

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. It contains the resolutions to be voted on at the company's Annual General Meeting to be held at 9.30 am on 22 April 2008. If you are in any doubt as to the action you should take, you are recommended to seek your own personal financial advice from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser who is authorised under the Financial Services and Markets Act 2000.

If you have sold or transferred all your ordinary shares of 0.1p each in the company (Ordinary Shares), please forward this document and the Form of Proxy for use in relation to the Annual General Meeting of the company 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. If you have sold or otherwise transferred some of your Ordinary Shares, you should consult with the stockbroker, bank or other agent through whom the sale or transfer was effected.

The Annual General Meeting starts at 9.30 am, however, the doors to the Meeting will be open from 9.00 am and you may wish to arrive by 9.15 am to take your seat in good time for the start of the Meeting.

ARC International plc

(Incorporated under the Companies Act 1985 and registered in England and Wales with Registered No. 3592130)

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of ARC International plc (the company) will be held on 22 April 2008 at 9.30 am at 3rd Floor, Verulan Point, Station Way, St. Albans, Herts, AL1 5HE, for the following purposes:

Ordinary business

To consider and, if thought fit, to pass Resolutions 1 to 5 (inclusive) as ordinary resolutions of the company:

Resolution 1: To receive and adopt the accounts of the company for the financial year ended 31 December 2007, together with the reports of the directors of the company and the auditors of the company on those accounts.

Resolution 2: To elect Steven Gunders as a director of the company.

Resolution 3: To re-elect Victor Young as a director of the company.

Resolution 4: To re-appoint PricewaterhouseCoopers LLP as auditors of the company to hold office from the conclusion of this meeting until the conclusion of the next general meeting at which the accounts are laid before the company.

Resolution 5: To authorise the directors to determine the Auditors' remuneration for the ensuing year.

Special business

To consider and, if thought fit, to pass the following Resolutions 6 and 7 as ordinary resolutions of the company:

Resolution 6: That the directors be and they are hereby generally and unconditionally authorised pursuant to Section 80 of the Companies Act 1985 (the Act), in substitution for all existing authorities pursuant to Section 80 of the Act (to the extent not utilised or subject to an agreement to utilise at the date this resolution is passed), to exercise all the powers of the company to allot relevant securities (within the meaning of Section 80 (2)), provided that this authority shall be limited to relevant securities up to an aggregate nominal amount of £50,901 (representing approximately one-third of the amount of the company's existing issued share capital), such authority (unless previously revoked, varied or renewed) to expire on the earlier to occur of 15 months after the passing of this resolution or on the conclusion of the Annual General Meeting of the company to be held in 2009, provided that the company may prior to such expiry make an offer, agreement or other arrangement which would or might require any such relevant securities to be allotted after such expiry and the directors may allot such relevant securities pursuant to any such offer, agreement or other arrangements as if the authority hereby conferred had not expired.

Resolution 7: That the directors' remuneration report set out on pages 23 to 27 of the Annual Report and accounts for the financial year ended 31 December 2007 be and it is hereby approved.

To consider and, if thought fit, to pass the following Resolutions 8, 9 and 10 as special resolutions of the company:

Resolution 8: That the Articles of Association produced to the meeting marked "A" for the purpose of identification be adopted as the Articles of Association of the company in substitution for, and to the exclusion of, the existing Articles of Association with effect from the conclusion of the meeting.

Resolution 9: That, subject to the passing of Resolution 6 set out in the notice convening this meeting, the directors be and they are hereby generally empowered pursuant to Section 95 of the Act, in substitution for all existing powers pursuant to Section 95 of the Act (to the extent not utilised or subject to an agreement to utilise the same at the date this resolution is passed), to allot equity securities (within the meaning of Section 94(2) to 94(3A) of the Act) for cash, pursuant to the authority conferred by the said Resolution 8, as if Section 89(1) of the Act did not apply to such allotment, provided that this power shall be limited to the allotment of equity securities in connection with:

- i) an issue by way of rights (including, without limitation, under a rights issue, open offer or similar arrangement) in favour of holders of Ordinary Shares and any other persons entitled to participate therein, in proportion (as nearly as may be practicable) to their existing holdings of Ordinary Shares (or, as appropriate, to the numbers of such shares which such other persons are for those purposes deemed to hold), but subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to fractional entitlements or any legal, regulatory or practical problems under the laws of any territory, or the requirements of any regulatory body or stock exchange; and

- ii) any other allotment (otherwise than pursuant to sub-paragraph (i) of this resolution) of equity securities up to an aggregate nominal value of £7,635 (equal to approximately 5% of the ordinary share capital of the company in issue as at 28 February 2008) such power (unless previously revoked, varied or renewed) to expire on the earlier to occur of 15 months after passing of this resolution or on the conclusion of the Annual General Meeting of the company to be held in 2009, provided that the company may prior to such expiry make an offer, agreement or other arrangement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities pursuant to any such offer, agreement or other arrangement, as if the power hereby conferred had not expired.

The power applies in relation to a sale of shares which is an allotment of equity securities by virtue of Section 94(3A) of the Act as if in the first paragraph of this resolution the words "pursuant to the authority conferred by Resolution 6" were omitted.

Resolution 10: That the company is generally and unconditionally hereby authorised pursuant to Section 166 of the Act to make market purchases (within the meaning of Section 163(3) of the Act) of any Ordinary Shares on such terms and in such manner as the directors of the company may from time to time determine provided that:

- i) the maximum aggregate number of Ordinary Shares hereby authorised to be purchased is 7,635,152 (representing approximately 5% of the issued share capital of the company as at 28 February 2008);
- ii) the minimum price which may be paid for any such Ordinary Share is 0.1p, exclusive of the expense of purchase (if any) payable by the company;
- iii) the maximum price, exclusive of the expense of purchase (if any) payable by the company, which may be paid for any such Ordinary Share under this authority is an amount equal to 105% of the average of the middle market quotations for an Ordinary Share as derived from the Stock Exchange Daily Official List for the five business days immediately preceding the day of purchase; and
- iv) unless previously renewed, revoked or varied, the authority hereby conferred shall expire on the earlier of 15 months after the passing of this Resolution 10 or upon the conclusion of the Annual General Meeting of the company to be held in 2009, provided that a contract for the purchase of Ordinary Shares may be made before such expiry which will or may be executed wholly or partly thereafter, and a purchase of Ordinary Shares may be made in pursuance of any such contract as if the power hereby conferred had not expired.

By order of the Board

Charles Rendell Joint Company Secretary
11 March 2008

Registered Office
Verulum Point
Station Way
St Albans
Herts AL1 5HE

Notes

- 1 A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies (who need not be members of the company) to attend and, on a poll, vote in his/her place. A Form of Proxy is enclosed. Instructions for use are shown on the form.
- 2 To be valid, a Form of Proxy, duly signed, together with the power of attorney or other authority (if any) under which it is signed must be lodged with Capita Registrars, Proxies Department, The Registry, Beckenham, Kent, BR3 4ZF, not later than 48 hours before the time set for the meeting.
- 3 Completion and return of a Form of Proxy will not affect the right of such member to attend and vote at the meeting.
- 4 Only holders of Ordinary Shares on the register at 6.00 pm on 20 April 2008 shall be entitled to attend and vote at the meeting. Shareholders shall be entitled to vote in respect of the number of Ordinary Shares registered in their name at the above time and any subsequent changes shall be disregarded in determining rights to attend and vote (Regulation 41 of the Uncertificated Securities Regulations 2001).
- 5 The register of directors' interests, copies of all service contracts of directors with the company and the Memorandum and Articles of Association of the company are available for inspection during business hours at the registered office of the company on any business day and will also be available for inspection at the place of the Annual General Meeting from 9.00 am on the day of the meeting until its conclusion.
- 6 The Chairman of the Audit Committee will be available during the meeting to answer questions from shareholders.
- 7 A full explanation of the resolutions to be proposed at the Annual General Meeting is attached as a schedule to this document entitled "Explanation of the resolutions to be proposed at the 2008 Annual General Meeting".

Explanation of the resolutions to be proposed at the 2007 Annual General Meeting

Annual Report and Accounts (Resolution 1)

The directors of the company (the directors) must lay the accounts of the company for the financial year ended 31 December 2007, the report of the directors and the report of the auditors of the company on those accounts before the meeting.

Re-election and election of directors (Resolutions 2 and 3)

The company's Articles of Association (the Articles) require any director who has been appointed by the Board since the last Annual General Meeting to stand for election at the next Annual General Meeting. Steven Gunders will therefore stand for election under Resolution 2.

The Articles require the directors to retire by rotation from time to time. Therefore, Victor Young retires at this Annual General Meeting and makes himself eligible for re-election. Resolution 3 deals with this re-election.

Biographies and the age of each of the directors are contained on page 17 of the company's Annual Report and Accounts 2007. Due to the valuable contribution which each of the directors has made to date and which the company expects them to make in the future, the Board recommends that each of the directors be re-elected or elected, as the case may be.

Re-appointment and remuneration of auditors (Resolutions 4 and 5)

The company is required to appoint auditors at each general meeting at which the accounts are laid before the company, to hold office from the conclusion of the general meeting until the next such meeting. Resolution 4 proposes the appointment of PricewaterhouseCoopers LLP as auditors of the company and Resolution 5 authorises the directors to determine their remuneration for the ensuing year.

Authority to allot Ordinary Shares (Resolution 6)

Directors require shareholders' authority for allotment of shares under Section 80 of the Companies Act 1985. Shareholders granted that authority to the directors at the last Annual General Meeting on 3 April 2007. The authority will expire at the end of this Annual General Meeting and Resolution 6 seeks to renew it.

Resolution 6 is in a similar form to the resolution passed by the shareholders at the last Annual General Meeting and will be proposed as an ordinary resolution, to authorise the directors to allot generally relevant securities up to a maximum nominal value of £50,901 representing approximately one-third of the total Ordinary Share capital of the company in issue as at 28 February 2008 (excluding treasury shares). This authority will expire on the earlier of 15 months after the passing of the resolution or on the conclusion of the Annual General Meeting of the company to be held in 2009. The directors have used the authority granted at the last AGM to allot approximately 2,738,000 shares to facilitate the acquisition of Sonic Focus Inc. in February 2008. The Company does not currently hold any shares in treasury.

The directors have no present intention of using the authority proposed to be granted by Resolution 6.

Remuneration report (Resolution 7)

The report of the Remuneration Committee in respect of the financial year ended 31 December 2007 is set out on pages 23 to 27 of the company's Annual Report and Accounts. Resolution 7 will be proposed as an ordinary resolution and asks shareholders to approve the remuneration report.

Amendments to the Articles of Association of the company to reflect the Companies Act 2006 Changes (Resolution 8)

The Companies Act 2006 (the "2006 Act"), which represents a major reform of company law within the UK, received Royal Assent in November 2006 and is being brought into force in stages between January 2007 and October 2009, and, in line with other listed companies, the directors propose an amendment to the Articles to reflect the 2006 Act. In particular, from 1 October 2008, a director must avoid a situation where he has, or could 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 2006 Act allows directors of public companies to authorise conflicts and potential conflicts where appropriate, but only where the Articles of Association contain an express provision to this effect. The new Articles give the directors authority to approve any such conflicts of interest in a similar way to the current law.

There are safeguards that 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.

It is also proposed that the Articles should contain provisions relating to confidential information, attendance at Board meetings and availability of Board papers to protect a director being in breach of duty if a conflict of interest or potential conflict of interest arises. These provisions will only apply where the position giving rise to the potential conflict has previously been authorised by the directors.

Authority to allot Ordinary Shares for cash and to disapply pre-emption rights in relation to such allotments (Resolution 9)

Under Section 89 of the Companies Act 1985, if the directors wish to allot any of the unissued Ordinary Shares (or other securities) for cash they must in the first instance offer them to existing ordinary shareholders in proportion to their ordinary shareholdings. There may be occasions, however, when the directors will need the flexibility to finance business opportunities by the issue of Ordinary Shares without a pre-emptive offer to existing ordinary shareholders. Shareholders granted that authority to the directors at the Annual General Meeting in 2007. The authority will expire at the end of this Annual General Meeting and this Resolution 9 seeks to renew it.

Resolution 9 is substantially similar to the resolution passed by the shareholders at the last Annual General Meeting, with the same 5% of the issued Ordinary Share capital threshold (7,635,152 Ordinary Shares) being imposed on the issue of new shares without first offering them to existing ordinary shareholders. The resolution, which will be proposed as a special resolution, seeks a disapplication on (i) a rights issue so as to allow the directors to make exclusions or such arrangements as may be appropriate to resolve legal or practical problems which, for example, might arise with overseas ordinary shareholders, and (ii) any other allotment, for the issue of equity securities up to an aggregate nominal amount equal to 7,635,152 Ordinary Shares being 5% of the issued Ordinary Share capital as if the right of pre-emption provided by Section 89 of the Act did not apply. The authority will expire no later than 15 months after the passing of this resolution.

The authority sought and limits set by this Resolution will also apply to a sale by the company of any shares it holds as treasury shares. The Treasury Share Regulations, which came into effect in December 2003, allow shares purchased by the company out of distributable profits to be held as treasury shares, which may then be cancelled, sold for cash or used to meet the company's obligations under its employee share-based incentive schemes. Any subsequent transfers of treasury shares by the company to satisfy the requirements of employee share-based incentive schemes will be made within the relevant anti-dilution limit for such share issues.

Authority to purchase company's own shares (Resolution 10)

In certain circumstances it may be advantageous for the company to purchase its own shares and Resolution 10 seeks authority from the shareholders to do so. The directors intend to seek renewal of these powers at subsequent Annual General Meetings. The directors intend to exercise this power only when, in light of market conditions prevailing at the time, they believe that the effect of such purchases will be in the best interests of shareholders generally. Other investment opportunities, appropriate gearing levels and the overall position of the Company will be taken into account before deciding upon this course of action.

As at 28 February 2008, there are outstanding options to subscribe for 15,838,241 Ordinary Shares, representing approximately 10.4% of the issued Ordinary Share capital of the company. As at 28 February 2008 there are no warrants to subscribe for equity shares outstanding. If the proposed authority to purchase its own shares is fully exercised by the company, the outstanding options will represent approximately 10.9% of the issued Ordinary Share capital of the company.

The company may hold in treasury any of its own shares that it purchases pursuant to the Treasury Share Regulations and the authority conferred by this Resolution. This would give the company the ability to re-issue treasury shares quickly and cost effectively and would provide the company with greater flexibility in the management of its capital base.