

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to the action you should take you should immediately seek advice from your stockbroker, bank manager, solicitor, accountant or other independent financial advisor authorised under the Financial Services and Markets Act 2000. If you have sold or otherwise transferred all of your shares in SIG plc, please forward this letter and the form of proxy as soon as possible to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for onward transmission to the purchaser or transferee.



SIG plc

(Registered in England No. 998314)

**Chairman's Letter to Shareholders and
Notice of Annual General Meeting**

**The Annual General Meeting is to be held at the Tankersley Manor Hotel,
Church Lane, Tankersley, Sheffield S75 3DQ
on Wednesday 16 May 2007 at 12 noon**

The Notice of Annual General Meeting is set out on pages 5 and 6 of this Letter.



SIG plc

(Registered in England No. 998314)

Directors

L. O. Tench
D. Williams
P. H. Blackburn
M. J. C. Borlenghi
G. W. Davies
C. J. Davies
M. J. Chivers
D. A. Haxby

Registered Office
Hillsborough Works
Langsett Road
Sheffield
S6 2LW

5 April 2007

Dear Shareholder,

Notice of Annual General Meeting

I am writing to explain in detail the five items of business contained in Resolutions 9, 10, 11, 12 and 13 of the Notice of Meeting to be dealt with at this year's Annual General Meeting of SIG plc (the "Company"), to be held at 12 noon on Wednesday 16 May 2007 at the Tankersley Manor Hotel, Church Lane, Tankersley, Sheffield S75 3DQ. The Notice of Meeting is set out on pages 5 and 6 of this Letter. The Annual Report for the year ended 31 December 2006 accompanies this Letter.

In addition to the aforementioned business Shareholders are being asked through Resolutions 1 to 7 to receive and adopt the Annual Report and Accounts, approve the Directors' Remuneration Report, declare a final dividend of 14.3p per share, elect Mr C. J. Davies, re-elect the three Directors retiring by rotation and to re-appoint Deloitte & Touche LLP as Auditors of the Company for a further year. Chris Davies, the Group's Managing Director Europe, who was appointed a Director on 12 February 2007, is standing for election. The three Directors standing for re-election are Michael Borlenghi, a Non-Executive Director, John Chivers, an Executive Director and David Williams, the Group Chief Executive. In relation to the re-election of M. J. C. Borlenghi, in accordance with provision A.7.2 of the Combined Code on Corporate Governance, I can confirm that a formal performance evaluation was carried out for the whole of the Board during 2006. This evaluation showed that Michael's performance continued to be effective and demonstrated his commitment to the role, including the commitment of his time for Board and Committee meetings. Michael is an important member of your Board. He is considered to be independent of management and free from any relationship or circumstance that could affect, or appear to affect, the exercise of his independent judgement. He has served on the Board since 2 April 2004. I strongly recommend you vote in favour of his re-election and the election and re-election of the other Directors. Brief biographical notes for each Director are on page 36 of the Annual Report and Accounts. A detailed explanation of Resolutions 9, 10, 11, 12 and 13 is set out below.

Authority to allot equity securities (Resolution 9)

It is a requirement of Section 80 of the Companies Act 1985 that the Directors' power to allot shares be authorised by the Articles or by an ordinary resolution. Accordingly Resolution 9 to be proposed at the Annual General Meeting gives the Directors a general authority to allot shares up to a maximum nominal value of £4,104,005 (representing approximately one third of the current issued ordinary share capital of the Company as at 30 March 2007). This authority will expire at the conclusion of the 2008 Annual General Meeting or, if earlier, not more than 15 months after the passing of this resolution.

Pre-emptive allotment of equity securities (Resolution 10)

It is a requirement of Section 89 of the Companies Act 1985 that any shares being issued for cash must in general be offered to existing Shareholders pro-rata to their existing holdings. However, where the Directors have been granted a general authority to allot shares they may be given power by the Articles or by a special resolution to allot shares pursuant to such authority as if the statutory pre-emption rights (described above) did not apply. Resolution 10, to be proposed at the Annual General Meeting, accordingly gives the Directors' power to make allotments of shares in connection with a rights issue and otherwise to make allotments to a maximum aggregate nominal amount of £615,601 (representing approximately 5% of the current issued ordinary share capital of the Company as at 30 March 2007) as if the relevant provisions of the Companies Act 1985 regarding pre-emption rights did not apply. This authority would also allow the Directors, within the same aggregate limit, to sell for cash shares that may be held by the Company in treasury.

Pre-emptive allotment of equity securities (Resolution 10) (continued)

This power will expire at the conclusion of the 2008 Annual General Meeting or, if earlier, not more than 15 months after the passing of this resolution.

The Directors have no current intention of using the powers sought under Resolutions 9 and 10 but consider it advisable to pass both resolutions in order that they can be prepared to take advantage of future situations which may arise.

Authority to purchase ordinary shares (Resolution 11)

It is a requirement of Section 166 of the Companies Act 1985 that a company shall not make a market purchase of its own shares unless the purchase has first been authorised by the Company in general meeting. Accordingly, Resolution 11 to be proposed at the Annual General Meeting as a special resolution gives the Directors power to make market purchases of the Company's shares up to a maximum of 12,312,000 (representing approximately 10% of the issued ordinary share capital of the Company). This power will expire on the earlier of 30 July 2008 or the conclusion of the 2008 Annual General Meeting. It is intended that purchases will only be made on the London Stock Exchange. This is not intended to imply that shares will be purchased. The Directors believe that it is in the best interests of all Shareholders that the Company should have the flexibility to make market purchases of its own shares. The effect of such purchases would be to reduce the number of shares in issue and, accordingly, the Directors would make such purchases only if it would be in the best interests of Shareholders generally and, in any case, if it would result in an increase in earnings per share. The Companies (Acquisition of own shares) (Treasury shares) Regulations 2003 allow a listed company purchasing its own shares in accordance with the Companies Act, to hold those shares in treasury as an alternative to cancelling them. Shares held in treasury in this manner would be available for resale by the Company at a later date providing additional flexibility in the management of the Company's capital base.

Accordingly, if Resolution 11 is passed at the Annual General Meeting, the Company may either cancel or hold, as treasury shares, any of its own shares that it purchases pursuant to the authority conferred by this resolution. No dividends will be paid on shares whilst held in treasury and no voting rights will attach to the treasury shares. The Company currently holds no ordinary shares in treasury.

Sharesave Scheme (Resolution 12)

The SIG plc 1997 Savings Related Share Option Scheme ("the 1997 Scheme"), which was approved by Shareholders in 1997, expires on 30 April 2007, after which no invitations can be issued or options granted under the 1997 Scheme. There are a number of options outstanding under the 1997 Scheme, although the Company has in recent years taken the view that the 1997 Scheme should not be relaunched, as the Group's UK employees are currently eligible to participate in the SIG plc Share Incentive Plan. The rights of existing optionholders under the 1997 Scheme will not be affected by the expiry of that Scheme. Whilst the Company has no current plans at this time to offer sharesave options in the UK, the Directors consider that replacing the 1997 Scheme is appropriate in maintaining their flexibility in operating the Group's all-employee share option schemes and therefore is seeking Shareholder approval for the SIG 2007 Sharesave Scheme ("the 2007 Scheme"). Shareholders are also being asked to give authority to enable the Directors to adopt overseas schemes based on the 2007 Scheme but modified to take account of local laws.

A summary of the principal features of the 2007 Scheme is set out in Appendix 1 on pages 9 and 10.

New Articles of Association (Resolution 13)

The Company proposes to adopt new Articles of Association. These incorporate amendments to the current Articles of Association to reflect the provisions of the Companies Act 2006 (the "2006 Act") which came into effect in January and April this year. As the Government intends to bring into force the provisions of the 2006 Act in various stages between January 2007 and October 2008, it is anticipated that Shareholders may be asked to approve further changes to the Articles of Association during the course of the next two Annual General Meetings as may be necessary.

The principal changes relate to electronic communications with Shareholders. The provisions of the Companies Act 1985 which allowed companies to communicate with their Shareholders electronically have been repealed and replaced by provisions in the 2006 Act which operate in a different way and use different definitions, which will be reflected in the amendments to the Articles. The new Articles will also permit the Company to use electronic communications for all Notices, documents and

New Articles of Association (Resolution 13) (continued)

information to be sent to Shareholders, in accordance with individual Shareholder preference. In addition, the new Articles will reflect the key change introduced by the 2006 Act, which is the ability for companies to use website communication with Shareholders as the default position. The Company can ask each individual Shareholder for their consent to receive communications from the Company via the Company's website. If the Shareholder does not respond to the request for consent within 28 days, the Company may take that as consent to receive communications in this way. When the Company places a document on its website, it must notify each Shareholder who is receiving documents via the website that the document is on the website. That notification will be given by post or (if the Shareholder has already agreed to receive documents electronically) by email.

Shareholders who wish to continue to receive documents by post will still be able to do so. In addition, a Shareholder who has received a document electronically can ask for a hard copy of any document at any time and Shareholders can also revoke their consent to receive electronic communications at any time.

This new regime, while continuing to ensure that Shareholders are able to receive communications and documents in hard copy if that is their preference, will enable the Company to take advantage of the efficiencies and cost savings inherent in electronic communications to a greater extent than is currently possible. The Company has no immediate plans to use the new electronic communications provisions but the Directors have concluded that it is in the Company's best interests to have the flexibility to take advantage of these provisions in the future should it decide to do so.

Although the Company has no immediate plans for any material increase in such fees, the Company is also proposing to change the restriction on the amount of fees that are payable to Directors without Shareholder approval to £500,000 as the previous limit in Article 109 (new Article 108) (which was £250,000) has not been updated for a number of years and the Company wishes to have additional flexibility in respect of the payment of Directors' fees. This limit is not intended to apply to other remuneration (including executive salaries) to which the Directors may be entitled in accordance with the Articles.

The other main changes reflect the removal from company legislation of an upper age limit for Directors and amending the Articles to reflect the relaxation in the law on Directors' indemnities introduced by the Companies (Audit, Investigations and Community Enterprise) Act 2004. If the amendments to the Articles are approved, the Company intends to enter into revised indemnity arrangements with its Directors on a basis which is consistent with the new law. Full details of the changes are set out in Appendix 2 to the Notice of Annual General Meeting on pages 11 to 14.

Recommendation and action to be taken

Your Directors believe that all the proposals to be considered at the Annual General Meeting are in the best interests of SIG and its Shareholders. They recommend that you vote in favour of the proposed resolutions as they intend to do in respect of their personal shareholdings in the Company, which, in aggregate, amount to 237,639 shares.

Whether or not you are able to attend the Meeting, your vote is still important and I would encourage you, regardless of the number of shares you own, to complete, sign and return the accompanying Form of Proxy so as to reach the Company's Registrars, Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS13 8FB, not less than 48 hours before the time fixed for the holding of the Meeting. Alternatively, Shareholders may also register their proxy appointment and voting instructions electronically. Please refer to note 1 on page 7 of this Notice for further details on how to appoint a proxy and vote electronically. The completion and return of a Form of Proxy will not prevent you from attending and voting in person at the Meeting if you so wish.

Yours faithfully



L. O. TENCH
Chairman

SIG plc Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of the members of the Company will be held at the Tankersley Manor Hotel, Church Lane, Tankersley, Sheffield S75 3DQ on Wednesday 16 May 2007 at 12 noon for the following purposes:

1. To receive and adopt the financial statements for the year ended 31 December 2006 together with the reports of the Directors and Auditors thereon.
2. To approve the Directors' Remuneration Report for the year ended 31 December 2006.
3. To declare a final dividend for the year ended 31 December 2006 of 14.3p per ordinary share on the ordinary shares in the Company.
4. To elect Mr. C. J. Davies as a Director.
5. To re-elect Mr. M. J. C. Borlenghi, who retires by rotation, as a Director.
6. To re-elect Mr. M. J. Chivers, who retires by rotation, as a Director.
7. To re-elect Mr. D. Williams, who retires by rotation, as a Director.
8. To re-appoint Deloitte & Touche LLP as Auditors to the Company, to hold office until the conclusion of the next general meeting at which Financial Statements are laid before the Company and to authorise the Directors to fix their remuneration.

To consider, and if thought fit, pass the following Resolutions of which Resolutions 9 and 12 will be proposed as ordinary resolutions and Resolutions 10, 11 and 13 will be proposed as special resolutions:

9. That the Directors be and they are hereby generally and unconditionally authorised in accordance with Section 80 of the Companies Act 1985 (in revocation of any existing unexercised authorities previously granted to the Directors to allot relevant securities) to exercise all powers of the Company to allot relevant securities (within the meaning of Section 80(2) of that Act) up to an aggregate nominal amount of £4,104,005 being approximately one third of the current issued share capital) provided that this authority shall expire at the conclusion of the 2008 Annual General Meeting of the Company following the passing of this resolution or, if earlier, not more than 15 months after the passing of this resolution, save that the Company may before such expiry make offers or agreements which would or might require relevant securities to be allotted after such expiry, and the Directors may allot relevant securities in pursuance of any such offers or agreements as if the authority conferred by this resolution had not expired.
10. That subject to the passing of Resolution 9 above, the Directors be and they are hereby empowered pursuant to Section 95 of the Companies Act 1985 (in revocation of any existing power given to the Directors pursuant to Section 95 of that Act) to allot equity securities (as defined in Section 94 of that Act) for cash pursuant to the general authority conferred by Resolution 9 above and sell as treasury shares (as defined by Section 162A of that Act) for cash, as if Section 89(1) of that Act did not apply to such allotment or sale, provided that this power shall be limited to allotments of equity securities and the sale of treasury shares:
 - (a) in connection with or pursuant to an offer by way of rights, open offer, other pre-emptive offer or scrip dividend alternative in each case in favour of ordinary Shareholders on the register of members at such record date(s) as the Directors may determine where the equity securities respectively attributable to the interests of all ordinary Shareholders are proportionate (as nearly as practicable) to the respective numbers of ordinary shares held or deemed to be held by them on any such record date(s), and subject to such exclusions or other arrangements as the Directors may deem necessary or expedient, to deal with treasury shares, fractional entitlements or legal or practical problems arising under the laws of any overseas territory or the requirements of any regulatory body or stock exchange or by virtue of shares being represented by depository receipts or any other matter whatsoever; and

SIG plc Notice of Annual General Meeting (continued)

10. (continued)

(b) (otherwise than pursuant to paragraph (a) above) up to an aggregate nominal amount of £615,601, and such power shall expire upon expiry of the general authority conferred by Resolution 9 above, save that the Company may before such expiry make offers or agreements which would or might require equity securities to be allotted or treasury shares to be sold after such expiry, and the Directors may allot equity securities or sell treasury shares in pursuance of any such offer or agreement as if the power conferred by this resolution had not expired.

11. That the Company be generally and unconditionally authorised, pursuant to and in accordance with Section 166 of the Companies Act 1985, to make market purchases (as defined in Section 163(3) of that Act) of up to 12,312,000 ordinary shares of 10p each in the capital of the Company (being approximately 10% of the current issued ordinary share capital of the Company) on such terms and in such manner as the Directors of the Company may from time to time determine, provided that:

(a) the amount paid for each ordinary share (exclusive of expenses) shall not be more than 5% above the average of the middle market quotations for an ordinary share in the Company as derived from the Daily Official List of The London Stock Exchange plc for the five business days before the date on which the contract for the purchase is made;

(b) the minimum price which may be paid for an ordinary share (exclusive of expenses) is 10p; and

(c) the authority herein contained shall expire at the conclusion of the 2008 Annual General Meeting of the Company or on 30 July 2008 whichever is the earlier provided that the Company may, before such expiry, make a contract to purchase its ordinary shares which would or might be executed wholly or partly after such expiry, and the Company may make a purchase of its ordinary shares in pursuance of any such contract as if the authority conferred hereby had not expired.

Special business

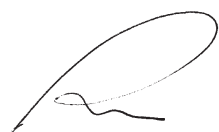
12. That the Directors be and they are hereby generally and unconditionally authorised:

(a) to establish the SIG 2007 Sharesave Scheme (the "Sharesave Scheme"), a copy of the draft rules of which has been produced to the Meeting and initialled by the Chairman for the purpose of identification and a summary of the principal terms of which is set out in the Chairman's letter which accompanies this Notice;

(b) to do all such acts and things as may be necessary or expedient to give effect to the Sharesave Scheme, including amending the rules of the Sharesave Scheme in such a manner as may be necessary to ensure that the Sharesave Scheme is approved by Her Majesty's Revenue & Customs; and

(c) to exercise the powers of the Company to establish other share schemes for employees resident or working outside the United Kingdom, based on the Sharesave Scheme but modified to take account of local tax, exchange control and securities laws, provided that any shares issued, or which might be issued under such other share schemes, are treated as counting against any limits on the issue of new shares under the Sharesave Scheme.

13. That the new Articles of Association of the Company in the form produced to the meeting and initialled by the Chairman for the purpose of identification be and they are hereby approved and adopted as the new Articles of Association of the Company in place of and to the exclusion of the existing Articles of Association of the Company.



R. C. MONRO

Secretary

5 April 2006

REGISTERED OFFICE

Hillsborough Works

Langsett Road

Sheffield S6 2LW

Registered No. 998314

Notes to the SIG plc Notice of Annual General Meeting

1. A member entitled to attend and vote at the above Meeting is entitled to appoint one or more proxies to attend and, on a poll, vote in his/her place. A proxy need not also be a member of the Company. A Form of Proxy accompanies this Notice of Annual General Meeting. To appoint a proxy or proxies Shareholders must complete (a) the Form of Proxy and return it, together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of the same to Computershare Investor Services PLC, P. O. Box 1075, Bristol BS13 8FB, or by using the reply-paid envelope provided; or (b) a CREST proxy instruction as detailed below or; (c) an online proxy appointment at www-uk.computershare.com/investor/proxy/ (you will need your unique PIN and Shareholder Reference Number, printed on the Form of Proxy), in each case so that it is received no later than 12 noon on Monday 8 May 2006. The appointment of a proxy will not preclude a member from attending and voting in person.

In conjunction with its Registrars, the Company has this year introduced a facility to allow each Shareholder to register proxy votes electronically. Detailed information of how to do this is set out on the Form of Proxy. You can register your proxy votes electronically by either logging on to our Registrars' website, www-uk.computershare.com/investor/proxy/ and following the instructions, or, if your shareholding is uncertificated, by registering your proxy votes using the service launched by CRESTCo, principally to streamline the process for institutional investors.

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

In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with CRESTCo Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given by a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the Company's agent (ID 3RA50) by the latest time(s) for receipt of proxy appointments set out above. For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp 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 CRESTCo Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST Personal Member or sponsored member or has appointed (a) voting service provider(s), to procure that his CREST sponsor or voting provider(s) take(s)) such action as is 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 5(5)(a) of the Uncertificated Securities Regulations 2001.

Notes to the SIG plc Notice of Annual General Meeting (continued)

2. As permitted by Regulation 41 of the Uncertificated Securities Regulations 2001, Shareholders who hold shares in uncertificated form must be entered on the register at 6.00 pm on the date which is two days prior to the Annual General Meeting or any adjournment of it in order to be entitled to attend and vote at the Annual General Meeting. Such Shareholders may only cast votes in respect of such shares held at such time. Changes to entries on the register at this time shall be disregarded in determining the rights of any person to attend and vote at the Meeting.
3. Copies of the service contracts of each of the Executive Directors and the terms and conditions of the Non-Executive Directors will be available for inspection at the registered office of the Company during normal business hours (Saturdays, Sundays and public holidays excluded) and at the place of the Annual General Meeting from at least 15 minutes prior to and until the conclusion of the Annual General Meeting.
4. Copies of the draft rules of the proposed Sharesave Scheme and the existing and proposed Articles of Association of the Company are available for inspection at the offices of Herbert Smith LLP, Exchange House, Primrose Street, London EC2A 2HF, at any time during normal business hours on weekdays (excluding public holidays) from today and up to and including the day of the Annual General Meeting. Copies may also be inspected on the day of the Annual General Meeting at the registered office of the Company for at least 15 minutes prior to the meeting and during the meeting.
5. Biographical details of each Director who is being proposed for election or re-election by Shareholders, including their membership of Board Committees, are set out in the Annual Report and Accounts.

Appendix I

Summary of the principal terms of the SIG 2007 Sharesave Scheme (the “Sharesave Scheme”)

The Sharesave Scheme is intended to be approved by Her Majesty’s Revenue & Customs (“HMRC”) under Schedule 3 of the Income Tax (Earnings and Pensions) Act 2003. The Sharesave Scheme will replace the SIG plc 1997 Savings-Related Share Option Scheme, which expires on 30 April 2007. No further invitations can be issued, and no further options can be granted under this scheme, after that date. Any options previously granted under this scheme and in existence on 30 April 2007 will remain in existence and become exercisable in due course in accordance with the rules of that scheme.

Options can be granted over shares in the capital of the Company (“Shares”) under the Sharesave Scheme by the Company or any employee trust established by the Company from time to time. Options are not transferable (except on death) and are not pensionable benefits.

Eligibility

Any UK-based employee (including any full-time Director) of the SIG Group of companies (the “Group”) who has been so employed for such qualifying period (not exceeding five years) as the Directors may determine from time to time and any other employee who is nominated by the Directors is eligible to participate in the Sharesave Scheme.

Issue of invitations

The first invitations to apply for options may be issued within a period of 42 days after the dealing day following the formal approval of the Sharesave Scheme by HMRC. After this, invitations may normally be issued within the period of 42 days after the dealing day following an announcement of the Company’s results for any period.

Exercise price

The price per share at which Shares may be acquired upon exercise of an option is determined by the Directors before options are granted on any occasion. It must not be less than the higher of:

- 80% of the market value of a share (being the average of the middle market quotations for the three dealing days immediately preceding the day on which invitations are issued under the Sharesave Scheme); and
- in the case of options to subscribe for Shares, the nominal value of any ordinary share.

Monthly savings

Any employee who applies for an option under the Sharesave Scheme must enter into an HMRC-approved “save as you earn” contract (the “Savings Contract”). The employee agrees to make monthly savings contributions of a fixed amount, currently of not less than £5 or more than £250 for a period of three or five years. Upon expiry of the Savings Contract, the employee will be entitled to receive a tax-free bonus in addition to repayment of the employee’s savings contributions. The employee may elect to apply the proceeds of the Savings Contract to exercise the option and acquire Shares. Alternatively, the employee may choose to withdraw the proceeds of the Savings Contract.

Exercise of options

Options under the Sharesave Scheme will normally be exercisable only during the period of six months following the third or fifth anniversary of the commencement of the Savings Contract.

Appendix I (continued)

Early exercise

Early exercise is permitted following death or cessation of employment by reason of injury, disability, redundancy, retirement on reaching a specified retirement age or where the employing company ceases to be within the Group or ceases to be an associated company. Options may also be exercised if an optionholder leaves more than three years after the date of grant of an option unless the optionholder has been summarily dismissed.

In such cases, options may be exercised within six months of leaving, to the extent that the funds then available in the employee's Savings Contract permit. In the case of death, personal representatives may normally exercise within 12 months of the date of death. Otherwise options will lapse on cessation of employment.

Early exercise is also permitted in the event of a takeover, amalgamation, reconstruction or voluntary winding-up of the Company or if the employee reaches the specified retirement age but remains employed by the Group.

Issue of new shares

In any ten year period, there is a dilution limit of 10% of the issued ordinary share capital of the Company then in issue. The limit applies to shares which may be issued pursuant to options to subscribe for new shares granted under the Sharesave Scheme during the preceding ten years and to shares which may be issued under options or other rights granted during that period under any other employees' share scheme of the Company.

Rights attaching to shares

Shares issued or transferred upon the exercise of options will rank equally in all respects with all other ordinary shares of the Company for the time being (save as regards any rights by reference to a record date prior to the allotment or transfer of such shares).

Variation of share capital

If there is a variation of the issued ordinary share capital of the Company, the Directors may make such adjustments as they consider appropriate to the total number of ordinary shares subject to any option and the exercise price payable upon the exercise of any option. However, no adjustment may take effect without the prior approval of HMRC and, except in the case of a capitalisation issue, sub-division or consolidation, any such adjustment must be confirmed in writing by the auditors of the Company to be, in their opinion, fair and reasonable.

Alteration of the sharesave scheme

The Directors may amend the Sharesave Scheme in any respect. However, they may not make any alteration or addition to the advantage of the existing or new optionholders to the provisions relating to eligibility, the individual limits or the overall limits on the issue of new shares, the basis for determining optionholders' entitlements to shares, or the adjustment of such entitlements on a variation of share capital, without the prior approval of Shareholders in a general meeting. Shareholder approval is not required for minor amendments to benefit the administration of the Sharesave Scheme, or to take into account of any change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for optionholders or any member of the Group. Amendments to certain key features of the Sharesave Scheme require the prior approval of HMRC.

Appendix 2

Overseas schemes

The Directors may, at any time, without further reference to Shareholders, establish further share schemes based on the Sharesave Scheme but modified to take account of local securities laws, exchange controls or tax laws, provided any shares made available under such further share schemes are treated as counting against the overall limit on the issue of new shares under the Sharesave Scheme.

The above summary of the principal terms of the Sharesave Scheme do not form part of the rules of the Sharesave Scheme and should not be taken as affecting the interpretation of its detailed terms and conditions. The Directors reserve the right, up to the time of the forthcoming Annual General Meeting, to make such amendments and additions to the rules of the Sharesave Scheme as they consider necessary or appropriate, provided that any such amendment does not conflict in any material respect with the above summary.

Proposed changes to Articles of Association

The new Articles of Association that are proposed to be adopted at the AGM by Resolution 13 reflect those provisions of the Companies 2006 Act (the "2006 Act") which have been or will shortly be brought into force. In addition amendments are being made to the Articles of Association to reflect the changes to the law on Directors' indemnities introduced by the Companies (Audit, Investigations and Community Enterprise) Act 2004.

Set out below is a summary of the main differences between the current and the proposed new Articles of Association. This summary has been prepared in order to assist Shareholders in understanding the rationale for and substance of the proposed amendments. Although the new Articles of Association are very largely unchanged from the Company's existing Articles of Association, it was felt preferable to adopt new Articles of Association rather than merely propose amendments as this allows for the form of Resolution 13 to be more straightforward.

The number identifying each Article, unless otherwise indicated, corresponds to the numbering used in the Company's current Articles of Association.

Interpretation (Article 2)

Article 2 is amended to insert definitions of "1985 Act", "2006 Act" and "Acts" to cater for the fact that the 2006 Act is being brought into force and the Companies 1985 Act (the "1985 Act") is being repealed in stages between January 2007 and October 2008. Consequential amendments are made across the Articles of Association to reflect the inclusion of these new definitions.

A definition of "electronic address" is inserted to correspond with the definition of "address" in Section 1148 of the 2006 Act and is inserted as the term is used frequently in the new Articles of Association.

The definitions of "electronic form" and "electronic means" are inserted to reflect new terms under the 2006 Act.

The reference to "in writing" has been amended to clarify that for the purposes of the Articles of Association, documents and information which are sent electronically or placed on a website by the Company are also "in writing".

Disclosure of interests in shares (Article 49)

The provisions relating to the disclosure of interests in shares contained in the 1985 Act, including Section 212 on company investigation powers, were repealed in January 2007. Section 793 and related sections in Part 22 of the 2006 Act, which contain the corresponding company investigation powers previously contained in Section 212, were brought into force simultaneously. Article 49 is amended to reflect the replacement of Section 212 of the 1985 Act with Section 793 of the 2006 Act.

Notice of General Meetings (Articles 54 and 55)

The 2006 Act provides that when a company has given an electronic address in a Notice of Meeting or proxy, a company is treated as having accepted that communication in relation to that meeting or proxy can be sent to that electronic address. Article 54 is amended to allow the Company to send such Notices subject to conditions or limitations which may be contained in the Notice itself.

Appendix 2 (continued)

Notice of General Meetings (Articles 54 and 55) (continued)

The amendment to Article 55 deals with situations where, because of a postal strike or similar situation beyond the control of the Company, the Company is unable to send out hard copies of the Notice of Meeting or the notification that the Notice of Meeting has been placed on its website. The effect of the amendment is to ensure that such failure to give Notice does not invalidate the proceedings of the meeting. The reason for the amendment is because there is doubt as to whether the traditional alternative route of sending the Notice of Meeting by advertisement in a national newspaper (and which is contained in Article 149 (new Article 148)) will still be available since Section 308 of the 2006 Act specifically requires the Notice to be given in hard copy form, electronic form or by means of a website.

Electronic proxies (Articles 77, 78 and 80)

As noted above, the 2006 Act provides that when a company has given an electronic address in a Notice of Meeting or proxy, the company is treated as having accepted that communications in relation to that meeting or proxy can be sent to that electronic address. Article 77 has been amended to enable the Company to receive appointments of proxies in electronic form subject to the conditions or limitations which are specified in the Notice of Meeting. Article 77 has also been amended to allow any document or information relating to proxies for the meeting to be sent by electronic means to an electronic address given by the Company in any instrument of proxy or invitation to appoint a proxy subject to the conditions or limitations specified in the Notice of Meeting. Articles 78 and 80 in relation to the receipt of proxies are amended to bring them in line with the wording used under the 2006 Act.

Directors' retirement age limit (Article 106)

The provisions relating to the 70 year age limit for Directors in the 1985 Act are to be repealed in April 2007. Accordingly, Article 106 which deals with this is no longer necessary and is to be deleted.

Remuneration of Directors (Article 109)

Although the Company has no immediate plans for any material increase in such fees, the Company is also proposing to change the restriction on the amount of fees that are payable to Directors without Shareholder approval to £500,000 as the previous limit in Article 109 (new Article 108) (which was £250,000) has not been updated for a number of years and the Company wishes to have additional flexibility in respect of payment of Directors' fees. This limit is not intended to apply to other remuneration (including executive salaries) to which the Directors may be entitled in accordance with the Articles.

Sending of Notices, documents and information (Article 146)

As noted above, for the purposes of the new Articles of Association, any Notice, document and information which is sent or given electronically or made available on a website by the Company is considered to be "in writing". Article 146 (new Article 145) is amended to reflect this position.

The amended Article 146 (new Article 145(1)) gives the Company a general power to send or give any Notice, document or information to any member by a variety of methods such as in person, by post or in electronic form (such as by email), or by making it available on the Company's website. In addition to any Notice, document or information which is specifically required to be supplied under the 2006 Act or the Articles of Association, the amended Article 146 (new Article 145(1)) will also allow the Company to send any other document or information to members by the variety of methods described above.

Appendix 2 (continued)

Sending of Notices, documents and information (Article 146) (continued)

If the Company gives any Notice, or sends any document or information to its members by making it available on the Company's website, it must comply with the requirements under the amended Article 146 (new Article 145(2)). As provided under the 2006 Act, amended Article 146 (new Article 145(2)) allows the Company to ask each individual member for his or her consent to receive communications from the Company via a website. If the member does not respond to the request for consent within 28 days, the Company may take that as consent by the member to receive communications in this way. When the Company makes a document available on its website, it must notify each member who has consented (or is deemed to have consented) to receive documents via the website that the document is available on the website and that notification will be given either by post or by email (if the member has already agreed to receive documents electronically). A member who has received a document via the website can request a hard copy of any document at any time. Members can also revoke their consent to receive website communications at any time.

New Article 145(3) deals with the case of joint holders of shares and provides that the agreement of the first-named holder on the register of members to accept Notices, documents or information electronically or via a website will be binding on the other joint holders.

Article 146 (new Article 145(4)) is amended to cater for situations where the provision of corporate information by electronic means may amount to a breach of securities laws of another jurisdiction. The effect of this amendment is to permit the Company not to give or send any Notice, document or information to a member whose registered address is not within the UK unless that member has given a non-electronic address within the UK.

The new Article 145(5) ensures that the provisions in new Article 145 are subject to Article 55 (Notices of general meetings). The new Article 145(6) allows the Company to send only hard copies of any Notices, documents or information to any member if it decides to do so. The reason for this is to allow the Company to send hard copies if it needs to restrict the circulation of information in certain circumstances, such as for US securities law reasons.

Provisions about Notices and deemed delivery (Articles 149, 150, 151, 152 and new Article 153)

The phrase "Subject to the Statutes" has been added to the beginning of Article 149 (new Article 148), which, as mentioned above, deals with a situation where because of a postal strike the Company is unable to send out a hard copy of a Notice of Meeting.

Article 150 (new Article 149) is amended to make it "Subject to the Statutes" and to provide for any Notice, document or information (not being a Notice of a general meeting) to be given by advertisement in at least one leading national newspaper published in the United Kingdom.

Article 151 (new Article 150) sets out when Notices, documents or information given or sent by the Company to its members are deemed to be delivered. This Article has been amended to include reference to the deemed delivery of information sent in electronic form and by making it available on a website.

Article 152 (new Article 151) governs the manner in which the Company gives Notices in the event of the death or bankruptcy of a member. An amendment is made to this Article to ensure that it covers, in addition to Notices, any "document or information" given by the Company.

Article 153 (new Article 152a) is amended to deal with Notices, documents or information given or sent by the Company to a member which have been returned undelivered after two consecutive occasions. The member will only be entitled to receive such further communications on provision to the Company of a new registered, postal or electronic address.

New Article 152b is inserted to deal with the validation of documents in electronic form by members where required by the Articles of Association. In the case of Notices of meeting or proxies, any validation requirements must be specified in the Notice.

Appendix 2 (continued)

Directors' indemnities (Article 157)

The Companies (Audit, Investigations and Community Enterprise) Act 2004 (the "2004 Act") relaxed the prohibition in section 310 of the Companies Act 1985 in respect of companies indemnifying their Directors against certain liabilities.

As a result of the 2004 Act, the section 310 prohibition on indemnities no longer applies to Directors and other officers of the Company and only applies to its auditors. The more relaxed prohibition on companies indemnifying their Directors is contained in sections 309A to 309C of the Companies Act 1985 and the provisions allowing companies to fund the defence of proceedings against a Director are contained in section 337A of the Companies Act 1985. The prohibition on companies indemnifying their company secretary and other managers was removed completely by the 2004 Act.

The proposed new Article 156.1.1 is a general permissive article which will allow the Company to indemnify its Directors subject to the Statutes. The new Article refers generally to the granting of indemnities and does not contain any limits on the power of the Company to grant indemnities except that they must be within the limits of the Statutes. The new Article will require an indemnity in favour of a Director to be dealt with by a contractual arrangement between the Company and the relevant Director.

The adoption of such arrangements is subject to Board review and will be disclosed in the annual Directors' Remuneration Report. In addition, such arrangements will be open to inspection by Shareholders.

Article 157.2 (new Article 156.1.2), which permits the Company to purchase and maintain insurance for the benefit of Directors and former Directors of the Company and other Group companies, is amended in a number of minor respects to bring it into line with the proposed new Article 156.1.1.



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