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If you sell or have sold or otherwise transferred all of your Ordinary Shares in Redhall Group plc, please forward this document and the accompanying Form of Proxy at once to the purchaser or transferee or the agent through whom the sale or transfer was effected, for onward delivery to the purchaser or transferee. If you have sold part only of your holding of Redhall Group plc shares, please consult the bank, stockbroker or other agent through whom the sale or transfer was effected as to the action you should take.

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# **REDHALL GROUP PLC**

(incorporated in England and Wales under number 00263995)

## **Proposed approval of New Share Incentive Schemes Proposed increase of authorised share capital and Proposed authority to allot shares**

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You are recommended to read the whole of this document but your attention is drawn, in particular, to the letter to Shareholders from the Chairman of Redhall Group plc which is set out in this document. The letter explains the background to and the reasons for the matters set out in this document and contains a recommendation that you vote in favour of the Resolutions to be proposed at the Extraordinary General Meeting.

Notice of an Extraordinary General Meeting of Redhall Group plc, to be held at 2 Park Lane, Leeds LS3 1ES on 3 October 2007 at 12:00 noon is set out at the end of this document. Shareholders will find enclosed a Form of Proxy for use at the Extraordinary General Meeting. The Form of Proxy should be completed, signed and returned to the Company's registrar Capita Registrars, Proxy Department, at The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU in accordance with the instruction printed on it as soon as possible and, in any event, so as to be received no later than 12:00 noon on 1 October 2007. The completion and return of a Form of Proxy will not affect your right to attend and vote in person at the Extraordinary General Meeting or any adjournment thereof, if you wish to do so. If you do not send in a valid Form of Proxy or attend the Extraordinary General Meeting in person and vote, no-one else may vote on your behalf.

## CONTENTS

1. Letter from the Chairman of Redhall Group plc
2. Share Incentive Schemes Information

Notice of Extraordinary General Meeting of Redhall Group plc

Form of Proxy

## EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Latest time and date for receipt of Forms of Proxy	12 noon 1 October 2007
Extraordinary General Meeting	12 noon 3 October 2007

## DEFINITIONS

<b>“Act”</b>	means the Companies Act 1985, as amended or the Companies Act 2006, to the extent in force at the relevant time;
<b>“Directors”</b>	the persons listed on page 4 being those persons who are directors of the Company as at the date of this document, and Director shall mean only one of them;
<b>“DSOP”</b>	Redhall Group plc 2007 Discretionary Share Option Plan;
<b>“Exercise Condition”</b>	a condition or conditions imposed on the exercise of an Option;
<b>“Existing Share Option Schemes”</b>	the 1999 “A” Executive and the 1999 “B” Executive Share Option Schemes of the Company;
<b>“Extraordinary General Meeting” or “EGM”</b>	means the extraordinary general meeting of Redhall Group plc convened for 12.00 noon on Wednesday, 3 October 2007, notice of which is set out at the end of this document or any adjournment thereof;
<b>“EMI”</b>	Redhall Group plc 2007 Enterprise Management Incentive Plan;
<b>“Form of Proxy”</b>	means the form of proxy for use in connection with the EGM;
<b>“Group”</b>	(i) the Company; and  (ii) any other company which is under the control of the Company and is a subsidiary of the Company;
<b>“HMRC”</b>	HM Revenue & Customs;
<b>“London Stock Exchange”</b>	means London Stock Exchange plc;
<b>“New Share Incentive Schemes”</b>	collectively the PSP, DSOP and EMI;
<b>“Notice”</b>	means the notice of the EGM set out at the end of this document;
<b>“Option”</b>	a right to acquire shares under the New Share Incentive Schemes;
<b>“Ordinary Shares”</b>	ordinary shares of 25p each in the capital of the Company;
<b>“PSP”</b>	Redhall Group plc 2007 Performance Share Plan;
<b>“Redhall” or “Company”</b>	Redhall Group plc;
<b>“Registrar”</b>	Capita Registrars;
<b>“Resolutions”</b>	means the ordinary resolutions to be proposed at the EGM and set out in the Notice;
<b>“Shareholders”</b>	means holders of Redhall Group plc shares;
<b>“sterling” or “£”</b>	means the lawful currency of the UK, for the time being;
<b>“Subsidiary”</b>	the meaning given by Section 1159 of the Companies Act 2006; and
<b>“UK” or “United Kingdom”</b>	means the United Kingdom of Great Britain and Northern Ireland.

## PART 1

# Redhall Group plc

(Registered in England and Wales as a public company under the Companies Act 1985  
with registered number 00263995)

### Directors

Registered Office

David Jackson (*Chairman and Chief Executive*)

1 Red Hall Court

Simon Foster (*Deputy Chief Executive*)

Wakefield

Christopher Lewis-Jones (*Group Finance Director*)

West Yorkshire

Paul Kirk (*Non-Executive Director*)

WF1 2UN

*To all holders of Ordinary Shares and, for information only, to the holders of options under the Existing Share Option Schemes*

## **Proposed approval of New Share Incentive Schemes Proposed increase of authorised share capital and Proposed authority to allot shares**

Dear Shareholder

### **Introduction and background**

The Group is currently going through an exciting period. On 31 January 2007 I announced the first acquisition by the Group under the new management team, the acquisition of Steels Engineering Services Limited and Steels Engineering and Design Limited (“Steels”). This is a profitable bolt on business which provides us with an enhanced footprint in the nuclear sector with particular focus on the Atomic Weapons Establishment at Aldermaston. On 31 May 2007, I announced the second acquisition being that of the long established and highly regarded Jex Engineering Company Limited (“Jex”), an engineering services provider to the food, pharmaceutical and chemical sectors. Jex gives us access to geographical and market areas we had previously been targeting. Following these acquisitions, Redhall now offers a balanced portfolio of skilled engineering services in attractive, growing markets, including the nuclear sector.

On 3 July 2007, I announced the appointment of Tony Price as head of Nuclear Engineering Services who will join the Group during November 2007. Tony is currently a Main Board Director of British Nuclear Group Plc (“BNG”) and is Director of Nuclear Decommissioning and Major Projects with responsibility for Sellafield. Such a key appointment reflects the growing profile of the Group in its respective fields.

### **Share incentive schemes**

In order to continue to attract and retain high calibre employees, the Board is of the opinion that the Company should have in place a number of appropriate share based incentive arrangements that seek to align the interests of the participants and the Shareholders.

The Existing Share Option Schemes were established in 1999, but have subsequently become outdated due to changes in both taxation legislation and shareholder expectations.

The Board is therefore proposing to introduce three new incentive arrangements, the PSP, DSOP and EMI schemes (the “New Share Incentive Schemes”), which we have developed with the assistance of our advisers. These proposals would result in enhanced arrangements which are more flexible and tax beneficial for the Company and employees.

The New Share Incentive Schemes will, in effect, replace the Existing Share Option Schemes in relation to the issue of Awards in future. A summary of the principal features of each of the three incentive schemes is set out in part 2 of this document. The Existing Share Option Schemes and any options granted under them will be unaffected by the proposals.

The operation of the New Share Incentive Schemes will be overseen by the Board of Directors or a duly authorised committee (normally the Remuneration Committee) which will also determine the Awards to be made under the schemes.

The Board believes the New Share Incentive Schemes will retain, motivate and reward executive directors and other senior Group executives with a view to improving performance and increasing the value of the Company for Shareholders.

### **Increase in authorised share capital and authority to issue shares**

Following the acquisition of Jex on 31 May 2007 in connection with which 5,454,546 Ordinary Shares were issued, the Directors only have remaining authority to allot up to 1,176,566 Ordinary Shares in connection with future acquisitions. Given the Company's stated policy of achieving growth through acquisition, the Directors consider it appropriate to update the authorities passed at the Company's annual general meeting of 22 February 2007 and accordingly the Directors are proposing to increase the authorised share capital and their authority to allot Ordinary Shares to facilitate the funding of future acquisitions by the Company.

The Directors are proposing that the authorised share capital of the Company be increased to £7,250,000 and that the Directors be granted authority to allot up to an additional 6,500,000 Ordinary Shares. Assuming the relevant resolutions are passed at the EGM the Directors will then have authority to allot approximately one third of the current issued share capital (after taking account of outstanding options).

### **Extraordinary General Meeting**

Set out at the end of the document is a notice convening an Extraordinary General Meeting of the Company to be held at the offices of Hammonds at 2 Park Lane, Leeds LS3 1ES on 3 October 2007 at 12.00 noon. At this meeting an ordinary resolution will be proposed to approve the New Share Incentive Schemes, together with ordinary resolutions to authorise an increase in the authorised share capital of the Company by the creation of 6,500,000 additional Ordinary Shares and to authorise the Directors to allot such Ordinary Shares under the provisions of Section 80 of the Companies Act 1985.

### **Actions to be taken**

You will find enclosed with the document a Form of Proxy for use at the Extraordinary General Meeting. Whether or not you propose to attend the Extraordinary General Meeting in person you are requested to complete and return the Form of Proxy to the Registrars in accordance with the instructions printed thereon as soon as possible and, in any event, so as to be received no later than 12.00 noon on 1 October 2007. Completion and return of a Form of Proxy will not preclude you from attending the Extraordinary General Meeting and voting in person if you wish.

### **Recommendation**

Your Directors unanimously recommend that you vote in favour of the Resolutions set out in the notice of Extraordinary General Meeting at the end of this document as they intend to do so in respect of their own beneficial holdings of 1,619,821 Ordinary shares representing approximately 7.60 per cent. of the existing issued share capital of the Company.

Yours sincerely

**David Jackson**  
*Chairman and Chief Executive*

## PART 2

# New Share Incentive Schemes

## Redhall Group plc 2007 Performance Share Plan (the "PSP")

The PSP is a discretionary long term incentive plan which includes two parts. The first part enables the Board of Directors or a duly authorised Committee normally the Remuneration Committee (together referred to as **the "Committee"**) to grant options at no cost to participants, and the second part enables the Committee to award conditional shares to participants ("**Awards**"). It is at the Committee's discretion as to which type of Awards are to be granted in any year. Awards are not pensionable benefits and are not transferable without the consent of the Committee.

### **Eligibility**

Any employee of the Company or a subsidiary who is required to devote substantially all of his time to the business of the Company or a subsidiary will be eligible to participate in the PSP at the discretion of the Committee. It is however currently intended to offer participation only to executive directors, senior executives and senior managers.

### **Awards**

Under the terms of the PSP, awards of Ordinary Shares in the Company or grants of options over Ordinary Shares (with an exercise price of zero pence or nominal value pence per share) can be made to selected eligible employees at the discretion of the Committee.

Awards may be granted within the six week period following the date on which the PSP is adopted. Thereafter, Awards may normally only be granted in the six week period beginning with any of the following: the dealing day following an announcement of the Company's results for any period; the day on which any change to relevant legislation, regulations or government directive affecting employees share schemes is proposed or made; or the day on which a new employee first joins the Company or any of its qualifying subsidiaries.

In the absence of the above circumstances, Awards may only be granted in circumstances judged by the Committee to be exceptional. No Awards may be granted in breach of the rules of the London Stock Exchange. No Awards may be granted more than ten years after the establishment of the PSP.

No payment will be required for the grant of an Award. The Committee will determine the exercise price of an option which shall be zero, or nominal value per share. Where new issue shares are to be used to satisfy the Award, the exercise price may not be less than the nominal value of a share.

### **Individual limits on participation**

Participants may receive an Award under the PSP in any financial year over shares worth up to 150 per cent. of their basic annual salary (excluding bonus, benefits in kind and company pension contributions).

The rules permit higher Awards in exceptional circumstances which the Committee determines justify such an Award. An Award shall not exceed 250 per cent. of basic salary.

The Committee may make Awards under the PSP in the same year as it grants options under the DSOP and the EMI, and in those circumstances the Committee will review the potential value of all such Awards.

### **Limit on the issue of shares**

The number of Awards in respect of which rights to subscribe for new Ordinary Shares may on any day be granted under the PSP, when added to the number of Ordinary Shares issued or which remain pursuant to rights to subscribe for new Ordinary Shares awarded/granted under, or for the purposes of the DSOP, the EMI and any other employees' share scheme of the Company in the period of up to ten years commencing on the date of adoption of the PSP shall not exceed ten per cent. of the issued Ordinary Share capital of the Company on that day.

### **Performance conditions**

The vesting of Awards made under the PSP will normally be subject to the attainment of one or more objective conditions set by the Committee at the time of Award relating to the performance of the Company and/or if the Committee so determines, a subsidiary (a "**Performance Condition**") over a fixed period of three years (or other such period as determined by the Committee) (the "**Performance Period**"). Prior to the vesting of Awards the participants will have no entitlement to the Ordinary Shares including no rights to vote or receive dividends. In appropriate circumstances, the Committee may amend, vary or waive the Performance Condition but must ensure that any amended Performance Condition is no more or less difficult to satisfy than the original Performance Condition when first set.

No decision has yet been taken on the Performance Condition to be applied. The Performance Condition will be determined by the Committee based on market practice at the time the Awards are made.

The vesting of Awards at the end of the Performance Period will be subject to the relevant participant remaining in employment.

### **Vesting and lapse of Awards**

A grant of options under the PSP shall normally become exercisable on the later of the third anniversary of the date of grant and the date on which the Committee determines that the Performance Condition has been met, but in either case, only to the extent that the Performance Condition (and any other conditions) imposed have been met or waived. An option may not in any event be exercised after the tenth anniversary of the date of grant or such earlier date as may be specified at the date of grant.

A share award under the PSP shall normally vest on the later of the third anniversary of the date of the award and the date on which the Committee determines that the Performance Condition has been met, but in either case, only to the extent that the Performance Condition (and any other conditions) imposed have been met or waived.

Under the rules of the PSP, the vesting of an award of shares or the exercise of options granted may be made conditional upon the employee entering into an agreement or election under which any employer's National Insurance ("NIC") liability will be transferred to the employee. The Company does not intend to transfer the employer's NIC to the participant, but the provision is included in the rules for flexibility.

### **Leaving employment**

As a general rule, Awards may only vest whilst a participant remains an employee of the Group. However, if an optionholder ceases to be employed within the Group as confirmed at the discretion of the Committee, Awards which have vested as of the date of cessation remain capable of exercise during the period of six months following the date of cessation. Awards which have not vested at the date of cessation shall vest as determined by the Committee taking into account the extent to which any Performance Condition has been satisfied at the time of such cessation and having regard to the time elapsed between the date of the Award and the cessation of employment.

Where a participant ceases to hold office or employment by reason of summary dismissal (where such summary dismissal is lawful in accordance with the terms of the participant's contract of office or employment) all of their Awards will lapse.

### **Reconstruction or winding up of the Company**

If there is a demerger or statutory reconstruction, voluntary winding up or change of control (as a result of a general offer which is unconditional) of the Company, the extent to which Awards vest will reflect the extent to which the Performance Condition has been met and the time that has elapsed since the date of the Award, subject to the discretion of the Committee to provide that such greater shall vest.

If a change of control is proposed in circumstances where corporation tax relief in relation to Awards will be prejudiced once control has passed, the Committee may exercise discretion to allow Awards to vest in advance of the date at which control passes.

### **Payment of tax and NIC**

A participant shall be responsible for the payment of all relevant income tax and employee's NIC relating to their Award. The Company may withhold an amount equal to such liabilities from any amounts due to the employee (to the extent such withholding is lawful) and/or withhold and sell sufficient shares subject to the Award, in satisfaction of these liabilities.

### **Cash equivalent**

The Committee, in its absolute discretion, may determine that on the vesting of an Award, the participant shall instead of receiving shares, receive a cash sum equal to the total market value of the shares on the date on which the Award vested. If the participant has not yet paid any exercise price in respect of an option then the amount payable shall be reduced by the aggregate exercise price payable in respect of the option.

### **Amendment of the PSP**

The Committee may at any time alter or add to all or any of the provisions of the PSP in any respect.

### **Rights attaching to shares**

Ordinary Shares allotted or transferred under the PSP 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 option). The Company must ensure any new Ordinary Shares allotted under the PSP are listed.

### **Overseas Employees**

The Committee may grant Awards to overseas employees on different terms so as to take account of relevant overseas tax, securities or exchange control laws provided that the Awards granted are not overall more favourable than the Awards granted to other employees.

## **Redhall Group plc 2007 Enterprise Management Incentive Plan (the “EMI”)**

The EMI provides for the grant to selected employees of the Group, of rights to acquire Ordinary Shares in the Company (“**EMI Options**”), on a tax-favoured basis. EMI Options are not pensionable benefits and are not transferable without the consent of the Committee. The operation of the EMI will be overseen by the Board of Directors or a duly authorised committee thereof, normally the Remuneration Committee (together referred to as the “**Committee**”).

### **Eligibility**

All employees and executive directors of the Company or a subsidiary are eligible to participate in the EMI at the discretion of the Committee. No decision has yet been taken on participants.

In order to be eligible to be granted EMI Options, an employee or a full time (at least 25 hours a week or 75 per cent. of their working time) executive director must work for the Company or any of its qualifying subsidiaries, and must not hold a material interest in the Company.

### **Grant of EMI Options**

EMI Options may initially be granted within the six week period following the date of adoption of the EMI. Thereafter, EMI Options may be granted within the six week period beginning with any of the following: the dealing day following an announcement of the Company’s results for any period; the day on which any change to relevant legislation, regulations or government directive affecting employee share schemes is proposed or made; the day on which a new employee first joins the Company or any of its qualifying subsidiaries.

In the absence of the above circumstances, EMI Options may only be granted in circumstances judged by the Committee to be exceptional. No EMI Options may be granted in breach of the rules of the London Stock Exchange. No EMI Options may be granted more than ten years after the establishment of the EMI.

### **Exercise price**

The price per Ordinary Share payable on the exercise of an EMI Option is determined by the Committee on any occasion when EMI Options are granted.

### **Individual limits on participation**

The aggregate market value of Ordinary Shares (as at the date of grant) over which EMI Options may be granted to an eligible employee in any year shall not exceed 150 per cent. of his base salary (excluding bonus, benefits in kind or company pension contributions) payable in the financial year in which EMI Options are granted, or in exceptional circumstances (as determined by the Committee), shall not exceed 200 per cent. of his base salary.

Within this overall limit, the grant of EMI Options shall not exceed the individual limit as specified in the legislation governing approved share options from time to time (currently £100,000).

The Committee may grant EMI Options and in the same year as it grants DSOP options or make awards under the PSP (or other long term incentive), and in those circumstances, the Committee will review the potential value of all such options and awards. In the event of grants of EMI Options and approved DSOP Options, the aggregate value of the grants of EMI Options and approved DSOP Options shall not exceed the individual limit as specified in the legislation governing approved EMI share options from time to time (currently £100,000).

### **Limit on the issue of shares**

The number of EMI Options in respect of which rights to subscribe for new Ordinary Shares may on any day be granted under the EMI, when added to the number of Ordinary Shares issued or which remain pursuant to rights to subscribe for new Ordinary Shares granted under the PSP, the DSOP and any other employees’ share scheme of the Company in the period of up to ten years commencing on the date of adoption of the EMI shall not exceed ten per cent. of the issued Ordinary Share capital of the Company on that day.

### **Performance Conditions**

The exercise of EMI Options will normally be subject to the attainment of one or more objective conditions set by the Committee at the time of grant relating to the performance of the Company and/or if the Committee so determines, a subsidiary, (a “**Performance Condition**”) over a fixed period of three years (or other such longer period as determined by the Committee) (a “**Performance Period**”). In appropriate circumstances, the Committee may amend, vary or waive the Performance Condition but must ensure that any amended Performance Condition is no more or less difficult to satisfy than was the original Performance Condition when first set.

No decision has yet been taken on the Performance Condition to be applied. The Performance Condition will be determined by the Committee based on market practice at the time the grants are made.

## **Exercise of options**

An EMI Option shall normally become exercisable on the later of the date specified in the Option agreement, the date on which the Committee determines that the Performance Condition has been met, but in either case, only to the extent that the Performance Condition (and any other conditions) imposed have been met or waived. An EMI Option may not in any event be exercised after the tenth anniversary of the date of grant or such earlier date as may be specified at the date of grant.

Under the rules of the EMI, the exercise of an EMI Option may be made conditional upon the employee entering into an agreement or election under which any employer's National Insurance ("NIC") liability to the participant will be transferred to the employee. The Company does not currently intend to transfer the employer's NIC to the participant, but the provision is included in the rules for flexibility.

## **Leaving employment**

As a general rule, EMI Options may only be exercised whilst an optionholder remains an employee of the Group. However, at the discretion of the Committee, EMI Options may be exercised during the period of 40 days following the date of cessation. If the Committee exercises this discretion, EMI Options may be exercised to the extent that the Committee considers that any Performance Condition imposed on grant has been satisfied at the time of such cessation, having regard to the number of months between the grant of the EMI Option and the cessation of employment.

Where an optionholder ceases to hold office or employment by reason of summary dismissal (where such summary dismissal is lawful in accordance with the terms of the employee's contract of office or employment) all of their EMI Options will lapse.

## **Reconstruction or winding up of the Company**

If there is a demerger, statutory reconstruction, voluntary winding up or change of control (as a result of a general offer which is unconditional) of the Company, EMI Options may be exercised early within specified periods. The proportion of Ordinary Shares over which an EMI Option may then be exercised depends on the time lapsed since grant and the extent to which the Performance Condition has been met at the relevant date, subject to the discretion of the Committee. All EMI Options will lapse, to the extent not exercised, at the end of the relevant period.

If a change of control is proposed in circumstances where corporation tax relief in relation to the exercise of EMI Options will be prejudiced once control has passed, the Committee may exercise discretion to allow exercises to take effect in advance of the date when control passes.

## **Payment of tax and NIC**

Employees agree to indemnify the Company against any income tax and employee's NIC relating to their EMI Options. The Company may withhold an amount equal to such liabilities from any amounts due to the employee (to the extent such withholding is lawful) and/or withhold and sell sufficient shares acquired on exercise of the EMI Option, in satisfaction of these liabilities.

## **Amendment of the plan**

The Committee may amend the rules of the EMI.

No amendments can be made which would adversely affect the subsisting rights of a participant, unless at least 75% of the participants who would be affected have approved the proposed amendment.

## **Rights attaching to shares**

Ordinary Shares allotted or transferred under the EMI 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 option). The Company must ensure any new Ordinary Shares allotted under the EMI are listed.

## **Redhall Group plc 2007 Discretionary Share Option Plan (the “DSOP”)**

The DSOP provides for the grant to selected employees of the Group, of rights to acquire Ordinary Shares in the Company (“**DSOP Options**”). DSOP Options may be granted as tax-favoured options under the HM Revenue & Customs (“**HMRC**”) approved addendum to the DSOP (“**Approved Options**”), or non-HMRC approved share options (“**Unapproved Options**”). DSOP Options are not pensionable benefits and are not transferable without the consent of the Committee. The operation of the DSOP will be overseen by the Board of Directors or a duly authorised committee thereof normally the Remuneration Committee (together referred to as “**the Committee**”).

### **Eligibility**

All employees and executive directors of the Company or a Subsidiary are eligible to participate in the DSOP at the discretion of the Committee. No decision has yet been taken on participants.

In order to be eligible to be granted Approved Options, an employee or a full time (at least 25 hours a week) executive director must work for the Company or any of its qualifying subsidiaries, and must not hold a material interest in the Company.

### **Grant of DSOP Options**

DSOP Options may initially be granted within the six week period following the date of adoption of the DSOP. Thereafter, DSOP Options may be granted within the six week period beginning with any of the following: the dealing day following an announcement of the Company’s results for any period; the day on which any change to relevant legislation, regulations or government directive affecting employee share schemes is proposed or made; the day on which a new employee first joins the Company or any of its qualifying subsidiaries; or the day on which the approved addendum is approved by HMRC.

In the absence of the above circumstances, DSOP Options may only be granted in circumstances judged by the Committee to be exceptional. No DSOP Options may be granted in breach of the rules of the London Stock Exchange. No DSOP Options may be granted more than ten years after the establishment of the DSOP.

### **Exercise price**

The price per Ordinary Share payable on the exercise of a DSOP Option is determined by the Committee on any occasion when DSOP Options are granted. The price cannot be less than the higher of the market value of an Ordinary Share at the date of grant and the nominal value of an Ordinary Share if the shares are to be subscribed.

### **Individual limits on participation**

The aggregate market value of Ordinary Shares (as at the date of grant) over which DSOP Options may be granted to an eligible employee in any year shall not exceed 150 per cent. of his base salary (excluding bonus, benefits in kind or company pension contributions) payable in the financial year in which DSOP Options are granted, or in exceptional circumstances (as determined by the Committee), shall not exceed 400 per cent. of his base salary.

Within this overall limit, the grant of Approved Options shall not exceed the individual limit as specified in the legislation governing approved share options from time to time (currently £30,000).

The Committee may grant DSOP Options and in the same year as it grants EMI Options or makes awards under the PSP (or other long term incentive), and in those circumstances, the Committee will review the potential value of all such options and awards. In the event of Approved Options granted under the DSOP in circumstances where EMI Options have previously been granted, the aggregate value of the Approved Options made under the DSOP and the EMI Options in aggregate shall not exceed the individual limit as specified in the legislation governing approved share options from time to time (currently £100,000).

### **Limit on the issue of shares**

The number of DSOP Options in respect of which rights to subscribe for new Ordinary Shares may on any day be granted under the DSOP, when added to the number of Ordinary Shares issued or which remain pursuant to rights to subscribe for new Ordinary Shares granted under the EMI, the PSP and any other employees’ share scheme of the Company in the period of up to ten years commencing on the date of adoption of the DSOP shall not exceed ten per cent. of the issued Ordinary Share capital of the Company on that day.

## **Performance Conditions**

The exercise of DSOP Options will normally be subject to the attainment of one or more objective conditions set by the Committee at the time of grant relating to the performance of the Company and/or if the Committee so determines, a subsidiary, (a “**Performance Condition**”) over a fixed period of three years (or other such longer period as determined by the Committee) (a “**Performance Period**”). In appropriate circumstances, the Committee may amend, vary or waive the Performance Condition but must ensure that any amended Performance Condition is no more or less difficult to satisfy than was the original Performance Condition when first set.

No decision has yet been taken on the Performance Condition to be applied. The Performance Condition will be determined by the Committee based on market practice at the time the grants are made.

## **Exercise of options**

A DSOP Option shall normally become exercisable on the later of the third anniversary of the date of grant and the date on which the Committee determines that the Performance Condition has been met, but in either case, only to the extent that the Performance Condition (and any other conditions) imposed have been met or waived. A DSOP Option may not in any event be exercised after the tenth anniversary of the date of grant or such earlier date as may be specified at the date of grant.

Under the rules of the DSOP, the exercise of a DSOP Option may be made conditional upon the employee entering into an agreement or election under which any employer’s National Insurance (“NIC”) liability will be transferred to the employee. The Company does not currently intend to transfer the employer’s NIC to the participant, but the provision is included in the rules for flexibility.

## **Leaving employment**

As a general rule, DSOP Options may only be exercised whilst an optionholder remains an employee of the Group. However, if an optionholder ceases to be employed within the Company at the discretion of the Committee, DSOP Options which have vested as of the date of cessation may be exercised during the period of six months following the date of cessation. DSOP Options which have not yet vested at the date of cessation can only be exercised to the extent that the Committee considers that any Performance Condition imposed on grant has been satisfied at the time of such cessation, having regard to the number of months between the grant of the DSOP Option and the cessation of employment.

Where an optionholder ceases to hold office or employment by reason of summary dismissal (where such summary dismissal is lawful in accordance with the terms of the employee’s contract of office or employment) all of their DSOP Options will lapse.

## **Reconstruction or winding up of the Company**

If there is a demerger, statutory reconstruction, voluntary winding up or change of control (as a result of a general offer which is unconditional) of the Company, Unapproved Options may be exercised early within specified periods. Approved Options may be exercised in the same circumstances, with the exception of a demerger. The proportion of Ordinary Shares over which a DSOP Option may then be exercised depends on the time lapsed since grant and the extent to which the Performance Condition has been met at the relevant date, subject to the discretion of the Committee to provide that such greater proportion shall vest. All DSOP Options will lapse, to the extent not exercised, at the end of the relevant period.

If a change of control is proposed in circumstances where corporation tax relief in relation to the exercise of DSOP Options will be prejudiced once control has passed, the Committee may exercise discretion to allow exercises to take effect in advance of the date when control passes.

## **Payment of tax and NIC**

Employees agree to indemnify the Company against any income tax and employee's NIC relating to their DSOP Options. The Company may withhold an amount equal to such liabilities from any amounts due to the employee (to the extent such withholding is lawful) and/or withhold and sell sufficient shares acquired on exercise of the DSOP Option, in satisfaction of these liabilities.

## **Cash equivalent**

The Committee, in its absolute discretion, may determine that, on the exercise of an Unapproved Option, the optionholder shall instead of receiving shares, receive a cash sum equal to the total market value of the shares on the date on which the Unapproved Option was exercised. If the optionholder has not yet paid the exercise price then the amount payable shall be reduced by the aggregate exercise price payable in respect of the exercise of the Unapproved Option. *This provision does not apply to Approved Options.*

## **Amendment of the plan**

The Committee may amend the rules of the DSOP.

No amendments can be made which would adversely affect the subsisting rights of a participant, unless at least 75% of the participants who would be affected have approved the proposed amendment.

Any alteration to any "key feature" of the HMRC approved addendum will not take effect until it has received the approval of HMRC.

At the date of adoption, the UK approved addendum has not received approval from HMRC, and accordingly the rules and addendum are adopted subject to any amendments required to obtain HMRC approval.

## **Overseas employees**

The Committee may grant unapproved options under the DSOP to overseas employees on different terms so as to take account of relevant overseas tax, securities or exchange control laws provided that the DSOP Options granted are not overall more favourable than the terms of DSOP Options granted to other employees.

## **Rights attaching to shares**

Ordinary Shares allotted or transferred under the DSOP 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 option). The Company must ensure any new Ordinary Shares allotted under the DSOP are listed.

## REDHALL GROUP PLC

### NOTICE OF EXTRAORDINARY GENERAL MEETING

Notice is hereby given that an Extraordinary General Meeting of Redhall Group plc (the “**Company**”) will be held at the offices of Hammonds solicitors, 2 Park Lane, Leeds on 3 October 2007 at 12.00 noon to consider and, if thought fit, to pass the following resolutions which will be proposed as Ordinary Resolutions.

- Resolution 1** That the adoption by the Company of the Redhall Group plc 2007 Performance Share Plan, the Redhall Group plc 2007 Enterprise Management Incentive Plan and the Redhall Group plc 2007 Discretionary Share Option Plan, particulars of which are set out in the circular to Shareholders dated 14 September 2007, be and the same are hereby approved.
- Resolution 2** That the authorised share capital of the Company be increased from £5,625,000 to £7,250,000 by the creation of 6,500,000 ordinary shares of 25p each in the share capital of the Company such ordinary shares ranking equally with the existing ordinary shares.
- Resolution 3** That, in addition to the existing authority granted to the Directors of the Company pursuant to Resolution 6 at the 75th Annual General Meeting of the Company on 22 February 2007, the Directors of the Company be and they are hereby authorised pursuant to Section 80 of the Companies Act 1985 (the “**Act**”) generally and unconditionally to exercise each and every power of the Company to allot relevant securities (as defined in that section) up to a maximum additional amount in nominal value of £1,625,000, such authority to expire on 21 May 2008 or on the conclusion of the next Annual General Meeting of the Company after the meeting at which this resolution is passed, whichever is the earlier, and that the Company be and is hereby authorised to make before the authority conferred by this resolution has expired one or more offers or agreements which would or might require relevant securities (as so defined) to be allotted after this authority has expired and the Directors be and they are hereby permitted to allot relevant securities (as so defined) after the authority conferred by this resolution has expired in pursuance of each and every such offer or agreement made by the Company.

By Order of the Board

**C Lewis-Jones**

*Secretary*

1 Red Hall Court  
Wakefield  
WF1 2UN  
14 September 2007

**Notes:**

1. A member entitled to attend and vote at the above meeting is entitled to appoint one or more proxies to attend and, on a poll, vote in his stead. A proxy need not be a member of the Company.
2. A prepaid form of proxy is enclosed. To be valid any form of proxy and power of attorney or other authority under which it is signed or a notarially certified or office copy of such power of authority must be lodged with the Company’s Registrars Capita Registrars, Proxy Department, at The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU so as to be received not less than 48 hours before the time appointed for the meeting or any adjourned meeting. The return of a form of proxy will not preclude a member from attending and voting at the meeting in person should he subsequently decide so to do.
3. The register of Directors’ interests in the shares of the Company will be available for inspection at the Company’s registered office during normal business hours and at the offices of Hammonds, 2 Park Lane, Leeds from 15 minutes prior to, and until the conclusion of, the meeting.

## FORM OF PROXY

I/We, the undersigned, being (a) Member(s) of Redhall Group plc, hereby appoint Mr David Jackson or failing him, Mr Christopher Lewis-Jones, both Directors of the Company (See note 1)

or .....

as my/our proxy to vote in my/our names and on my/our behalf at the Extraordinary General Meeting of the Company to be held on the 3 October 2007 and at any adjournment thereof.

Name (block capitals) .....

Signature .....Date .....

Address .....

Please indicate with an 'X' in the appropriate spaces below how you wish your proxy to vote. If the Form is returned duly signed but with no direction as to the manner in which your proxy is to vote, he will vote or abstain at his discretion.

RESOLUTION <i>(See note 2)</i>	1	2	3
<b>FOR</b>			
<b>DISCRETIONARY</b> <i>(See note 3)</i>			
<b>AGAINST</b>			
<b>VOTE WITHHELD</b> <i>(See note 4)</i>			

### Notes

1. If you desire someone else to act as your proxy, delete these names and insert the name and address of the person desired. To be valid, this form of proxy must reach the Company's Registrars, Capita Registrars, Proxy Department, PO Box 25, Beckenham, Kent BR3 4BR not later than 48 hours before the time appointed for the meeting or any adjournment thereof together, if appropriate, with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power or, where the form has been signed by an officer on behalf of a corporation, a notarially certified copy of the authority under which it is signed. When this proxy is executed by a corporation it must be either under its Common Seal or under the hand of an officer or attorney duly authorised. In the case of joint holders the signature of any joint holder is sufficient; if more than one joint holder tenders a vote, the vote of the first named in the Register of Members will be accepted to the exclusion of the others.
2. Please indicate how you wish your votes to be cast by inserting a cross in the relevant box.
3. If you select "discretionary" or fail to select any of the given options, the proxy can vote as he chooses or can decide not to vote at all. The proxy will act at his own discretion in relation to any other business arising at the meeting, including any resolution to adjourn the meeting. This proxy will only be used in the event of a poll being directed or demanded.
4. The "vote withheld" option is provided to enable you to abstain on any particular resolution. However, it should be noted that a vote withheld is not a vote in law and will not be counted in the calculation of the proportion of votes "for" and "against" a resolution.



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BUSINESS REPLY SERVICE  
Licence No. MB 122

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**Capita Registrars  
Proxy Department  
PO Box 25  
BECKENHAM  
Kent  
BR3 4BR**

FIRST FOLD

SECOND FOLD