

27 May 2009

Dear Shareholder,

**Corac Group plc
Annual General Meeting**

I am pleased to invite you to attend the 2009 Annual General Meeting ('AGM') of Corac Group plc which will be held at 10.00 a.m. on Wednesday, 24 June 2009 at Buchanan Communications, 45 Moorfields, London EC2Y 9AE. If, for any reason, you are unable to attend, we would be very pleased to receive your proxy votes so that we can continue to manage the business in line with our strategy.

The next 12 months will be fairly critical in our development as we bring a number of products to the market. Our unique, efficient technology is needed even more in these challenging times and Corac is geared to deliver. We have taken appropriate steps to ensure that we have the necessary financial capabilities, partnerships and customer support to see our products through to the next stage.

I would like to draw your attention to two of the resolutions at our AGM. These resolutions are good housekeeping and we have taken care to ensure that they do not allow or imply any significant changes in the way in which we do business. We are proposing to simplify our various cumbersome share option schemes by replacing them with one umbrella scheme. We are also proposing to update our Articles of Association to reflect changes in the Companies Act 2006.

Attached to this letter are three appendices, which we hope will give some clarity on our proposals. Appendix 1 gives a summary of the proposed resolutions for the AGM. The subsequent Appendices give a short resume on the new umbrella share option scheme and the changes to the Articles of Association.

Also enclosed with this letter are:

- Corac group plc Annual Report and Accounts for the Year Ended 31 December 2008
- Notice of the AGM
- Proxy Form for the AGM

We look forward to seeing on 24 June.

Yours sincerely,



**Professor G Musgrave
Executive Chairman**

Appendix 1

Explanatory notes regarding resolutions proposed at the AGM

Resolutions 1 - 4

These resolutions are self explanatory and cover adoption of the financial statements, the re-election of Grant Thornton UK LLP as auditor and the re-election of Alan Wood and Siân Westerman as directors. Biographical information on the directors retiring and seeking re-election at the AGM are included in the attached report and accounts.

Resolution 5 – Approval and adoption of a new share option scheme and termination of the existing schemes

In order to simplify the Company's share scheme arrangements the directors propose to adopt one new umbrella scheme, the Corac Group plc 2009 Share Option Scheme (the "Scheme"), which will provide for the grant of both EMI and unapproved options.

The principal terms of the Scheme are summarised in Appendix 2 and are broadly similar to the terms of the Company's existing EMI scheme. The draft rules of the Scheme are available for inspection at the registered office of the Company during normal business hours on any weekday (excluding public holidays) and for at least 15 minutes prior to and during the AGM.

Upon the passing of resolution 5, the Company's existing share schemes will be terminated. No further options will be granted under those schemes but existing options granted under those schemes will not be affected.

Resolution 6 – Authority of Directors to allot shares

The authority given to the directors to allot further shares in the capital of the Company requires the prior authorisation of the shareholders in general meeting under section 80 of the Companies Act 1985. Upon the passing of resolution 6, the directors will have authority to allot shares up to a maximum of £1,413,182 which is approximately 15% of the current issued share capital. This authority will expire at the earlier of the conclusion of the next AGM and 15 months from the date of passing this resolution. The directors have no current intention to exercise this proposed authority but consider it prudent to maintain flexibility to act in the best interests of shareholders.

Resolution 7 – Disapplication of statutory pre-emption rights

This resolution seeks to disapply the pre-emption rights provisions of section 89 of the Companies Act 1985 in respect of the allotment of equity securities for cash pursuant to rights issues and other pre-emptive issues, and in respect of other issues of equity securities for cash up to an aggregate nominal value of £1,413,182, being an amount equal to 15% of the current issued share capital of the Company. The equivalent resolution approved at the 2008 AGM also gave directors authority over approximately 15% of the then issued share capital. This authority will expire at the same time as the authority referred to in resolution 6. The directors consider this power desirable due to the flexibility afforded by it.

Resolution 8 - Adoption of new Articles of Association

It is proposed in this resolution to adopt new articles of association (the "New Articles") in order to update the Company's current articles of association (the "Current Articles"). This is primarily to reflect the provisions of the Companies Act 2006, which has been implemented in stages with the final implementation taking place on 1 October 2009. For simplicity, the New Articles will become effective on 1 October 2009.

The principal changes introduced in the New Articles are summarised in Appendix 3 to this letter. The New Articles showing all the changes to the Current Articles are available for inspection at the registered office of the Company during normal business hours on any weekday (excluding public holidays) and for at least 15 minutes prior to and during the AGM.

Form of Proxy

A Form of Proxy for the AGM is enclosed and should be completed and returned in the enclosed envelope as soon as possible. To be valid, the Form of Proxy must reach the Company's registrar, Capita, no later than 48 hours before the time appointed for the meeting or for any adjournment thereof, together with, if appropriate, the power of attorney or other authority (if any) under which it is signed or a notarially certified or office copy of such power of authority. The return of the Form of Proxy by post will not prevent you from attending the AGM and voting in person should you so wish.

Appendix 2
Explanatory notes regarding adoption of new share option scheme
The Corac Group plc 2009 Share Option Scheme (the "Scheme")

The following is an outline of the principal terms of the model form of rules comprising the Scheme, which are broadly similar to terms of the Company's existing EMI scheme. The Scheme will operate for a maximum period of ten years from the date of its adoption by the Company.

1. Participation

Subject to the EMI code, all employees and executive directors of the Company are eligible for the grant of options under the Scheme.

2. Grant of Options

Options may be granted (at no cost on grant) by the board or the trustees of the Company's Employee Benefit Trust (the "Trustees"), over unissued or issued ordinary shares in the Company. Options cannot be transferred, assigned or otherwise dealt with. Options may be granted subject to performance conditions and it is intended that, save for exceptional circumstances, all options shall be subject to performance conditions.

3. Exercise Price

The board, or where appropriate the Trustees, determines the exercise price of options before they are granted. Save for exceptional circumstances the exercise price will be equal to the prevailing market value at the date of grant.

4. Scheme Limits

Options may only be granted over unissued shares under the Scheme if the aggregate of all ordinary shares issued or remaining issuable by the Company in respect of subsisting options granted under the Scheme and the nominal value of all ordinary shares remaining issuable in respect of subsisting options granted under the Company's existing schemes, will not exceed 15% of the nominal value of the ordinary share capital of the Company in issue immediately prior to the proposed date of grant. EMI options will also be subject to the statutory limits.

5. Exercise of Options

The first exercise date for the options will be determined by the board, or where appropriate the Trustees. The Company intends that options will be exercisable after each of the first, second and third anniversary of the date of grant in respect of one third of the shares comprised in the options. In any event, options will not be exercisable after the tenth anniversary of their grant.

The right to exercise options normally terminates immediately upon the option holder ceasing to be an eligible employee. The Scheme operates a similar provision to the current EMI scheme whereby certain good leavers are allowed to exercise their options within a defined period. In the case of death, an option holder's personal representatives may exercise his options within 12 months after the date of death.

6. Takeovers and Liquidations

In the event of a takeover, scheme of arrangement, change of control or voluntary winding up of the Company, options become immediately exercisable regardless of whether or not the performance conditions have been met.

7. Variation of Share Capital

In the event of any variation in the share capital of the Company, the number of shares which may be issued or transferred to an option holder pursuant to the Scheme and/or the exercise price shall be adjusted in such manner as the Company's auditors shall in their opinion consider to be fair and reasonable.

8. Tax

The option holder shall bear any tax liability arising on the exercise of an option including, save for exceptional circumstances, any employers' National Insurance Contributions. The Company has the right to make deductions from payments due to the option holder or sell such number of the option holder's shares as is necessary in order to cover the liability.

9. Amendment and Termination

The board, in consultation with the Trustees, may make amendments to the rules of the Scheme which are minor or for the benefit of the administration of the Scheme. The board may also amend specific option agreements for the grant of options under the Scheme. The variation of an agreement must either be by agreement of all parties or with the consent of such option holders holding options over not less than three quarters of the shares subject to such option to which the variation relates. Any variation to an agreement for EMI options must also comply with the EMI code. The Company in general meeting or the Board can terminate the Scheme so that no further options are granted but any subsisting options granted before such termination shall not be affected.

Appendix 3

Explanatory notes of principal changes to the company's articles of association

1. The Company's objects

The provisions regulating the operations of the Company are currently set out in the Company's memorandum and articles of association. The Company's memorandum contains, among other things, the objects clause which sets out the scope of the activities the Company is authorised to undertake. This is drafted to give a wide scope.

The Companies Act 2006 significantly reduces the constitutional significance of a company's memorandum. The Companies Act 2006 provides that a memorandum will record only the names of subscribers and the number of shares each subscriber has agreed to take in the company. Under the Companies Act 2006 the objects clause and all other provisions which are currently contained in a company's memorandum, for existing companies at 1 October 2009, will be deemed to be contained in a company's articles of association but the company can remove these provisions by special resolution.

Further the Companies Act 2006 states that unless a company's articles provide otherwise, a company's objects are unrestricted. This abolishes the need for companies to have objects clauses. For this reason the Company is proposing to remove its objects clause together with all other provisions of its memorandum which, by virtue of the Companies Act 2006, are to be treated as forming part of the Company's articles of association as of 1 October 2009. Resolution 8(i) confirms the removal of these provisions for the Company. As the effect of this resolution will be to remove the statement currently in the Company's memorandum of association regarding limited liability, the New Articles also contain an express statement regarding the limited liability of the shareholders.

2. Articles which duplicate/conflict with statutory provisions

Provisions in the Current Articles which replicate or conflict with provisions contained in the Companies Act 2006 are in the main to be removed or amended in the New Articles.

3. Change of name

Currently, a company can only change its name by special resolution. Under the Companies Act 2006 a company will be able to change its name by other means provided for by its articles. To take advantage of this provision, the New Articles enable the company to change its name by ordinary resolution.

4. Authorised share capital and unissued shares

The Companies Act 2006 abolishes the requirement for a company to have an authorised share capital and the New Articles reflect this. Directors will still be limited as to the number of shares they can at any time allot because allotment authority continues to be required under the Companies Act 2006 (similar to the s.80 regime under the Companies Act 1985), save in respect of employee share schemes.

5. Redeemable shares

At present if a company wishes to issue redeemable shares, it must include in its articles the terms and manner of redemption. The Companies Act 2006 enables directors to determine such matters instead provided they are so authorised by the articles. The New Articles contain such an authorisation.

6. Suspension of registration of share transfers

The Current Articles permit the directors to suspend the registration of transfers. Under the Companies Act 2006 share transfers must be registered as soon as practicable. The power in the Current Articles to suspend the registration of transfers is inconsistent with this requirement. Accordingly, this power has been removed in the New Articles.

7. Form of resolution

The Current Articles contain a provision that, where for any purpose an ordinary resolution is required, a special or extraordinary resolution is also effective. This provision is being amended as the concept of extraordinary resolutions has not been retained under the Companies Act 2006.

8. Convening general meetings

The provisions in the Current Articles dealing with the convening of general meetings and the length of notice required to convene general meetings are being amended to conform to new provisions in the Companies Act 2006. In particular a general meeting (other than an annual general meeting) to consider a special resolution can be convened on 14 days' notice whereas previously 21 days' notice was required.

9. Votes of members

Under the Companies Act 2006 proxies are entitled to vote on a show of hands whereas under the Current Articles proxies are only entitled to vote on a poll. The New Articles have been updated to reflect this new provision.

10. Conflicts of interest

The Companies Act 2006 sets out directors' general duties which largely codify the existing law but with some changes. Under the Companies Act 2006 a director must avoid a situation where he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict with the company's interests. The requirement is very broad and could apply, for example, if a director becomes a director of another company or a trustee of another organisation. The Companies Act 2006 allows directors of public companies to authorise conflicts and potential conflicts, where appropriate, where the articles of association contain a provision to this effect. The Companies Act 2006 also allows the articles of association to contain other provisions for dealing with directors' conflicts of interest to avoid a breach of duty. The New Articles give the directors authority to approve such situations and to include other provisions to allow conflicts of interest to be dealt with in a similar way to the current position.

There are safeguards which will apply when directors decide whether to authorise a conflict or potential conflict. First, only directors who have no interest in the matter being considered will be able to take the relevant decision, and secondly, in taking the decision the directors must act in a way they consider, in good faith, will be most likely to promote the company's success. The directors will be able to impose limits or conditions when giving authorisation if they think this is appropriate.

11. Declaration of director interests in transactions with the company

Under the Companies Act 2006 a director is under a duty to declare to the other directors the nature and extent of any direct or indirect interest he may have in certain transactions with the company. The New Articles have been updated to reflect these new provisions of the Companies Act 2006 and to set out limited instances when an interested director is permitted to vote on such transactions.

12. Electronic and web communications

The Companies Act 2006 enables companies to communicate with members by electronic and/or website communications. The New Articles continue to allow communications to members in electronic form and, in addition, they also permit the Company to take advantage of the new provisions relating to website communications. Before the Company can communicate with a member by means of website communication, the relevant member must be asked individually by the Company to agree that the Company may send or supply documents or information to him by means of a website, and the Company must either have received a positive response or have received no response within the period of 28 days beginning with the date on which the request was sent. The Company will notify the member (either in writing, or by other permitted means) when a relevant document or information is placed on the website and a member can always request a hard copy version of the document or information.

13. General

Generally the opportunity has been taken to bring clearer language into the New Articles. Other changes, which are of a minor, technical or clarifying nature have not been noted in this Appendix 3.