

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to what action to take you are recommended to seek your own financial advice immediately from your stockbroker, bank manager, solicitor, accountant or other independent adviser authorised pursuant to the Financial Services and Markets Act 2000.**

If you have sold or transferred your Ordinary Shares in Asterand plc, please send this document, together with the accompanying Form of Proxy, immediately to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee. If you have transferred only part of your holding of Ordinary Shares you should immediately consult the stockbroker, bank or other agent through whom the sale or transfer was effected.

Notice of an Extraordinary General Meeting of Asterand plc to be held at the offices of Buchanan Communications, 45 Moorfields, London, EC2Y 9AE on Tuesday 8 June 2010 at 5:15 p.m. (or, if later, immediately following the conclusion of the Annual General Meeting of the Company to be held at 5 p.m. on the same date) is set out at the end of this document. A Form of Proxy is also enclosed with this document for use at the Extraordinary General Meeting. Shareholders are requested to complete the Form of Proxy in accordance with the instructions printed on the Form of Proxy. To be valid, the Form of Proxy must be returned to Asterand's Registrars, Capita Registrars Limited, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU as soon as possible, but in any event so as to arrive no later than 48 hours before the time appointed for holding the meeting, whether or not they propose to be present at the General Meeting. If shareholders complete and return a Form of Proxy, they may still attend and vote at the General Meeting in person should they decide to do so.

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## LETTER FROM THE CHAIRMAN

# ASTERAND PLC

(the "Company")

(Registered in England No. 3355618)

*Directors:*

Jack Davis  
Martyn Coombs  
John Stchur  
Dr. Peter Coggins  
Jonathan Fleming  
Jill L. Force  
Ian Ratcliffe  
Robert Salisbury

*Registered and Head Office:*

2 Orchard Road  
Royston  
Hertfordshire  
SG8 5HD

14 May 2010

**To the holders of ordinary shares and for information only, to the holders of options**

Dear Shareholder

**Proposals to approve the Asterand plc Growth Share Ownership Plan, amend the Asterand plc Long Term Incentive Plan and to enable general meetings of the Company to be held on 14 clear days' notice**

### Introduction

The Company announced today that it proposes to seek shareholder approval for a growth share ownership plan ("**GSOP**") for employees and for an amendment to the Company's long term incentive plan ("**LTIP**"). Resolutions 1 and 2 in the notice of extraordinary general meeting set out at the end of the document ("**Notice of Meeting**") request shareholders to approve these matters.

This letter sets out the reasons for adopting the GSOP and the amendment to the LTIP. Part 1 of the Appendix summarises the GSOP and Part 2 summarises the proposed amendment to the LTIP.

## **Background**

The Remuneration Committee of the Board, in consultation with its external advisers, has reviewed the Company's incentive arrangements. Following independent advice, the Remuneration Committee has decided to seek shareholder approval for the GSOP.

The GSOP allows participants to invest in the future capital growth of the two principle subsidiaries of the Company namely Asterand, Inc. and Asterand UK Limited (the "**Subsidiaries**") by subscribing for a newly created class of shares in each Subsidiary ("**growth shares**") with limited rights. Growth shares will allow participants to benefit only in the future growth in value of each subsidiary above a threshold which will be set each time awards are made at no less than the estimated market value of each Subsidiary at the time. The GSOP is intended to compliment the LTIP under which participants benefit from the full value of shares in the Company. One of the advantages of the GSOP is to allow awards to be structured tax-efficiently.

The Remuneration Committee has also reviewed the effectiveness of the LTIP and has decided, in consultation with its external advisers, to seek shareholder approval to remove the requirement for awards made in the future to executive directors to be subject to performance targets. Existing awards will be unaffected by these proposals. The purpose of the amendments is to align the LTIP with market practice in the US and to align future rewards more closely with share price growth. The Remuneration Committee consider these changes are appropriate as all bar one of the executive directors who it is intended will participate in the LTIP in the future are based in the US.

## **Documents**

The ordinary resolutions adopting the GSOP and amendment to the LTIP appear as Resolutions 1 and 2 in the Notice of Meeting.

The principal terms of the GSOP are set out in Part 1 of the Appendix to this letter. Drafts of the proposed new articles of association and by-laws of Asterand UK Limited and Asterand, Inc. respectively and a copy of the LTIP rules, each with the proposed amendments marked, and a copy of the pro forma GSOP subscription agreement will be available for inspection during normal business hours at the registered office of the Company and at the offices of Bird & Bird LLP, 15 Fetter Lane, London EC4A 1JP on any weekday (Saturday and public holidays excepted) from the date of this letter up to and including the date of the Extraordinary General Meeting and at the place of the meeting for at least 15 minutes prior to and during the meeting. The Board reserves the right up to the time of the Extraordinary General Meeting to make such amendments and additions as it considers necessary or desirable to those documents provided that such amendments and additions do not conflict in any material respect with the contents of this circular.

## **Notice of General Meetings**

Resolution 3 as set out in the Notice of Meeting is required to reflect changes to the Companies Act 2006 (the "**Companies Act**") which have been made pursuant to the implementation of The Companies (Shareholders' Rights) Regulations 2009 (SI 2009/1632). The relevant amendments to the Companies Act have increased the notice period for general meetings of the Company to 21 days. Prior to these amendments, the Company was able to call general meetings (other than annual general meetings) on 14 clear days' notice and would like to preserve this ability. In order to be able to do so, shareholders must have approved the calling of meetings on 14 days' notice. Resolution 3 seeks such approval. The approval will be effective until the Company's next annual general meeting, when it is intended that a similar resolution will be proposed. The Company will also need to meet the requirements for electronic voting required pursuant to section 307A of the Companies Act before it can call a general meeting on 14 days' notice.

**Recommendation**

The Board considers that the proposals are in the best interests of the Company and its shareholders and therefore the Board recommends you to vote in favour of Resolutions 1 to 3 at the Extraordinary General Meeting, as they intend to do themselves in respect of their own beneficial holdings of ordinary shares.

Yours faithfully

.....  
**Jack Davis**  
*Chairman*

## APPENDIX

### Part 1 Summary of the terms of the proposed Asterand plc Growth Share Ownership Plan (the “GSOP”)

The Remuneration Committee of the Board of Directors of the Company (the “**Remuneration Committee**”) will be responsible for the GSOP

#### Eligibility

Any employee (including executive directors) of the Company or any of its subsidiaries (the “**Group**”) may be granted an award at the discretion of the Remuneration Committee.

#### Acquisition of Growth Shares

Awards will be in the form of an offer to participants to subscribe for a new class of shares in Asterand, Inc. and Asterand UK Limited (the “**Subsidiaries**”) with the rights summarised below (the “**Growth Shares**”).

Growth Shares may not be issued more than ten years after the approval of the GSOP and cannot be transferred or charged (except on death).

Growth Shares may not be issued in close periods and will be subject to the Company’s share dealing code.

Participants will be required to pay a subscription price equal to the par value of the Growth Shares.

Awards under the GSOP are not pensionable.

#### Hurdle

Growth Shares will entitle holders to participate equally with other classes of shares in the Subsidiaries in any future growth in value of each Subsidiary above a hurdle (the “**Excess Value**”). The hurdle will be set by the Remuneration Committee each time awards are made. The hurdle will be the estimated value of each Subsidiary at the date of the award.

The entire trade and assets of the Group are owned by the two Subsidiaries and the Company currently owns the entire issued share capital of both Subsidiaries. Consequently, the combined value of the Subsidiaries is equal to the market capitalisation of the Company from time to time.

If the market capitalisation of the Company is £21 million when the first award is made and the Remuneration Committee consider the value can be apportioned 2/3rds: 1/3rd between Asterand, Inc. and Asterand UK Limited, the hurdle for each class of growth shares would be £14 million and £7 million respectively.

The Remuneration Committee will use a similar valuation method when setting the hurdle each time awards are made to ensure participants participate only in the growth in value of each Subsidiary.

#### Performance Condition

Awards will not be subject to performance conditions.

#### Terms of Growth Shares

The rights of the Growth Shares will be set out in the articles of association and by-laws of each Subsidiary. The main rights are summarised as follows:

**(a) Voting and Dividend Rights**

Growth shares have no voting rights and no rights to dividends other than on a winding-up of the Subsidiary or following a sale of substantially all of the business or assets of the Subsidiary (an “**Asset Sale**”). Their participation rights in those circumstances shall be limited to their share (if any) of the Excess Value, as described below.

**(b) Right to Participate on Exit Events**

The right of Growth Shares to participate in assets on a liquidation, or the making by the Subsidiary of any other capital distribution after an Asset Sale, or the proceeds or value realised on a listing of the Subsidiary or a share sale giving rise to a change of control of the Subsidiary (“**Exit Event**”), will be restricted so Growth Shares participate equally with ordinary shares in issue only in the Excess Value.

**(c) Vesting and Leaver Provisions**

Growth Shares will vest three years after the award date. Once vested, Growth Shares may be exchanged for Ordinary Shares in the Company of equivalent value as determined by the Remuneration Committee at any time until the tenth anniversary of the award date.

If a participant leaves more than three years after the award date, they will be entitled to exchange their Growth Shares for Ordinary Shares of an equivalent value in the Company for a period of twelve months following cessation.

If a participant leaves within three years of the award date, the number of Growth Shares which may be exchanged for Ordinary Shares in the Company will be pro-rated on a time spent basis if the participant leaves due to injury, disability or because his employing company or business is transferred out of the Group. If a participant leaves within three years of the award date for any other reason, the number of Growth Shares (if any) which may be exchanged for Ordinary Shares in the Company will be determined by the Remuneration Committee.

If an Exit Event occurs within three years of the award date, the Growth Shares subject to each award will be pro-rated for length of service and only shares which have vested will be entitled to participate in the Excess Value.

**(d) Take-over, winding-up and liquidation**

If the Company is taken-over, wound-up or put into voluntary liquidation, the Employees will be entitled to exchange Growth Shares for Ordinary Shares in the Company of equivalent value immediately before the event.

If the event occurs within three years of the award date, the Growth Shares subject to each award will be pro-rated for length of service and only vested Growth Shares may be entitled to be exchanged for shares in the Company.

**(e) Unvested Growth Shares**

Growth Shares which are unvested when any of the events specified in (b), (c) or (d) occur or which have not been exchanged for Ordinary Shares in the Company within 10 years of the award date, will be purchased at cost by the relevant Subsidiary and cancelled. Participants will be required to grant each Subsidiary a call option to this effect. If it is not possible for technical reasons for either Subsidiary to purchase its own shares, the Company shall be entitled to purchase the Growth Shares at cost.

**(f) Adjustment to hurdle**

The Remuneration Committee will be entitled to rebase or adjust the hurdle and/or any method affecting the entitlement of Growth Shares to take account of any fundraisings, distributions, acquisitions or disposals of companies, businesses or assets by or out of the Group or new financing or refinancing arrangements or other objective criteria or circumstances affecting the Group or any Subsidiary occurring on or after the first award date, provided that any such adjustment or rebasing is made on a fair and reasonable basis.

**Dilution Limits**

In any 10 year period, the number of new Ordinary Shares in the Company which may be utilised to satisfy awards granted pursuant to the GSOP may not exceed 15 per cent. of the issued ordinary share capital of the Company in any rolling 10 year period measured on the award date. Shares transferred out of treasury to satisfy GSOP awards, shares issued to the trustee of the Company's employee share ownership plan trust and new shares utilised for other employee share plans (including the Company's Long Term Incentive Plan) count towards this limit.

**Individual Limits**

The maximum value of Growth Shares which may be awarded to any participant in any calendar year shall not exceed two times his salary or such other limit as the Remuneration Committee may in exceptional circumstances determine.

**Amendments**

The Remuneration Committee may at any time amend the GSOP, or the terms of any award granted pursuant to it. No amendment shall however be made to any rule relating to eligibility, terms of awards, limits, the basis for determining the entitlement of a participant, or the ability to adjust awards which is to the advantage of participants without the prior approval of shareholders (except for minor amendments to benefit the administration of the GSOP or to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for participants, the Company or any member of the Group).

**Part 2 Amendment to the Asterand plc Long Term Incentive Plan**

The Remuneration Committee, in consultation with its external advisers, has been reviewing the effectiveness of the Company's Long Term Incentive Plan ("LTIP").

Rule 2.5 of the LTIP currently requires any awards to executive directors and key employees (as determined by the Remuneration Committee) to be subject to objective performance conditions linked to the Company's performance. There is no requirement to impose performance targets for awards made to other eligible employees.

The Remuneration Committee is requesting shareholders to approve an amendment to the LTIP to remove the requirement to impose performance targets. The proposed amendment will not affect existing awards but it will allow future awards to executive directors and key employees to be made without being subject to performance targets.

# ASTERAND PLC

(the "Company")

(Registered in England and Wales – No 3355618)

## NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an EXTRAORDINARY GENERAL MEETING of the Company will be held at the offices of Buchanan Communications, 45 Moorfields, London, EC2Y 9AE on Tuesday 8 June 2010 at 5:15 p.m. (or, if later, immediately following the conclusion of the Annual General Meeting of the Company to be held at 5 p.m. on the same date) for the purpose of considering and, if thought fit, passing the following resolutions, of which Resolutions 1 and 2 are to be proposed as ordinary resolutions and Resolution 3 is to be proposed as a special resolution.

### ORDINARY RESOLUTIONS

1. THAT the Growth Share Ownership Plan (the "GSOP"), the principal terms of which are described in Part 1 of the Appendix to the letter from the Chairman of the Company to shareholders to which this notice is attached (the "Circular"), and which are to be implemented by means of the adoption of new articles of association and by-laws respectively of Asterand UK Limited and Asterand, Inc. (the "Subsidiaries") and by a pro forma GSOP subscription agreement, in or substantially in the form produced to the meeting and initialled by the Chairman for the purposes of identification, be and are hereby approved and adopted and that the Directors be authorised to do all such acts and things that they consider necessary or expedient to carry the GSOP into effect, including any modification or amendment to the documentation relating to the GSOP and the new articles of association and by-laws of the Subsidiaries, as may be necessary or desirable to take account of overseas security laws, exchange control and tax legislation but without materially amending their terms as described in this Circular.
2. THAT the Company's Long Term Incentive Plan be and is hereby amended in the form produced to the meeting and initialled by the Chairman for the purposes of identification.

### SPECIAL RESOLUTION

3. THAT a general meeting other than an annual general meeting may be called on not less than 14 clear days' notice.

Dated: 14 May 2010

**BY ORDER OF THE BOARD**

**Jack Davis**  
*Chairman*

*Registered Office:*

2 Orchard Road, Royston, Hertfordshire SG8 5HD

**Notes:**

#### **Proxy**

- 1 A Member entitled to attend and vote at the Extraordinary General Meeting to be held on 8 June 2010 at 5:15 p.m. (or, if later, immediately following the conclusion of the Annual General Meeting of the Company to be held at 5 p.m. on the same date) ("Meeting") may appoint one or more proxies to attend and on a poll, to vote instead of him. A proxy need not be a member of the Company. The instrument appointing a proxy (enclosed) must be delivered to the Company's Registrars not later than 48 hours before the time appointed for holding the Meeting. Return of a completed form of proxy will not preclude a member from attending and voting in person.

#### **CREST proxy voting service**

- 2 CREST members who wish to appoint a proxy or proxies by utilising the CREST proxy voting service may do so for the Meeting. You may appoint more than one proxy provided that each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share 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, should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

- 3 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 relates to the appointment of a proxy or to an amendment to the instruction given for a previously appointed proxy, must, in order to be valid, be transmitted so as to be received by our Registrars, Capita Registrars (ID RA10), by not later than 48 hours before the time appointed for holding 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 Applications' Host) from which the Registrars are 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.
- 4 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 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.
- 5 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.

#### **Entitlement to vote**

- 6 Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, only those shareholders registered in the register of members of the Company at 6 p.m. on 4 June 2010 (or, in the event that this Meeting is adjourned, in the register of members 48 hours before the time of any adjourned Meeting), shall be entitled to attend or to vote at this Meeting in respect of the number of shares registered in their names at that time. Changes to entries on the register of members after 6 p.m. on 4 June 2010 (or, in the event that this Meeting is adjourned, 48 hours before the time of any adjourned meeting), shall be disregarded in determining the rights of any person to attend or vote at the Meeting.

#### **Attending in person**

- 7 If you wish to attend the Meeting in person and you hold shares as a beneficial owner within a nominee account, you will need to bring an original letter of representation from the nominee in order to gain entrance as a shareholder (unless the nominee has validly appointed you as its proxy). Registration of the Meeting will open 45 minutes before it starts.

#### **Nominated Persons**

- 8 If you are a person who has been nominated under section 146 of the Companies Act 2006 to enjoy information rights ("**Nominated Person**"):
  - (a) you may have a right under an agreement between you and the member of the Company who has nominated you to have information rights ("**Relevant Member**") to be appointed or to have someone else appointed as a proxy for the General Meeting;
  - (b) if you either do not have such a right or if you have such a right but do not wish to exercise it, you may have a right under an agreement between you and the Relevant Member to give instructions to the Relevant Member as to the exercise of voting rights.

Your main point of contact in terms of your investment in the Company remains the Relevant Member (or, perhaps, your custodian or broker) and you should continue to contact them (and not the Company) regarding any changes or queries relating to your personal details and your interest in the Company (including any administrative matters). The only exception to this is where the Company expressly requests a response from you.

#### **Issued shares and total voting rights**

- 9 As at 6:00 p.m. on 12 May 2010 the Company's issued share capital comprised 116,291,076 ordinary shares of 5p each. Each ordinary share carries the right to one vote at a general meeting of the Company and, therefore, the total number of voting rights in the Company as at 6:00 p.m. on 12 May 2010 is 116,291,076.

#### **Questions at the General Meeting**

- 10 Under section 319A of the Companies Act 2006, the Company must answer any question you ask relating to the business being dealt with at the meeting unless:
  - (a) answering the question would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information;
  - (b) the answer has already been given on a website in the form of an answer to a question; or
  - (c) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.

#### **Website giving information regarding the General Meeting**

- 11 A copy of this notice, and other information required by section 311A of the Companies Act 2006, can be found at [www.asterand.com](http://www.asterand.com).

#### **Documents available for inspection**

- 12 Copies of the amended articles of association and by-laws of Asterand UK Limited and Asterand, Inc. respectively, the LTIP rules and the pro forma GSOP subscription agreement will be available for inspection during normal business hours at the registered office of the Company and at the offices of Bird & Bird LLP, 15 Fetter Lane, London EC4A 1JP on any weekday (Saturdays and public holidays excepted) up to and including the date of the Meeting and for at least 15 minutes prior to and during the Meeting.