

Phytopharm plc

Notice of Annual General Meeting



Notice is hereby given that the twelfth Annual General Meeting of Phytopharm plc (the “**Company**”) will be held at Corpus Christi House, 9 West Street, Godmanchester, Huntingdon, Cambridgeshire PE29 2HY on 27 March 2008 at 10.00 a.m. to consider and, if thought fit, approve the following resolutions which will be proposed as to resolutions numbered 1 to 8 (inclusive) as ordinary resolutions and as to resolutions numbered 9 to 13 as special resolutions.

Ordinary Business

1. THAT the Accounts of the Company for the period ended 30 September 2007, together with the Reports of the Directors and the Auditors, be received and adopted by the members.
2. TO approve the Remuneration Committee’s Report set out on pages 29 to 36 of the Report and Accounts of the Company for the period ended 30 September 2007.
3. THAT Dr D Rees be re-elected as a Director.
4. THAT Mr A Morrison be re-elected as a Director.
5. THAT Mr A Taylor be re-elected as a Director.
6. THAT PricewaterhouseCoopers LLP be re-appointed auditors of the Company, to hold office until the conclusion of the next annual general meeting at which accounts are laid before the Company.
7. TO authorise the Directors to set the remuneration of the auditors.

Special Business

8. Allotment of shares

“THAT the Directors be and are hereby generally and unconditionally authorised for the purposes of section 80 of the Companies Act 1985 (the “**Act**”), to exercise all the powers of the Company to allot relevant securities (within the meaning of section 80(2) of the Act) up to an aggregate nominal amount of £185,376.42, this authority to expire at the conclusion of the Annual General Meeting of the Company in 2009 (save that the Company may before such expiry make any offer or agreement which would or might require relevant securities to be allotted after such expiry and the

Directors may allot relevant securities in pursuance of any such offer or agreement as if the authority conferred hereby had not expired).”

9. Disapplication of pre-emption rights

THAT the Directors be and are hereby empowered pursuant to section 95(1) of the Companies Act 1985 (the “**Act**”) to:

- (a) subject to the passing of resolution 8 above, allot equity securities (as defined in section 94 of the Act) for cash pursuant to the authority conferred by resolution 8 above as if section 89(1) of the Act did not apply to any such allotment; and
- (b) sell relevant shares (as defined in section 94(5) of the Act) in the Company if, immediately before the sale, such shares are held by the Company as treasury shares (as defined in section 162A(3) of the Act) (“**treasury shares**”) for cash (as defined in section 162D(2) of the Act), as if section 89(1) of the Act did not apply to any such sale,

provided that such power shall be limited to the allotment of equity securities and the sale of treasury shares:

- (i) in connection with a rights issue, open offer or any other pro-rata offer in favour of ordinary shareholders and holders of any other class of equity securities where the equity securities are proportionate (as nearly as practicable) to the respective number of ordinary shares and any other class of equity securities held by such holders but subject to such exclusions or other arrangements as the Directors may deem necessary or desirable in relation to fractional entitlements, treasury shares or legal or practical problems arising in, or pursuant to, the laws of any territory or the requirements of any regulatory body or stock exchange in any territory; and
- (ii) otherwise than pursuant to paragraph (i) of this resolution, up to an aggregate nominal amount of £55,612.92.

and this power shall expire at the conclusion of the Annual General Meeting of the Company in 2009, save that the Company may, at any time before the expiry of such

power, make any offer or enter into any agreement which would or might require equity securities to be allotted, or treasury shares to be sold, after the expiry of such power and the Directors may allot equity securities or sell treasury shares in pursuance of any such offer or agreement as if such power conferred hereby had not expired.”

10. **Authority to purchase own shares**

“THAT the Company is hereby generally and unconditionally authorised for the purposes of section 166 of the Act to make market purchases (within the meaning of section 163(3) of the Act) of any of its ordinary shares of 1p each in the capital of the Company on such terms and in such manner as the Directors may from time to time determine, and where such shares are held as treasury shares, the Company may use them for the purposes of its employee share schemes, provided that:

- (a) the maximum number of ordinary shares which may be purchased is 5,561,293 representing approximately 10 per cent. of the issued ordinary share capital at 28 February 2008;
- (b) the minimum price which may be paid for each ordinary share is 1p which amount shall be exclusive of expenses, if any;
- (c) the maximum price which may be paid for each ordinary share is an amount equal to 105 per cent. of the average of the middle market quotations for the ordinary shares of the Company as derived from the Daily Official List of the London Stock Exchange plc for the five business days immediately preceding the day on which such share is contracted to be purchased;
- (d) unless previously renewed, revoked or varied, this authority shall expire at the conclusion of the Annual General Meeting in 2009; and
- (e) under this authority the Company may make a contract to purchase ordinary shares which would or might be executed wholly or partly after the expiry of this authority, and may make purchases of ordinary shares pursuant to it as if this authority had not expired.”

11. **Conflicts of interest**

“THAT, subject to the passing of resolutions 12 and 13 and with effect on and from

1 October 2008, Article 89 of the Articles of Association be deleted in its entirety and Articles 105 and 106 as set out in the document produced to the Meeting and marked “Document A” and signed by the Chairman of the Meeting be substituted therefore, and that subsequent articles of the Company’s Articles of Association be renumbered and all cross references be altered to reflect such deletion and addition.”

A copy of the new Articles of Association and a copy of the current Articles of Association marked to show changes being proposed by this resolution are available for inspection as noted on page 4 of this Notice.

12. **Directors’ retirement age**

“THAT Article 91 and Article 100(G) of the Company’s Articles of Association be and are hereby removed and that subsequent articles of the Company’s Articles of Association be renumbered and all cross references be altered to reflect such deletion and addition.”

A copy of the new Articles of Association and a copy of the current Articles of Association marked to show changes being proposed by this resolution are available for inspection as noted on page 4 of this Notice.

13. **Consequential amendments to Articles**

“THAT various minor and technical amendments to the Articles of Association be and hereby are made to reflect the implementation of the Companies Act 2006 as set out in the document marked “B” and signed by the Chairman for the purpose of identification.”

A copy of the new Articles of Association and a copy of the current Articles of Association marked to show changes being proposed by this resolution are available for inspection as noted on page 4 of this Notice.

By order of the Board

Zoë McGowan

Secretary

Dated 28 February 2008

Registered office:

Corpus Christi House

9 West Street

Godmanchester

Huntingdon

Cambridgeshire PE29 2HY

Notes:

1. Pursuant to regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that in order to have the right to attend and vote at the meeting (and also for the purpose of calculating how many votes a person entitled to attend and vote may cast), a person must be entered on the register of holders of the ordinary shares of the Company by no later than 6.00 pm two days before the meeting. Changes to entries on the register after this time shall be disregarded in determining the rights of any person to attend or vote at the meeting.
2. A member who is entitled to attend and vote at the meeting is entitled to appoint another person, or two or more persons in respect of different shares held by him, as his proxy to exercise all or any of his rights to attend and to speak and vote at the meeting. A proxy need not be a member of the Company.
3. To be valid, a proxy must be delivered (together with any power of attorney or other authority under which it is signed, or a certified copy of such item) to Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN88 5US by 10.00 a.m. on 25 March 2008 or, in the case of an adjournment, by the time 48 hours before the time appointed for the adjourned meeting. Completing and returning a proxy form will not prevent a member from attending in person and voting at the meeting should he so wish.
4. Any person to whom this notice is sent who is a person nominated by a member of the Company to enjoy information rights under Section 146 of the Companies Act 2006 (a "nominated person") may have a right under an agreement between him and such member to be appointed, or to have someone else appointed, as a proxy for the meeting. If he has no such right or does not wish to exercise it, he may have a right under such an agreement to give instructions to the member concerned as to the exercise of voting rights. The statement in note 2 above of the rights of a member in relation to the appointment of proxies does not apply to a nominated person. Such rights can only be exercised by the member concerned.
5. Shareholders who prefer to register the appointment of their proxy electronically via the internet can do so through Equiniti's website at www.sharevote.co.uk where full instructions on the procedures are given. The Voting ID, Task ID and Shareholder Reference Number printed on the Form of Proxy will be required in order to use this electronic proxy appointment system. Alternatively Ordinary Shareholders who have already registered with Equiniti's online portfolio service, Shareview, can appoint their proxy electronically by logging onto their portfolio at www.shareview.co.uk and clicking on "Company Meetings". For an electronic proxy appointment to be valid, your appointment must be received by Equiniti Limited no later than 10.00 a.m. on 25 March 2008. You may not use any electronic address provided in this form of proxy to communicate with the Company for any purposes other than those expressly stated.
6. Alternatively, if you are a member of CREST, you may register the appointment of a proxy by using the CREST electronic proxy appointment service.

CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for this annual general meeting and any adjournment(s) thereof by utilising 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 made by means of CREST to be valid, the appropriate CREST message (a "**CREST Proxy Instruction**") must be properly authenticated in accordance with CRESTCo'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 to a previously appointed proxy, must, in order to be valid, be transmitted so as to be received by the issuer's agent (7RA01) by not later than 48 hours before the meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Application Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.

CREST members and, where applicable, their CREST sponsors or voting service providers should note that CRESTCo 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 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 provider(s) 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.

Appointment of a proxy will not preclude a member attending and voting in person at the meeting.

7. As at the date of this notice (i) the Company's issued share capital consists of 55,612,926 ordinary shares, all carrying one vote each, and (ii) the total voting rights in the Company are 55,612,926.
8. Arrangements will be put in place at the meeting in order to facilitate voting by representatives ("corporate representatives") of members which are corporations ("corporate shareholders") so that if (i) a corporate shareholder has appointed the chairman of the meeting as its corporate representative to vote on a poll in accordance with the directions of all of its other corporate representatives at the meeting, then on a poll these corporate representatives will give voting directions to the chairman and the chairman will vote (or withhold a vote) as corporate representatives in accordance with those directions; and (ii) if more than one corporate representative for the same corporate shareholder attends the meeting but the corporate shareholder has not appointed the chairman of the meeting as its corporate representative, a designated corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative. Corporate shareholders are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives (www.icsa.org.uk) for further details of this procedure.
9. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).
10. The register of Directors' interests in the capital of the Company and copies of the Directors' service contracts are available for inspection at the Company's registered office during normal business hours from the date of this notice until the date of the meeting and will be available for inspection at the place of the meeting for at least 15 minutes prior to and during the meeting.
11. A copy of the Articles of Association of the Company marked to show the changes being proposed by resolution 11, a copy of the Articles of Association of the Company marked to show the changes being proposed by resolution 12 and a copy of the Articles of Association of the Company marked to show the changes being proposed by resolution 13, will be available for inspection during normal business hours at the offices of the Company's legal advisers, White & Case LLP, 5 Old Broad Street, London EC2N 1DW, until the close of the Annual General Meeting on Thursday, 27 March 2008.

Explanatory Notes

Resolution 2

This resolution is to approve the Directors' remuneration report for the financial period ended on 30 September 2007. You can find the report in the report and accounts for the period ended on 30 September 2007.

Resolution 3

Following Dr D Rees's performance evaluation, the Directors consider that it is appropriate that he be retained as a director of the Company

because his performance continues to be effective and to demonstrate commitment to the role.

Resolution 4

Following Mr A Morrison's performance evaluation, the Directors consider that it is appropriate that he be retained as a director of the Company because his performance continues to be effective and to demonstrate commitment to the role.

Resolution 5

Mr A Taylor, having been appointed a Director since the last Annual General Meeting, be re-appointed as a director of the Company.

Resolution 8

Your Directors may only allot shares or grant rights over shares if authorised to do so by shareholders. The authority granted at the last annual general meeting is due to expire at this year's Annual General Meeting. Accordingly, Resolution 8 will be proposed as an ordinary resolution to grant a new authority to allot unissued share capital up to an aggregate nominal value of £185,376.42, representing approximately 33 per cent. of the current issued ordinary share capital of the Company. If given, this authority will expire at the conclusion of the Annual General Meeting in 2009.

Resolution 9

Your Directors also require additional authority from shareholders to allot shares or grant rights over shares or sell treasury shares where they propose to do so for cash and otherwise than to existing shareholders pro rata to their holdings. The authority granted at the last annual general meeting is due to expire at this year's Annual General Meeting. Accordingly, Resolution 9 will be proposed as a special resolution to grant such authority. Apart from rights issues, open offers or any other pro rata offer as mentioned the authority will be limited to the issue of shares and sales of treasury shares for cash up to an aggregate nominal value of £55,612.92 (being ten per cent. of the current issued ordinary share capital of the Company). If given, this authority will expire at the conclusion of the Annual General Meeting in 2009.

Resolution 10

This resolution will give the Company authority to purchase its own shares in the markets up to a limit of ten per cent. of its issued ordinary share capital. The maximum and minimum prices are stated in the resolution. Your Directors believe that it is advantageous for the Company to have this flexibility to make market purchases of its own shares. In the event that shares are purchased, they would either be cancelled (and the number of shares in issue would be reduced accordingly) or, subject to the Companies (Acquisition of Own Shares) (Treasury Shares) Regulations 2003 (as amended by the Companies (Acquisition of Own Shares) (Treasury Shares) No. 2 Regulations 2003) (the "Regulations") which came into force on 1 December 2003, retained as treasury shares. The Regulations enable companies to hold shares repurchased as treasury shares with a view to possible re-sale at a future date rather than having to cancel them. The Company will consider holding repurchased shares pursuant to the authority conferred by this resolution as treasury shares. This would give the Company the ability to re-issue treasury shares quickly and cost effectively and would provide the Company with additional flexibility in the management of its capital base. Any issues of treasury shares for the purposes of the Company's employee share schemes will be made within the ten per cent. anti-dilution limit set by the Association of British Insurers. Your Directors will only exercise this authority if they are satisfied that a purchase would result in an increase in expected earnings per share and would be in the interests of shareholders generally. The total number of options to subscribe for ordinary shares outstanding at 28 February 2008 was 3,489,366 which represented 6.27 per cent. of the issued share capital at that time and which will represent 6.97 per cent. of the issued share capital if the full authority to buy back shares is used.

Resolution 11 – Conflicts of interest

The Companies Act 2006 sets out directors' general duties. The provisions largely codify the existing law but with some changes. The Companies Act 2006 will introduce new provisions requiring directors to avoid a situation where they have or can have a direct or indirect interest that conflicts or possibly may conflict with the Company's interests. The requirement is very broad and could apply, for example, if a director becomes a director of another company or a trustee of another organisation. The Companies Act 2006 allows the board to authorise a director's conflict or potential conflict of interest where the articles contain a provision to this effect. The Companies Act 2006 also allows the articles of association to contain other provisions for dealing with directors' conflicts of interest to avoid a breach of duty. This resolution

amends the Articles with effect from 1 October 2008 to give the Directors authority to approve such situations and to include other provisions to allow conflicts of interest to be dealt with in a similar way to the current position.

There are safeguards which will apply when the Directors decide whether to authorise a conflict or potential conflict. These include only independent Directors (those who have no interest in the matter being considered) will be able to take the relevant decision, and in taking the decision the Directors must act in a way they consider, in good faith, will be most likely to promote the company's success. The Directors will be able to impose limits or conditions when giving authorisation, or subsequently if they think fit.

Resolution 12 – Directors' retirement age

It is proposed to remove Articles 91 and 100(G) of the Articles of Association which contains various age related provisions in relation to retirement of directors. This is in order to comply with the spirit of the age discrimination legislation which came into force on 1 October 2006.

Resolution 13 – Consequential amendments to the Articles

This resolution amends the Articles of Association with immediate effect in order to make various other amendments which are of a minor, technical or clarifying nature either required by or consequential to provisions of the Companies Act 2006 which are already in force at the date of the meeting. These include:

(i) Extraordinary resolutions

The current Articles of Association contain references to decisions which must be sanctioned by extraordinary resolution of the shareholders. The concept of extraordinary resolution has been abolished under the Companies Act 2006 with such decisions to be decided by special resolution. It is proposed that the relevant changes are made to the Articles of Association.

(ii) Timing of Annual General Meetings

The Companies Act 2006 provides that companies must hold their annual general meeting within six months beginning with the day following the end of the accounting period. It is proposed that the appropriate change be made to the Articles of Association.

(iii) Convening and notice of general meetings

It is proposed that the provisions in the Articles of Association dealing with the convening of general meetings and the length of notice required to convene general meetings be amended to conform to the new provisions in the Companies Act 2006. In particular, a general meeting (other than an Annual General Meeting) to consider a special resolution can be convened with 14 days' notice whereas previously 21 days' notice was required. Service of notices, if delivered by post, shall now be deemed to be effected at the expiration of 24 hours after posting (rather than 48 hours).

(iv) Proxies

A proxy has a statutory right under the Companies Act 2006 to speak at any general meeting. Under the Companies Act 2006, proxies are also entitled to vote on a show of hands whereas under the current Articles of Association proxies are only entitled to vote on a poll. Multiple proxies may be appointed provided that each proxy is appointed to exercise the rights attached to a different share held by the shareholder. It is proposed that the Articles of Association are amended to reflect these new rules.

(v) Directors' indemnities

The Companies Act 2006 has in some areas widened the scope of the powers of a company to indemnify directors. The opportunity is being taken to clarify that, subject to the Companies Act 2006, the Company may grant indemnities to directors of associated companies.

A copy of the current Articles of Association marked to show the changes being proposed by this resolution will be on display at the meeting.

Due to the phased nature of implementation of the Companies Act 2006, it is likely that further related changes to the Articles of Association will be proposed at a later Annual General Meeting to incorporate provisions currently scheduled to come into force at a later time. All such changes will be shown on a blacklined copy of the Articles displayed at that meeting.