

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.**

**If you are in any doubt as to the action to be taken, you should immediately consult your stockbroker, bank manager, solicitor, accountant or other independent professional adviser authorised under the Financial Services and Markets Act 2000.**

If you have sold or otherwise transferred all your Ordinary Shares or CULS, please send this document, together with the accompanying EGM Form of Proxy and, where relevant, CULS Form of Proxy, as soon as possible to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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## **Corero PLC**

(Incorporated in England and Wales under the Companies Act 1985 with registered number 2662978)

### **Proposed amendment to the terms of the existing 8 per cent. convertible unsecured redeemable loan stock 2011 and Capital Reorganisation**

#### **Notice of Extraordinary General Meeting and**

#### **Notice of meeting of the holders of £4,000,000 8 per cent. convertible unsecured redeemable loan stock 2011**

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Notices convening an Extraordinary General Meeting of the Company and a meeting of the holders of the Convertible Unsecured Loan Stock to be held at the offices of John East & Partners Limited, 10 Finsbury Square, London EC2A 1AD on 29 June 2009 at 10.30 a.m. (or such later time as the Annual General Meeting convened for the same day shall have concluded or been adjourned) and 11.00 a.m. (or such later time as the Extraordinary General Meeting convened on the same day shall have concluded or been adjourned), respectively, are set out on pages 14 to 20 of this document. EGM Forms of Proxy and, where relevant, CULS Forms of Proxy accompany this document. **To be valid, the EGM Form of Proxy and the CULS Form of Proxy must be completed and returned so as to be received at the offices of the Company's registrars, Capita Registrars, Proxy Department, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU not later than 10.30 a.m. and 11.00 a.m., respectively, on 27 June 2009.**

The completion and depositing of either of the forms of proxy will not preclude you from attending and voting in person at the relevant meeting should you wish to do so.

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## Expected timetable of principal events

<b>Despatch of this document</b>	4 June 2009
<b>Latest time and date for receipt of EGM Forms of Proxy</b>	10.30 a.m. on 27 June 2009
<b>Latest time and date for receipt of CULS Forms of Proxy</b>	11.00 a.m. on 27 June 2009
<b>EGM</b>	10.30 a.m. on 29 June 2009 (or such later time as the AGM shall have concluded or been adjourned)
<b>CULS Meeting</b>	11.00 a.m. on 29 June 2009 (or such later time as the EGM shall have concluded or been adjourned)
<b>Capital Reorganisation Record Time</b>	6.00 p.m. on 29 June 2009 (or such later time and date as the Board (or a duly authorised committee of the Board) may determine)
<b>Capital Reorganisation becomes effective and trading of New Ordinary Shares expected to commence on AIM</b>	30 June 2009
<b>CREST account credited with New Ordinary Shares</b>	30 June 2009
<b>Certificates issued in respect of New Ordinary Shares</b>	7 July 2009

## Definitions

<b>“Act”</b>	the Companies Act 1985 (as amended)
<b>“Admission”</b>	the admission of the New Ordinary Shares to trading on AIM becoming effective in accordance with Rule 6 of the AIM Rules
<b>“AGM” or “Annual General Meeting”</b>	the annual general meeting of the Company convened for 10.00 a.m. on 29 June 2009, notice of which is set out in the Company’s report and accounts for the year ended 31 December 2008 which accompanies this document
<b>“AIM”</b>	the AIM Market of the London Stock Exchange plc
<b>“Capita Registrars”</b>	a trading name of Capita Registrars Limited
<b>“Capital Reorganisation”</b>	the proposed reorganisation of the Existing Ordinary Shares into New Ordinary Shares and Deferred Shares, as described in this document
<b>“Capital Reorganisation Record Time”</b>	6.00 p.m. on 29 June 2009 (or such later time and date as the Board (or a duly authorised committee of the Board) may determine)
<b>“Code” or “Takeover Code”</b>	The City Code on Takeovers and Mergers
<b>“Company” or “Corero”</b>	Corero PLC
<b>“CREST”</b>	the computer-based system established under the CREST Regulations which enables title to units of relevant securities (as defined in the CREST regulations) to be evidenced and transferred without a written instrument and in respect of which Euroclear UK & Ireland Limited is the operator (as defined in the CREST Regulations)
<b>“CULS” or “Convertible Unsecured Loan Stock”</b>	the £4,000,000 nominal of 8 per cent. convertible unsecured redeemable loan stock 2011
<b>“CULS Form of Proxy”</b>	the blue form of proxy enclosed with this document for use in connection with the CULS Meeting
<b>“CULS Meeting”</b>	the meeting of the holders of CULS convened for 11.00 a.m. on 29 June 2009 (or such later time as the EGM shall have concluded or been adjourned), notice of which is set out on pages 18 to 20 of this document
<b>“CULS Resolution”</b>	the resolution set out in the notice of meeting of the holders of CULS, set out on pages 18 to 20 of this document
<b>“Deferred Shares”</b>	the deferred shares of £2.99 each arising from the Capital Reorganisation
<b>“Directors” or “Board”</b>	the directors of the Company as set out on page 5 of this document

## Definitions (continued)

<b>“EGM” or “Extraordinary General Meeting”</b>	the extraordinary general meeting of the Company convened for 10.30 a.m. on 29 June 2009 (or such later time as the AGM shall have concluded or been adjourned), notice of which is set out on pages 14 to 17 of this document
<b>“EGM Form of Proxy”</b>	the form of proxy enclosed with this document for use by Shareholders in connection with the EGM
<b>“EGM Resolutions”</b>	the resolutions set out in the notice of the Extraordinary General Meeting, set out on pages 14 to 17 of this document
<b>“Existing Ordinary Shares”</b>	the 45,569,702 existing ordinary shares of 10p each in the capital of the Company
<b>“Group”</b>	the Company and its subsidiary undertakings
<b>“JEP”</b>	John East & Partners Limited, which is authorised and regulated by the Financial Services Authority and is the Company’s nominated adviser and broker
<b>“New Ordinary Shares”</b>	the new ordinary shares of 1p each in the capital of the Company arising from the Capital Reorganisation
<b>“Ordinary Shares”</b>	Existing Ordinary Shares or New Ordinary Shares, as the context may require
<b>“Proposals”</b>	the Proposed Amendments and the Capital Reorganisation set out in this document
<b>“Proposed Amendments”</b>	the proposed amendments to the terms of the CULS as described in Part I of this document
<b>“Resolutions”</b>	the EGM Resolutions and CULS Resolution
<b>“Shareholders”</b>	holders of Existing Ordinary Shares or New Ordinary Shares, as the context may require

# PART I

## Letter from the Chairman

### Corero PLC

(Incorporated in England and Wales with registered number 2662978)

#### *Directors*

Peter Charles Waller (*Executive Chairman*)  
Mark Robertson (*Director of Financial Markets Division*)  
Bernard Patrick Snowe (*Director of Business Systems Division*)  
Roy Walter Mitchell (*Non-executive Director*)  
Richard Last (*Non-executive Director*)

#### *Registered Office*

Corero plc  
3rd Floor  
3 London Wall Buildings  
London Wall  
London EC2M 5SY

4 June 2009

*To Shareholders and holders of CULS and, for information purposes only, to the holders of options over Ordinary Shares.*

Dear Shareholder or CULS holder,

#### **Introduction**

Corero today announced a proposal to amend the terms of the CULS to extend the redemption date, enhance the conversion rights and reschedule the annual coupon payable by the Company for the remainder of the life of the CULS. This is designed to improve the Company's liquidity and debt maturity profile. In addition, the Company also announced a Capital Reorganisation. The Proposed Amendments to the CULS are conditional, *inter alia*, upon the Company obtaining approval by Shareholders and CULS holders of the resolutions to be proposed at the EGM and the CULS Meeting, respectively. The Capital Reorganisation is conditional upon the Company obtaining approval by Shareholders of the resolutions to be proposed at the EGM and on Admission.

The purpose of this letter is to give you further information regarding the background to and reasons for the Proposals and to seek your approval of the Resolutions. The notice of Extraordinary General Meeting and CULS Meeting are set out at the end of this document.

#### **Background to and reasons for the Proposed Amendments**

As set out in the Company's trading statement dated 20 January 2009 and the Chairman's Statement in the accompanying report and accounts, the Company's Business Systems division's major application, Resource, requires additional investment in order to maintain its competitive position and to take advantage of future market opportunities. As a first step towards accumulating the necessary capital the Directors propose to amend the terms of the CULS as set out below, which will assist working capital by effectively reducing the annual coupon until 2012, as more fully described below. The Directors believe that this measure will provide the required additional investment to start the Resource development. The effect on cash flow for the next three years following the implementation of the proposed amendments to the terms of the CULS, will make an additional £480,000 of capital available to the Company over that period. The Board will finalise the cost of the Resource development over the next few months and intends to finance additional requirements from working capital or an additional short term loan in which the directors intend to participate. As part of the change to the terms of the CULS, the final redemption date will be deferred to 2015 which will relieve the Company of the burden of repaying £4,000,000 in 2011. This is critical both to enable the Resource development to go ahead and to strengthen the Company's position in commercial negotiations with current and potential customers.

### **Current trading**

On 26 March 2009, the Company announced its audited preliminary results for the year ended 31 December 2008. A copy of the report and accounts incorporating the results is enclosed with this document. Shareholders' attention is drawn to the Chairman's Statement in the report and accounts which accompany this document.

### **Proposed amendments to the terms of the CULS**

The principal amendments to the terms of the CULS are as follows:

1. The deferment of the redemption date of the CULS from 31 October 2011 to 30 June 2015.
2. The rescheduling, with effect from and including 1 January 2009, of the annual 8 per cent. interest payable on the CULS. It is proposed that for the three year period from 1 January 2009 to 31 December 2011 (the "**First Interest Period**"), the CULS will continue to bear interest on the principal outstanding sum at the rate of 8 per cent. per annum but only 50 per cent. of such interest will be paid (the "**Paid Interest**"). Payment of the remaining 50 per cent. of such interest (the "**Deferred Interest**") will be deferred and paid on the third anniversary of the date on which such Deferred Interest accrued (each date on which such Deferred Interest accrued being an "**Accrual Date**"). During the three and a half year period from 1 January 2012 to 30 June 2015 (the "**Second Interest period**") the CULS will continue to bear interest on the principal outstanding sum at the rate of 8 per cent. per annum and such interest payments will be made on the relevant interest payment date in the Second Interest Period (i.e. not deferred). As a result, notwithstanding that the CULS continue to bear interest on the principal outstanding sum at the rate of 8 per cent. per annum, a CULS holder who holds CULS for the entire remaining life of the CULS will receive such payments by the Company as if the CULS bore interest at 4 per cent. per annum during the First Interest Period and 12 per cent. per annum during the Second Interest Period (save that the final payment of Deferred Interest shall be made on 31 December 2014, such that the final payment on 30 June 2015 will represent only the interest for the six month period at 8 per cent. per annum, and will not include any additional deferred interest).

Please note that the effect of the proposed amendments is to defer the payment of 50 per cent. of the interest payable on the CULS in respect of the current interest period ending on 30 June 2009, with the deferred interest payable on 30 June 2012.

Deferred Interest will be paid on the third anniversary of the relevant Accrual Date to the CULS holder who was on the register on the relevant Accrual Date. Accordingly, any transferee of any CULS will not receive any Deferred Interest which accrued prior to the date of transfer.

No additional interest will be paid on the Deferred Interest.

3. The enhancement of the conversion rights from four Existing Ordinary Shares for every £1 nominal of CULS to 12.5 Existing Ordinary Shares for every £1 nominal of CULS, which equates to a conversion price, prior to the Capital Reorganisation, of 8p. Following the Capital Reorganisation, the enhanced conversion rights will be adjusted to 0.4167 New Ordinary Shares for every £1 nominal of CULS, resulting in an effective conversion price of 240p per New Ordinary Share. As the CULS Resolution is subject to and conditional upon approval of the EGM Resolutions, the proposed amendments to the CULS, as set out in the notice of the CULS Meeting, reflect the enhanced conversion rights as adjusted by the Capital Reorganisation.

Any fractions arising from the conversion of the CULS will be aggregated and allotted to a trustee who will sell the shares for the benefit of the relevant CULS holder. However, if the net proceeds of such sale amount to less than £2 in respect of any one holding, the net proceeds will be retained by the Company.

4. The reduction of the price of an Existing Ordinary Share at which the Company has the right to compel CULS holders to convert their CULS into Ordinary Shares from £1 to 32p. Following the Capital Reorganisation, this price will be adjusted to £9.60. As the CULS Resolution is subject to and

conditional upon approval of the EGM Resolutions, the proposed amendments to the CULS, as set out in the notice of the CULS Meeting, reflect the price as adjusted by the Capital Reorganisation.

The principal terms of the instrument constituting the CULS, as amended by the Proposed Amendments, are summarised in Part II of this document.

Under the terms of the instrument constituting the CULS, the CULS may be amended either by a resolution passed by the holders of not less than 75 per cent. of the nominal amount of the CULS present and voting at a meeting of the holders of CULS or by written resolution signed by the holders of not less than 95 per cent. of the total nominal amount of the CULS. In either case, the Company must give its prior consent in writing to such amendment. For the purposes of clause 15.1 of the instrument constituting the CULS, this letter constitutes the Company's prior written consent to the Proposed Amendments.

A notice convening a meeting of the holders of CULS to vote on the Proposed Amendments is set out at the end of this document.

The enhancement of the conversion rights referred to above requires additional authorities to be granted by Shareholders to the Directors to allot relevant securities under section 80 of the Act and to disapply section 89(1) of the Act in respect of any such allotment. The Directors' reasons for recommending these authorities are set out in this letter.

A notice convening an Extraordinary General Meeting of the Company to vote on such additional authorities is set out at the end of this document.

New certificates in respect of the CULS will be despatched to CULS holders as soon as practicable once the Proposed Amendments have been made.

#### **Takeover Code matters**

Foresight Technology VCT plc, New City Investment Managers Limited and AXA Framlington Group Limited have each undertaken not to convert any number of CULS to the extent that to do so would create any obligation on it (or in the case of Foresight Technology VCT plc, any party with whom it is considered to be acting in concert) to make an offer for the Company under Rule 9 of the Takeover Code.

#### **Capital Reorganisation**

The current mid-market share price is below the present nominal, or par, value of the Existing Ordinary Shares. Company law prohibits a company from issuing shares at a discount to the nominal value of its shares. The Proposed Amendments to the CULS would result in the new conversion price of the CULS being below the current nominal value of a Corero Existing Ordinary Share. As a result, in order that the Proposed Amendments to the CULS may be made, it is necessary to reduce the nominal value of the Company's authorised and issued Existing Ordinary Shares. Accordingly, the Directors propose to carry out the Capital Reorganisation on the following basis:

- (a) every 30 Existing Ordinary Shares in issue at the Capital Reorganisation Record Time will be consolidated into one new ordinary share of £3 in the capital of the Company;
- (b) each new ordinary share of £3 will be subdivided into and reclassified as one New Ordinary Share of 1p and one Deferred Share of £2.99; and
- (c) each of the authorised and unissued Existing Ordinary Shares will be subdivided into and reclassified as 10 New Ordinary Shares.

Any fractions arising from the Capital Reorganisation will be aggregated and sold for the benefit of the Company.

The rights attaching to the New Ordinary Shares will, apart from the change in nominal value, be identical in all respects to those of the Existing Ordinary Shares. The Capital Reorganisation will not affect the voting rights of holders of Existing Ordinary Shares. Nevertheless, certain amendments to the Company's articles of

association are required to effect the Capital Reorganisation, to refer to the change in nominal value of the Ordinary Shares, and to reflect the rights of the Deferred Shares (which are referred to below).

Application will be made for admission of the New Ordinary Shares to trading on AIM. It is expected that the dealing and settlement in CREST in the Existing Ordinary Shares will continue until the close of business on 29 June 2009. Subject to the necessary approval at the EGM, Admission of the New Ordinary Shares is expected to occur at 8.00 a.m. on 30 June 2009.

Existing share certificates will cease to be valid following the Capital Reorganisation and new share certificates will be issued on 7 July 2009.

Shareholders who hold their Existing Ordinary Shares in uncertificated form will have their CREST accounts credited with the New Ordinary Shares on 30 June 2009 or as soon as practicable after Admission.

The Deferred Shares are required to be created for technical reasons in order to maintain the aggregate nominal value of the Company's share capital after the Capital Reorganisation and will effectively be valueless. The Deferred Shares will have no voting or dividend rights and, on a return of capital, will have the right to receive the amount paid up thereon after the holders of the New Ordinary Shares have received, in aggregate, the amount paid up thereon plus £10,000,000 per New Ordinary Share. The Deferred Shares will not be transferable (save with the consent of the Directors) and no share certificates will be issued in respect of them. The Company may, at any time, transfer the Deferred Shares to any other person or buy back the Deferred Shares, for an aggregate payment of 1p.

It is the Board's intention, at the appropriate time, to effect a repurchase of the Deferred Shares, to make an application to the High Court for the Deferred Shares to be cancelled, or for the Company to cancel the Deferred Shares, with the approval of its Shareholders.

The notice of EGM set out at the end of this document contains resolutions to give effect to the proposed Capital Reorganisation and the associated changes to the Company's articles of association.

### **Taxation**

It is understood that the proposed amendment to the conversion rights may result in any shares obtained as a consequence of the conversion of the CULS not constituting a qualifying holding of a Venture Capital Trust.

The above comment is for general guidance and investors are recommended to consider obtaining the relevant professional advice as to their position for tax purposes.

### **Action to be taken by Shareholders**

Shareholders will find enclosed with this document the EGM Form of Proxy (coloured white) for use at the Extraordinary General Meeting. The EGM Form of Proxy should be completed and returned in accordance with the instructions printed on it so as to arrive at the Company's registrars, Capita Registrars, Proxy Department, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU as soon as possible and in any event not later than 10.30 a.m. on 27 June 2009. Completion and return of the EGM Form of Proxy will not prevent Shareholders from attending and voting at the Extraordinary General Meeting should they so wish.

### **Action to be taken by holders of the CULS**

Holders of CULS will find enclosed with this document the CULS Form of Proxy (coloured blue) for use at the CULS Meeting. The CULS Form of Proxy should be completed and returned in accordance with the instructions printed on it so as to arrive at the Company's registrars, Capita Registrars, Proxy Department, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU as soon as possible and in any event not later than 11.00 a.m. on 27 June 2009. Completion and return of the CULS Form of Proxy will not prevent holders of CULS from attending and voting at the CULS Meeting should they so wish.

### **Recommendation**

**Your Directors unanimously believe that the Proposed Amendments and the Capital Reorganisation are in the best interests of the Company and its Shareholders and recommend Shareholders to vote in favour of the Resolutions, as they intend to do in respect of their aggregate shareholding of 7,175,685 Ordinary Shares, equivalent to 15.75 per cent. of the issued share capital of the Company.**

**Your Directors also unanimously believe that the Proposed Amendments are in the best interests of the holders of CULS and recommend holders of CULS to vote in favour of the CULS Resolutions.**

Yours faithfully

**Peter Waller**  
Chairman

## **PART II**

### **Summary of Rights attaching to the Convertible Unsecured Loan Stock**

The instrument constituting the terms of the CULS, as amended by the Proposed Amendments, contains provisions relating to the CULS the principal terms of which are set out below. For the purposes of this Part II, a holder of CULS is defined as any person whose name is for the time being entered as holder of the CULS in the register.

#### **1. The CULS**

The CULS shall rank *pari passu* equally and rateably.

#### **2. Interest**

The CULS shall bear interest on the principal outstanding sum at the rate of 8 per cent. per annum (calculated on a day-to-day basis) payable by the Company as follows:

- (a) during the three year period from 1 January 2009 to 31 December 2011 (the "**First Interest Period**"), 50 per cent. of the interest (the "**Paid Interest**") will be payable in equal instalments twice a year on 30 June and 31 December. The remaining 50 per cent. of accrued but unpaid interest in respect of the First Interest Period (the "**Deferred Interest**") will be deferred and paid on the third anniversary of the date on which such Deferred Interest accrued (the "**Accrual Date**"); and
- (b) during the three and a half year period from 1 January 2012 to 30 June 2015 (the "**Second Interest Period**"), the CULS will continue to bear interest on the principal outstanding sum at the rate of 8 per cent. per annum payable in equal instalments twice a year on 30 June and 31 December.

Deferred Interest will be paid on the third anniversary of the relevant Accrual Date to the CULS holder who was on the register on the relevant Accrual Date. Accordingly, any transferee of any CULS will not receive any Deferred Interest which accrued prior to the date of transfer.

No additional interest will be paid on the Deferred Interest, and, for the avoidance of doubt, such Deferred Interest will not constitute principal of the CULS for any purpose (including in respect of conversion rights).

#### **3. Repayment of the CULS**

The principal amount of any CULS that has not been converted shall become repayable with accrued interest on 30 June 2015.

#### **4. Repayment Events**

The principal amount of any CULS together with any interest shall become immediately due and payable on the occurrence of, inter alia, any one of the following events:

- (a) if the Company fails to make any payment of principal or interest within 7 days of its becoming due; or
- (b) if material default is made by the Company in the performance or observance of any of its other obligations and the Company shall fail to remedy the same, where capable of remedy, within 30 days of being notified in writing thereof by holders of CULS holding not less than 25 per cent. in aggregate principal nominal amount of the CULS then outstanding; or
- (c) if any representation or warranty made by or on behalf of the Company in or in accordance with the CULS is or proves to be incorrect in any material respect; or

- (d) if the Company stops or threatens to stop payment or ceases to carry on all or substantially all of its business; or
- (e) if an encumbrancer takes possession or a receiver, administrative receiver, administrator or other similar officer is appointed of the whole or any substantial part of the undertaking, property or assets of the Company or if a distress or execution levied or enforced upon or sued out against any substantial part of the assets of the Company is not paid out or discharged within 28 days; or
- (f) if the Company is unable to pay its debts within the meaning of Section 123 of the Insolvency Act 1986 (excluding sub-section (1)(a)) or any analogous provision under any other applicable law; or
- (g) if the Company initiates or consents to proceedings relating to itself under any applicable bankruptcy, insolvency, composition or other similar laws or makes a conveyance or assignment for the benefit of, or enters into any composition with, its creditors generally.

## 5. Conversion Rights

- (a) Each holder of CULS shall be entitled at any time after the first anniversary of issue following the service of notice by the holder of CULS to require the Company to convert all or part of his holding of CULS into fully paid Ordinary Shares on the basis of 0.4167 New Ordinary Shares for every £1 of principal nominal amount of CULS held subject to adjustment as provided in (h) (the “**Conversion Rate**”), which would equate to a conversion price, prior to the Capital Reorganisation, of 8p.
- (b) If the Company commences liquidation, whether voluntary or compulsory (other than for the purposes of a solvent reconstruction or amalgamation not affecting holders of CULS rights), each holder of CULS is entitled to elect to be treated as if his conversion rights had been exercised in respect of all or part of his CULS immediately prior to the date of such commencement and shall accordingly be entitled to participate in the assets available on liquidation as if he were an ordinary shareholder. Subject to the foregoing, conversion rights lapse in the event of liquidation of the Company.
- (c) If any offer is made to all the ordinary shareholders to acquire the whole or part of the issued share capital of the Company and the Company becomes aware that the offeror (or any person connected with it) has or will have the right to cast more than 50 per cent. of the votes which may ordinarily be cast on a poll at any general meeting, then the Company shall give notice to the holders of CULS within 14 days and the holder of CULS may give notice to the Company 28 days thereafter to:
  - (i) exercise their conversion rights on all or part of their CULS; and/or
  - (ii) require the Company to repay all or part of their CULS in cash at par.
- (d) If an offer (not falling within (c) above) is made to the holders of the Ordinary Shares of the Company, the Company shall, at the same time, make or procure to be made a like offer or invitation to each holder of CULS as if his conversion rights had been exercisable and exercised in full on the record date for such offer.
- (e) The Company will procure that no compromise or arrangement within the meaning of section 425 of the Companies Act 1985 affecting the ordinary share capital of the Company shall become effective unless the CULS Holders are parties to that scheme and have approved its terms in accordance with section 425 of the Act.
- (f) If at any time after the date of issue of the CULS the average of the closing bid prices of New Ordinary Shares as shown in the appropriate section of the Daily Official List of the London Stock Exchange for at least 30 consecutive days is equal to or exceeds 960p, the Company may at any time thereafter by giving 30 days’ notice in writing require each holder of CULS to

convert all or part of his holding of CULS into fully paid New Ordinary Shares at the Conversion Rate. The minimum amounts of CULS which may be converted by the Company exercising its right to convert on any occasion shall be no less than £1,000,000 save where the amount of CULS which remains unconverted at that time is less than £1,000,000 in which case the minimum amount shall be such amount of CULS which remains so unconverted.

- (g) No holder of CULS shall be entitled to allotment of a fraction of a share and shares representing fractions shall be allotted to a trustee for sale who shall sell the same (without being responsible for any loss thereby incurred) and pay to the Company the net proceeds of such sale which shall be distributed among the persons entitled thereto in proportion to their respective entitlements unless such net proceeds amount to less than £2 in respect of any one holding in which case they will not be so distributed but will be retained for the benefit of the Company.
- (h) On any consolidation, subdivision or reduction of capital of the Company when, in any such case any CULS remains liable to be converted the class and nominal amount of Ordinary Shares arising on conversion will be adjusted by the Directors so that the proportion of the Company's share capital to which a holder of CULS is entitled on conversion shall remain the same after the adjustment as it was prior to such event or otherwise in such manner as the auditors of the Company shall certify to be fair and reasonable.
- (i) On any consolidation, subdivision or reduction of capital of the Company when, in any such case any Loan Stock remains liable to be converted, the minimum average of the closing bid prices of a New Ordinary Share as shown in the Daily Official List of the London Stock Exchange for at least 30 consecutive days, for the purpose of (f) above, shall be multiplied by such number as results from dividing the number of Ordinary Shares in issue immediately following the consolidation, subdivision or reduction of capital of the Company, by the number of Ordinary Shares in issue immediately prior to the consolidation, subdivision or reduction of capital of the Company, or in such other manner as determined by the Directors and certified by the auditors of the Company to be fair and reasonable.
- (j) On any allotment of fully paid Ordinary Shares pursuant to a capitalisation of profits or reserves to any holders of Ordinary Shares on the register on a date prior to the Redemption Date whilst any CULS is in issue, the Conversion Rate in respect of any CULS converted after the record date of such allotment shall be adjusted by the Directors in such manner as the auditors of the Company shall certify to be fair and reasonable. No adjustment shall be made to the Conversion Rate by reason only of a holder of Ordinary Shares wholly or partially foregoing his entitlement to a cash dividend and in lieu thereof the Company making an issue to him of fully paid Ordinary Shares by way of capitalisation of an amount standing to the credit of the profit and loss account or revenue or other reserves not exceeding the amount of the cash dividend foregone, provided that in respect of each such issue the interests of the CULS Holders will not be materially prejudiced thereby.
- (k) If, prior to the Redemption Date, and while any CULS are in issue the Company makes any offer by way of rights to holders of Ordinary Shares then the Conversion Rate shall be adjusted by multiplying the number of Ordinary Shares to be issued in respect of each £1 of principal nominal amount of CULS converted by the following fraction:

$$\frac{A + C}{A + B}$$

where:

A is the number of Ordinary Shares in issue immediately before the announcement of such offer;

B is the number of Ordinary Shares which the aggregate amount payable for the Ordinary Shares by way of rights would purchase at the closing mid-market price of an Ordinary Share as shown in the Daily Official List of the London Stock Exchange on the business day prior to the announcement of such offer; and

C is the number of Ordinary Shares issued upon the exercise of such rights or, as the case may be, the maximum number of Ordinary Shares which may be issued upon exercise of such rights.

Such adjustment shall become effective on the first date on which the Ordinary Shares are traded ex-rights on AIM.

## **6. Undertakings**

- (a) The Company shall, for as long as any CULS remains outstanding, upon receipt of a duly completed conversion notice, promptly allot and issue Ordinary Shares to the holder of CULS in accordance with the CULS.
- (b) The Company will use its reasonable endeavours to:
  - (i) ensure that all the ordinary share capital of the Company issued on conversion will, upon allotment, be admitted to trading on the AIM; and
  - (ii) maintain an admission to trading on the AIM for the CULS and, for so long as any part of the CULS may be or become convertible, for the fully paid ordinary share capital of the Company.

## **7. Transfer and Registration**

- (a) The CULS shall be transferable in multiples of £1.
- (b) The Company is not bound to recognise or take notice of any trust to which the CULS may be subject.
- (c) A register of holders of CULS must be kept by the Company.
- (d) The transfer of CULS on the death of a holder of CULS is subject to the terms of the CULS.

## **8. Meetings of the CULS Holders**

The CULS contains general provisions relating to the conduct of meetings of holders of CULS. These include provisions inter alia, as follows:

- (i) holders of not less than one-tenth in nominal value of the CULS for the time being outstanding may require the Company to convene a meeting of the holders of CULS;
- (ii) the conduct of meetings of the holders of CULS is subject to the terms of the CULS. On a show of hands every member who is present in person shall have one vote and upon a poll every have one vote for every £1 nominal CULS held by him; and
- (iii) a meeting of the holders of CULS can sanction and authorise certain acts relating to the CULS or the conduct of the Company's affairs. Such authorisation is by way of Resolution which requires the support of not less than 75 per cent. of those present at a meeting or of votes cast on a poll. Such resolutions may also be validly passed by a written resolution signed by or on behalf of at least 95 per cent. of the holders of CULS.

## **9. Payments**

Any monies payable on or in respect of the CULS shall be paid by telegraphic transfer of immediately available funds for credit to the account designated by each holder of CULS in writing lodged with the Company at its registered office, failing which such payment may be paid by cheque.

## **10. Venture Capital Trust compliance**

The CULS contain provisions relating to Foresight which restrict its rights of conversion in connection with its stake as a venture capital trust and undertakings given by the Company to Foresight in connection with such status.

# Corero PLC

(Incorporated in England and Wales with registered number 2662978)

## NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of Corero PLC ("the Company") will be held at the offices of John East & Partners Limited, 10 Finsbury Square, London EC2A 1AD on 29 June 2009, at 10.30 a.m. (or such later time as the annual general meeting of the Company convened for the same day shall be concluded or adjourned) for the purpose of considering and, if thought fit, passing the following resolutions of which resolutions 1 and 2 will be proposed as ordinary resolutions and resolutions 3 and 4 will be proposed as special resolutions:

### ORDINARY RESOLUTION

1. **THAT**, in addition to any existing authorities for the purposes of this section, the Directors be and they are hereby generally and unconditionally authorised for the purposes of Section 80 of the Companies Act 1985 ("the Act") to exercise all the powers of the Company to allot relevant securities up to the amount of £16,668 provided this authority shall be limited to the allotment of any shares resulting from the conversion of the existing £4,000,000 nominal of 8 per cent. convertible unsecured redeemable loan stock 2011 (as amended as described in the circular to shareholders dated 4 June 2009 or otherwise from time to time).

The authorities conferred by this resolution will expire on 30 June 2015 and the authority (unless previously renewed, varied or revoked by the Company in general meeting), provided that the Company may before such expiry make offer(s) or agreement(s) which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of such offer(s) or agreement(s) notwithstanding that the authority conferred hereby has expired.

2. **THAT**, subject to and conditional upon the passing of resolution 4 as a special resolution and the admission of the New Ordinary Shares (as defined below) to trading on the AIM market of the London Stock Exchange plc becoming effective in accordance with Rule 6 of the AIM Rules ("Admission"):
  - (a) each holding of 30 existing ordinary shares of 10p each in the capital of the Company (each existing ordinary share being an "Existing Ordinary Share") in issue and registered in the name of any shareholder of the Company at 6.00 p.m. on 29 June 2009 (or such later time and date as the board of directors (or a duly authorised committee of the board) may determine) be and is hereby consolidated into and re-classified as one ordinary share of £3;
  - (b) where the number of Existing Ordinary Shares held by any shareholder is not exactly divisible by 30:
    - (i) any Existing Ordinary Shares held by such shareholder in excess of the number of Existing Ordinary Shares consolidated pursuant to paragraph (a) above (such excess shares being referred to as "Indivisible Shares") shall be aggregated with the Indivisible Shares held by other shareholders;
    - (ii) where such aggregated number of shares is not divisible by 30, the minimum number of additional Existing Ordinary Shares ("Additional Indivisible Shares") shall be issued to the Company's broker (or as otherwise determined by the Company) so that the aggregate number of Indivisible Shares and Additional Indivisible Shares is divisible by 30; and
    - (iii) immediately following the entry in the register of members of the Company of the holder of such Additional Indivisible Shares, the Indivisible Shares and Additional Indivisible Shares shall be consolidated and re-classified such that every 30 such shares becomes one ordinary share of £3;

- (c) each ordinary share of £3 arising as a result of paragraphs (a) or (b) above be and is hereby subdivided into and reclassified as (i) one new ordinary share of 1p (a "New Ordinary Share") having the rights and being subject to the restrictions (save as to nominal value) set out in the articles of association of the Company (as amended pursuant to resolution 4 below) and forming one class of shares with the unissued ordinary shares created pursuant to paragraph (e) below, and (ii) one deferred share of £2.99, having the rights and being subject to the restrictions set out in such articles of association;
- (d) all of the New Ordinary Shares deriving from the Existing Ordinary Shares referred to in paragraph (b) above shall be sold for the benefit of the Company and holders of such Existing Ordinary Shares shall not be entitled to receive the proceeds of such sale; and
- (e) each of the authorised but unissued Existing Ordinary Shares be and is hereby sub-divided into ten ordinary shares of 1p each and forming one class of shares with the New Ordinary Shares created pursuant to paragraph (c) above.

### SPECIAL RESOLUTIONS

3. **THAT**, in addition to any existing authorities pursuant to that section, the Directors be and they hereby are empowered pursuant to Section 95 of the Act to allot equity securities (within the meaning of Section 94 of the Act) wholly for cash pursuant to the authority conferred by resolution 1 above as if Section 89(1) of the Act did not apply to any such allotment, such authority to expire on 30 June 2015 (unless previously renewed, varied or revoked by the Company in general meeting), save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offer or agreement notwithstanding that the authority conferred hereby has expired, and provided further that such power be limited to the allotment of any shares resulting from the conversion of the existing £4,000,000 nominal of 8 per cent. convertible unsecured redeemable loan stock 2011 (as amended as described in the circular to Shareholders dated 4 June 2009).
4. **THAT**, subject to and conditional upon the passing of resolution 2 as an ordinary resolution and to Admission, the articles of association of the Company be and they are hereby amended as follows:
  - (a) by the insertion of the following new definition into Article 2.1 after the definition of "default shares":
 

**"Deferred Shares"** means deferred shares of £2.99 each in the capital of the Company having the rights and restrictions set out in these Articles."; and
  - (b) by the replacement of the definition of "**Ordinary Shares**" in Article 2.1 with the following:
 

**"Ordinary Shares"** means ordinary shares of 1 penny each in the capital of the Company";
  - (c) by the replacement of Article 4 with the following:
 

**"4. Authorised share capital**

The authorised share capital of the Company at the date of the adoption of these Articles is £11,999,999.80 divided into 745,821,970 Ordinary Shares and 1,518,990 Deferred Shares."

(d) by the insertion of the following new Article 4A:

**"4A. Deferred Shares**

4A.1 A Deferred Share:

- (a) does not entitle its holder to receive any dividend or other distribution;
- (b) does not entitle its holder to receive a share certificate in respect of the relevant shareholding, save as required by law;
- (c) does not entitle its holder to receive notice of, nor to attend, speak or vote at, any general meeting of the Company;
- (d) entitles its holder on a return of capital on a winding-up (but not otherwise) only to the repayment of the amount paid up on that share after payment of the capital paid up on each Ordinary Share and the further payment of £10,000,000 on each Ordinary Share; and
- (e) does not entitle its holder to any further participation in the capital, profits or assets of the Company.

4A.2 The Deferred Shares shall not be capable of transfer at any time other than with the prior written consent of the directors of the Company.

4A.3 The Company may at its option and is irrevocably authorised at any time after the creation of the Deferred Shares to:

- (a) appoint any person to act on behalf of any holder of a Deferred Share, without obtaining the sanction of the holder, to transfer any or all of such shares held by such holder for nil consideration to any person appointed by the Directors to be the custodian of such shares;
- (b) without obtaining the sanction of the holder, but subject to the Acts:
  - (i) purchase any or all of the Deferred Shares then in issue and to appoint any person to act on behalf of all holders of Deferred Shares to transfer and to execute a transfer of all the Deferred Shares to the Company for an aggregate consideration of one penny payable to one of the holders of Deferred Shares to be selected by lot (who shall not be required to account to the holders of the other Deferred Shares in respect of such consideration); and
  - (ii) cancel any Deferred Share without making any payment to the holder.

4A.4 Any offer by the Company to purchase the Deferred Shares may be made by the Directors depositing at the registered office of the Company a notice addressed to such person as the directors shall have nominated on behalf of the holders of the Deferred Shares.

4A.5 Rights attaching to the Deferred Shares shall not be, or be deemed to be, varied, abrogated or altered by:

- (a) the creation or issue of any shares ranking in priority to the Deferred Shares;
- (b) the Company reducing its share capital;
- (c) the cancellation of any Deferred Share without any payment to the holder thereof; or

- (d) the redemption or purchase of any share, whether a Deferred Share or otherwise and accordingly no consent thereto or sanction thereof by the holders of the Deferred Shares, or any of them, shall be required."

*Registered office:*  
3rd Floor  
3 London Wall Buildings  
London Wall  
London EC2M 5SY

By order of the Board  
**Duncan James Swallow**  
Company Secretary

Dated: 4 June 2009

- 1.Á A member who is entitled to attend, speak and vote may appoint a proxy to attend, speak and vote instead of him. A proxy need not also be a member of the Company but must attend the Extraordinary General Meeting in order to represent a member. A member may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares (so a member must have more than one share to be able to appoint more than one proxy). A form of proxy is enclosed. The notes to the form of proxy include instructions on how to appoint the Chairman of the Extraordinary General meeting or another person as proxy. To be effective the form must reach the Company's registrar, Capita Registrars, Proxy Department, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU by 10.30 a.m. on 27 June 2009.
- 2.Á Pursuant to regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that only those persons registered in the register of members of the Company at 6.00 p.m. on 27 June 2009 (or if the Extraordinary General Meeting is adjourned, 48 hours before the time fixed for the adjourned Extraordinary General Meeting) shall be entitled to attend and vote at the Extraordinary General Meeting in respect of the number of shares registered in their name at that time. Any changes to the register of members after such time shall be disregarded in determining the rights of any person to attend or vote at the Extraordinary General Meeting.
- 3.Á In order to facilitate voting by corporate representatives at the meeting, arrangements will be put in place at the meeting so that (i) if a corporate shareholder has appointed the chairman of the meeting as its corporate representative with instructions to vote on a poll in accordance with the directions of all of the other corporate representatives for that shareholder at the meeting, then on a poll those corporate representatives will give voting directions to the chairman and the chairman will vote (or withhold a vote) as corporate representative in accordance with those directions; and (ii) if more than one corporate representative for the same corporate shareholder attends the meeting but the corporate shareholder has not appointed the chairman of the meeting as its corporate representative, a designated corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative. Corporate shareholders are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives - [www.icsa.org.uk](http://www.icsa.org.uk) - for further details of this procedure. The guidance includes a sample form of representation letter if the chairman is being appointed as described in (i) above.

# Corero PLC

(Incorporated in England and Wales with registered number 2662978)

## NOTICE OF MEETING OF THE HOLDERS OF £4,000,000 8 PER CENT. CONVERTIBLE UNSECURED REDEEMABLE LOAN STOCK 2011

Notice is hereby given that a meeting of the holders of 8 per cent. Convertible Unsecured Redeemable Loan Stock 2011 ("CULS") issued by Corero PLC (the "Company") will be held at the offices of John East & Partners Limited, 10 Finsbury Square, London EC2A 1AD on 29 June 2009 at 11.00 a.m. (or such later time as the extraordinary general meeting of the Company convened on the same day shall have concluded or been adjourned) to consider and, if thought fit, pass the following resolution (which will be proposed as an extraordinary resolution) as indicated below:

### EXTRAORDINARY RESOLUTION

1. **THAT**, conditional upon the passing of all of the resolutions at the extraordinary general meeting of the Company convened pursuant to the notice of meeting dated 4 June 2009, in accordance with the provisions of clause 15.1 of the instrument constituting the £4,000,000 8 per cent. unsecured cumulative redeemable loan stock 2011 executed and delivered by the Company and dated 8 September 2000 (as amended) ("**Instrument**"), the Instrument be modified as follows:
  1. the title on the front cover of the instrument be deleted and replaced with "instrument constituting £4,000,000 8 per cent. (Part Deferred) unsecured convertible redeemable loan stock 2015";
  2. in the recital to the instrument on the third line the reference to "2011" be deleted and replaced with "2015";
  3. in the definition of the term "Loan Stock" at clause 1.1.1 of the instrument, the reference to "2011" be deleted and replaced with "2015";
  4. in the definition of the term "Ordinary Share" at clause 1.1.1 of the instrument, the reference to "10p" be deleted and replaced with "1p";
  5. the definition of the term "Redemption Date" at clause 1.1.1 of the instrument be deleted and replaced with "30 June 2015";
  6. on the first line of clause 2.3 of the instrument, the words "(Part Deferred)" be inserted between the reference to "cent." and "Unsecured";
  7. on the second line of clause 2.3 of the instrument, the reference to "2011" be deleted and replaced with "2015";
  8. on the fourth line of clause 9.2.1(b) of the instrument, the reference to "198" be deleted and replaced with "1985";
  9. on the loan stock certificate at part 1 of the schedule to the instrument:
    - (a) each reference to "2011" be deleted and replaced with "2015"; and
    - (b) the words "(Part Deferred)" be inserted between each reference to "cent." and "Unsecured";
  10. on the second line of paragraph 1 of part 2 of the schedule to the instrument, the reference to "31 October 2011" be deleted and replaced with "30 June 2015";

11. on the fifth line of paragraph 2.1.1 of part 2 of the schedule to the instrument, the reference to “four Ordinary Shares” be deleted and replaced with “0.4167 Ordinary Shares”;
12. on the fourth line of paragraph 2.2.1 of part 2 of the schedule to the instrument, the reference to “200p” be deleted and replaced with “960p”;
13. paragraph 2.4 of part 2 of the schedule to the instrument, be deleted and replaced as follows:

"2.4 Consolidation, Subdivision and reduction

On any consolidation, subdivision or reduction of capital of the Company when, in any such case any Loan Stock remains liable to be converted:

2.4.1Á the class and nominal amount of Ordinary Shares arising on conversion will be adjusted by the Directors so that the proportion of the Company's share capital to which a Loan Stock Holder is entitled on conversion shall remain the same after the adjustment as it was prior to the consolidation, subdivision or reduction of capital of the Company, or in such other manner as determined by the Directors and certified by the auditors of the Company to be fair and reasonable; and

2.4.2 the minimum average of the closing bid prices of an Ordinary Share as shown in the Daily Official List of the London Stock Exchange for at least 30 consecutive days, for the purpose of paragraph 2.2.1 above, shall be multiplied by such number as results from dividing the number of Ordinary Shares in issue immediately following the consolidation, subdivision or reduction of capital of the Company, by the number of Ordinary Shares in issue immediately prior to the consolidation, subdivision or reduction of capital of the Company, or in such other manner as determined by the Directors and certified by the auditors of the Company to be fair and reasonable."

14. paragraph 3 of part 2 of the schedule to the instrument, be deleted and replaced as follows:

"3. Interest

3.1 Loan Stock shall bear interest on the principal outstanding sum at the rate of 8 per cent. per annum (calculated on a day-to-day basis) payable by the Company, until the Loan Stock is redeemed or repaid or converted, as follows:

3.1.1 during the three year period from 1 January 2009 to 31 December 2011 (the "First Interest Period"), 50 per cent. of the interest (the "Paid Interest") will be paid (less withholding tax required to be deducted by law) in equal instalments on 30 June and 31 December in each year. The remaining 50 per cent. of accrued but unpaid interest in respect of the First Interest Period (the "Deferred Interest") will be deferred and paid on the third anniversary of the date on which such Deferred Interest accrued (the "Accrual Date"); and

3.1.2 during the three and a half year period from 1 January 2012 to 30 June 2015 (the "Second Interest Period"), the Loan Stock will continue to bear interest on the principal outstanding sum at the rate of 8 per cent. per annum, which shall be paid (less withholding tax required to be deducted by law) in equal instalments on 30 June and 31 December in each year.

3.2 For the avoidance of doubt:

3.2.1 save for unpaid Deferred Interest, no interest will be payable on Loan Stock which is converted into Ordinary Shares in respect of any period after the relevant Conversion Date;

- 3.2.2 Deferred Interest will be paid on the third anniversary of the relevant Accrual Date to the Loan Stock Holder on the register on the relevant Accrual Date. Accordingly, any transferee of any Loan Stock will not receive any Deferred Interest which accrued prior to the date of transfer; and
- 3.2.3 no additional interest will be paid on the Deferred Interest and such Deferred Interest will not constitute principal of the Loan Stock for any purpose (including in respect of any calculation of the Conversion Rate on Conversion).”

15. on the conversion notices at part 3 of the schedule to the instrument:

- (a) each reference to "2011" be deleted and replaced with "2015"; and
- (b) the words “(Part Deferred)” be inserted between each reference to “cent.” and “Unsecured”; and

16. clause 20 of the instrument shall be deleted.

*Registered office:*  
3rd Floor  
3 London Wall Buildings  
London Wall  
London EC2M 5SY

By order of the Board  
**Duncan James Swallow**  
Company Secretary

Dated: 4 June 2009

- 1.Á A member who is entitled to attend, speak and vote may appoint a proxy to attend, speak and vote instead of him. A proxy need not also be a CULS holder but must attend the CULS Meeting in order to represent a CULS holder. A CULS holder may appoint more than one proxy. A form of proxy is enclosed. The notes to the form of proxy include instructions on how to appoint the Chairman of the CULS Meeting or another person as proxy. To be effective the form must reach the Company's registrar, Capita Registrars, Proxy Department, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU by 11.00 a.m. on 27 June 2009.
- 2.Á Pursuant to regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that only those persons registered in the register of CULS holders at 6.00 p.m. on 27 June 2009 (or if the CULS Meeting is adjourned, 48 hours before the time fixed for the adjourned CULS Meeting) shall be entitled to attend and vote at the CULS Meeting in respect of the number of CULS registered in their name at that time. Any changes to the register of CULS holders after such time shall be disregarded in determining the rights of any person to attend or vote at the CULS Meeting.