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To Home Entertainment Shareholders

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Home Entertainment EGM Notice

You have probably recently received, or will do in the next day or so, a notice of an Extraordinary General Meeting of Home Entertainment Plc. The meeting will consider a proposal to vary the existing share option schemes to remove limits on the number of options that can be granted. The covering letter explains that because many of the options previously granted are "under water" (ie. the option price is much higher than the current share price) the company desires to issue "replacement share options". In other words they wish to "re-write" the existing share options at a lower price. But the existing limits on the number of options that may be granted to particular individuals would prevent this.

The re-writing of share options is generally considered to be bad corporate practice. It effectively says: well the management didn't achieve the required performance to benefit from their previous share options, so we will cancel that bet and allow them to try again at a lower price.

It is also certainly not a good idea to have a share option scheme with no individual limits on the numbers that might be granted.

There are in addition other solutions to the problem of incentivising management going forward that could have been considered without this device.

I would therefore recommend that you return the proxy voting form and vote against the resolutions. General letter

Yours sincerely

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UKSA—The independent voice of the private shareholder

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