

## Shareholder information

### History

Signet Group plc, an English public limited company, has operations in the US and the UK. The Company was incorporated in England and Wales on 27 January 1950 under the name Ratners (Jewellers) Limited. The name of the Company was changed on 10 December 1981 to Ratners (Jewellers) Public Limited Company, on 9 February 1987 to Ratners Group plc and on

10 September 1993 to Signet Group plc. A summary of the Company's Memorandum and present Articles of Association is incorporated by reference to the Company's Form F-4 filed with the SEC on 20 May 1997. The Company's registered number is 477692. The Company's registered office is Zenith House, The Hyde, London NW9 6EW.

Significant events that have occurred in the last 5 years are detailed below:

- 27 Feb 1997      The Group entered into a three year voluntary \$360 million multi-currency credit facility with a syndicate of banks, led by BZW, Midland Bank plc, Banque Paribas and The Royal Bank of Scotland PLC.
- 3 March 1997    The borrowings due for repayment on 30 June 1997 under the previous facilities agreement were repaid in full, using the facility described above.
- 26 June 1997    At an extraordinary general meeting and class meetings held on 26 June 1997 shareholders approved proposals for a capital restructuring and capital reduction. The capital restructuring involved the conversion of the existing 10p ordinary shares into new 0.5p ordinary shares, a bonus issue of new 0.5p ordinary shares to the holders of all classes of the Company's preference shares, the redesignation of the preference shares as deferred shares and the cancellation of all accumulated arrears and accruals of dividends on preference shares. The capital restructuring became effective on 21 July 1997 and 1,381,577 new 0.5p ordinary shares were issued. The capital reduction, which was approved by shareholders at the same time as the capital restructuring, became effective in September 1997 and allowed the Company to eliminate the deficit on distributable reserves as at 1 February 1997. The Company is permitted to make distributions (including dividends, share buy-backs and other transactions classed as distributions) out of income earned after 2 August 1997.
- 12 Aug 1997    Announcement of change in American Depositary Share ratio from 3:1 to 30:1, which became effective from 4 September 1997.
- 11 June 1998    The Signet Group plc Sharesave Scheme and US Stock Savings Plan were approved by shareholders.
- 22 July 1998    Announcement of new unsecured financing which replaced the Group's existing three year secured banking agreement of US\$360 million which was due to expire in February 2000. The new arrangements comprised a five year US\$250 million multi-currency revolving credit facility with a syndicate of banks led by Barclays Capital, HSBC Investment Bank PLC and The Royal Bank of Scotland PLC, and a 7.25% seven year US\$60 million note issue placed privately with European institutional investors through De Nationale Investeringsbank NV.
- 30 March 1999    Announcement of resumption of dividends with a final dividend of 1.0p being recommended in respect of the year 1998/99 for payment on 1 July 1999.
- 15 April 1999    Laurence Cooklin resigned from the Board and as Chief Executive Officer of the UK division.

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1 October 1999 Ian Dahl was appointed to the Board and as Chief Executive Officer of the UK division.

28 March 2000 Terry Burman was appointed Group Chief Executive. He retained his existing role of Chief Executive Officer of the Group's US division. James McAdam was asked by the Board to remain as Executive Chairman.

31 July 2000 Acquisition of Marks & Morgan completed.

Marks & Morgan, a privately owned company was the ninth largest speciality retail jeweller in the US. The business consisted of 137 stores predominantly positioned in prime mall locations in the southeast region of the US.

Signet paid \$161.3 million (£107.5 million) in cash to acquire all the outstanding share capital and to repay outstanding debt.

The acquisition substantially increased Signet's presence in a key geographic area of the US where it had been under-represented. Approximately 80 stores were converted to the Kay Jewelers brand. The remaining stores continue to trade as Marks & Morgan and were integrated into Signet's division of regional mall stores.

31 March 2001 James McAdam continued as Chairman but ceased to be a full-time executive.

30 Aug 2001 The Group entered into a \$410 million unsecured multi-currency five year revolving credit facility agreement. This replaced the \$250 million and the \$100 million facilities that were due to expire on July 2003. The terms of this agreement were broadly similar to those of the facilities being replaced (see note 16 on page 64).

2 Nov 2001 The Group put in place a five year facility of \$251 million secured on its US credit card receivables at a fixed rate of 5.42%. The terms were similar to the previous facility of \$191.5 million which amortised during the year and had a fixed rate of 7.26% (see note 16 on page 65).

### Nature of trading market

The ordinary shares of the Company are traded on the London Stock Exchange (symbol: SIG) and the American Depository Shares ("ADSs") representing the ordinary shares are included for trading on the Nasdaq National Market (symbol: SIGY). The ADSs are evidenced by American Depositary Receipts ("ADRs") issued pursuant to an Amended and Restated Deposit Agreement, dated 4 September 1997, and made between the Company, The Bank of New York, as depository (the "Depository") and the holders from time to time of the

ADRs. Each ADS represents 30 ordinary shares. Prior to 4 September 1997 the ratio of ordinary shares per ADS had been three.

The table on page 97 sets out, for the calendar years and quarters indicated, (i) the reported high and low middle market quotations for the ordinary shares of the Company based on the Daily Official List of the London Stock Exchange and (ii) the reported high and low closing sales prices of the ADSs on the Nasdaq National Market as reported by Bloomberg.

|                | London Stock Exchange<br>pence per<br>ordinary share |                                 | Nasdaq<br>US dollars<br>per ADS |                                |
|----------------|--|---------------------------------|---------------------------------|--------------------------------|
|                | High   | Low                             | High                            | Low                            |
| Calendar 1997  | 37   | 28                              | 18 <sup>1</sup> / <sub>8</sub>  | 12 <sup>1</sup> / <sub>2</sub> |
| Calendar 1998  | 51 <sup>1</sup> / <sub>4</sub>                       | 24 <sup>1</sup> / <sub>4</sub>  | 24 <sup>7</sup> / <sub>8</sub>  | 12 <sup>3</sup> / <sub>8</sub> |
| Calendar 1999  | 70 <sup>1</sup> / <sub>4</sub>                       | 38 <sup>3</sup> / <sub>4</sub>  | 31 <sup>3</sup> / <sub>4</sub>  | 15 <sup>5</sup> / <sub>8</sub> |
| Calendar 2000  |  |                                 |                                 |                                |
| First quarter  | 59 <sup>1</sup> / <sub>2</sub>                       | 43                              | 34 <sup>1</sup> / <sub>8</sub>  | 21                             |
| Second quarter | 59 <sup>3</sup> / <sub>4</sub>                       | 50                              | 28                              | 22                             |
| Third quarter  | 60 <sup>3</sup> / <sub>4</sub>                       | 52                              | 26 <sup>1</sup> / <sub>4</sub>  | 23 <sup>1</sup> / <sub>4</sub> |
| Fourth quarter | 59 <sup>1</sup> / <sub>2</sub>                       | 50 <sup>1</sup> / <sub>4</sub>  | 25 <sup>3</sup> / <sub>8</sub>  | 22 <sup>1</sup> / <sub>4</sub> |
| Calendar 2001  |  |                                 |                                 |                                |
| First quarter  | 79   | 51                              | 34 <sup>1</sup> / <sub>2</sub>  | 22                             |
| Second quarter | 88 <sup>1</sup> / <sub>2</sub>                       | 64 <sup>1</sup> / <sub>2</sub>  | 38                              | 27 <sup>1</sup> / <sub>4</sub> |
| Third quarter  |  |                                 |                                 |                                |
| – July         | 86 <sup>3</sup> / <sub>4</sub>                       | 75                              | 36 <sup>3</sup> / <sub>4</sub>  | 31 <sup>1</sup> / <sub>4</sub> |
| Aug            | 87   | 71 <sup>1</sup> / <sub>2</sub>  | 35 <sup>1</sup> / <sub>4</sub>  | 31 <sup>5</sup> / <sub>8</sub> |
| Sept           | 73   | 53                              | 33 <sup>3</sup> / <sub>8</sub>  | 23 <sup>1</sup> / <sub>2</sub> |
| Fourth quarter |  |                                 |                                 |                                |
| – Oct          | 73   | 56                              | 30 <sup>3</sup> / <sub>4</sub>  | 24 <sup>3</sup> / <sub>4</sub> |
| Nov            | 90   | 60 <sup>3</sup> / <sub>4</sub>  | 38                              | 25 <sup>3</sup> / <sub>4</sub> |
| Dec            | 95 <sup>1</sup> / <sub>2</sub>                       | 86 <sup>3</sup> / <sub>4</sub>  | 40 <sup>1</sup> / <sub>2</sub>  | 37                             |
| Calendar 2002  |  |                                 |                                 |                                |
| First quarter  |  |                                 |                                 |                                |
| – Jan          | 109 <sup>1</sup> / <sub>4</sub>                      | 97                              | 47 <sup>1</sup> / <sub>4</sub>  | 41 <sup>1</sup> / <sub>8</sub> |
| Feb            | 107 <sup>1</sup> / <sub>4</sub>                      | 100                             | 45 <sup>5</sup> / <sub>8</sub>  | 41 <sup>3</sup> / <sub>4</sub> |
| Mar            | 120  | 110 <sup>1</sup> / <sub>4</sub> | 51                              | 46 <sup>1</sup> / <sub>4</sub> |

At 10 April 2002, 71,773 ordinary shares and 1,829,589 ADSs (representing 54,887,670 ordinary shares) were held of record in the US. These ordinary shares and ADSs were held by 28 record holders and 546 record holders, respectively and collectively represented approximately 3.2% of the total numbers of ordinary shares outstanding. Since certain of the ordinary shares and ADSs are held by brokers or other nominees, the number of record holders in the US is not representative of the number of beneficial holders or of where the beneficial holders are resident.

### Dividends

Under English law, dividends can only be paid out of profits available for distribution (generally defined as accumulated realised profits less accumulated realised losses less net unrealised losses) and not out of share capital or share premiums (generally equivalent in US terms to paid-in surplus). At 2 February 2002, after taking into account the subsequently recommended final

dividend of 1.50p per ordinary share, the holding company had a distributable reserves balance of £29.7 million (27 January 2001: £30.8 million).

In order to make further distributions in excess of this figure, the holding company would first need to receive dividends from its subsidiaries. In addition to restrictions imposed at the time of the 1997 capital reduction on the distribution of dividends received from subsidiaries, the payments of dividends from other tax jurisdictions, such as the US, may not be tax efficient. Furthermore, there may be other reasons why dividends may not be paid by subsidiaries to the holding company.

If declared by the Board (and, in the case of a final dividend, if approved by shareholders in general meeting) dividends are paid to holders of ordinary shares as at record dates that are decided by the Board.

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### Substantial shareholdings and control of the Company

|  | Number of<br>ordinary<br>shares | Percentage<br>of issued<br>ordinary<br>shares |
|--|---------------------------------|---|
| The Capital Group Companies, Inc. <sup>(1)</sup> | 227,356,904                     | 13.3  |
| AMVESCAP PLC <sup>(2)</sup>                      | 187,244,756                     | 11.0  |
| Standard Life Investments Limited                | 62,039,162                      | 3.7   |

(1) Includes interest of Capital International Limited in 191,446,304 of such shares, notified on their behalf by The Capital Group Companies, Inc.

(2) Includes interest of INVESCO Perpetual High Income Fund in 103,925,354 of such shares, notified on their behalf by AMVESCAP PLC.

So far as the Company is aware, it is neither directly nor indirectly owned by or controlled by one or more corporations or by any government.

As at 10 April 2002 the interests in the issued ordinary shares set out in the table above had been notified to the Company in accordance with sections 198 to 208 of the Companies Act 1985 (including interests represented by the ADSs). Shareholders are obliged to notify the Company of their interests in such shares if they hold 3.0% or more beneficially or 10.0% or more in the case of certain shareholders, such as investment managers.

The Company's major shareholders as listed in the table above do not have different voting rights per share than other holders of the Company's ordinary shares.

The following shareholders had significant changes in their percentage ownership of the Company's issued share capital since 30 January 1999. This is based on disclosure made in the accounts for each of the three years since 30 January 1999, and notifications received by the Company.

- Credit Suisse First Boston (Europe) Limited had a beneficial holding of 11.5% at 31 January 1999, 6.6% at 30 March 1999 and fell below 3.0% on 10 April 1999.
- M.D. Sass Associates, Inc. had a beneficial holding of 6.7% at 31 January 1999, 6.0% at 30 March 1999 and fell below 3.0% on 10 April 1999.
- Everest Capital Limited had a beneficial holding of 4.97% at 31 January 1999, 4.8% at 30 March 1999 and fell below 3.0% on 20 January 2000.

- Stephen Feinberg had a beneficial holding of 3.9% at 31 January 1999 and fell below 3.0% on 10 March 1999.
- Deutsche Bank AG had a non-beneficial holding of 10.0% on 29 November 1999, 11.8% at 28 March 1999 and fell below 10.0% on 1 March 2001.
- Standard Life Group had a beneficial holding of 3.1% at 6 April 1999, 4.1% at 28 March 2000, 4.1% at 28 March 2001 and, as stated in the table above, 3.7% on 10 April 2002.
- The Capital Group Companies, Inc. had a beneficial interest of 3.1% at 20 January 2000, 4.0% at 28 March 2000, 10.1% at 28 March 2001 and, as stated in the table above, 13.3% on 10 April 2002.
- FMR Corp had a beneficial holding of 3.3% at 14 November 2000, 3.3% at 28 March 2001 and fell below 3.0% on 24 August 2001.
- AMVESCAP PLC had a non-beneficial holding of 10.0% at 29 January 2001, 10.0% at 28 March 2001 and, as stated in the table above, 11.0% on 10 April 2002.

At 10 April 2002, the total amount of the Company's voting securities owned by directors of the Company as a group was 1,066,949, all of which securities were ordinary shares.

The Company does not know of any arrangements the operation of which might result in a change of control of the Company.

### **Exchange controls and other limitations affecting security holders**

Except in relation to Iraq, members of the Afghan political faction known as the Taliban, Usama bin Laden, members of the Al-Qa'ida organisation, the Al Haramain Islamic Foundation in Bosnia-Herzegovina and in Somalia ("Al Haramain"), Slobodan Milosevic and certain persons connected with or associated with them, certain persons related to governmental functions in Zimbabwe, Burma/Myanmar and the Uniao Nacional para a Independencia Total de Angola ("UNITA"), as described below, there are currently no UK laws, decrees or regulations restricting the import or export of capital or affecting the remittance of dividends or other payments to holders of ordinary shares or ADSs who are non residents of the UK.

Subject to certain restrictions in relation to the countries, governments, organisations and persons referred to above, under English law and the Company's Memorandum and Articles of Association, persons who are neither residents nor nationals of the UK may freely hold, vote and transfer ordinary shares (including ordinary shares represented by ADSs) in the same manner as UK residents or nationals. However, under the Company's present Articles of Association, holders of ordinary shares with an address on the share register outside the UK are not entitled to notice of general meetings of the Company's shareholders unless they provide the Group with a UK address at which notices may be delivered.

In the case of Iraq, the restrictions are on making financial assets and economic resources or economic benefits of any kind ("Funds") available to the government of the Republic of Iraq or any person who is normally resident there and on the remittance or removal of Funds from the UK to a destination in that country.

In the case of Usama bin Laden, members of the Taliban, members of the Al-Qa'ida organisation, Al Haramain and other specified individuals, groups, undertakings and entities associated with them, the restrictions are a freeze of Funds of these individuals, groups, undertakings and entities including funds derived from property owned or controlled directly or indirectly by them or by persons

acting on their behalf or at their direction, and on any Funds being made available, directly or indirectly, to or for the benefit of any of such persons.

In the case of Slobodan Milosevic, the restrictions are a freeze of Funds held outside the territory of the Federal Republic of Yugoslavia belonging to him and specified natural persons associated with him and on any Funds being made available, directly or indirectly, to or for the benefit of any of such persons.

In the case of Zimbabwe, the restrictions are a freeze of Funds belonging to specified individual members of the Government of Zimbabwe or to any natural or legal persons, entities or bodies associated with them and upon any Funds being made available, directly or indirectly, to or for the benefit of any of them.

In the case of Burma/Myanmar, the restrictions are a freeze of Funds held outside that territory belonging to senior members of specified governmental authorities, senior members of the military, the government and security forces and their families and upon any Funds being made available, directly or indirectly, to or for the benefit of any of such persons.

In the case of UNITA, the restrictions are on specified actions which are likely to make any funds or other financial assets or resources available to or for the benefit of UNITA or specified persons connected with UNITA or to result in the remittance or transfer of them to or for the benefit of UNITA or any such persons.

## **Taxation**

### **Taxation for US residents**

The following summary sets out the principal US federal and UK tax consequences of the purchase and ownership of the Company's ordinary shares or ADSs in respect of such ordinary shares by residents of the US and is not intended to be a complete analysis or listing of all the possible tax consequences of such purchase or ownership.

As used herein a "US holder" means: a citizen or resident of the US; a corporation (or other entity taxable as a corporation for US federal income tax purposes) created or

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organised in or under the laws of the US, or any state thereof; an estate, the income of which is subject to US federal income tax regardless of its source; or a trust, if the trust is subject to the supervision of a court within the US and one or more US persons have the authority to control all substantial decisions of the trust. This summary deals only with ordinary shares and ADSs held as capital assets and does not address any special tax consequences that may be applicable to US holders who are subject to special treatment under the current income tax convention between the US and the UK (the “Convention”) or the US Internal Revenue Code of 1986, as amended, dealers in securities, traders who elect mark-to-market accounting, financial institutions or financial services entities, life insurance companies, persons who alone, or together with one or more associated persons, control or controlled (directly or indirectly) 10% or more of the voting shares of the Company or persons who acquire ordinary shares or ADSs as compensation.

Prospective investors are advised to consult their tax advisers with respect to the tax consequences of the purchase and ownership of ordinary shares or ADSs, including specifically the consequences under state and local tax laws. The statements regarding US and UK tax laws set out below are based on US federal and UK tax laws and UK Inland Revenue practice in force on the date of this Annual Report and are subject to change after that date. This summary does not address the tax consequences to persons who hold ordinary shares or ADSs through a partnership or other pass-through entity.

US holders of ADSs will be treated as the owners of the underlying ordinary shares for purposes of the double taxation conventions relating to income and estate and gift taxes between the US and the UK and for the purposes of the US Internal Revenue Code of 1986, as amended.

### Taxation of dividends

Under the provisions of the Convention and current UK law, a US holder of ordinary shares or ADSs who is an individual or a corporate portfolio holder (which is broadly defined as a shareholder who holds less than 10% of the voting shares of the Company) and who qualifies for the benefits of the Convention is entitled to receive from the UK Inland Revenue a refund (the “Tax Treaty

Payment”) of an amount equal to the tax credit in respect of the dividend minus a withholding tax of 15% of the sum of the cash dividend plus the tax credit (limited to the tax credit). On the basis of an £80 dividend (which amount has been selected for illustrative purposes only) the tax credit related to the dividend would be equal to £8.89 (10% of the sum of the £80 dividend and the £8.89 tax credit). A US holder who is an individual or corporate portfolio holder would be entitled to receive a Tax Treaty Payment, calculated by reducing the £8.89 tax credit by withholding tax of 15% of the sum of the £80 dividend and the £8.89 tax credit. Accordingly, such US holder would not be entitled to receive any Tax Treaty payment. Thus, using the example set out above, an £80 dividend will result in the US holder only receiving £80. A US holder who is an individual or a corporate portfolio holder who receives the £80 dividend in the above example should be considered for US federal income tax purposes to receive a dividend of £88.89 (£80 dividend plus the £8.89 tax credit) and would include that amount in income. Such US holder also should be considered to have paid £8.89 of UK tax that, subject to the applicable limitations, would be creditable against such US holder’s US federal income tax liability.

The aggregate of the dividend paid to a US holder who is an individual or a corporate portfolio holder and the gross tax credit in respect of it will be treated as dividend income for US federal income tax purposes to the extent made from the Company’s current or accumulated earnings and profits, as determined under US federal income tax principles. The amount of any dividend paid in pounds sterling will equal the US dollar value of the pounds sterling received calculated by reference to the exchange rate in effect on the day that the dividend is received by the US holder, in the case of ordinary shares, or by the Depositary (or its Custodian), in the case of ADSs, regardless of whether converted into US dollars. Foreign currency exchange gain or loss, if any, realised in a subsequent sale or other disposition of pounds will be treated as ordinary income or loss to the US holder. Dividends received on the ordinary shares or ADSs will generally not be eligible for the dividends received deduction allowed to US corporations under Section 245 of the US Internal Revenue Code. However, the withholding tax will be treated as foreign income tax

eligible for credit or deduction against such US holders' US federal income tax liability at such US holder's option, subject to applicable limitations. US holders should consult their tax advisers as to the method of claiming such foreign tax credit or deduction and compliance with special tax return disclosure requirements that apply to US holders who claim the benefit of the foreign tax credit on such US holders' US federal income tax returns.

A US holder will be denied a foreign tax credit (and instead allowed a deduction) for foreign taxes imposed on a dividend if the US holder has not held the ordinary shares or ADSs for at least 16 days in the 30-day holding period beginning 15 days before the ex-dividend date. Any days during which a US holder has substantially diminished its risk of loss on the ordinary shares or ADSs are not counted towards meeting the 16-day holding period required by statute. A US holder that is under an obligation to make related payments with respect to the ordinary shares or ADSs (or substantially similar or related property) also is not entitled to claim a foreign tax credit with respect to a foreign tax imposed on a dividend.

A US holder should elect to receive a foreign tax credit or deduction with respect to any UK withholding tax. This election is made on Line 5 of US Internal Revenue Service Form 8833 (Treaty-Based Return Position Disclosure under Section 6114 or 7701(b)). The completed Form 8833 should be filed with the US holder's income tax return for the relevant year. Pursuant to this election, the US holder will be treated as having paid the UK withholding tax on the date of the distribution. No claim need be made to the UK Inland Revenue for the refund that, as discussed above, will offset UK withholding tax.

The US and the UK have agreed to the form of a new double tax convention (the "New Convention") to replace the existing Convention. If the New Convention enters into force, the Tax Treaty Payment and UK withholding tax will no longer apply to US holders. The UK does not currently apply a withholding tax on dividends under its internal laws. Were such withholding tax imposed by the UK as permitted under the New Convention, the UK generally will be entitled to impose a withholding tax at a rate of 15% on dividends paid to a US holder entitled to

the benefits of the New Convention. A US holder who is subject to such withholding tax should be entitled to a credit for such withholding tax, subject to applicable limitations, against such US holder's federal income tax liability. In such circumstances, a US holder will continue to be subject to the holding period requirements described above.

Under US Treasury regulations, dividends paid on ordinary shares or ADSs may be subject to US backup withholding tax of up to 31% in certain circumstances. In addition, under US Treasury regulations, the payment of proceeds of a sale, exchange or redemption of ordinary shares or ADSs to a US holder or non-US holder in the US or through US or US-related persons may be subject to US information reporting requirements and/or backup withholding tax.

US holders can avoid the imposition of backup withholding tax by reporting their tax payer identification number to their broker or paying agent on US Internal Revenue Service Form W-9. Non-US holders can avoid the imposition of backup withholding tax by providing a duly completed US Internal Revenue Service Form W-8 BEN, W-8 ECI or W-8 IMY, as appropriate, to their broker or paying agent. Any amounts withheld under the backup withholding rules from a payment to a holder will be allowed as a refund or a credit against such holder's US federal income tax liability, provided that the required returns are filed with US Internal Revenue Service on a timely basis.

### **Taxation of capital gains**

Generally a US holder who is neither resident nor ordinarily resident for tax purposes in the UK will not be liable for UK tax on capital gains realised on the sale or other disposal of ordinary shares or ADSs unless, in the year of assessment in which the gain accrues to such holder, that US holder carries on a trade in the UK through a branch or agency and the ordinary shares or ADSs are or have been used by, held by, or acquired for use by or for the purpose of such trade branch or agency. However, a US holder who has been resident in the UK for at least four years and held ordinary shares or ADSs at that time may, in certain circumstances, become liable to UK capital gains tax on his return to the UK following a

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disposal of such ordinary shares or ADSs. Any US holders whose circumstances are such that they may fall within such provisions are advised to consult their tax adviser.

A US holder who is resident or ordinarily resident for tax purposes in the UK, or a US corporation which is resident in the UK by reason of being managed and controlled in the UK, or a US holder who, or a US corporation which, is trading in the UK through a branch or agency where ordinary shares or ADSs are or have been acquired, used or held for the purposes of such trade, branch or agency, may be liable for both UK tax and US federal income tax on a gain on the disposal of the ordinary shares or ADSs. Such US holder generally will be entitled to offset a credit for UK tax against its US federal income tax liability in respect of such gain.

A US holder of ordinary shares or ADSs will be liable for US federal income tax on gains realised on the sale or exchange of ordinary shares or ADSs to the same extent as on any other gains from sales of shares. Such gains will be capital gains if the ordinary shares or ADSs were capital assets in the hands of such US holder.

### Inheritance tax

Ordinary shares or ADSs held by an individual who is domiciled in the US for the purposes of the double taxation convention relating to estate and gift taxes between the US and the UK and for the purposes of the convention is not a national of the UK will not be subject to UK inheritance tax on the individual's death or on a lifetime transfer of ordinary shares or ADSs, except in certain cases where the ordinary shares or ADSs are placed in trust other than by a settlor domiciled in the US who is not a national of the UK and, in the exceptional case, where the ordinary shares or ADSs are part of the business property of a UK permanent establishment of an enterprise or pertains to a UK fixed base of an individual used for the performance of independent personal services. The convention generally provides a credit for the amount of any tax paid in the UK against the US federal tax liability in a case where the ordinary shares or ADSs are subject both to UK inheritance tax and to US federal gift or estate tax.

However, the terms of the US/UK estate and gift tax convention are currently being reviewed and possibly renegotiated. Further advice should be sought by any

holder who is likely to need to rely upon the provisions of the convention.

### UK stamp duty and stamp duty reserve tax

Stamp duty is (subject to exceptions for charities) currently payable at the rate of 1.5% on any instrument transferring ordinary shares to the Custodian of the Depositary, on the value of such ordinary shares. In accordance with the terms of the Deposit Agreement relating to the ordinary shares, any tax or duty payable by the Depositary or the Custodian of the Depositary on future deposits of ordinary shares will be charged by the Depositary to the party to whom ADSs are delivered against such deposits.

No UK stamp duty will be payable on transfer of an ADS, provided that the ADS (and any separate instrument of transfer) is executed and retained at all times outside the UK. A transfer of an ADS in the US thus will not give rise to UK stamp duty provided the instrument of transfer is not brought into the UK.

A transfer of an ADS in the UK may attract stamp duty at a rate of 0.5% of the consideration. Any transfer (which will include a transfer from the Depositary to an ADS holder) of the ordinary shares, including ordinary shares underlying an ADS, may result in a stamp duty liability at the rate of 0.5% of the consideration. There is no charge to ad valorem stamp duty on gifts. On a transfer of ordinary shares from a nominee to the beneficial owner (the nominee having at all times held the ordinary shares on behalf of the transferee) under which no beneficial interest passes and which is neither on sale, nor arises under or following a contract of sale, nor is in contemplation of sale, a fixed stamp duty of £5 will be payable.

Stamp duty reserve tax generally at a rate of 0.5% of the consideration is currently payable on any agreement to transfer ordinary shares or any interest therein unless: (i) an instrument transferring the ordinary shares is executed; (ii) stamp duty, generally at a rate of 0.5%, is paid; and (iii) generally the instrument is stamped on or before the accountable date for stamp duty reserve tax. The duty will, however, be refundable if within six years the agreement is completed by an instrument which has been duly stamped, generally at the rate of 0.5%. Stamp duty reserve tax will not be payable on any agreement to transfer ADSs which represent interests in depositary receipts.