

Galiform

Chairman's explanatory letter for the Annual General Meeting to be held on Friday 15 May 2009 at 11.30am.

This document is important and requires your immediate attention. When considering what action to take, you are recommended to consult an independent financial adviser authorised under the Financial Services and Markets Act 2000. If you have sold or otherwise transferred all of your Galiform shares, please pass this document and the accompanying form of proxy to the purchaser or transferee, or to the agent through whom the sale or transfer was effected, for transmission to the purchaser or transferee. The Notice of Annual General Meeting is set out on pages 2 and 3.

2 April 2009

Dear Shareholders

The Annual General Meeting ('the AGM') of Galiform Plc ('the Company') will be held on Friday 15 May 2009 at 11.30am at UBS Investment Bank, 1 Finsbury Avenue, London, EC2M 2PP. Details of the business to be considered are set out in the Notice of Meeting that follows this letter. I would like to explain and comment further on a number of the matters to be dealt with.

Reappointment of Directors

In accordance with the Articles of Association, Matthew Ingle and Peter Wallis will retire by rotation and be proposed for reappointment at the meeting.

Mr Ingle's biography is set out on page 23 of the Annual Report.

Mr Wallis' biography is set out on page 23 of the Annual Report.

Directors' Remuneration Report and Policy

The directors' remuneration report for the year and our remuneration policy is set out in full in the Annual Report commencing at page 27.

Changes to the Articles of Association

We are asking shareholders to approve certain amendments to our Articles of Association to reflect certain provisions of the Companies Act 2006. An explanation of the main changes between the proposed and the existing Articles of Association is set out in the Appendix following the Notice of Meeting.

Renewal of the Rules to the Group's Share Plans

The Company's existing Share Option Plan and Performance Share Plan are due to expire shortly and we are therefore seeking shareholder approval to replace these plans with the Galiform Long Term Incentive Plan, under which a variety of share awards can be made. The terms of the new plan are broadly the same as the current plans. However, certain plan rule provisions have been amended in order to bring them into line with current corporate governance best practice. A summary of the plan rules is set out in the Appendix following the Notice of Meeting.

Other Business

Further explanatory notes relating to the other business to be conducted at the meeting are set out in the Appendix following the Notice of Meeting.

Recommendation and action to be taken

The Board considers that the proposed resolutions in the Notice of Meeting are in the best interests of the Company and its shareholders as a whole and unanimously recommends that you vote in favour of the proposed resolutions as the directors intend to do in respect of their own beneficial holdings. Whether or not you intend to come to the meeting, please complete the proxy form sent to you with this notice and return it to the Company's Registrars in accordance with the instructions thereon by not later than 11.30am on 13 May 2009. By doing so, you will not be precluded from attending and voting in person at the meeting.

Yours sincerely

Will Samuel
Chairman
Galiform Plc

Notice of the Annual General Meeting

Notice is hereby given that the Annual General Meeting of Galiform Plc ("the Company") will be held at UBS Investment Bank, 1 Finsbury Avenue, London, EC2M 2PP on Friday 15 May 2009 at 11.30 a.m. for the following purposes:

Ordinary Business

1. To receive the Company's accounts, and the reports of the Directors and Independent Auditors thereon for the 52 weeks ended 27 December 2008.
2. To reappoint Mr M Ingle as a director, retiring by rotation in accordance with the Company's Articles of Association.
3. To reappoint Mr P Wallis as a director, retiring by rotation in accordance with the Company's Articles of Association.
4. To reappoint Deloitte LLP as auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting at which accounts are laid.
5. To authorise the directors to determine the auditors' remuneration.

Special Business

To consider and, if thought fit, to pass the following resolutions which will be proposed as ordinary resolutions:

6. To increase the authorised share capital of the Company to £107,765,606 by the creation of 302,504,060 ordinary shares of 10 pence each ranking equally in all respects with the existing ordinary shares of 10 pence each in the capital of the Company.
7. That the directors' remuneration report and policy be approved.
8. That, if resolution 6 is passed, the Board be authorised to allot relevant securities (as defined in the Companies Act 1985):
 - a. up to a nominal amount of £21,130,511; and
 - b. comprising equity securities (as defined in the Companies Act 1985) up to a nominal amount of £42,261,022 (including within such limit any shares issued under (a) above) in connection with an offer by way of a rights issue to ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings and so that the Board may impose any limits or restrictions and make any arrangements which it considers necessary or appropriate to deal with fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of,

any territory or any other matter, such authorities to apply until the end of next year's Annual General Meeting or, if earlier, until the close of business on 14 August 2010 but, in each case, so that the Company may make offers and enter into arrangements during the relevant period which would, or might, require relevant securities to be allotted after the authority ends and the Board may allot relevant securities under any such offer or agreement as if the authority had not ended.

To consider and, if thought fit, to pass the following resolutions which will be proposed as special resolutions:

9. That if resolution 8 is passed, the Board be given power to allot equity securities (as defined in the Companies Act 1985) for cash under the authority given by that resolution and/or where the allotment constitutes an allotment of equity securities by virtue of section 94(3A) of the Companies Act 1985, free of the restriction in section 89(1) of the Companies Act 1985, such power to be limited:

- a. to the allotment of equity securities in connection with an offer of equity securities (but in the case of the authority granted under resolution 8b, by way of a rights issue only) to ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings and so that the Board may impose any limits or restrictions and make any arrangements which it considers necessary or appropriate to deal with fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or any other matter; and
- b. in the case of the authority granted under resolution 8a, to the allotment (otherwise than under (a) above) of equity securities up to a nominal amount of £3,169,577,

such power to apply until the end of next year's Annual General Meeting or, if earlier, until the close of business on 14 August 2010 but during this period the Company may make offers and enter into arrangements, which would, or might, require equity securities to be allotted after the power ends and the Board may allot equity securities under any such offer or agreement as if the power had not ended.

10. That the Company be generally and unconditionally authorised to make one

or more market purchases (within the meaning of s163(3) of the Companies Act 1985) of ordinary shares of 10p each in the capital of the Company ("ordinary shares") provided that:

- a. the maximum aggregate number of ordinary shares authorised to be purchased is 63,391,533;
 - b. the minimum price (exclusive of expenses) which may be paid for an ordinary share is 10p;
 - c. the maximum price (exclusive of expenses) which may be paid for an ordinary share is the higher of:
 - (i) an amount equal to 105% of the average middle market quotations for an ordinary share as derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the ordinary share is purchased; and (ii) an amount equal to the higher of the price of the last independent trade of an ordinary share and the highest current independent bid for an ordinary share as derived from the London Stock Exchange Trading System;
 - d. this authority expires at the conclusion of the next Annual General Meeting of the Company or 15 months from the date of the passing of this resolution (whichever is earlier); and
 - e. the Company may make a purchase of ordinary shares after the expiry of this authority if the contract for such purchases was entered into before such expiry.
11. That the Articles of Association of the Company be amended by making the alterations marked on the print of the Articles of Association produced to the meeting and initialled by the Chairman for the purposes of identification with effect from the conclusion of the meeting.
 12. That with effect from 00.01 a.m. on 1 October 2009, the Articles of Association of the Company be amended by deleting all the provisions of the Company's Memorandum of Association which, by virtue of section 28 Companies Act 2006 are to be treated as provisions of the Company's Articles of Association.
 13. That a general meeting other than an Annual General Meeting may be called on not less than 14 clear days' notice.

14. That the rules of the Galiform Long Term Incentive Plan contained in the document produced to the meeting and signed by the Chairman for the purpose of identification be approved and adopted.

By order of the Board

C Bishop

Secretary

2 April 2009

Procedural Notes relating to the above Notice

1. The Company, pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, specifies that only those members entered in the register of members of the Company as at close of business on 13 May 2009, shall be entitled to attend and vote at the meeting in respect of the number of ordinary shares registered in their name at that time. Changes to the entries in the register of members after the close of business on 13 May 2009 shall be disregarded in determining the rights of any person to attend or vote at the meeting.

2. A registered member of the Company may appoint one or more proxies to exercise all or any of his rights to attend, speak and vote at a meeting of the Company provided that if more than one proxy is appointed each proxy is appointed to exercise the rights attached to a different share or shares held by him. A proxy need not be a member of the Company.

3. The proxy form sent to you with this notice invites members to vote in one of three ways: "for", "against" and "vote withheld". Please note that a "vote withheld" has no legal effect and will count neither for nor against a resolution.

4. In order to be valid an appointment of proxy must be returned by one of the following methods:

- sending the completed and signed form of proxy sent to you with this notice by post or (during normal business hours only) by hand so as to be received by the Company's Registrars, Computershare Investor Services PLC, Registrar's Department at The Pavilions, Bridgwater Road, Bristol, BS99 6ZY not later than 11.30 am on 13 May 2009; or
- electronically, by logging on to the following website at www.eproxyappointment.com. You will need an internet enabled computer

with minimum web browser of IE4 or Netscape 4. Members will be required to enter the meeting Control Number, their Shareholder Reference Number (SRN), and PIN (all printed on a member's form of proxy) and to agree to certain terms and conditions. Full details of the procedure are given on the website. The proxy appointment and/or voting instructions must be received by the Company's Registrars not later than 11.30 a.m. on 13 May 2009.

- in the case of CREST members, by utilising the CREST electronic proxy appointment service in accordance with the procedures set out below.

5. To appoint a proxy or to give or amend an instruction to a previously appointed proxy via the CREST system, the CREST message must be received by the Company's Registrars, Computershare Investor Services PLC, (under CREST participant ID "3RA50") by not later than 11.30 a.m. on 13 May 2009. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the Company's Registrars are able to retrieve the message. After this time any change of instructions to a proxy appointed through CREST should be communicated to the proxy by other means. CREST Personal Members or other CREST Sponsored Members, and those CREST Members who have appointed voting service provider(s), should contact their CREST sponsor or voting service provider(s) for assistance with appointing proxies via CREST. For further information on CREST procedures, limitations and system timings, please refer to the CREST Manual. We may treat as invalid a proxy appointment sent by CREST in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

6. Returning a form of proxy will not prevent a member from attending the meeting and voting in person.

7. Any power of attorney or other authority (if any) under which the form of proxy is executed (or a duly certified or authorised copy of such power of authority) must be included with the form of proxy.

8. Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a "Nominated Person") may have a

right, under an agreement between him and the member by whom he was nominated, to be appointed (or to have someone else appointed) as a proxy for the Annual General Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he may, under any such agreement, have a right to give instructions to the member as to the exercise of voting rights.

The statement of the rights of members in relation to the appointment of proxies in paragraph 3 above does not apply to Nominated Persons. The rights described in these paragraphs can only be exercised by members of the Company.

9. If more than one valid proxy appointment is submitted, the form of proxy which is last validly delivered before the latest time for receipt of proxies will take precedence.

10. As at 24 March 2009 (being the last practicable date prior to the publication of this Notice) the Company's issued share capital consists of 633,915,329 ordinary shares, carrying one vote each. Therefore the total number of voting rights in the company as at 24 March 2009 are 633,915,329

11. Members may require the Company to publish on a website a statement setting out any matter relating to: (i) the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the Annual General Meeting; or (ii) any circumstance connected with an auditor of the Company ceasing to hold office since the last Annual General Meeting that the members propose to raise at the Annual General Meeting, pursuant to requests under section 527 of the Companies Act 2006. The Company may not require the shareholders requesting any such website publication to pay its expenses in complying with sections 527 or 528 of the Companies Act 2006. Where the Company is required to place a statement on a website under section 527 of the Companies Act 2006, it must forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the Annual General Meeting includes any statement that the Company has been required under section 527 of the Companies Act 2006 to publish on a website.

12. Except as provided above, members who wish to communicate with the

Company in relation to the Annual General Meeting should do so using the following means: (1) by writing to the Company Secretary at the registered office address; or (2) by writing to the Company's Registrar, Computershare Investor Services PLC, Registrar's Department at The Pavilions, Bridgwater Road, Bristol, BS99 7NH. No other methods of communication will be accepted. In particular you may not use any electronic address provided either in this Notice of Meeting or in any related documents (including the Chairman's Statement, the Annual Report 2008 and the proxy form) to communicate with the Company for any purposes other than those expressly stated.

13. Copies of the following documents will be available for inspection at the Company's registered office at International House, 66 Chiltern Street, London W1U 4JT during usual business hours on weekdays (Saturdays, Sundays and public holidays excepted) from the date of this notice until the conclusion of the Annual General Meeting. They will also be available at UBS Investment Bank, 1 Finsbury Avenue, London, EC2M 2PP on 15 May 2009 for at least fifteen minutes prior to and until the conclusion of the Annual General Meeting:

- a. copies of the directors' service contracts and/or letters of appointment by the Company;
- b. the new Articles of Association of the Company, together with comparison documents showing the changes proposed to be made to the Articles of Association pursuant to Resolution 11.
- c. the full text of the Galiform Long Term Incentive Plan.

14. Data protection statement

Your personal data includes all data provided by you, or on your behalf, which relates to you as a shareholder, including your name and contact details, the votes you cast and your Reference Number (attributed to you by the Company). The Company determines the purposes for which and the manner in which your personal data is to be processed. The Company and any third party to which it discloses the data (including the Company's Registrars) may process your personal data for the purposes of compiling and updating the Company's records, fulfilling its legal obligations and processing the shareholder rights you exercise.

15. Corporate representatives

In order to facilitate voting by corporate representatives at the meeting, arrangements have been put in place at the meeting so that (i) if a corporate shareholder has appointed the Chairman of the Meeting as its corporate representative with instructions to vote on a poll in accordance with the directions of all of the other corporate representatives for that corporate shareholder at the Meeting, then on a poll those corporate representatives will give voting directions to the Chairman and the Chairman will vote (or withhold a vote) as corporate representative in accordance with those directions; and (ii) if more than one corporate representative for the same corporate shareholder attends the meeting but the corporate shareholder has not appointed the Chairman of the Meeting as its corporate representative, a designated corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and other corporate representatives of that corporate shareholder will give voting directions to that designated corporate representative. Corporate shareholders are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives – www.icsa.org.uk - for further details of this procedure. The guidance includes a sample form of representation letter if the Chairman is being appointed as described in (i) above. Corporate representatives who have been appointed to attend the Annual General Meeting are asked to register with the staff of the Company's Registrar, Computershare Investor Services PLC, present at the Annual General Meeting as early as possible prior to the beginning of the Annual General Meeting in order to assist them with administration of the voting process set out above.

Appendix

Further Explanatory Notes relating to the proposed business of the Meeting

The notes on the following pages give an explanation of the proposed resolutions.

Resolution 3 – reappoint Mr P Wallis as a director

Mr Wallis was appointed to the Board as a non-executive director in January 2001. His experience and expertise in the field of strategy and brand consulting continue to benefit the balance of skills and experience

available to the Board and as such the Board are recommending that he be re-appointed as a Director at the meeting.

Resolutions 4 and 5 – re-appointment of auditors

The auditors of a company must be re-appointed at each general meeting at which accounts are laid. Resolution 4 proposes the re-appointment of the company's existing auditors, Deloitte LLP, until the conclusion of the next Annual General Meeting of the company at which accounts are laid. Resolution 5 gives authority to the directors to determine the auditors' remuneration.

Resolution 6 – increase the authorised share capital

This resolution proposes to increase the Company's authorised share capital of ordinary shares by 39%. Resolution 8 proposes to allow the Board to allot up to 66.6% of the total issued ordinary share capital of the Company in connection with an offer by way of a rights issue. The proposed 39% increase in authorised share capital will enable the Board to allot shares pursuant to proposed resolution 8 and also retain headroom for any further issue of shares.

Resolution 7 – directors' remuneration report and policy

In line with best practice in corporate governance as now reflected in the Directors' Remuneration Report Regulations 2002, the Board has presented its directors' remuneration report to shareholders in the annual report and accounts.

The directors' remuneration report, which may be found on pages 27 to 36 of the annual report and accounts, gives details of your directors' remuneration for the year ended 27 December 2008 and sets out the Company's overall policy on directors' remuneration. As required by the Directors' Remuneration Report Regulations, the Company's auditors, Deloitte LLP, have audited those parts of the directors' remuneration report capable of being audited and their report may be found on page 100 of the annual report and accounts.

The board considers that appropriate executive remuneration plays a vital part in helping to achieve the company's overall objectives and, accordingly, and in compliance with the Directors' Remuneration Report Regulations, shareholders will be invited to approve the directors' remuneration report. The resolution in relation to the approval of the directors' remuneration report and policy takes effect as an advisory vote, being a non-binding indication of shareholder

Notice of the Annual General Meeting *continued*

views, but one which will be taken seriously by the Company in considering future development and operation of its remuneration policy and practice.

Resolution 8 – authority to allot shares

This resolution seeks authority for the directors to allot the authorised but unissued share capital of the Company up to a maximum nominal amount of £21,130,511, (being the equivalent of 33.3 % of the issued share capital of the Company as at 24 March 2009) and also gives the Board authority to allot ordinary shares up to a maximum amount of £42,261,022 by way of a rights issue (being 66.6% of the issued share capital of the Company as at 24 March 2009) . This authority will expire at the conclusion of the annual general meeting of the Company next year, or, if earlier, at the close of business on 14 August 2010. The Board has no present intention to exercise this authority other than in connection with the employees' share schemes. As at 24 March 2009, the Company held no treasury shares.

Resolution 9 – disapplication of pre-emption rights

This resolution, which will be proposed as a special resolution, seeks to renew the authority conferred on the directors under the Company's Articles of Association to issue equity securities of the Company for cash without application of the pre-emption rights pursuant to section 89 of the Companies Act 1985. Other than in connection with a rights issue, open offer or other similar issue, the authority contained in this resolution will be limited to an aggregate nominal value of £3,169,577, which represents 5% of the issued ordinary share capital of the Company as at 24 March 2009. This authority will expire at the conclusion of the Annual General Meeting of the Company next year or, if earlier, at the close of business on 14 August 2010. In accordance with the guidelines issued by the Pre-emption Group, the Board confirms its intention that no more than 7.5% of the issued share capital will be issued for cash on a non pre-emptive basis during any rolling three-year period.

Resolution 10 – authority to purchase own shares

This resolution, which will be proposed as a special resolution, renews the authority granted at last year's Annual General Meeting which expires on the date of the forthcoming Annual General Meeting. The resolution gives the Company authority to buy back its own ordinary shares in the market as permitted by the Companies Act 2006. The authority limits the number of shares that could be purchased to a maximum

of 63,391,533 (representing 10% of the issued share capital of the Company as at 24 March 2009) and sets minimum and maximum prices. This authority will expire at the conclusion of the Annual General Meeting of the Company next year or 15 months from the date of the passing of Resolution 10 whichever is the earlier. The directors have no present intention of exercising the authority to purchase the Company's ordinary shares but would like to have the flexibility to consider such purchases in the future. The authority will be exercised only if the directors believe that to do so would result in an increase in earnings per share and would be in the best interests of shareholders as a whole. Any shares so purchased would be cancelled or held as treasury shares. As at 24 March 2009, options over 16,436,120 ordinary shares representing 2.59% of the current issued share capital were outstanding under all employee share schemes adopted by the Company. This would represent 3.24% of the issued share capital if the maximum number of ordinary shares were purchased under both the existing authority approved at the 2008 Annual General Meeting and the proposed authority under Resolution 10.

Resolution 11 – changes to articles

Following the Company's Annual General Meeting in 2008, the Company (in conjunction with its legal advisers) is continuing its review of the Articles of Association, in particular in relation to any further changes which are necessary or desirable following the full implementation of the Companies Act 2006 and any additional changes which may be required pursuant to the implementation of the Companies (Shareholders' Rights) Regulations (currently expected in August 2009). Any further proposed amendments will be put to shareholders at the next Annual General Meeting.

Notice of General Meetings

The only change to the current Articles of Association proposed by this resolution relates to the convening of general meetings and the length of notice required to convene general meetings. The relevant provisions are being removed in the new Articles of Association to reflect the Companies Act 2006. In particular, a general meeting to consider a special resolution can be convened on 14 days' notice whereas previously 21 days' notice was required.

Resolution 12 – the Company's objects

The provisions regulating the operations of the Company are currently set out in the Company's memorandum and Articles of Association. The Company's memorandum contains, among other

things, the objects clause which sets out the scope of the activities the Company is authorised to undertake. This is drafted to give wide scope.

The Companies Act 2006 significantly reduces the constitutional significance of a company's memorandum. The Companies Act 2006 provides that a memorandum will record only the names of subscribers and the number of shares each subscriber has agreed to take in the company. Under the Companies Act 2006 the objects clause and all other provisions which are currently contained in a company's memorandum, for existing companies at 1 October 2009, will be deemed to be contained in a company's articles of association but the company can remove these provisions by special resolution.

Further, the Companies Act 2006 states that unless a company's articles provide otherwise, a company's objects are unrestricted. This abolishes the need for companies to have objects clauses. For this reason, the Company is proposing to remove its objects clause together with all other provisions of its memorandum which, by virtue of the Companies Act 2006, are to be treated as forming part of the Company's Articles of Association as of 1 October 2009. Resolution 12 confirms the removal of these provisions for the Company.

Resolution 13 – notice of general meetings

This resolution is required to reflect the proposed implementation in August 2009 of the Shareholder Rights Directive. The regulation implementing this Directive will increase the notice period for general meetings of the Company to 21 days. If resolution 11 is passed, the Company will be able to call general meetings (other than an Annual General Meeting) on 14 clear days' notice and would like to preserve this ability. In order to be able to do so after August 2009, shareholders must have approved the calling of meetings on 14 clear days' notice. Resolution 13 seeks such approval. The approval will be effective until the Company's next Annual General Meeting, when it is intended that a similar resolution will be proposed. The Company will also need to meet the requirements for electronic voting under the Directive before it can call a general meeting on 14 clear days' notice.

Resolution 14 – renewal of CSOP and PSP rules

This resolution seeks shareholders' authority for the introduction of the Galiform Long Term Incentive Plan (the "Share Plan"). This new Share Plan will replace the existing Share Option Plan and Performance Share

Plan which are due to expire shortly.

Description of Galiform Long Term Incentive Plan (the "Share Plan")

A summary of the main features of the Share Plan is set out below:

Introduction

This summary outlines the main features of the Share Plan, under which the Company may grant different types of share award including market value and nil cost options, conditional awards of shares and restricted shares where the employee is the owner of the shares from the date of award but subject to forfeiture. Unless otherwise specified all awards have substantially the same terms. Awards may be made to employees of the group including executive directors and senior management of the Company. The Share Plan will replace the Company's existing Share Option Plan and Performance Share Plan which will expire shortly. The Share Plan also provides flexibility to make economically equivalent cash awards, for example as a result of local tax or regulatory considerations, if this is appropriate in any jurisdiction.

The vesting of all awards made to executive directors and the receipt of shares will be dependent on continued employment and the satisfaction of conditions linked to the performance of the Company.

Operation

Awards will normally only be made within 42 days after the announcement of the Company's results for any period. Awards may also be made at other times in exceptional circumstances. It is not intended to operate the Share Plan for executive directors in 2009.

Eligibility

All employees and executive directors of the Company or of any subsidiary of the Company are eligible to participate in the Share Plan. Participation by executive directors, including the size of the awards and the terms of the performance conditions, will be determined by the Remuneration Committee (the Committee).

Performance conditions

The vesting of awards made to executive directors and the receipt of shares will be subject to the satisfaction of challenging conditions linked to the performance of the Company to be measured over a performance period of not less than 3 years.

The performance conditions will be set by the Committee each time the Share Plan is operated. Awards will vest on the later of the testing of the performance conditions and the third anniversary of the award date.

Awards will lapse at the end of the performance period to the extent that the

performance conditions have not been satisfied. There will be no retesting.

The performance condition in respect of the initial awards planned to be made to executive directors in 2010 will be set in advance of grant and after consultation with major shareholders. The performance conditions will be described in the Directors' Remuneration Report in the Annual Report and Accounts.

The Committee may also vary, adjust or waive the performance conditions applying to existing awards to take account of events the Committee considers exceptional, including technical events, such as changes in accounting standards and treatment, provided that where the conditions are waived, the amended conditions are in the opinion of the Committee fair and reasonable and no less challenging than the original conditions would have been but for the event.

Individual limits

There will be no change to the limits on individual participation from the Company's existing plans so that the aggregate value of shares comprised in awards made in the form of market value options in any one year to a participant cannot exceed 4 times annual remuneration. Awards made comprising free shares or nil-cost options cannot exceed one times annual remuneration. Benefits under the Share Plan are not pensionable

Continued employment

An award will normally lapse where participants leave the group before they become eligible to receive the shares unless the employment ceases due to ill health, injury or disability, retirement, redundancy, death, where there is a sale of the employing business or company, or for other reasons specifically allowed by the Committee. If a participant ceases employment in such circumstances, any subsisting award held by that participant will normally be tested for satisfaction of any performance conditions at the time of leaving employment. The number of shares which may be acquired will be reduced on a pro rata basis to take account of the proportion of the period from the award date to the original vesting date when the participant was not in employment, unless the Committee decides otherwise. The Committee may use its discretion to test performance at the end of the original performance period. If this occurs, awards will be pro-rated for time as described above unless the Committee decides otherwise.

Change of control, merger or other reorganisations

On a takeover, scheme of arrangement, merger or other corporate reorganisation,

the number of shares received (if any) will be calculated by applying any performance conditions as at the date of the event. Alternatively, participants may be allowed or required by the Company to exchange their awards for awards in another company. Time pro-rating will apply unless the Committee determines that this is not appropriate given the circumstances.

Variations

Participants will be notified by the Company where there is a variation in the share capital of the Company, a demerger or a special dividend. Upon such an event the Committee may adjust the awards in any way it considers appropriate.

Rights

Options and conditional awards will not enjoy any shareholder rights until the shares have been acquired by the participant. However, except in the case of market value options, participants may receive a payment in cash or shares of an amount equal to the dividends which would have been payable on the shares received during the period from the award date and vesting. In the case of restricted shares, participants are entitled to dividends and to vote the shares during the vesting period unless the Company decides otherwise.

Any shares issued under the Share Plan will rank equally with shares of the same class and in issue on the date of allotment except in respect of rights by reference to a record date prior to the date of allotment. In addition, treasury shares may be used to satisfy awards.

Dilution limits

In any 10 year period, not more than 10% of the issued ordinary share capital of the Company may be issued or committed to be issued under the Share Plan and all other employee share plans operated by the Company. If shares are transferred from treasury to satisfy awards, these will also be counted towards the dilution limits for as long as this is required by the Association of British Insurers guidelines.

Amendments to the Share Plan

The Committee may amend the Share Plan as it considers appropriate. However, shareholder approval will be required to amend certain provisions of the Share Plan if they are to the advantage of the participants. These provisions relate to: eligibility; individual and plan limits; the basis for determining entitlements to shares; rights attaching to shares; rights in the event of a variation in the Company's share capital; and the amendment powers.

Termination

The Committee may terminate the Share Plan at any time which will, in any event, end on the tenth anniversary of the approval of the shareholders.