



Explanatory memorandum in respect of the proposed subdivision of the Company's ordinary shares of 5 pence each

Background to the Subdivision

In recent years, the price of the Company's ordinary shares of 5 pence each ("Existing Ordinary Shares") has risen to the point where their closing mid-market price on 4 March 2015 (being the latest practicable date prior to the publication of this document) was £24.65.

Given the current share price, the Board believes that it is appropriate to propose the subdivision of each Existing Ordinary Share into 10 new ordinary shares of 0.5 pence each ("New Ordinary Shares") (the "Subdivision"). This may improve the liquidity of the market in the Company's shares and reduce, in percentage terms, the bid/offer spread in the trading of the Company's shares. The Subdivision will also provide increased flexibility in relation to the operation of the Company's employee share schemes.

Accordingly, resolution 19, which will be proposed as a special resolution, seeks shareholder approval to the Subdivision and a consequential amendment to the Company's Articles of Association to remove reference to the current nominal value of the ordinary shares.

An application will be made to the UK Listing Authority ("UKLA") for the Official List to be amended to reflect the New Ordinary Shares arising from the Subdivision. Application will also be made to the London Stock Exchange for the New Ordinary Shares for an amendment to trading on the London Stock Exchange's main market for listed securities. The Subdivision is conditional upon both applications becoming effective.

Effect of the Subdivision

The Subdivision will result in shareholders holding 10 New Ordinary Shares for each Existing Ordinary Share they held immediately prior to the Subdivision.

Following the Subdivision, although each ordinary shareholder will hold ten times as many ordinary shares than before, each shareholder's proportionate interest in the ordinary share capital of the Company will remain unchanged. It is only the number of shares in issue which will have changed as a result of the Subdivision and, other than this, each New Ordinary Share will carry the same rights and entitlements as set out in the Company's Articles of Association that currently attach to the Existing Ordinary Shares. The New Ordinary Shares will rank equally with one another. No fractional entitlements will be created by the Subdivision.

Accordingly, subject to market movements, the aggregate value of each shareholder's holding of ordinary shares should remain the same. Additionally, the Subdivision will not have any impact on the Company's net assets as no change in the total aggregate nominal value of the Company's issued share capital will occur.

Following the Subdivision, and assuming no further shares in the Company are issued after 4 March 2015 (being the latest practicable date prior to the publication of this document), the Company's issued share capital will consist of 869,343,990 New Ordinary Shares and 40,073 9½% cumulative preference shares of £1 each ("Preference Shares"). The rights of the Preference Shares are not affected by the Subdivision.

Settlement

The New Ordinary Shares will be in registered form and may be held in certificated or uncertificated form. Following the Subdivision becoming effective, share certificates in respect of the Existing Ordinary Shares will cease to be valid and will be cancelled. New certificates in respect of the New Ordinary Shares will be issued to those shareholders who hold their Existing Ordinary Shares in certificated form, and are expected to be dispatched, at the risk of shareholders, by no later than Tuesday 26 May 2015. Share certificates in respect of Existing Ordinary Shares should be destroyed upon receipt of such new certificates. No temporary documents of title will be issued. Transfers of New Ordinary Shares after Friday 15 May 2015 but before the dispatch of new certificates will be certified against the register of members of the Company. CREST accounts are expected to be credited on Monday 18 May 2015.

An application will be made to the UKLA for the Official List to be amended to reflect the New Ordinary Shares arising from the Subdivision. Application will also be made to the London Stock Exchange for an amendment to trading on the London Stock Exchange's main market for listed securities. Trading on the London Stock Exchange for the Existing Ordinary Shares (under ISIN: GB0007506958 and SEDOL: 0750695) is expected to close at 4.30pm on Friday 15 May 2015, with trading in the New Ordinary Shares (under ISIN: GB00BVFNZH21 and SEDOL: BVFNZH2) expected to commence at 8.00am on Monday 18 May 2015.

Dividend Reinvestment Plan

All existing evergreen or recurring instructions relating to the Dividend Reinvestment Plan ("DRIP") operated by the Company (including any recurring DRIP mandates received in hard copy or by electronic means via CREST) will operate in respect of the New Ordinary Shares.

CREST participants must input a Dividend Election input message to elect for DRIP or delete an instruction. Paper instructions are not permitted. All existing evergreen instructions relating to the DRIP will operate in respect of the New Ordinary Shares. However, CREST holders should note that the election may not be viewable in CREST following Subdivision becoming effective and allocation of the new ISIN. To view the instruction in CREST following the Subdivision becoming effective, CREST holders will need to delete the current instruction held and resubmit the instruction under the new ISIN.

United Kingdom taxation

The following statements are intended only as a general guide to the current tax position under UK taxation law and practice. Taxation law (including, without limitation, taxation levels, bases and reliefs) or its interpretation or application may change after the date of this document. These statements relate only to the UK taxation treatment of the Subdivision and certain limited aspects of the UK tax position of shareholders who are the beneficial owners of Existing Ordinary Shares and who are resident in the UK for tax purposes and who hold their shares in the Company beneficially as an investment (and not as securities to be realised in the course of a trade). Certain holders of Existing Ordinary Shares, such as dealers in securities, insurance companies, collective investment schemes and persons who have acquired their shares by reason of their or another's employment may be taxed differently and are not considered. The following is not, and is not intended to be, an exhaustive summary of the tax consequences of acquiring, holding and disposing of Existing Ordinary Shares or New Ordinary Shares. A shareholder who is in any doubt as to his or her tax position or is subject to tax in any jurisdiction other than the UK should consult his or her duly authorised professional adviser without delay.

The proposed Subdivision should constitute a reorganisation of the Company's share capital for UK capital gains tax purposes. Therefore, to the extent that a shareholder receives New Ordinary Shares in exchange for his Existing Ordinary Shares under the proposed Subdivision, he should not generally be treated as making a disposal of any of his Existing Ordinary Shares. Ultimately the New Ordinary Shares should (for UK capital gains tax purposes) be treated as the same asset as, and as having been acquired at the same time and for the same aggregate cost as, the holding of Existing Ordinary Shares from which they derive.

A subsequent disposal of New Ordinary Shares may, depending on individual circumstances (including the availability of exemptions, reliefs and allowable losses), give rise to a liability to UK tax on capital gains. Any chargeable gain or allowable loss on a disposal of the New Ordinary Shares should be calculated taking into account a proportion of the allowable cost to the holder of acquiring their Existing Ordinary Shares based on an apportionment of the allowable expenditure for their Existing Ordinary Shares by reference to the market value of the New Ordinary Shares on the first day on which market value or prices are quoted or published for the New Ordinary Shares.

No liability to stamp duty or stamp duty reserve tax will be incurred by a holder of Existing Ordinary Shares as a result of the proposed Subdivision.

Employee share schemes

Appropriate adjustments will be made to outstanding options and other rights in accordance with the rules of the Company's employee share schemes to take account of the Subdivision, and scheme participants will be contacted separately in due course.