

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to any aspect of the proposals referred to in this document or as to the action you should take, you should seek your own advice from a solicitor, accountant or other professional adviser immediately.

SECTION 1

The Pharmacy Mutual Insurance Company Limited

(incorporated in England with company number 184646)

Registered Office:

Mallinson House
40-42 St Peter's Street
St Albans
Hertfordshire
AL1 3NP

28 September 2009

Dear Member

Notice of a General Meeting of The Pharmacy Mutual Insurance Company Limited (PMI) to be held at the Registered Office of PMI (Mallinson House, 40-42 St Peter's Street, St Albans, Hertfordshire, AL1 3NP) on 22 October 2009 at 11am.

I am pleased to be writing to you with details of a General Meeting of PMI that we are holding on 22 October 2009 at 11am. The formal notice of the General Meeting is set out at Section 3 of this document.

You will find enclosed with this document a form of proxy (referred to in the remainder of this document as the *Form of Proxy*) for use if you would like to vote on the resolution to be put to the General Meeting but cannot come to the General Meeting itself.

To be valid, the Form of Proxy should be completed, signed and returned in accordance with the instructions printed on it as soon as possible and, in any event, so as to reach the registered office of PMI not less than 48 hours before the time for holding the General Meeting. Completion and return of the Form of Proxy will not preclude Members of PMI from attending and voting in person at the General Meeting should they choose to do so.

New Articles of Association

The purpose of the General Meeting is to ask our Members to approve a number of amendments to our existing Articles of Association. This is primarily to ensure that the new Articles of Association of PMI reflect the provisions of the new Companies Act 2006 (*the New Companies Act*) which comes into full effect on 1 October 2009 and which will render certain provisions of PMI's existing Articles of Association obsolete. The proposed amendments also, importantly, remove most of the administratively and financially burdensome provisions from the existing Articles of Association.

Given that PMI has not been active in the insurance market and has not carried on any kind of business since the completion of the sale of its renewal rights in December 2007 to the NPA and also given that it will be a non-trading company for the rest of its existence, the Board are of the view that it makes sense to remove such administratively and financially

burdensome provisions (for example the removal of the requirement that accounts certified by the auditors of PMI have to be laid before the Members in an Annual General Meeting) so that company funds are not diminished unnecessarily.

The amendments to the Articles of Association will also reflect that, under the New Companies Act, private companies like PMI are no longer obliged to hold Annual General Meetings (**AGMs**) and that companies like PMI are being advised to amend their Articles of Association to remove the need for holding these. Your Board does, however, appreciate that PMI, unlike many private companies, does have a large membership base and the Board undertakes to you that in the event of any matter occurring of material importance to the Members, a General Meeting will be called to discuss these with you. There will also, of course, need to be at least one more General Meeting in the future regarding the eventual winding up of PMI.

The passing of the proposed resolution at the General Meeting would mean that the Accounts for the period 1 January 2008 to 30 June 2009 would need to be prepared and filed by 30 April 2010. If the resolution put to the General Meeting is not passed, this would result in PMI having to bear the administrative burden of holding an AGM later this year, and again in 2010, and having to have a costly audit carried out on the Accounts for the period 1 January 2008 to 30 June 2009. The Board do not think this would be in the best interest of PMI or the Members as a whole and I urge you to vote at the General Meeting or by proxy in favour of the resolution to amend the Articles.

A full explanation of the main changes between the existing and the proposed new Articles of Association is set out in Section 2 of this document.

The members of the Board consider that the resolution to be put to the General Meeting relating to the amendments to the Articles of Association of PMI are in the best interests of PMI and its Members as a whole. The Board will be voting in favour of the resolution and unanimously recommends that you do so as well.

A copy of the proposed new Articles of Association of PMI together with a copy of the existing Articles of Association marked to show the changes being proposed will be available for inspection at the Registered Office of PMI (Mallinson House, 40-42 St. Peters Street, St. Albans, Herts AL1 3NP) and at the offices of McClure Naismith LLP, Equitable House, 47 King William Street, London EC4R 9AF from the date of the notice of the General Meeting until the date of the General Meeting and at the General Meeting from 15 minutes before the General Meeting until it ends. A copy can also be obtained by e-mail from Richard.Maw@npa.co.uk and at www.p-m-i.co.uk.

Yours sincerely



Michael Major

Chairman

The Pharmacy Mutual Insurance Company Limited

SECTION 2

Summary of the proposed amendments to the Articles of Association of PMI

This is an overview of the key proposed amendments to the Articles of Association of PMI. The amendments are conditional upon the Members of PMI passing the Special Resolution set out in the notice of General Meeting to be held on 22 October 2009.

Why do the Articles of Association of PMI need to be amended?

On 1 October 2009 the remaining sections of the Companies Act 2006 (*the 2006 Act*) will be implemented and the majority of the Companies Act 1985 will be repealed. Under the 2006 Act, certain provisions of PMI's Articles of Association will become obsolete and, as such, require to be deleted. The 2006 Act also reduces the administrative burden on private limited companies like PMI, particularly in relation to the relaxation of the obligation to hold Annual General Meetings and the method by which documents such as the Annual Accounts are distributed to members. These relaxations are particularly helpful to PMI as the holding of its Annual General Meeting and the posting of the accounts and notice etc to all of the members is a major expense.

Under the 2006 Act, a private limited company is no longer obliged to hold an Annual General Meeting. PMI's current Articles oblige it to hold an Annual General Meeting at which full accounts are laid before the members. At the meeting one third of the existing directors must offer themselves for re-election. Notice of the meeting must be sent to all members together with a full set of audited accounts. As PMI has a large number of members, the printing, postage and administrative costs of such an exercise are very high. By changing the Articles and taking advantage of the new "relaxed" regime afforded by the 2006 Act, PMI will reduce its costs.

If the proposed amended Articles are adopted, members will still be entitled to receive a copy of the accounts. However, rather than sending a hard copy to every member, PMI will simply write to the members informing them that the accounts are available to view or download from the Company's website. If a member would prefer to receive a hard copy of the accounts, they can do so by writing to PMI at the Registered Office and requesting a printed copy of the accounts. While PMI will no longer be obliged to hold Annual General Meetings, under section 303 of the 2006 Act, the directors of PMI will be obliged to call a general meeting if requests for a meeting are received from a sufficient number of members. To do this 10 per cent. of the members would need to request such a meeting. However, this figure reduces to 5 per cent., if more than 12 months has passed since the date of the last general meeting. In addition, the directors of PMI undertake that in the event of any matter occurring of material importance to the Members then a general meeting will be called.

Main amendments to the Articles

In Article 1, the definition of "the Act" will refer to the Companies Act 2006 as opposed to the Companies Act 1985.

COMMENT/EFFECT OF CHANGE: References to sections of the Companies Act 1985 will be changed to those of the 2006 Act where they appear throughout the Articles.

Article 5.1 (the obligation to hold Annual General Meetings) will be deleted and the number left intentionally blank.

COMMENT/EFFECT OF CHANGE: *This amendment removes the obligation to hold an Annual General Meeting in each year.*

Article 5.2 (references to Extraordinary General Meetings) will be deleted and the number left intentionally blank.

COMMENT/EFFECT OF CHANGE: *The 2006 Act no longer refers to Extraordinary General Meetings and all references throughout the Articles to Extraordinary General Meetings will be deleted.*

Article 5.3 (relating to the summoning of General Meetings) will be deleted and replaced with the following:

“5.3 The directors may call general meetings and, on the requisition of members pursuant to the provisions of the Act, shall forthwith proceed to convene a general meeting in accordance with the provisions of the Act. If there are not within the United Kingdom sufficient directors to call a general meeting, any director or any member of the Company may call a general meeting.”

COMMENT/EFFECT OF CHANGE: *The directors will not be obliged to hold an Annual General Meeting in each year. However, as stated previously, under the 2006 Act, the directors of PMI will be obliged to call a general meeting of PMI if requests to that effect are received from a sufficient number of members. In addition, the directors of PMI undertake to the members that in the event of any matter occurring of material importance to members, they will call a general meeting to discuss this with the members.*

Articles 5.4, 5.5 and 5.6 will be deleted and the numbers left intentionally blank.

COMMENT/EFFECT OF CHANGE: *These articles relate to the requisition of Extraordinary General Meetings which no longer exist under the 2006 Act.*

Article 5.7 (relating to the notice period for General Meetings) will be deleted and replaced with the following:

“5.7 General meetings shall be called by at least fourteen clear days’ notice but a general meeting may be called by shorter notice if is so agreed by a majority in number of the members having a right to attend and vote being a majority together holding not less than ninety per cent of the total voting rights at the meeting of all the members. The notice shall specify the time and place of the meeting and the general nature of the business to be transacted.”

COMMENT/EFFECT OF CHANGE: *This amendment results in future general meetings being called on 14 days notice as opposed to 21 days as set out in PMI’s current Articles.*

Article 6.1.1 (relating to the business conducted at Annual General Meetings and Extraordinary General Meetings) will be deleted and replaced with the following:

“6.1.1. Full minutes shall be taken of all proceedings at every General Meeting.”

Article 6.1.2 (relating to members summoning an Annual General Meeting) will be deleted and the number left intentionally blank.

COMMENT/EFFECT OF CHANGE: *As mentioned previously, under the 2006 Act, members can request the directors of PMI to call a General Meeting.*

In Article 6.8 (written resolutions) the words “...all the...” will be deleted and replaced with the “...required majority of eligible...”.

COMMENT/EFFECT OF CHANGE: *Under the 2006 Act, written resolutions of the members no longer need to be unanimous. They simply require to be passed by either 75 per cent. of the members (for a Special Resolution) or a simple majority of the members (for an Ordinary Resolution). As PMI has a large number of members it is unlikely that it would ever use the written resolution method but the change to the wording of the Article brings it into line with the 2006 Act.*

Article 7.6 (Chairman’s casting vote) will be deleted and the number left intentionally blank.

COMMENT/EFFECT OF CHANGE: *Under the 2006 Act, a Chairman’s casting vote at a meeting of the members is no longer permitted and so the Article will be deleted.*

In Article 8.2.1 (Voting Rights) the words “...Policy that they held on 18 December 2007...” will be deleted and replaced by “...Member...”.

COMMENT/EFFECT OF CHANGE: *This change will simplify the voting process.*

In Article 8.3 (Votes by Proxy) the words “...one Full Member...” will be deleted and replaced by “...any person...”.

COMMENT/EFFECT OF CHANGE: *Under the 2006 Act, a member is entitled to appoint any person to act as a proxy. It does not need to be an existing Full Member of PMI.*

Article 9.3 (relating to Directors retiring by rotation) will be deleted and the number left intentionally blank.

COMMENT/EFFECT OF CHANGE: *As PMI will no longer hold Annual General Meetings, the directors will no longer retire by rotation at each AGM. Given the limited expected existence of the Company following the General Meeting, the current directors will hold office until they either resign, die or are removed by the members using the procedures available under the 2006 Act. A director’s appointment will also terminate if he or she ceases to be eligible to act as a director pursuant to Articles 9.5 or 9.6 of the current Articles. The members can also appoint additional directors using the procedures available under the 2006 Act.*

All references in Articles 9.4, 9.7 and 9.12 to Directors retirement by rotation and their re-appointment at Annual General Meetings will also be deleted.

Article 10.3.1 (Appointment of Chairman & Vice-Chairman) will be deleted and replaced with the following:

“10.3.1 Directors shall elect one of their number to be Chairman of the Directors and may, if they see fit, elect another to be Vice-Chairman.”

COMMENT/EFFECT OF CHANGE: *All references to Annual General Meetings have been deleted from this Article by this amendment.*

Article 10.3.4 (Chairman’s Term of Office) will be deleted and the number left intentionally blank.

COMMENT/EFFECT OF CHANGE: *The restriction on the Chairman serving more than three consecutive terms will be removed.*

Article 14.2 (Accounts and Balance Sheet) will be deleted and replaced by the following:

“14.2 In accordance with chapter 7 of Part 15 of the Act the Directors shall prepare a statement of the accounts of the Company’s business, a profit and loss account, and a balance sheet containing a summary of the property and liabilities of the Company and such group accounts (if any) as shall be required by the Act.”

COMMENT/EFFECT OF CHANGE: *While the obligation remains for the directors to prepare annual accounts in accordance with the 2006 Act, this amendment means that the accounts do not require to be laid before the members in general meeting. Members will still have a right to receive a copy of the accounts from PMI either electronically through email or via a web-site or a hard copy by post.*

Article 14.3 (Report of Directors) will be deleted and replaced by the following:

“14.3 Every such balance sheet shall be accompanied by a report of the Directors as to the state and condition of the Company and as to the amount (if any) which they propose to carry to any special fund, and the said accounts, report and balance sheet shall be signed by one Director.”

COMMENT/EFFECT OF CHANGE: *This amendment removes the obligation to have the annual accounts audited. However, annual accounts will continue to be audited for as long as the Directors are obliged to do so with regard to PMI’s activities and financial standing under the provisions of the 2006 Act.*

Article 15 (Auditors) will be deleted and replaced by the following:

“15 Auditors may be appointed in the manner provided by the Act. The remuneration of any Auditors, appointed by the Directors, shall be determined by the Directors and the remuneration of any Auditors, appointed by the Full Members, shall be determined by the Full Members.”

COMMENT/EFFECT OF CHANGE: *This amendment removes the obligation to appoint Auditors. However, PMI will continue to have Auditors for as long as the Directors are obliged to do so with regard to PMI’s activities and financial standing under the provisions of the 2006 Act.*

Article 17.4 will be amended by the addition of the following new Article:

“17.4.9 The Company may, subject to and in accordance with the Act and these Articles, send or supply all types of documents or information to members by electronic means and/or including by making such notices, documents or information available on a website. Any document or information which is sent or supplied by the Company by means of a website shall be deemed to have been received when the material was first made available on the website or, if later, when the recipient received (or is deemed to have received) notice of the fact that the material was available on the website. The accidental failure to send, or the non-receipt by any person entitled to, any notice of or other document or information relating to any meeting or other proceeding shall not invalidate the relevant meeting or proceeding.”

COMMENT/EFFECT OF CHANGE: *This amendment will enable the directors to issue Annual Accounts via email and/or through a web-site for members who wish to access documents in that way. Members will still be able to obtain a hard copy of the Accounts by post if they prefer.*

Article 19.2 (Surplus assets on dissolution) will be deleted and replaced with the following:

“19.2 On a dissolution, after all the liabilities of the Company have been provided for, the Directors shall distribute the balance among such Full Members in such manner and form and in such proportions as the Directors shall determine. If, however, after all the liabilities of the Company have been provided for, the remainder of the Company’s assets are calculated by the Directors (using their discretion) as constituting too small a pool to be distributed economically and cost effectively among such Full Members, these will be donated to a charity of the Directors’ choice.”

COMMENT/EFFECT OF CHANGE: *this article has been changed to reflect the distribution programme previously approved by the members of PMI so that on dissolution of PMI after the liabilities are settled, the directors may contribute any remaining assets to charity if it is uneconomic to distribute them to members.*

SECTION 3

THE PHARMACY MUTUAL INSURANCE COMPANY LIMITED (Incorporated in England with company number 184646)

Notice of General Meeting

NOTICE IS HEREBY GIVEN that a General Meeting of The Pharmacy Mutual Insurance Company Limited (*the Company*) will be held at the Company's Registered Office at Mallinson House, 40-42 St Peter's Street, St Albans, Hertfordshire, AL1 3NP on 22 October 2009 at 11am (*the Meeting*) for the purpose of considering the following resolution which will be proposed as a Special Resolution.

SPECIAL RESOLUTION

- 1 That the current Articles of Association of the Company be replaced with a new form of Articles of Association which shall be based on the current form of Articles of Association but which shall be revised to incorporate the changes set out in the letter which accompanies this notice of the Meeting.

Registered Office

**Mallinson House
40-42 St Peter's Street
St. Albans
Hertfordshire
AL1 3NP**

By order of the Board



Company Secretary

28 September 2009

Notes:

- 1 A copy of the proposed new Articles of Association of PMI together with a copy of the existing Articles of Association marked to show the changes being proposed will be available for inspection at the Registered Office of PMI (Mallinson House, 40-42 St. Peters Street, St. Albans, Herts AL1 3NP) and at the offices of McClure Naismith LLP, Equitable House, 47 King William Street, London EC4R 9AF from the date of the notice of the General Meeting until the date of the General Meeting and at the General Meeting, from 15 minutes before the General Meeting until it ends. A copy can also be obtained by e-mail from richard.maw@npa.co.uk or downloaded from the Company's website at www.p-m-i.co.uk
- 2 As a member of the Company, you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at the Meeting and you should have received a proxy form with this notice of Meeting. You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form.
- 3 To be effective, the instrument appointing a proxy must be deposited at the Registered Office of the Company not less than 48 hours before the time for holding the meeting. Completion and return of the proxy form will not preclude Members of the Company from attending and voting in person at the meeting.
- 4 A proxy does not need to be a member of the Company but must attend the Meeting to represent you. Details of how to appoint the Chairman of the Meeting or another person as your proxy using the proxy form are set out in the notes to the proxy form. If you wish your proxy to speak on your behalf at the Meeting you will need to appoint your own choice of proxy (not the Chairman) and give your instructions directly to them.