

## Capital Gains Tax: Base Cost for your New Shareholding following the Capital Reduction

This document summarises how the base cost of your New Shares and B Shares may be calculated for the purposes of UK capital gains tax. You should read this in conjunction with the information regarding taxation contained in the Circular. Capitalised terms in this document have the same meaning as given to them in the Circular.

*This document is intended as a general guide only and should not be relied upon as giving tax advice. It is addressed solely to UK tax resident individuals who hold their shares as investments. The tax treatment of individual shareholders and their shareholdings may vary depending on their circumstances. The information below is liable to change if the law or Inland Revenue practice changes. If you are in any doubt as to your tax position or are subject to tax outside the UK, then you are advised to consult your professional adviser.*

### What is base cost and why is it important?

The base cost of your shares is used in order to calculate any gain that may arise on their disposal. If you make a disposal of shares for an amount greater than their base cost, the difference may be taxable as a capital gain, subject to the availability of applicable reliefs. In many cases the base cost of your Existing Shares will, in general, be the amount that you paid for them when you bought them.

### What is a disposal?

You will be treated as making a disposal of any New Shares or B Shares that you sell, and of any B Shares that you choose to have redeemed. In addition, if you choose to take the Initial B Share Dividend a disposal will occur if any Deferred Shares are redeemed in the future.

The New Shares and the B Shares that you have received will be regarded as the same asset as your original Existing Shares, and will be regarded as having been obtained at the same time that your Existing Shares were obtained.

### How is the base cost of my new shares calculated?

The base cost of your Existing Shares will be apportioned between your holdings of New Shares and B Shares. The apportionment is made by reference to the market value of each class of shares on the first day for which a market value is quoted after the new holding comes into existence. The market value for CGT purposes of any share or security quoted on the Stock Exchange Daily Official List is generally the lower of the two quotations on any day plus one quarter of the difference between the values.

On Monday 19 July 2004 the values was determined as follows: **New ordinary shares £2.575**  
**B Shares 35p**

### Example Base Cost Calculation

In August 2003, Mr Smith buys, in a single transaction, 800 Existing Shares for £2.50 per share. The value of his holding is £2000 (and, for the purposes of this example, his base cost is also £2000). In July 2004, Mr Smith receives 700 New Shares and 800 B Shares in place of his 800 Existing Shares in the Capital Reorganisation. The apportionment of the base cost of the Existing Shares between the holdings of New Shares and B Shares is calculated as follows:

New Shares:	$\frac{700 \times \pounds 2.575}{(700 \times \pounds 2.575) + (800 \times \pounds 0.35)}$	x	£2000	=	<b>£1,731.09</b>
B Shares:	$\frac{800 \times \pounds 0.35}{(700 \times \pounds 2.575) + (800 \times \pounds 0.35)}$	x	£2000	=	<b>£268.91</b>

Therefore, the base cost of Mr Smith's holding of New Shares is £1,731.09, and of his holding of B Shares, £268.91.

### Deferred shares

The 320,050,073 deferred shares created on 19 July 2004 were redeemed and cancelled by the Company at the close of business on 13 May 2005 for a total consideration of one pence in accordance with the terms and conditions of the Return of Capital circular issued to shareholders in June 2004.

### Tax information - capital gains tax

For Capital Gains Tax purposes, the market value of ordinary shares on 31 March 1982 adjusted for the return of capital was 91.99p and B shares 10.941p.

March 1982 mid price	Bonus issues		Adjusted value (pence)
555p	Jun-82	1 for 1	277.500
	Jul-84	1 for 1	138.750
	Jul-87	1 for 1	69.375
	Jul-91	1 for 10 rights issue at 312p	91.432
	Jul-04	8 for 7	91.990
	Jul-04	1 B share	10.941