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If you have sold or otherwise transferred all of your shares in Sutton Harbour Holdings plc, please send this document, and the accompanying form of proxy, at once to the purchaser or transferee of those shares or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for delivery to the purchaser or transferee.

**Sutton Harbour Holdings plc**

*(Registered in England and Wales under registered number 2425189)*

**NOTICE OF ANNUAL GENERAL MEETING**

**This document should be read in full. Your attention is drawn to the letter from the Chairman of Sutton Harbour Holdings plc in which the Directors unanimously recommend that shareholders vote in favour of the resolutions to be proposed at the Annual General Meeting (AGM).**

Notice of the AGM which is to be held at 12 noon on 9 July 2008 at the Duke of Cornwall Hotel, Millbay Road, Plymouth, Devon is enclosed with this document. Shareholders will also find enclosed a form of proxy together with a pre-paid addressed envelope for use in connection with AGM. Whether or not they intend to be present at the AGM, shareholders are requested to complete, sign and return it in accordance with the instructions printed on it as soon as possible but, in any event, so as to be received at the offices of the Company's registrars at Computershare Investor Services plc, PO BOX 82, The Pavilions, Bridgwater Road, Bristol, BS99 7NH or by hand during normal business hours, no later than noon on 7 July 2008. Completion and return of a proxy will not preclude shareholders from attending and voting at the AGM in person.

13<sup>th</sup> June 2007

Dear Shareholder

I have pleasure in enclosing the annual report and accounts for the year ended 31 March 2008, together with the Notice of Meeting of the Annual General Meeting to be held at noon on Wednesday 9<sup>th</sup> July 2008 at the Duke of Cornwall Hotel, Plymouth. A proxy card is enclosed and I would encourage you to lodge a proxy card as soon as possible even if you intend to attend the meeting. Some additional explanation of resolutions 7 and 8 that will be proposed at the meeting is given below:

**Resolution 7**

**Special Business – Ordinary Resolution to propose long term incentive plan for executive directors**

During the year the Remuneration Committee has reviewed remuneration of executive directors and engaged Deloitte and Touche LLP to review these proposals and consider the appropriateness of components of total remuneration. The proposed remuneration for executive directors includes a long term incentive plan with key details as set out below:

New Sutton Harbour Holdings Plc 2008 Long Term Incentive Plan 'LTIP'

In formulating the Company's remuneration policy, the Remuneration Committee (the "Committee") believes that senior executives should be motivated to achieve performance superior to the Company's competitors and to deliver sustainable improvements in shareholder value.

During the year the Committee undertook a review of the current remuneration arrangements, consisting of base salary, an annual bonus based on profit performance, pension and other benefits and it was concluded that in the context of the current business and remuneration environments that the current arrangements no longer support the Company's business goals and remuneration philosophy.

It is therefore proposed that a new Long Term Incentive Plan ("LTIP") be introduced to incentivise and reward executives over the long term based on earnings performance and the creation of shareholder value. The LTIP will operate alongside the annual bonus plan which will be repositioned.

Shareholders are being asked to consider the LTIP at the forthcoming annual general meeting.

Overview of proposed Long Term Incentive Plan

The LTIP is intended to deliver share awards to achieve a greater alignment of executive reward with shareholder interests. It is currently intended that, participation in the LTIP will only be available to executive directors and selected senior management.

The LTIP will allow for the grant of awards in the form of conditional share awards, nil-priced or nominal value options over shares worth up to a maximum of 100 per cent of salary in any year.

It is expected that awards will be granted on an annual basis to ensure maximum retention of executive directors.

Awards will not normally vest (or become exercisable in the case of options) prior to the third anniversary of the date of grant. Thereafter, awards in the form of options will normally remain capable of exercise up until the tenth anniversary of the date of grant.

Vesting will normally be subject to the satisfaction of stretching performance conditions over a three year period except in certain exceptional circumstances. It is currently intended that 50% of the award will vest subject to the achievement of stretching earnings per share performance targets. The remaining 50% of the award will vest subject to the achievement of stretching net asset value growth targets. For each measure half of the relevant portion of the award will vest for the achievement of target levels of performance with the full portion of the award only vesting for the achievement of exceptional levels of performance.

It is considered that these performance conditions are appropriate for the Company because they incentivise earnings and net asset value growth.

The Remuneration Committee are in the process of determining exact targets for the awards but is committed to setting targets at a stretching levels achievement against which will demonstrate exceptional value creation for shareholders.

It is intended that the LTIP will operate alongside a repositioned cash annual bonus plan. This plan will provide for an annual cash payment to executives based on the achievement of performance against financial, strategic and operational targets. It is intended that the performance measures for the current financial year will be as follows:

Σ	50% of bonus based on the achievement of earnings per share targets
Σ	25% of bonus based on net asset value growth targets
Σ	25% of bonus based on performance against individual targets

The annual bonus targets will be set annually by the Remuneration Committee.

It is intended that the maximum annual bonus award under the plan is 75% of base salary per annum. This level of bonus will only be achieved for the attainment of stretching levels of performance against targets.

The principal features of the LTIP are summarised in the Appendix to this letter. The proposed rules of the LTIP are available for inspection at the Company's registered office, North Quay House, Sutton Harbour, Plymouth, PL4 0RA and at the place of the meeting itself for at least 15 minutes prior to and during the meeting.

The notice of annual general meeting set out at the end of this document contains a resolution proposes the adoption of the LTIP.

Your Board believes that the proposals set out in this letter for the adoption of the LTIP are in the best interests of the Company and its shareholders and recommend that you vote in favour of the Resolution to be proposed at the annual general meeting, as each member of your Board intends to do in respect of their own beneficial holdings amounting to 991,398 ordinary shares (representing approximately 1.968 per. cent of the issued share capital).

#### **Resolution 8**

#### **Special Business – Ordinary Resolution to propose electronic communications with shareholders**

A key change made by the Companies Act 2006 (**Act**) is to introduce the ability of the Company to use electronic communications with shareholders as the default position by placing documents such as the annual report and accounts on a website rather than having to send them in hard copy.

Resolution 8 will be proposed to authorise the Company to send or supply documents or information to shareholders by making them available on the Company's website. The directors consider that increased use of electronic communications will deliver significant cost savings to the Company in terms of administration, printing and postage costs, as well as speeding up the provision of information to shareholders. In addition, by reducing unnecessary printing, it will produce benefits to the environment.

Subject to resolution 8 being duly passed, the Company will notify shareholders, by post or by e-mail if they have provided an e-mail address, that the document is available on the website. **Shareholders can, however, ask for a hard copy of any document at any time.**

If Resolution 8 is passed we will write to shareholders regarding arrangements for electronic communications and request details of e-mail addresses at that time.

This resolution was proposed at last year's resolution as a special resolution and was defeated. The resolution is proposed this year as an ordinary resolution.

I hope to see you at the Annual General Meeting.

Yours sincerely



**Michael Knight**  
Chairman

## APPENDIX

### Sutton Harbour Holdings Plc 2008 Long Term Incentive Plan

The principal features of the Sutton Harbour Holdings Plc 2008 Long Term Incentive Plan ("the LTIP") are outlined below.

#### Operation

The LTIP will be administered by two committees. The Company's Remuneration Committee is responsible for granting awards to and administering the LTIP with regard to executive directors. The Board (or a duly authorised committee of the Board) is responsible for granting awards to and administering the LTIP with regard to all other employees. In the remainder of this Appendix, the term 'the Committee' will refer to the administering body that is responsible for the appropriate award depending on the participant.

The LTIP is discretionary and will only operate in those years that the Committee determines. It is currently expected that awards will be granted annually.

#### Eligibility

Any employee or executive director of the Group, will be eligible to participate in the LTIP at the discretion of the Committee. However, it is currently only intended to offer participation to executive directors.

#### Grant of awards

Awards, in the form of conditional awards of shares, options with a nil or nominal exercise price may be granted within the six weeks following the date on which the LTIP is adopted by the Company. Thereafter, awards may normally only be granted in the six weeks following the announcement by the Company of its results for any period, or following a change in the legislation relating to share plans or where there are circumstances considered by the Committee to be exceptional. Awards may also be granted outside these periods in connection with the commencement of an eligible employee's employment if this is appropriate. However, at all times, the grant of awards will be subject to the terms of the Model Code for transactions in securities by directors.

No awards may be granted later than ten years after the approval of the LTIP by shareholders.

Awards may be granted over newly issued shares, treasury shares and shares purchased in the market in conjunction with an employee benefit trust established by the Company.

The Committee may determine that the number of shares subject to an award shall, at vesting, increase by such number of shares as could have been acquired by reinvesting the dividends which would otherwise have been received on those shares during the vesting period.

No payment will be required for the grant of an award. Awards are not transferable (other than on death) without the consent of the Committee. Awards will not be pensionable.

#### Individual limits

No employee may be granted an award under the LTIP in any financial year over shares worth more than 100 per cent of base salary. In applying this limit no account will be taken of shares representing notional reinvestment of dividends on awards or shares which have been awarded to ensure that a participant is not financially disadvantaged if he agrees to satisfy the Group's social security liability in relation to his award.

#### Limits on the issue of shares

The LTIP is subject to the following overall limits on the number of new ordinary shares which may be subscribed:

- Σ in any ten year period not more than ten per cent of the issued ordinary share capital of the Company from time to time may be issued or issuable pursuant to rights acquired under the LTIP and any other employees' share plans adopted by the Company; and
- Σ in any ten year period not more than five per cent of the issued ordinary share capital of the Company from time to time may be issued or issuable pursuant to rights acquired under the LTIP and under any discretionary share plan adopted by the Company, except to the extent that awards are subject to significantly more stretching performance conditions.

For the purposes of these limits, awards or other rights to acquire shares which lapse or have been released, or awards which were granted prior to the Company's listing do not count. However, shares subscribed by the trustees of an employee benefit trust to satisfy rights granted under any employees' share plans adopted by the Company and shares transferred from treasury do count towards these limits.

### **Vesting of awards**

Subject to the performance conditions having been satisfied, awards will normally vest and (in the case of options) become capable of exercise on the third anniversary of the date of grant.

Thereafter, subject to the participant discharging any relevant tax liability, options may be exercised at any time in part or in full before the tenth anniversary of the date of grant of the award.

### **Performance conditions**

It is normally intended that the vesting of awards will be subject to performance conditions. It is intended that the initial grant of awards under the LTIP will have two performance conditions with half of the award relating to the net asset value growth (NAV) and the remaining half relating to earnings per share (EPS) growth over the performance period.

For both the NAV and EPS portions of the award 50% will vest for the achievement of Target levels of performance with the whole of the portion only vesting for the achievement of exceptional levels of performance.

The Committee selected these measures as they felt that they were closely aligned to the creation of shareholder value.

There will be no provision for the retesting of performance.

The Committee will regularly review the performance conditions for future awards to ensure they are appropriate for the Company and the prevailing recruitment market. The conditions may be varied in certain circumstances following the grant of an award so as to achieve their original purpose, taking into account the interests of the shareholders of the Company, but not so as to make their achievement any more or less difficult to satisfy.

### **Leavers**

If a participant leaves employment of the Group by reason of death, illness, injury, disability, redundancy, retirement or the sale of the business for which he works to a third party, a proportion of an award will vest (and in the case of options) become capable of exercise, taking into account the time which has elapsed between the grant of that award and the date of leaving and the extent to which performance conditions have been satisfied at that date. Alternatively, the Committee may determine that an award will vest (and in the case of options) become capable of exercise on its original vesting date, taking into account the time which has elapsed between the grant of that award and the date of leaving and the extent to which performance conditions have been satisfied at the vesting date. In determining the proportion of an award which vests, in both cases, the Committee may take into account such other factors, including the performance of the Company and the conduct of the participant as it deems relevant.

If a participant ceases to be an employee of the Group for any other reason, his unvested award will normally lapse unless and to the extent the Committee decides otherwise. In the case of options, he will normally have six months in which to exercise any vested options.

### **Change of Control**

In the event of a takeover, reconstruction or winding up of the Company, a proportion of an award will vest (and in the case of options) become capable of exercise taking into account the time which has elapsed between the grant of that award and the change of control and the extent to which performance conditions have been satisfied at that date. Again, in determining the proportion of an award which vests, the Committee may take into account such other factors, including the performance of the Company and the conduct of the participant as it deems relevant.

Alternatively, awards may (or, if the Committee so determines, shall) be exchanged for new equivalent awards where appropriate. In this case the performance conditions will continue unless the Committee determines otherwise.

**Rights attaching to shares**

Shares allotted or transferred under the LTIP will rank equally with all other ordinary shares of the Company for the time being in issue (except for rights attaching to such shares by reference to a record date prior to the exercise of the award). The Company will apply for the listing of any new shares allotted under the LTIP.

The Committee may also satisfy awards in cash provided the participant receives the same economic value as would have been provided by an award over shares.

**Variation of Capital**

In the event of any variation of share capital, demerger or other corporate event the Committee may make such adjustments as they consider appropriate to the number of shares subject to awards.

**Alterations to the LTIP**

The LTIP may at any time be altered by the Board in any respect. However, any alterations to the advantage of participants to the rules governing eligibility, limits on participation and the number of new shares available under the LTIP, terms of vesting and adjustment of awards must be approved in advance by shareholders in general meeting unless the alteration or addition is minor in nature and made to benefit the administration of the LTIP, to comply with the provisions of any existing or proposed legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for participants or Group companies.