

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION If you are in any doubt about the action you should take, you are recommended to seek your own independent financial advice from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000 if you are in the United Kingdom, or, if not, from another appropriately authorised financial adviser. If you have sold or otherwise transferred all your ordinary shares of 25p each in The British Land Company PLC, please forward this document, together with the accompanying documents at once 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.



To all ordinary shareholders and, for information only, holders of the 10½ and 11⅜ per cent. First Mortgage Debenture Stocks 2019/24, 6 per cent. Subordinated Irredeemable Convertible Bonds and participants in the British Land Employee Share Scheme.

ANNUAL GENERAL MEETING 2003

NOTICE OF MEETING

Notice is hereby given that the Annual General Meeting of The British Land Company PLC will be held at the May Fair Inter-Continental Hotel, Stratton Street, London W1, on Friday 18th July 2003, at 11.30 am for the following purposes:

Resolutions proposed by your Directors

- 1 To receive the Report of the Directors and audited Accounts for the year ended 31st March 2003.
- 2 To declare a Final Dividend for the year ended 31st March 2003.
- 3 To re-elect Mr. Robert Swannell as a director.
- 4 To re-elect Dr. Christopher Gibson-Smith as a director.
- 5 To re-elect Mr. David Michels as a director.
- 6 To re-appoint Deloitte & Touche as Auditors (see note 1).
- 7 To authorise the directors to fix the remuneration of the Auditors.
- 8 To approve by ordinary resolution the Remuneration Report on pages 42 to 46 in the Annual Report and Accounts 2003 and the policy set out therein.
- 9 As special business, to amend by ordinary resolution the directors' authority to allot unissued share capital or convertible securities of the Company, granted by shareholders on 16th July 2002 pursuant to Section 80 of the Companies Act 1985.
- 10 As special business, partially to waive by special resolution the pre-emption rights held by existing shareholders which attach to future issues for cash of equity securities of the Company by virtue of Section 89 of the Companies Act 1985.
- 11 As special business, to grant to the Company by special resolution authority to exercise its power to purchase, for cancellation, its own shares pursuant to the Articles of Association of the Company.
- 12 As special business, to approve by ordinary resolution a new long-term incentive plan for executives.

Outside Shareholder resolution – proposed by LIL Investments No. 1 Limited and another 104 companies with the same name but with different numbers, all based in the Isle of Man and all being under the same control (“Laxey”).

- 13 As special business, to remove by ordinary resolution Mr. John Ritblat as a director with immediate effect (see note 2).

A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and upon a poll vote instead of him/her. A proxy need not be a member of the Company.

A form of proxy is enclosed and to be valid must be lodged with the registrars not less than forty-eight hours before the meeting.

Notes

- 1 Deloitte & Touche have expressed their willingness to continue in office as auditors and have informed the directors that they are intending to transfer their business to a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000, to be known as Deloitte & Touche LLP. It is the current intention of the directors to use the Company's statutory power to give consent to the appointment of Deloitte & Touche being treated as extending to Deloitte & Touche LLP at the appropriate time.
- 2 Special notice of resolution 13 has been given to the Company. The Board of Directors recommends that you vote 'NO' to this resolution.
- 3 An explanation of resolutions 9 to 12, and the Board's recommendation in respect of Resolution 13, is set out in Appendix 1 to this document.
- 4 The full text of each resolution to be considered under items 9 to 13 above is attached as Appendix 2 to this document.
- 5 Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001 the time by which a person must be entered on the register of members in order to have the right to attend or vote at the Annual General Meeting is 6 p.m. on 16th July 2003. If the meeting is adjourned, the time by which a person must be entered on the register of members in order to have the right to attend or vote at the adjourned meeting is 6 p.m. on the second day before the date fixed for the adjourned meeting. Changes to entries on the register of members after the relevant time will be disregarded in determining the rights of any person to attend or vote at the meeting.
- 6 The following documents will be available for inspection at 10 Cornwall Terrace, Regent's Park, London NW1, during usual business hours on any weekday (Saturdays and public holidays excluded) from the date of this notice until 18th July 2003:
 - a the register of directors' interests kept by the Company under section 325 of the Companies Act 1985;
 - b copies of all contracts of service between directors and the Company; and
 - c a copy of the draft rules of the new long term incentive plan for executives proposed under resolution 12.

They will also be available for inspection at the May Fair Inter-Continental Hotel, W1 for the period of fifteen minutes prior to the Annual General Meeting and during that meeting.

By Order of the Board,

Anthony Braine

Secretary

12th June 2003

10 Cornwall Terrace

Regent's Park

London NW1 4QP

APPENDIX 1

12th June, 2003

ANNUAL GENERAL MEETING 2003

You will see from the above Notice of meeting that there are five items of special business (Resolutions 9 – 13). The full text of these five resolutions can be found in Appendix 2.

The purpose of this Appendix is to explain the first four of these items (Resolutions 9 – 12). The Board of Directors recommends that you vote 'YES' to Resolutions 1 – 12.

Resolution 13 has been requisitioned by Laxey. **THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE 'NO' TO RESOLUTION 13.**

ALLOTMENT OF SHARES

Section 80 of the Companies Act 1985 ("the Act") requires shareholders' authority for the directors to allot the unissued share capital of the Company or convertible securities, other than shares which may be allotted under employee share schemes. Such authority may be granted for a period of no more than five years. The existing authority under Section 80, given by shareholders to the directors at last year's Annual General Meeting, is in respect of unissued Ordinary Shares and 6 per cent. preference shares having a nominal value of £43,382,855, representing one third of the nominal amount of the issued share capital at that time, together with the nominal value of 6 per cent. preference shares that would be required to be issued on the exercise of the Company's right ("the Company Preference Share Exchange Right") to require the exchange of the 6 per cent. Subordinated Irredeemable Convertible Bonds ("the Bonds") for 6 per cent. preference shares. This authority is due for renewal at the Annual General Meeting to be held in 2006 unless previously revoked or varied by an ordinary resolution of the Company. The directors consider that this authority should be extended in respect of unissued Ordinary Shares and 6 per cent. preference shares having a nominal value of £40,865,324 representing one third of the nominal issued ordinary share capital, together with the nominal value of 6 per cent. preference shares that would be required to be issued on the exercise of the Company Preference Share Exchange Right, so as to expire at the Annual General Meeting to be held in 2007. The Directors have no present intention of exercising this authority. The resolution to be proposed at the Annual General Meeting is shown as item 9 in Appendix 2.

WAIVER OF PRE-EMPTION RIGHTS

In the case of a new allotment of shares or convertible securities for cash, Section 89 of the Act grants pre-emption rights to existing shareholders. The UK Listing Authority does not require the consent of shareholders to each specific allotment (made other than to existing shareholders on a proportional basis) provided that the authority of shareholders, which may be given under Section 95 of the Act, to disapply generally the provisions of Section 89 is obtained. Accordingly, the directors consider that it is in the best interests of the Company for the existing Section 95 authority granted by shareholders on 16th July, 2002 to be renewed for a period expiring at the Annual General Meeting to be held in 2007. It is proposed that the waiver will be limited by value to 5 per cent. of the issued ordinary share capital and will apply to equity securities having a nominal value of £6,107,298. The waiver will also disapply Section 89 in respect of the 6 per cent. preference shares issuable on the exercise of the Company Preference Share Exchange Right, and in respect of fractional entitlements arising on rights issues. This proposal is consistent with the current recommendations of the Investment Committees of the Association of British Insurers and the National Association of Pension Funds.

If this approval is granted your directors would, in implementing it, have regard to the provisions of such recommendations which indicate that issues of equity securities for cash (other than by way of rights) should not, in any rolling three-year period, exceed 7½ per cent. of the issued ordinary share capital. The resolution to be proposed at the Annual General Meeting is shown as item 10 in Appendix 2.

PURCHASE OF OWN SHARES

The Articles of Association of the Company empower the Company to purchase its own shares for cancellation. The directors consider it desirable and in the Company's interests for shareholders to grant to the Company authority to exercise this power, within certain limits, to enable the Company to purchase its own shares. During the financial year to 31st March 2003 the Company purchased 30,320,954 of its own shares for cancellation. These purchases occurred between 27th September 2002 and 31st March 2003. Further details of these share buy-backs can be found on pages 50 and 84 of the Annual Report and Accounts 2003. This authority would only be exercised as and when conditions were favourable, with a view to enhancing earnings per share and/or net asset value per share.

The directors propose an authority, to expire at the Annual General Meeting in 2004, for the Company to purchase its own shares up to a total of 48,858,388 Ordinary Shares having an aggregate nominal value of £12,214,597, being 10 per cent. of the current issued nominal ordinary share capital. At 12th June, 2003, there were options outstanding to subscribe for 1,513,838 ordinary shares in British Land, representing 0.3% of the current issued share capital. In the event that the full authority to buy back shares being sought at the AGM were used, these options would represent 0.4% of the then issued share capital. The resolution to be proposed at the Annual General Meeting is shown as item 11 in Appendix 2.

LONG TERM INCENTIVE PLAN

The Company wishes to introduce a new long term-incentive plan (the "Plan") for key executives to reflect current market practice and trends in such plans. The flexibility introduced in the Plan will help the Company to tailor incentives appropriately and key executives will be incentivised to deliver performance in accordance with the strategic business objectives of the Company. The Plan design also recognises the changes to accounting for options likely to be introduced by the Accounting Standards Board by allowing share appreciation rights to be used.

In brief, executives will be awarded a mix of options and performance shares each year worth up to 1.5 times basic salary. For the awards to vest, the Company will have to deliver performance over a three year period. Performance will be measured by comparing our growth in net asset value per share with the Capital Growth Component of the IPD Annual Index. The Plan details were finalised after consultations with the Association of British Insurers. Further details are contained below.

The long term incentive plans that have been used by the Company in the past are an Executive Share Option Scheme and a Restricted Share Plan. Under the Executive Share Option Scheme market value options are granted, at the discretion of the Remuneration Committee. The options become exercisable after three years (or five years in certain cases), dependent on performance targets being met. Under the Restricted Share Plan executives and executive directors are awarded interests in securities of the Company that vest according to performance against targets. Both the Executive Share Option Scheme and the Restricted Share Plan require the achievement of performance targets that compare the growth in the Company's net asset value per share with the Capital Growth Component of the Investment Property Databank Annual Index. Since 1997 the Restricted Share Plan has been operated as the main incentive arrangement for all executives including executive directors. As the notes to the accounts have shown, both ordinary shares and 6 per cent. Subordinated Irredeemable Convertible Bonds (the "Bonds") have been awarded under the Restricted Share Plan.

New Long Term Incentive Plan

In recent years companies have been granting both options and performance shares to executives in the same year. The Company is therefore proposing a new long term incentive plan to shareholders which will permit either market value options or performance shares, which are similar to restricted shares, to be awarded, as may suit the Company from time to time. The option section of the Plan will comprise an Inland Revenue approved part and an unapproved part. Under the unapproved part, the Company will have the right to direct that a share settled exercise take place. In such circumstances, the participant does not pay the exercise price and acquire the total number of shares under the option but instead retains the exercise price and receives, as a gift, shares representing any growth in value of the shares under the option above the exercise price. This alternative provides a method of reducing the potential dilution arising from operating the Plan. No further awards will be made under the existing Executive Share Option Scheme and Restricted Share Plan after the adoption of the Plan.

The Company has been advised that options have a present value equivalent to approximately one third of the value of performance shares. Under the Plan, the Company may award a maximum limit of 150% of base salary in performance shares each year or 450% of base salary in options each year (the latter under current estimations being equivalent in value to 150% of base salary awarded as performance shares). The annual limit will be set under both the options and performance shares

components of the Plan taken together. The present intention of the Remuneration Committee is that the award each year will be given as to one half in the form of performance shares and one half in the form of options. However, the Remuneration Committee may vary this allocation from time to time in response to changes in market circumstances, changes to the taxation system affecting options and shares, or in any other circumstances considered to be exceptional but on the basis that at least one third of any award made each year would consist of either performance shares or options. Awards will normally be over ordinary shares, however, the Remuneration Committee may make up to 50% of the value of an award of performance shares in the form of Bonds. Such Bonds will not be used for the option component of the Plan.

No more than 10% of the Company's issued ordinary share capital may be subscribed under the Plan, or any other employees' share scheme established by the Company, in any 10 year rolling period and no more than 5% may be subscribed for under the Plan or any other discretionary plan established by the Company, in any 10 year rolling period.

Grants made under the Plan will be subject to a prescribed performance condition upon which the exercise of options and the vesting of performance shares will be contingent except that grants may be made without any performance condition to facilitate the recruitment of a new executive.

The Remuneration Committee has reviewed the performance condition attaching to options and share awards under the existing Executive Share Option Scheme and Restricted Share Plan and are satisfied that growth in the Company's net asset value per share against the Capital Growth Component of the Investment Property Databank Annual Index is an appropriate target, relevant to the Company's strategic objectives and relevant to the creation of shareholder value. It is proposed that this be the condition attaching to options and performance shares granted under the Plan. Growth in the Company's net asset value per share will need to exceed that of the Index for a minimum portion of the options to be exercised and/or performance shares to vest with more stretching achievement required for each additional tranche of shares. For the initial grants or awards under the Plan the proposed performance hurdles are:

Percentage by which the average annual growth in the Company's net asset value per share exceeds the average annual increase in the Investment Property Databank Annual Index	Percentage Vesting
5% or more	100%
4% or more but less than 5%	80%
3% or more but less than 4%	60%
2% or more but less than 3%	40%
1% or more but less than 2%	20%
More than 0% but less than 1%	10%

The Remuneration Committee has discretion to amend the performance condition attaching to awards which have already been made under the Plan in limited circumstances. This discretion shall not be exercised to make changes to the performance condition which are to the material advantage of participants without obtaining the prior approval of shareholders.

A summary of the principal features of the Plan (including further details of the limits and performance condition referred to above) appears in Appendix 3.

The Plan will be part of the integrated remuneration policy of the Company with regard to its executive directors and senior executives which will be fully reported in the Annual Report and Accounts. It will be the only executive long term incentive plan under which awards will be made to such executives. The resolution to be proposed at the Annual General Meeting is shown as item 12 in Appendix 2.

RECOMMENDATION

Resolutions 1 to 12– Resolutions proposed by your Directors

Your Directors consider that the passing of resolutions 1 to 12 is in the best interests of the Company and its shareholders and accordingly recommend that you vote in favour of resolutions 1 to 12 to be proposed at the Annual General Meeting. Your directors intend to vote in favour of these resolutions in respect of their own share interests, which amount to 4,112,733 Ordinary Shares, representing in aggregate 0.8 per cent. of the issued ordinary share capital of the Company.

Resolution 13 – Outside Shareholder Resolution

The following resolution has been requisitioned by LIL Investments No. 1 Limited and another 104 companies with the same name but different numbers, all based in the Isle of Man and all being under the same control (“Laxey”):

‘That, if he shall not have vacated office as a director of the Company prior to the moving of this Resolution, Mr. John Ritblat be and is hereby removed as a director of the Company with immediate effect.’

Your Directors consider that this Resolution, to remove Mr. John Ritblat as a Director, IS NOT IN THE BEST INTERESTS of the Company and its shareholders.

The Laxey requisition was received on 24th September 2002. Mr. John Ritblat was re-elected a Director of the Company at the Company’s last Annual General Meeting on 16th July 2002 and would normally serve for three years.

Your Directors recommend that you VOTE AGAINST RESOLUTION 13 to be proposed at the Annual General Meeting. Your Directors intend to do so in respect of their own share interests which amount to 4,112,733 Ordinary Shares, representing in aggregate 0.8 per cent. of the issued ordinary share capital of the Company.

APPENDIX 2

THE FOLLOWING RESOLUTIONS NUMBERED 9 – 13 WILL BE PROPOSED AS SPECIAL BUSINESS AT THE ANNUAL GENERAL MEETING

The resolutions constituting the ordinary business of the Annual General Meeting are shown as items 1 to 8 in the Notice of meeting set out on page 1 of this document.

9 As an ordinary resolution:

THAT the directors be generally and unconditionally authorised, pursuant to Section 80 of the Companies Act 1985, to allot relevant securities of the Company PROVIDED THAT:

- (a) the maximum amount of relevant securities that may be allotted pursuant to the authority given by this resolution shall be an aggregate nominal amount of £40,865,324;
- (b) subject as provided in paragraph (c) of this resolution, such authority shall expire on the date of the Company's Annual General Meeting to be held in 2007 but may be previously revoked or varied by an ordinary resolution of the Company;
- (c) such authority shall permit and enable the directors to make an offer or an agreement, before the expiry of such authority, which would or might require relevant securities to be allotted after such expiry;
- (d) words and expressions defined in or for the purposes of Part IV of the Companies Act 1985 shall bear the same meanings in this resolution; and
- (e) the authority granted by this resolution is in substitution for the authority granted by the relevant ordinary resolution passed on 16th July, 2002.

10 As a special resolution:

THAT:

- (a) the directors be empowered during the period expiring on the date of the Company's Annual General Meeting to be held in 2007, to allot equity securities of the Company, pursuant to the authority given to them by the preceding ordinary resolution, as if Section 89(1) of the Companies Act 1985 did not apply to any such allotment, provided that such power shall be limited to the allotment of equity securities:
 - (i) in connection with a rights issue of such securities to the holders of relevant shares and relevant employee shares of the Company, or in connection with any other form of issue of such securities in which such holders are offered the right to participate, in proportion (as nearly as may be) to their respective holdings and, if the terms of any other equity securities so provide, in favour of the holders of those equity securities in accordance with the terms thereof, subject to such exclusions or other arrangements as the directors consider necessary or expedient in connection with shares representing fractional entitlements or on account of either legal or practical problems arising in connection with the laws of any territory or of the requirements of any relevant regulatory body or stock exchange in any territory;
 - (ii) in connection with the issue of 6 per cent. Cumulative Redeemable Convertible Preference Shares of £1 each on conversion of the 6 per cent. Subordinated Irredeemable Convertible Bonds of the Company; and
 - (iii) (otherwise than under sub-paragraphs (a) (i) and (ii) above) having an aggregate nominal value of £6,107,298;
- (b) such power shall permit and enable the directors to make an offer or agreement, before the expiry of such power, which would or might require equity securities to be allotted after such expiry;
- (c) words and expressions defined in or for the purposes of Part IV of the Companies Act 1985 shall bear the same meanings in this resolution; and
- (d) the authority granted by this resolution is in substitution for the authority granted by the relevant special resolution passed on 16th July, 2002.

11 As a special resolution:

THAT pursuant to the Articles of Association of the Company and in accordance with Section 166 of the Companies Act 1985, the Company be generally and unconditionally authorised, during the period expiring on the date of the Annual General Meeting next following the passing of this resolution, to make market purchases (as defined in Section 163 of the said Act) of the Company's Ordinary Shares on such terms and in such a manner as the directors may determine, PROVIDED THAT this authority shall:

- (a) be limited to a maximum of 48,858,388 Ordinary Shares having a nominal value of £12,214,597;
- (b) not permit the payment by the Company of less than 25p per Ordinary Share nor more than 105 per cent. of the average of the middle market quotations of the Company's Ordinary Shares as derived from the UK Listing Authority Daily Official List on the five business days immediately preceding the date of any proposed purchase; and
- (c) permit the Company to complete a purchase of Ordinary Shares after the expiry of this authority if the contract for such purchase was concluded before such expiry.

12 As an ordinary resolution:

- (a) THAT the adoption of The British Land Company Long Term Incentive Plan (the "Plan"), the main features of which are summarised in Appendix 3 and the draft rules of which have been produced to the Meeting and signed by the Chairman for the purposes of identification, be and is hereby approved; and
- (b) THAT the Directors of the Company be and are hereby authorised (i) to do all such acts and things as they may consider necessary or expedient to carry the Plan into effect; and (ii) to vote, and be counted in the quorum, on any matter connected with the Plan, notwithstanding that they may be interested in the same and the provisions of the Articles of Association of the Company be relaxed accordingly to that extent (except that no director may be counted in a quorum or vote in respect of his own participation).

13 As an ordinary resolution:

THAT, if he shall not have vacated office as a director of the Company prior to the moving of this Resolution, Mr John Ritblat be and is hereby removed as a director of the Company with immediate effect.

APPENDIX 3

SUMMARY OF THE PRINCIPAL FEATURES OF THE BRITISH LAND COMPANY LONG TERM INCENTIVE PLAN ("THE PLAN")

1 Constitution and Administration

The Plan will be constituted by rules approved by the Remuneration Committee and adopted by the Directors.

The Plan will provide for the grant of market value options ("Options") and awards of Performance Shares ("Performance Shares") (together referred to as "Rights"). The Options component includes an Inland Revenue approved part (Part A) and an unapproved part (Part B).

Awards of Performance Shares will be made in conjunction with The British Land Employee Ownership Plan (the "Trust") entered into between the Company and BL ESOP Limited (the "Trustee") on 25th November 1992. Up to 50% of the value of an award of Performance Shares may be in the form of 6% irredeemable convertible bonds in the Company.

The Remuneration Committee shall determine from time to time whether the Plan, and if so which components of the Plan, shall be used for the grant of Rights to selected eligible employees.

2 Participating Companies

The Plan will extend to The British Land Company PLC (the "Company") and any of its subsidiaries which the Remuneration Committee designates as participating companies.

3 Eligibility

Any employee or executive director of the Company or any participating subsidiary who will, except in cases where the Remuneration Committee considers that special circumstances justify otherwise, have at least six months' service before the date on which he is bound to retire, will be eligible for participation in the Plan. The Remuneration Committee will, however, at its absolute discretion, select or recommend to the Trustees, as appropriate, who will participate each year. Those selected will be employees or executive directors who have been identified as able to influence the performance of the Company and the value delivered to shareholders.

In respect of Options to be granted under Part A of the Plan, further restrictions will apply in relation to eligibility which reflect Inland Revenue requirements.

4 Plan Limits

In any ten year period not more than ten per cent of the issued ordinary share capital of the Company from time to time may be issued or placed under rights, granted under the Plan or any other employees' share schemes established by the Company or any other company when it is under the control of the Company, to be issued.

In addition, in any ten year period not more than five per cent of the issued ordinary share capital of the Company from time to time may be issued or be placed under rights, granted under the Plan or any other discretionary share scheme established by the Company or any other company when it is under the control of the Company, to be issued.

5 Grant of Rights

Rights may generally only be granted within the period of 42 days commencing on the dealing day following any of:

- (a) the day on which adoption of the Plan is approved by shareholders of the Company in General Meeting; or
- (b) the day on which Part A is approved by the Board of Inland Revenue; or
- (c) a day on which the Company makes an announcement of its results for any year, half year or other period or issues any prospectus, listing particulars or other document containing equivalent information relating to its shares; or
- (d) a day on which changes to the legislation or regulations affecting discretionary share option schemes approved by the Inland Revenue are announced, effected or made; or
- (e) a day on which the Committee resolves that exceptional circumstances have arisen which justify the grant of Rights.

6 Individual Limit

The total value of Rights granted to any individual in any year (excluding any Rights granted to aid the recruitment of a new executive) shall not exceed 150 per cent of his annual basic salary. For these purposes the value of Performance Shares shall be their total market value and the value of shares placed under Options shall be one third of the total market value of those shares as at the time the Rights are granted.

7 Performance Conditions

Rights granted under the Plan will only become exercisable or vest, as appropriate, if a specified performance condition is satisfied except that Rights granted at the time of recruitment of a new executive may be granted without any performance condition being attached.

The performance condition will measure the growth in the net asset value per share of the Company against the Capital Growth Component of the Investment Property Databank Annual Index over a performance period of three years commencing with the year in which the Rights are granted.

The Company is required to outperform the index for any of the Rights awarded under the Plan to become exercisable/vest. A participant's Rights will be exercisable/vest in full if the Company's annual average growth in net asset value per share over the performance period exceeds that of the Index by 5% or more. If the Company's performance is such that the annual average growth in net asset value exceeds that of the Index by up to 1%, only 10% of the Rights will become exercisable/vest. Between those two levels, the Rights will become exercisable/vest as shown on page 5 in Appendix 1.

The Remuneration Committee will have discretion to amend the performance condition in certain specified circumstances, provided that the amended condition is no more difficult to achieve than the condition originally prescribed. Where any amendment to the performance condition would be to the material advantage of Participants, the prior approval of shareholders will be sought.

The performance condition attaching to each grant of Rights under the Plan will be described in the Annual Report and Accounts in the year immediately after the grant and any amendment of the condition (not previously approved by shareholders) will be described in the Annual Report and Accounts for the relevant year.

8 Pension Implications

The value of any Rights granted or shares acquired under the Plan will not be pensionable.

9 Amendments

The Plan may be amended by the Remuneration Committee in any way, provided that amendments which are to the advantage of participants (present or future) may be made only with the prior approval of an ordinary resolution of the shareholders of the Company in general meeting unless they are minor amendments to benefit the administration of the Plan, or they are amendments to take account or advantage of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for eligible employees, participants, the Company or any subsidiary.

Alterations that would abrogate or adversely affect subsisting Rights are subject to specified limitations.

10 Termination

The Plan will terminate on the tenth anniversary of the date of its approval by shareholders or at any earlier time by resolution of the Remuneration Committee, but the rights of existing participants will not thereby be affected.

Additional Features Relating to Options

11 Exercise Price

Options will entitle the holder to acquire ordinary shares in the Company ("Shares") at a price per share (the "Exercise Price") to be determined by the Committee but which will not be less than the arithmetic average of its middle-market quotations, as derived from The London Stock Exchange Daily Official List, on the three dealing days immediately preceding the option grant date or, if greater and the Shares are to be subscribed, the nominal value of a Share.

12 Inland Revenue Limit

The maximum aggregate value of Shares (determined by reference to their market value at the time of grant) which may be put under Option to an individual under Part A, together with the value of any shares under any options which remain capable of exercise that were granted to that individual under Part A or any other Revenue approved discretionary share option plan of the Company, or any associated company of the Company, is £30,000.

13 Normal Exercise of Options

An Option may only be exercised by the person to whom it was granted, or his personal representative(s), and is not transferable.

Subject to the achievement of the performance condition as referred to above, Options granted under the Plan will generally become exercisable on the third anniversary of the option grant date. Any Option not exercised by the tenth anniversary of its date of grant will lapse.

14 Early Exercise of Options

If a participant dies before the third anniversary of the option grant date, the personal representative(s) of such participant may exercise his outstanding Options in full in the period of one year following death, notwithstanding any performance condition that may attach to such Options.

If a participant ceases to be a full-time director or an employee of the group before the third anniversary of the option grant date because his employing company, or part of the business in which he is employed, is transferred out of the group, or on account of injury, disability, redundancy or retirement, or for any other reason in the Remuneration Committee's discretion, his Options shall become exercisable for a prescribed period subject to the attainment of the performance condition subject to which the grant was made measured over the relevant shorter period (unless no such condition was imposed on grant).

In the event of a change in control, reconstruction or voluntary winding-up of the Company, Options granted under the Plan will generally become exercisable within specified periods, subject to the attainment of the performance condition which will be measured over the relevant shorter period (unless no such condition was imposed on grant). Alternatively, following a take-over, Options may, with the agreement of the acquiring company, be rolled-over to become options over the acquiring company's shares. In the absence of roll-over, any unexercised Options will lapse at the end of the specified exercise period.

Where there is a scheme of arrangement resulting in a change of control but the shareholders in the acquiring company are substantially the same as the shareholders in the Company immediately prior to the scheme of arrangement, a roll-over will be offered and no right to early exercise will arise.

15 Lapse of Options

Options will lapse on cessation of employment other than in the circumstances referred to above or, where the circumstances referred to above apply, if the Options are not exercised within the prescribed periods.

Options will also lapse to the extent that the performance condition cannot be satisfied at the end of the relevant measurement period (except where no such performance condition was imposed on grant) and in certain other specified circumstances.

16 Discretion to Settle Part B Options – Share Appreciation Rights

Notwithstanding any other provision of the Plan, the Company has discretion to require that on exercise of any Option granted under Part B, the participant retains the full exercise funds and receives instead a number of shares equivalent to the growth in value of the shares under Option over and above the exercise price. This discretion has been included to provide flexibility should the Company wish to reduce dilution of share capital on exercise.

17 Issue of Shares

Within 28 days of the exercise of an Option, Shares will be allotted and issued (or transferred) as appropriate. Shares allotted will rank *pari passu* with the Shares then in issue other than in respect of dividend and other entitlements arising by reference to a record date prior to the date of allotment. As soon as practicable after the allotment of any Shares, application will be made to the UK Listing Authority for their admission to the Official List.

18 Issues and Reorganisations of Capital

The rights of participants following any rights issue, capitalisation issue or other variation of capital will be adjusted in such manner as the Remuneration Committee determines subject to written confirmation from the Company's auditors that the calculation of the adjustment has been carried out, in their opinion, in an appropriate manner and to Inland Revenue approval in respect of the approved Options.

Additional Features Relating to Performance Shares

19 Operation

The Company and participating subsidiary companies will provide funds, by way of gift or loan to be held in accordance with the terms of the Trust, to enable the Trustee to acquire Performance Shares which are the subject of awards to participants.

The Company shall determine whether Performance Shares which are the subject of awards shall be purchased or subscribed. Where the Company decides that Shares shall be subscribed, the Trustee shall subscribe for such shares at market value.

The Trustee will hold any Performance Shares which are acquired under the Plan which have not yet vested.

20 Awards of Performance Shares

The Trustee will make the awards of Performance Shares on the recommendation of the Remuneration Committee.

The Performance Shares will be subject to a vesting period of at least three years (the "Performance Period").

21 Normal Vesting of Awards

An award will vest only in the participant to whom it was made, or his personal representative(s), and is not transferable. An award will not normally vest unless the performance condition (unless no such condition was imposed on grant) has been achieved and the participant is still an employee of the group at the end of the Performance Period.

22 Early Vesting of Awards

If a participant dies during the Performance Period, the Performance Shares subject to the participant's award(s) will be transferred for his estate's benefit notwithstanding any performance condition that may attach to the award of such Performance Shares.

If a participant ceases to be a full-time director or an employee during the Performance Period because his employing company, or part of the business in which he is employed, is transferred out of the group, or on account of injury, disability, redundancy, retirement or for any other reason on the Remuneration Committee's recommendation and subject to the Trustee's discretion, his award(s) will vest subject to the attainment of the performance condition subject to which the award(s) were made (unless the award(s) were not made subject to any such condition) measured over the relevant shorter period.

If during the Performance Period there is a change of control or voluntary winding up of the Company, award(s) will vest subject to the attainment of the performance condition subject to which the award(s) were made (unless the award(s) were not made subject to any such condition), measured over the relevant shorter period.

23 Lapsing of Awards

Awards will lapse on cessation of employment other than in the circumstances referred to above. Awards will also lapse to the extent that the performance condition has not been satisfied at the end of the relevant measurement period (except where no performance condition was imposed when the award was made) and in certain other specified circumstances.

24 Rights in respect of Performance Shares

Participants will not have any shareholder rights in respect of Performance Shares subject to an Award during the Performance Period. However, the Trustees, on the recommendation of the Remuneration Committee, shall decide whether, during the Performance Period, dividends (including scrip dividends) and other distributions (including interest) shall accrue for the potential benefit of a Participant in respect of Performance Shares which are the subject of his Award. Where the Trustees have so decided, on or as soon as reasonably practicable after vesting, the Trustees shall transfer to or for the benefit of the Participant any such accrued dividends or distributions but only in respect of and to the extent that the Performance Shares subject to the Award have vested.

25 Issues and Reorganisations of Capital

The rights of a participant following any rights issue, capitalisation issue or other reconstruction or variation of capital will be adjusted as relevant and, where appropriate, in such manner as the Remuneration Committee and the Trustee may agree subject to confirmation from the Company's auditors that the calculation of the adjustment has been carried out, in their opinion, in an appropriate manner.