



29 March 2010

Dear Sir/Madam

### Notice of Annual General Meeting

In addition to the business usually conducted at the Company's Annual General Meeting (including the approval of the dividend, the receipt of the accounts, the re-appointment of certain directors and the auditors and the granting of authorities to allot new shares) the Board has decided that it is in the best interests of the Company and its Shareholders to propose the following additional resolutions at the Annual General Meeting:

- (a) The re-registration of the Company as a company governed by the Isle of Man Companies Act 2006 (the "2006 Act") (it is currently incorporated under the Isle of Man Companies Acts 1931 – 2004) ("Re-registration"); and
- (b) The adoption of a new memorandum and articles of association suitable for a company governed by the 2006 Act ("New Articles").

### Background

The modern updated legislation introduced by the 2006 Act removes a number of traditional formalities and makes it easier for the company to deal with certain matters. One of these matters which traditionally required Isle of Man High Court authorisation is the ability to reclassify share premium funds as distributable reserves to enable it to return cash to shareholders, subject to the company retaining sufficient solvency after the return.

The Company is proposing the adoption of new memorandum and articles of association governed by the 2006 Act which are suitable for a company the shares of which are admitted to AIM. In the new memorandum of association there is no reference to authorised share capital as there is no concept of authorised capital under the 2006 Act. Instead, the New Articles will state that the maximum number of shares that may be in issue shall be prescribed from time to time by an ordinary resolution of shareholders. The new memorandum of association does include the details of the Company's registered agent and details of how the memorandum and articles of association can be amended, both of which would not be included in the current memorandum.

The principal material differences between the New Articles and the Company's current articles of association ("Current Articles") include the ability of the re-registered company to buy-back its shares subject to the limits set out in the New Articles (as the same may be renewed or varied by the shareholders of the Company at future general meetings) and subject to the satisfaction of a solvency test. The Company will also be permitted to reduce its share capital, subject to the satisfaction of a solvency test, without court sanction. The payment of dividends is also subject to a solvency test but does not require the approval of the shareholders (although certain types of distributions such as scrip dividends and distributions in specie require the prior authority of an ordinary resolution). Details of some of the key characteristics of companies incorporated under the 2006 Act that are relevant to the Company are outlined in the appendix; however, **for the avoidance of any doubt, it should be noted that the Company has, where relevant and appropriate, tailored the New Articles to closely mirror UK company law requirements such that the New Articles will be largely consistent with those that shareholders would expect to see present in UK public companies traded on AIM.** Reference should be made to the full text of the New Articles.

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 T: +44 (0) 1624 626242

Company incorporated in the IOM registration 114064C

Copies of the New Articles are available at the Company's Registered Office, on the Company's website [www.stmgroupplc.com](http://www.stmgroupplc.com) and will be available at the Annual General Meeting.

### **Consequences of Re-registration**

Once re-registered the Company will be issued with a new company number but will remain the same legal entity and its continuity will not be prejudiced or affected.

### **Voting on the Resolution**

The resolutions to re-register and to adopt the new Memorandum and Articles of Association are being proposed as Special Resolutions which require approval of at least 75% of the votes cast at the Annual General Meeting.

A form of proxy for your use is enclosed and you are requested to complete it in accordance with the instructions set out on the form and to return it to Computershare, the address of whom is shown both on the notice of the meeting and on the form of proxy, to arrive no later than noon (UK time) on Wednesday 5 May 2010.

### **Recommendation**

The Directors consider that all the Resolutions to be put to the Annual General Meeting are in the best interests of the Company and its shareholders as a whole. Accordingly, the Directors unanimously recommend that you vote in favour of all the Resolutions.

Yours faithfully

Bernard Gallagher  
*Chairman*

## Appendix

### **Key characteristics of the 2006 Act**

STM's proposed new articles of Association ("New Articles") are based upon the Company's current articles of association ("Current Articles"), subject to certain updates and amendments which are appropriate for a company incorporated under the 2006 Act. Reference should be made to the full text of the New Articles.

Set out below is a summary of some of the material changes to Isle of Man companies law under the 2006 Act.

### **Share Capital**

Companies incorporated under the 2006 Act are not required to have an authorised share capital; however the New Articles state that the maximum number of shares that may be in issue shall be prescribed from time to time by an ordinary resolution of shareholders. The shareholders are accordingly being asked to pass a resolution authorising a maximum of 100,000,000 to be in issue. This number is inclusive of all shares currently in issue and is equivalent to the Company's present authorised share capital. This authority is limited by the pre-emption rights afforded to shareholders in the New Articles. The New Articles also contain a limited number of exceptions where the Company can issue shares free of pre-emption.

The 2006 Act permits companies incorporated under the 2006 Act to have shares with no par value; in respect of the Company, the New Articles provide that the ordinary shares will be issued with a par value of £0.001.

### **Dividends, Redemptions and Buy-backs of Shares**

Subject to compliance with its New Articles, the 2006 Act will allow the Company post Re-registration to declare and pay a dividend and to purchase, redeem or otherwise acquire its own shares subject to meeting a statutory solvency test.

The New Articles empower the Company to repurchase up to 20 per cent of the ordinary shares in issue in the open market, with such authority to expire, unless renewed or varied, at the annual general meeting of the Company to be held in 2011.

A company will satisfy the solvency test if it is able to pay its debts as they become due in the normal course of its business and the value of its assets exceeds the value of its liabilities.

### **Capacity and powers**

Companies incorporated under the 2006 Act have separate legal personality and perpetual existence. In addition, such companies have unlimited capacity to carry on or undertake any business or activity; the 2006 Act specifically states that no corporate act is beyond the capacity of a company incorporated under the 2006 Act by reason only of the fact that the relevant company has purported to restrict its capacity in any way in its memorandum or articles or otherwise. A person who deals in good faith with a company incorporated under the 2006 Act is entitled to assume that the directors are acting without limitation.

### **Resolutions**

The 2006 Act does not distinguish between ordinary resolution (passed by a simple majority of votes cast) and special resolution (passed by a majority of 75% of the votes cast). However there is nothing to stop a company incorporating provisions for special resolutions in its articles. In STM's case the New Articles retain the requirements for a special resolution in various circumstances where this is thought to be appropriate for a company with shares admitted to AIM. In most cases these are similar to that required under the Current Articles.

## **Registered Agent**

There is a requirement to appoint a registered agent that is appropriately licensed by the Isle of Man Financial Supervision Commission. SMP Partners Limited will be appointed as the Company's registered agent.

## **Financial Assistance**

There is no prohibition under the 2006 Act on a company providing financial assistance for the purchase of its own shares.

## **Offering Documents**

The Act does not distinguish between public and private companies and (subject to any restrictions in a company's memorandum or articles of association) any type of company incorporated or re-registered under the 2006 Act can offer its securities to the public. If a company does issue an offering document the criteria with which the offering document must comply are less prescriptive than traditional prospectus requirements (although as the Company's shares are admitted to AIM it will be subject to the AIM Rules and other legal requirements applicable to AIM listed companies in relation to any such document). The 2006 Act simply requires the directors to ensure that any offering document issued in relation to a company contains all material information that the intended recipients would reasonably expect to enable them make an informed investment decision and of which the directors were aware or would have been aware had they made reasonable enquiries.

## **Shareholder Protections**

The 2006 Act provides an extensive range of member protection provisions, including the right to apply to Court for a restraining compliance order, the right to bring derivative actions, remedies for oppressive or unfairly prejudicial conduct, the right to bring personal actions and the right to apply to Court for an order that an investigation be made of the company and any of its associated companies.

## **Other Points**

There are reduced compulsory registry filings under the 2006 Act.

There is no requirement under the 2006 Act for the company to hold an annual general meeting; however in the case of STM that requirement has been included in the New Articles.