



STELLAR DIAMONDS PLC
ENTERPRISE MANAGEMENT INCENTIVE SCHEME
RULES

Adopted by the Board on 20 September 2011

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PART I

1 DEFINITIONS AND INTERPRETATION

1.1 In this Scheme, the following words and expressions shall, where the context so permits, have the following meanings:

- “51% Subsidiary”** means a company where more than 50 per cent. of its share capital is owned directly or indirectly by another body corporate (as defined in accordance with paragraph 59 of Schedule 5);
- “Acquiring Company”** means the company obtaining Control of the Company pursuant to Rule 6;
- “AIM”** means the Alternative Investment Market of the London Stock Exchange;
- “Board”** means the board of directors of the Company or a duly constituted remuneration committee of it;
- “Committed Time”** means the time an Eligible Employee is required to spend on the business of the Company or any Qualifying Subsidiary (including any time which the Employee would have been so required to spend but for Permitted Absence) as defined in paragraph 26(2) of Schedule 5;
- “Company”** means Stellar Diamonds plc, registered in England and Wales with number 5424214 or, in relation to New Options granted pursuant to Rule 6.10, the company over whose shares a New Option has been granted;
- “Company EMI Limit”** means the total value of Shares in respect of which unexercised EMI Options exist being not more than £3 million or such other amount as may from time to time be specified in paragraph 7 of Schedule 5;
- “Connected”** has the meaning given in accordance with paragraph 59 of Schedule 5;

“Control”	has the meaning given by Section 719 of ITEPA;
“CSOP Option”	means a share option granted to an Optionholder by reason of his employment with a Group Company pursuant to a scheme approved by HMRC under Schedule 4 to ITEPA;
“Date of Grant”	means the date on which an Option is granted as under Rules 2.5 or 2.6;
“Disqualifying Event”	means an event specified in Sections 534 to 536 inclusive of ITEPA;
“Employee”	means a director or employee of a Group Company;
“Eligible Employee”	means an individual who at the Date of Grant of an EMI Option is: <ul style="list-style-type: none"> (i) an Employee of the Company or a Qualifying Subsidiary whose Committed Time is at least 25 hours per week, or, if less, 75% of his “working time” as defined in paragraph 27 of Schedule 5; and (ii) not precluded from such participation by paragraph 28 of Schedule 5 (no material interest);
“EMI Code”	has the meaning given in Section 527(3) of ITEPA;
“EMI Option”	means a right granted to an Eligible Employee to acquire Shares pursuant to this Scheme satisfying the provisions of Schedule 5;
“Employer’s NIC”	means employer’s Secondary Class 1 National Insurance Contributions as this expression is used in the Social Security Contributions and Benefits Act 1992;
“Exercise Condition”	means an objective condition or conditions as may be determined by the Board in its absolute discretion at the Date of Grant imposed by Rule 2.2 that must be met to the satisfaction of the Board before an Option may be exercised;

“Exercise Price”	means subject to any adjustment under Rule 8 the price at which each Share subject to an Option may be acquired on the exercise of the Option as determined by the Board and stated at the Date of Grant;
“Grantor”	means the Board, the Trustee or any other person who grants an Option under this Scheme;
“Gross Assets Limit”	means £30 million or such other amount as may from time to time be specified in paragraph 12 of Schedule 5 determined in accordance with HMRC Statement of Practice 2/06 or its successors and if the Company is a member of a Group, the gross assets of the Company is the aggregate value of the gross assets of each of the members of the Group, disregarding any assets that consist of rights against or shares in or securities of another member of the Group;
“Group”	means the Company and its Qualifying Subsidiaries and the phrase “Group Company” shall be construed accordingly;
“HMRC”	means Her Majesty’s Revenue and Customs;
“Individual EMI Limit”	means £120,000 less £1 or such other amount as may from time to time be specified in paragraph 5 of Schedule 5 less £1;
“Individual Three Year EMI Limit”	the 3 year restriction period and £120,000 maximum entitlement amount pursuant to paragraph 6 of Schedule 5 or such other period and amount as may from time to time be specified in paragraph 6 of Schedule 5;
“ITEPA”	means the Income Tax (Earnings and Pensions) Act 2003;
“Market Value”	means the market value of a Share as defined in paragraph 55 of Schedule 5 and determined in accordance with paragraph 56 of Schedule 5 and paragraph 5(7) of Schedule 5;
“New Option”	means an option over shares granted in consideration for the release of a subsisting EMI Option in accordance with Rule

6.10;

“NIC Election”	means a joint election under Paragraph 3(B)(1) of Schedule 1 to the Social Security Contribution and Benefits Act 1992;
“Non-Qualifying Option”	means an Option which was intended to be granted as an EMI Option but does not qualify under Schedule 5;
“Option”	means an option granted under the terms of this Scheme being either an EMI Option or a Non-Qualifying Option;
“Old Option”	means a subsisting EMI Option released pursuant to Rule 6.10;
“Optionholder”	means a individual who has been granted an Option which has not lapsed, not been surrendered and not exercised in full;
“Permitted Absence”	means the time spent as set out in paragraph 26(3) of Schedule 5 (summarised as absence from work for injury, ill-health or disability, pregnancy, childbirth, maternity or paternity leave or parental leave, reasonable holiday entitlement or not being required to work during a period of notice of termination of employment);
“Qualifying Exchange of Shares”	means arrangements which meet the conditions of paragraph 40 of Schedule 5;
“Qualifying Subsidiary”	has the meaning given in paragraph 11 of Schedule 5;
“Restricted Securities”	has the meaning given in section 423 of ITEPA;
“Rules”	means the rules of this Scheme as amended from time to time;
“Schedule 5”	means Schedule 5 to ITEPA as amended from time to time;
“Scheme”	means the Stellar Diamonds plc Enterprise Management Incentive Scheme, as amended from time to time which is an employees’ share scheme;

“Share”	means a common share of no par value in the Company;
“Takeover”	means a change of Control of the Company (including where a person and others acting in concert with him together obtain Control of the Company); and
“Trustee”	means the trustee or trustees for the time being of any employee share trust established by the Company or Group.

- 1.2 In these Rules, except insofar as the context otherwise requires:
- 1.2.1 words denoting the singular shall include the plural and vice versa; and
- 1.2.2 words importing a gender shall include every gender and references to a person shall include any individual, body corporate and unincorporated, partnership, trust or other entity of whatever nature.
- 1.3 Reference to any enactment shall be construed as a reference to that enactment as from time to time amended, modified, extended or re-enacted and shall include any orders, regulations, instruments or other sub-ordinate legislation made under the relevant enactment.
- 1.4 Headings and captions are provided for reference only and shall not be considered as part of the Scheme.
- 1.5 To the extent there is any conflict between the Rules and the legislation relating to the EMI Code, the legislation shall prevail.

PART II

2 GRANT OF OPTIONS

Grantor discretion

- 2.1 Subject to the following provisions of this Rule 2 and to Rules 3 and 4, the Grantor may exercise its discretion to grant an Option to any Employee at the Exercise Price and over such number of whole Shares as it decides.

Exercise condition

- 2.2 An Option granted pursuant to Rule 2.1 may be granted on terms that it may not be exercised until any Exercise Condition has been satisfied. The Exercise Condition imposed by virtue of this Rule 2.2 shall:
- 2.2.1 be set out in full in writing at the Date of Grant;
 - 2.2.2 after the fulfilment or attainment of such objective condition or conditions not be dependent upon the further discretion of any person; and
 - 2.2.3 only be capable of amendment, substitution or waiver if the Board in its absolute discretion acting fairly and reasonably considers that an amendment, substitution or waiver of the condition(s) is appropriate.

Options not transferable

- 2.3 An Option is personal to the Optionholder to whom it is granted and neither the Option nor the Optionholder's rights under it shall be capable of being transferred, assigned or charged except on death of the Optionholder when it may be transmitted to his personal representatives.

Employer's National Insurance Contributions

- 2.4 Options are granted on condition that an Optionholder shall, if so required by the Company, bear the cost of any Employer's NIC or enter into an NIC Election to transfer cost or liability of the Employer's NIC or other such social security contributions to the Optionholder.

Manner of grant

- 2.5 The grant of EMI Options will be evidenced by a written agreement between the Optionholder and the Grantor in a form determined by the Board for the time being, and shall be evidence of the Optionholders' agreement to the terms of this Scheme and shall include all details required pursuant to paragraph 37 of Schedule 5, including:
- 2.5.1 the Date of Grant;
 - 2.5.2 that the EMI Option is granted under the provisions of Schedule 5;
 - 2.5.3 any Exercise Condition;
 - 2.5.4 the number, or maximum number, of Shares that may be acquired;
 - 2.5.5 the Exercise Price payable or the method by which the Exercise Price is to be determined;
 - 2.5.6 when and how it may be exercised and the date of lapse of the EMI Option if it will lapse before the tenth anniversary of the Date of Grant;
 - 2.5.7 any restrictions that cause the Shares to be Restricted Securities.
- 2.6 Non-Qualifying Options granted may be evidenced in such form determined by the Board.

EMI OPTION REQUIREMENTS

Purpose of grant

- 2.7 EMI Options may only be granted for the purpose as set out in paragraph 4 of Schedule 5 (that is, for commercial reasons in order to recruit or retain the Eligible Employee and not as part of a scheme or arrangement the main purpose, or one of the main purposes of which, is the avoidance of tax).

Company's qualifying requirements

- 2.8 EMI Options may only be granted if at the Date of Grant:

- 2.8.1 the Company is independent in accordance with paragraph 9 of Schedule 5, that is, it is not:

(a) a 51% Subsidiary of another company; or

(b) under the Control of:

- another company; or
- another company and any other person Connected with that company,

and there are no arrangements in existence (except for arrangements with a view to a Qualifying Exchange of Shares) by virtue of which the Company could become within (a) or (b) above;

- 2.8.2 the Company, or the Group as the case may be, meets the trading activities requirements as set out in paragraphs 13 and 14 and read with paragraphs 15 to 23 of Schedule 5;

- 2.8.3 the Company's subsidiaries are Qualifying Subsidiaries or qualifying property managing subsidiaries as set out in paragraph 11A of Schedule 5;

- 2.8.4 the Group meets the requirement as to the number of employees set out in paragraph 12A of Schedule 5; and

- 2.8.5 the Gross Assets Limit is not exceeded.

Type of Shares that may be acquired

- 2.9 EMI Options may only be granted if at the Date of Grant it confers the right to acquire Shares that satisfy the requirements of paragraph 35 of Schedule 5.

HMRC notice of grant

- 2.10 The Company shall complete the form of notice of grant of an EMI Option as may be required by HMRC from time to time.
- 2.11 Each Optionholder shall complete the relevant parts of the notice when requested to do so by the Company.
- 2.12 The completed form of notice shall be submitted by the Company to the relevant office of HMRC in respect of every EMI Option so that it is received by HMRC within 92 days of the Date of Grant of the relevant EMI Option.
- 2.13 Failure of the Company to submit to HMRC the relevant completed notice of grant in a proper and timely manner for whatever reason (including, for example, the Optionholder's failure to complete and sign it) shall result in the Option subsisting as a Non-Qualifying Option.

Non-Qualifying Options

- 2.14 If an Option intended to be an EMI Option does not qualify under Schedule 5 the Option shall subsist as a Non-Qualifying Option.

3 LIMITATIONS ON GRANT OF EMI OPTIONS

Individual EMI Limits

- 3.1 Subject to Rules 4.2 and 4.3, the grant of an EMI Option shall be limited and will take effect so that the Individual EMI Limit and Individual Three Year EMI Limit are not exceeded.
- 3.2 Where the Grantor grants an Option intended to be an EMI Option to an Eligible Employee which causes the aggregate Market Value of his unexercised EMI Options and CSOP Options granted by reason of his employment within the Group to exceed the Individual EMI Limit, the Option so far as it relates to the number of Shares that causes the Individual EMI Limit to be exceeded the Option so far as it relates to the excess shall continue to subsist as a Non-Qualifying Option.
- 3.3 Where the Grantor grants an Option intended to be an EMI Option to an Eligible Employee which by virtue of the Individual Three Year EMI Limit is a Non-Qualifying Option, the Option shall continue to subsist as a Non-Qualifying Option.

Company EMI Limit

- 3.4 An EMI Option cannot be granted if the Company EMI Limit is already exceeded.
- 3.5 Notwithstanding Rule 4.4, where the Grantor grants one or more Options intended to be EMI Options to one or more Eligible Employees when the Company EMI Limit is already exceeded, the Options shall subsist as Non-Qualifying Options.
- 3.6 Where the Grantor grants one or more Options intended to be EMI Options to one or more Eligible Employees which either individually or taken together would cause the Company EMI Limit to be exceeded, each Option shall so far as it relates to the number of Shares that causes the Company EMI Limit to be exceeded as determined in accordance with paragraph 7(5) of Schedule 5 the Options so far as they relate to the excess shall continue to subsist as Non-Qualifying Options.

Scheme limits

- 3.7 In any ten year period after the date on which the Company's shares were admitted for trading on AIM and ending on the relevant Date of Grant, the maximum number of the Shares which may be issued or are issuable under this Scheme and any other employees' share scheme operated by the Company shall not exceed 10% of the issued share capital of the Company from time to time. For the purposes of this Rule 4.4, Shares taken into account when placed under Option shall not be taken into account again following the exercise of Options and any Options which have been released or lapsed unexercised shall fall out of account.

PART III

4 RIGHTS OF EXERCISE AND LAPSE OF OPTIONS

- 4.1 Subject to each of the succeeding rules of this Rule 5 and Rule 6, an Option may only be exercised in whole or in part by an Optionholder:
- 4.1.1 on the date or dates specified in the written agreement pursuant to Rule 2.5 or other document or documents of grant pursuant to Rule 2.6;
- 4.1.2 in the period in accordance with the provisions of Rule 6; and
- 4.1.3 in any period that the Board in its absolute discretion declares for the exercise of an Option.
- 4.2 An Option may only be exercised under this Rule 5, if and to the extent that the Exercise Condition has been met to the satisfaction of the Board or to the extent the Board has exercised its discretion pursuant to Rule 2.2 to waive such Exercise Condition.

Cessation of Employment

- 4.3 Where an Optionholder is a leaver, the Option shall not lapse on the date of cessation of employment but shall continue to subsist, subject to the Rules, for up to a maximum of twelve (12) months from the date the Optionholder became a leaver as determined by the Board acting in its absolute discretion.
- 4.4 Where an Optionholder's employment terminates by reason of his death the Option shall pass to his personal representatives in accordance with Rule 2.3 and shall continue to subsist, subject to the Rules, for twelve (12) months from the date of the Optionholder's death.

Lapse of Options

- 4.5 An Option shall lapse and become incapable of exercise on the earliest of the following events:
- 4.5.1 the tenth anniversary of the Date of Grant or such earlier date specified by the Grantor at the Date of Grant in the written agreement pursuant to Rule 2.5 or other document or documents of grant pursuant to Rule 2.6;
- 4.5.2 on the expiry of the relevant period referred to in Rules 5.1.3, 5.3 and 5.4;
- 4.5.3 on the expiry of the relevant period determined in accordance with Rule 6;

- 4.5.4 on the Optionholder being adjudicated bankrupt;
- 4.5.5 on the surrender of the Option by the Optionholder;
- 4.5.6 on the date that Optionholder attempts to transfer an Option in breach of Rule 2.3; and
- 4.5.7 as determined by any provision of the Exercise Condition, if applicable.

5 TAKEOVERS, LIQUIDATION, MERGERS AND DEMERGERS

Pre takeover exercise procedure

- 5.1 If at any time an offer is made to holders of Shares or the holders of Shares enter into negotiations with any acquirer for a Takeover of the Company:
 - 5.1.1 the Board in its absolute discretion may notify Optionholders that subject to complying with Rule 6.2 that they may exercise their Options at any time up to and including the time and date specified in the notice (“**Takeover Exercise Notice**”) (which shall be a date no later than the date the Board expects the Takeover to occur (“**Expected Completion Date**”)); and
 - 5.1.2 if the Expected Completion Date is extended because the Takeover has been delayed, the Board will specify a new Expected Completion Date and the Takeover Exercise Notice will be amended accordingly.
- 5.2 Optionholders who are given the opportunity to exercise Options in accordance with Rule 6.1 and wish to do so shall, if so required by the Board, execute powers of attorney in favour of one or more directors of the Company nominated by the Board to exercise their Options for and on their behalf and to enter into such arrangement or arrangements or do such other acts and things as the Board may require in connection with the exercise of Options.
- 5.3 Optionholders who exercise Options in accordance with Rules 6.1 and/or 6.2 shall:
 - 5.3.1 enter into such agreement or agreements for the sale of their Shares to the acquirer as the Company may require and give any representations or warranties to such acquirer in respect of the Shares if required to do so by the Board; and
 - 5.3.2 execute such other deeds or documents and do such other acts and things as the Board may require in connection with the sale of their Shares under Rule 6.3.1 above.
- 5.4 Where a Takeover Exercise Notice has been given but a Takeover is not (in the reasonable opinion of the Board) expected to happen, the Board shall resolve that all the Takeover

Exercise Notices given in connection with the Takeover to Optionholders are revoked and Options cannot be exercised on this occasion pursuant to Rule 6.1.

- 5.5 Any Option not exercised in relation to a Takeover Exercise Notice shall lapse immediately on completion of the Takeover.

Exercise post takeover

- 5.6 If an opportunity under Rule 6.1 is not given to Optionholders and a Takeover occurs:
- 5.6.1 subject to Rule 6.11, the Board in its absolute discretion may notify Optionholders in writing within a reasonable period of the Takeover that the Option is capable of exercise. Optionholders may exercise their Options for a period of 30 days (or such longer period specified by the Board) following the date of such notification. To the extent Options are not exercised within this period they shall lapse.

Compulsory acquisition of shares

- 5.7 If any person becomes bound or entitled under Sections 979 to 982 of the Companies Act 2006 to acquire Shares, the Board in its absolute discretion may notify Optionholders that their Options shall become exercisable for a period of 30 days from the date of the notice and to the extent not exercised within this period they shall lapse.

Scheme of arrangement

- 5.8 If under Section 899 of the Companies Act 2006, the court sanctions a compromise or arrangement proposed for the purposes of, or in connection with, a scheme for the reconstruction of the Company or its amalgamation with another company or companies, the Board in its absolute discretion may allow Optionholders from the period starting with the date on which the compromise or arrangement is approved by the court and ending with the date on which it becomes effective, to exercise outstanding Options and to the extent that they have not been exercised by the end of that period they shall lapse.

Voluntary winding-up

- 5.9 If the Company passes a resolution for its voluntary winding-up, the Board shall notify Optionholders that they shall be entitled to exercise any subsisting Option at any time within 30 days following the date of the passing of the resolution and to the extent that an Option has not been exercised by the end of that period it shall lapse.

Exchange of Options

- 5.10 If as a result of the events specified in Rules 6.6, 6.7 or 6.8 the Acquiring Company obtains Control of the Company the Optionholder may, if the Acquiring Company agrees, release any Old Option he holds in consideration for the grant of a New Option. The New Option:
- 5.10.1 shall be evidenced by an option agreement which shall import the relevant provisions of these Rules including the following:
- (a) references to “the Company” including the definition in Rule 1 (save for the definition of “Group” in Rule 1) shall be construed as being references to the Acquiring Company or other company to whose shares the New Option as the case may be relates; and
 - (b) references to “Shares” (including the definition in Rule 1) shall be construed as being references to shares in the Acquiring Company or any other company to which the New Option as the case may be relates;
- 5.10.2 shall be treated as having been acquired at the same time as the corresponding Old Option; and
- 5.10.3 may or may not be an EMI Option depending on whether the requirements as to “replacement options” as set out in paragraphs 41 to 43 of Schedule 5 are met.
- 5.11 Where the ultimate ownership of the Acquiring Company is substantially the same as the Company immediately prior to any of the transactions in Rules 6.6, 6.7 and 6.8, the consideration received for the shares in the Company is wholly shares in the Acquiring Company and the Acquiring Company offers to grant New Options within the timescales set out in Rule 6.12, Rules 6.6, 6.7 and 6.8 shall not apply.
- 5.12 Rules 6.10 and 6.11 apply only where there is an offer by the Acquiring Company to grant a New Option to Optionholders in consideration for the release of their subsisting Options (“**Exchange Offer**”). Such an Exchange Offer must have been made before the end of the period ending:
- 5.12.1 30 days following the date of change of Control referred to in Rule 6.10;
 - 5.12.2 30 days following the Court sanctioning a compromise or arrangement referred to in Rule 6.8; or

- 5.12.3 21 days following the first day of the period during which a person is bound or entitled to acquire Shares referred to in Rule 6.7.
- 5.13 If no Exchange Offer is made within the periods set out in Rule 6.12, Rules 6.6, 6.7 or 6.8 shall continue to apply. For the avoidance of doubt, Rule 6.12 does not affect the date the Options lapse in accordance with Rules 6.6, 6.7 or 6.8.

Merger and demerger

- 5.14 The Board shall determine, whether an event, be it by way of sale, distribution, special dividend, change of control or otherwise, constitutes a:
- 5.14.1 merger with another company; or
- 5.14.2 demerger of any of the businesses of the Group.
- 5.15 Where there is such a merger or demerger, the Board shall have the discretion whether or not to take any action and, if it decides to do so, shall notify each Optionholder whether:
- 5.15.1 any Option shall become exercisable;
- 5.15.2 the date on which such Option becomes exercisable;
- 5.15.3 the date on which such Option lapses; and/or
- 5.15.4 any adjustments shall be made to the Exercise Price and/or the number of Shares comprised in an Option and the manner and date on which such adjustment shall take effect.
- 5.16 An Option may only be exercised under this Rule 6, if and to the extent that the Exercise Condition if any, has been satisfied or the Board exercises its discretion pursuant to Rule 2.2 to vary, amend or waive such Exercise Condition and the Board may pro-rate the number of Shares over which Options may be exercised in such manner as it determines.

6 MANNER OF EXERCISE OF OPTIONS

Effective exercise of Options

- 6.1 Options will be exercised on the date Optionholders deliver to the Company:

- 6.1.1 their option agreement, certificate or other document or documents evidencing the grant of the Option as appropriate and covering at least all the Shares over which the Option is purported to be exercised;
- 6.1.2 a notice of exercise in the form prescribed by the Company for the time being;
- 6.1.3 payment for the aggregate Exercise Price for all Shares over which the Option is purported to be exercised unless other arrangements have previously been agreed with the Company;
- 6.1.4 payment for any amount of Employer's NIC unless alternative arrangements have been made pursuant to Rules 7.2 and 7.3; and
- 6.1.5 payment for any amount or amounts of tax, employee's primary NIC, duties or other amount(s) on such exercise which the employer or former employer is liable to make a payment or payments to the appropriate authority or authorities on account of that liability or liabilities unless alternative arrangements have been made pursuant to Rules 7.4 and 7.5.

Employer's National Insurance Contributions

- 6.2 If an Option is exercised or cancelled and the Optionholder is required under Rule 2.4 to either bear the cost of all or part of the Employer's NIC and/or to enter into an NIC Election then the Optionholder shall, by accepting the grant of an Option pursuant to Rule 2.6 and/or having completed and returned the option agreement pursuant to Rule 2.5, grant to the Company, the irrevocable authority, as agent of the Optionholder and on his behalf, to sell or procure the sale of sufficient of the Shares subject to Option so that the net proceeds payable to the relevant Group Company are so far as possible equal to but not less than the amount of the Employer's NIC for which the Optionholder is liable and the Company shall account to the Optionholder for any balance.
- 6.3 No Shares shall be allotted or transferred to the Optionholder until the Company has received payment pursuant to Rule 7.2. This Rule 7.3 shall not apply if the Optionholder makes alternative arrangements to the satisfaction of his employer or former employer and the Company knows or is informed by the Group Company that the arrangements are satisfactory.

Withholding for tax

- 6.4 If an Option is granted, exercised or cancelled and the Optionholder is liable to tax, duties or other amounts on such exercise and his employer or former employer being a Group Company is liable to make a payment to the appropriate authorities on account of that liability the Optionholder shall, by accepting the grant of an Option pursuant to Rule 2.6 and/or having completed and returned the option agreement pursuant to Rule 2.5, grant to the Company as the case may be the irrevocable authority, as agent of the Optionholder and on his behalf, to sell or procure the sale of sufficient of the Shares subject to Option so that the net proceeds payable to the Company are so far as possible equal to but not less than the amount payable to the appropriate authorities and the Company shall account to the Optionholder for any balance.
- 6.5 No Shares shall be allotted or transferred to the Optionholder until the Company has received payment pursuant to Rule 7.4. This Rule 7.5 shall not apply if the Optionholder makes alternative arrangements to the satisfaction of his employer or former employer and the Company knows or is informed by the Group Company that the arrangements are satisfactory.

Tax and NICs withholding

- 6.6 Notwithstanding any provisions in Rules 7.1 to 7.5 above, the Company, a Group Company or the Optionholder's employing company may without the need for authority or consent of the Optionholder withhold any amount and make any other arrangement it considers appropriate to meet any liability of the Optionholder to taxation or social security in connection with the grant, exercise or cancellation of Options.

Exercises in part

- 6.7 When an Option is exercised in part, the balance shall remain exercisable on the same terms as originally applied to the Option and the Grantor shall as soon as is reasonably practicable after the partial exercise endorse or issue a revised certificate and/or written agreement accordingly.

Restricted securities election

- 6.8 The Company or the Optionholder's employing company may determine before or at the time of exercise of the Option that the Optionholder must execute an election under Section 431(1) of ITEPA for all Shares in respect of which the Option has been exercised and by

accepting an Option granted under Rule 2.6 and/or entering into an option agreement pursuant to Rule 2.5, the Optionholder undertakes to do so no later than 14 days following the acquisition of Shares following exercise of an Option.

Prohibition on exercise of EMI Option

- 6.9 Options may not be exercised if such exercise will be in breach of the AIM Rules, or any other applicable laws, codes or regulations relating to the acquisition of securities, or the internal code of the Company.

Transfer or allotment of shares

- 6.10 As soon as is reasonably practicable after the exercise of the Option, the Grantor shall procure the allotment or transfer of the Shares in respect of which the Option has been exercised, unless the Grantor considers that such allotment or transfer would not be lawful in the relevant jurisdiction.

Ranking of shares

- 6.11 Shares allotted or transferred under this Scheme shall rank pari passu in all respects with the Shares of the same class for the time being in issue save as regards any rights attaching to such Shares by reference to a record date prior to the date of allotment or transfer.

Listing of shares

- 6.12 If and so long as Shares are traded on AIM, the Company shall apply for any Shares allotted under this Scheme to be admitted for trading.

PART IV

7 VARIATION OF SHARE CAPITAL

7.1 In the event of any capitalisation, rights issue, consolidation, subdivision, reduction or other variation of the share capital of the Company:

7.1.1 the number of Shares comprised in an Option;

7.1.2 the Exercise Price in respect of such Shares; and

7.1.3 where an Option has been exercised pursuant to the provisions of these Rules but no Shares have been allotted or transferred in satisfaction of such exercise, the number of Shares to be so allotted or transferred and the Exercise Price in respect of such Shares,

may, subject where necessary to the prior approval of HMRC, be varied in such manner as the Board shall determine to be in its opinion fair and reasonable, provided that, except as provided in Rules 8.2 and 8.3, no variation shall be made which would result in the Exercise Price for an Option over an unissued Share being less than its nominal value.

7.2 Any adjustment made to the Exercise Price of unissued Shares which would have the effect of reducing the Exercise Price to less than the nominal value of the Shares shall only be made if and to the extent that the Board is authorised to capitalise from the reserves of the Company a sum equal to the amount by which the nominal value of the Shares in respect of which the Option is exercisable exceeds the adjusted Exercise Price. The Board may apply such sum in paying up such amount on such Shares so that on the exercise of any Option in respect of which such a reduction shall have been made, the Board shall capitalise such sum (if any) and apply the same in paying up such amount as aforesaid.

7.3 Where an Option subsists over both issued and unissued Shares, the Board may determine that an adjustment may only be made under Rule 8.2 if the reduction of the Exercise Price in relation to Options over both issued and unissued Shares can be made to the same extent.

7.4 The Board may take such steps as it considers necessary to notify Optionholders of any adjustment made under this Rule 8 and to call in, cancel, endorse, issue or re-issue any agreement consequent upon such adjustment.

8 ADMINISTRATION

Notice and communications

- 8.1 Save as otherwise provided in this Scheme any notice or communication to be given by the Company or Grantor as the case may be to any Eligible Employee, Employee or Optionholder may be personally delivered or sent by fax or any other electronic communication or by recorded delivery to his last known address (residential or electronic as the case may be). Where a notice or communication is sent by recorded delivery it shall be deemed to have been received 48 hours after the same was sent properly addressed and stamped and where a notice or communication is sent by fax or any other electronic communication it shall be deemed to have been received at the time when it was sent or transmitted. Share certificates and other communications sent by post will be sent at the risk of the Eligible Employee, Employee or Optionholder concerned and the Company or Grantor as the case may be shall have no liability whatsoever to any such person in respect of any notification, document, share certificate or other communication so given, sent or made. A requirement under these Rules for the making of any payment may be discharged by the electronic transmission of an authorisation to charge any account or credit card.
- 8.2 The Board shall administer the Scheme and has full authority to interpret and construe any provision of the Scheme and to adopt any regulations for administering the Scheme and any documents it thinks necessary or appropriate.
- 8.3 The decision of the Board shall be final and binding on all persons in all matters relating to this Scheme.
- 8.4 The costs of establishing and administering this Scheme shall be borne by the Company (or members of the Group or Trustee or as otherwise determined by the Company).
- 8.5 Where the Grantor is called upon to exercise a discretion under these Rules, and the Grantor is not the Company, the Grantor shall act (or refrain from acting) after taking into account any recommendation of the Board.
- 8.6 The Grantor and/or the Board in exercising any discretion under the terms of this Scheme may exercise such discretion to determine whether an Option is exercisable and/or the extent to which it is exercisable and each discretion may be exercised independently of any other discretion.

9 AMENDMENTS

Board's power to amend the Scheme

- 9.1 The Board can at any time amend any of the provisions of the Scheme in any respect.

Amending the terms of subsisting EMI Options by reason of a notice of enquiry

- 9.2 Notwithstanding Rules 10.4 and 10.5, if HMRC raises a notice of enquiry pursuant to paragraph 46 of Schedule 5 and concludes that the requirements of the EMI Code have not been met in relation to a subsisting Option intended to be an EMI Option, the Option shall immediately lapse unless the Board in its absolute discretion determines that the terms of the Option be amended so that the requirements of the EMI Code are met. If the Board decides to amend the terms of the Option, but on completion of such enquiry or on conclusion of an appeal if made, the Option still does not meet the requirements of the EMI Code, the Option shall immediately lapse unless the Board exercises its discretion to permit the Option to subsist as a Non-Qualifying Option.

10 GENERAL

Termination of the Scheme

- 10.1 This Scheme shall commence upon the date the Board adopt this Scheme and shall terminate on the expiry of the period of ten (10) years from such date. On termination no further Options may be granted but such termination shall be without prejudice to any Option rights in existence at the date of termination.

Shares to cover Options

- 10.2 The Company will at all times keep available sufficient authorised and unissued Shares, or shall ensure that sufficient Shares will be available, to satisfy the exercise to the full extent of all subsisting Options, taking account of any other obligations of the Company to issue Shares.
- 10.3 The Trustee shall (to the extent it agrees with the Company to do so) at all times keep available sufficient Shares to satisfy the exercise to the full extent of all Subsisting Options which it has granted or which it has agreed to satisfy on exercise, taking account of any other obligations of the Trustee to transfer shares.

Rights of Optionholders and Employees

- 10.4 Notwithstanding any other provision of this Scheme:
- 10.4.1 this Scheme shall not form part of any contract of employment with the Group or a company that was previously a member of the Group as the case may be and any employee or officer of any such company and the rights and obligations of any individual under the terms of his office or employment with the Group or a company that was previously within the Group as the case may be shall not be affected by his participation in this Scheme or any right which he may have to participate in it and this Scheme shall afford such an individual no additional rights to compensation or damages in consequence of the termination of such office or employment for any reason whatsoever, including if such termination of employment was lawful or unlawful;
- 10.4.2 no Optionholder shall be entitled to any compensation or damages for any loss or potential loss which he may suffer by reason of being unable to exercise an Option in consequence of the loss or termination of his office or employment with the Group or a company that was previously within the Group as the case may be for any reason whatsoever including if such termination of employment was lawful or unlawful; and
- 10.4.3 this Scheme shall not confer on any person any legal or equitable rights (other than those constituting the Options themselves) against any member of the Group or a company that was previously within the Group as the case may be directly or indirectly, or give rise to any cause of action at law or in equity against any member of the Group or a company that was previously within the Group as the case may be.

Personal information and data

- 10.5 An Optionholder who accepts an Option and participates in the Scheme will be taken to have authorised:
- 10.5.1 the release to any member of the Group and any delegate thereof (together the “Relevant Persons”) of any personal information or data (being “Personal Data” within the meaning of the Data Protection Act 1998) in connection with the administration of the Scheme;
- 10.5.2 any Relevant Person to obtain, hold or process Personal Data for the purposes of the Scheme or provide such persons as necessary with any Personal Data relevant to the Scheme (and the holding and processing of any Personal Data by any such person); and

- 10.5.3 the Personal Data to be transferred to any jurisdiction which any Relevant Person considers appropriate and to be processed and stored in such jurisdictions.

Carrying on of the Company's business

- 10.6 The existence of any Option or Options shall not affect in any way the right or power of the Company or its shareholders to carry on its business in any particular way or to make or authorise any or all adjustments, recapitalisation, reorganisations, reductions of capital, purchase or redemption of its own shares pursuant to the Companies Act 1985 or 2006 as applicable other changes in the Company's capital structure or any merger or consolidation of the Company, or any issue of bonds, debentures, preferred or prior preference stock ahead of or convertible into, or otherwise affecting the Shares or the rights thereof, or the dissolution or liquidation of the Company, or any sale or transfer of all or any part of its assets or business, or any other corporate act or proceeding, whether of a similar character or otherwise which may or may not lead to a Disqualifying Event.

Rights not pensionable

- 10.7 Neither the grant of an Option nor any benefit which may accrue to an Optionholder on the exercise of an Option shall form part of that Optionholder's pensionable wages or salary for the purposes of any pension scheme or similar arrangement which is or may be operated by any past or present member of the Group.

Governing law

- 10.8 This Scheme and all Options granted under it shall be governed by and construed in accordance with English law. All Optionholders, the Company and Group Company will submit to the jurisdiction of English Courts in relation to anything arising under the Scheme.