the former Chairman has resigned.*

*Shareholders were aware that the non executives were supposed to be of high quality with significant experience in the world of high finance: Norman Broadhurst – the ex chairman is a chartered accountant and was (inter alia) a former finance director of Railtrack; Margaret A Young is a chartered accountant with previous history of high office in banks; David A Haxby is an accountant former managing partner in Arthur Andersen (formerly accountants). Messrs Dee and McWalter hold appointments with other companies, as does Mr Haxby and did Mr Broadhurst.*

*Despite the seeming quality of the credentials these directors have markedly failed to discharge their responsibilities; both in audit committee in ensuring that internal and external audits were proper and not subject to fundamental flaws; and since the departure of executives in preserving shareholder value.*

*What is worst of all, from shareholders standpoint, is that this has all gone on with the bare minimum of information being given to shareholders and requests for information from them being rebuffed.*

*Meanwhile Banks and bondholders “principal financial creditors” have been favoured by information as to the affairs of the company which has been denied to the shareholders.*

*It would appear that public documents issued by the company for at least the last 2, and probably at least 7, years have been incorrect if they have not properly accounted for impairments.*

*This incorrect documentation has led to shareholders who relied upon it making significant capital losses which they cannot crystallise until the shares are declared of nil value.*

*The law does not appear to provide for any remedy to be available to ordinary shareholders against either the company (and its officers) or the auditors concerned.*

*The law might provide a remedy to shareholders who subscribed for shares in the rights issue of 2008 and for bondholders who also subscribed on the basis of prospecti.*

*Resolutions are proposed which are designed to put the chairman and non executive directors onto their consciences to resign because they have failed the shareholders. I, and other shareholders, am angry that these people draw their “stipends” for apparently doing nothing effective and certainly not protecting shareholder value.*

*The remedies which might be available to the company must be thoroughly and properly investigated in the hope that funds can be recovered which will benefit the company and, in turn, possibly provide some restoration of capital of the company.*

*There is no trust that the current Board are equipped, capable or willing to be diligent and thorough in their search for remedies and thus it is proposed that new director(s) be appointed charged with that task.*

*Throwing undisclosed amounts of money at “magic circle” solicitors and Big Accountants has achieved nothing that the shareholders can see of substance.*

*There is fear that the remaining assets of the Company will be siphoned off to the benefit of “key financial creditors” without shareholders being aware until too late.*

*Inertia amongst small shareholders, who have written off their losses mentally, must not be allowed to enable those responsible to get away with it.*

*In a week over 200 shareholders have joined together to express their concerns to [cattlesshares.co.uk](http://cattlesshares.co.uk).*

*Institutional shareholders need to sit up and take notice that the losses which have been seen here were preventable by proper non executive supervision and the cosy coteries of non executive directors favoured by the city just cannot continue.*

*We who support the proposition of the resolutions recognise that inertia and the fact that the chairman, Ms Young will be likely to receive a majority of proxy votes, are likely to combine to see the propositions defeated.*

***That would be a shame for democracy and the “rights” of shareholders.***

***We urge shareholders, private and institutional, to recognise that something needs to be done and for them to exercise their votes in respect of the resolutions after due consideration.***

*There is an alternative to the chairman of the meeting as proxy including IAN BARRY DEARING, the proposer of the resolutions and sponsor of the website [www.cattlesshares.co.uk](http://www.cattlesshares.co.uk) upon which useful information might be found.*

*Most private shareholdings are now held through nominee accounts with banks, stockbrokers and the like. It would be most helpful if those institutions notified their clients that there is this movement to try and give shareholders some say and that they can instruct the institution how to exercise the votes in respect of their shares.*

*Ian B Dearing supported by others”*