

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to the action you should take, you should immediately seek your own personal financial advice from your stockbroker, bank manager, solicitor, accountant or independent financial adviser authorised under the Financial Services and Markets Act 2000.

If you have sold or otherwise transferred all of your shares in the capital of N Brown Group plc, please send this document, together with the accompanying documents as soon as possible to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee.

N Brown Group plc

Griffin House
40 Lever Street
Manchester
M60 6ES

28 May 2010

Registered No. 814103

To the holders of shares in N Brown Group plc

2010 Annual General Meeting

Dear Shareholder

Notice of the annual general meeting to be held on Tuesday, 6 July 2010 at 12.30pm at Griffin House, 40 Lever Street, Manchester, M60 6ES is set out on pages 4 to 15 of this document.

I provide below further information regarding the resolutions, which shareholders are to be asked to approve at the annual general meeting.

Shareholder approval is being sought this year for the approval of certain of the company's share plans for executives and employees, which expire in 2010 and 2011. The terms of the relevant plans are referred to in the Explanatory Notes to resolutions 14, 15, and 16 and in Appendices 2, 3, and 4 to this document.

The directors consider the resolutions which are set out in the notice of meeting on pages 4 and 5 and which are to be proposed at the forthcoming annual general meeting to be in the best interests of the company and its shareholders as a whole and recommend shareholders to vote in favour of the resolutions as they unanimously intend to do so in respect of their own beneficial shareholdings.

You will find enclosed a form of proxy for use at the annual general meeting. Please complete, sign and return the enclosed form as soon as possible in accordance with the instructions printed thereon whether or not you intend to be present at the meeting. Forms of proxy should be returned so as to be received by the company's registrars, Capita Registrars, PXS, 34 Beckenham Road, Kent, BR3 4TU as soon as possible and in any event not later than 48 hours before the time appointed for the meeting.

Yours faithfully,

Lord Alliance of Manchester CBE
Chairman

Explanatory Notes

Resolution 1 Annual Report And Accounts

Shareholders will be asked at the annual general meeting to receive the accounts for the previous financial year, together with their report and the report of the auditors. A copy of the annual report and accounts is enclosed.

Resolution 2 Directors Remuneration Report

In accordance with section 439 of the Companies Act 2006 ("the 2006 Act") shareholders are again asked to approve the directors' remuneration report which is set out on pages 31 to 42 of the annual report and accounts. Your directors are satisfied that the company's policy and practice in relation to directors' remuneration are reasonable and that they deserve shareholder support. As the vote is advisory it does not affect the actual remuneration paid to any individual director.

Resolution 3 Dividends

Final dividends are approved by the shareholders. However, they cannot be more than the amount the board recommends. The board is recommending a final dividend of 6.41 pence per ordinary share for the 52 weeks ended 27 February 2010. If shareholders approve the recommended dividend, it will be paid on 30 July 2010 to shareholders on the register at the close of business on 2 July 2010.

Resolution 4, 5, 6, 7 and 8 Directors Re-Election

Under the articles of association one third of the directors are required to retire from office at each annual general meeting. Dean Moore and John McGuire retire by rotation and offer themselves for re-election. In accordance with the Combined Code on Corporate Governance and by virtue of holding office as non-executive directors for more than nine years, Ivan Fallon, Lord Alliance of Manchester CBE and Nigel Alliance OBE are subject to annual re-election as directors. Biographical details of all directors including those standing for re-election are included on page 20 of the annual report and accounts.

Resolution 9 Auditors Re-Appointment

This resolution proposes the re-appointment of Deloitte LLP as auditors of the company and authorises the directors to determine their remuneration.

Resolution 10 Authority To Allot Shares

The authority of shareholders is required to enable directors to allot shares and certain rights to subscribe for shares, such as options. Accordingly, in line with the company's usual procedure, which is also standard practice amongst other public companies, this resolution seeks authority for the directors to issue shares until the conclusion of next year's annual general meeting or 6 July 2011, if sooner. The resolution will provide for the directors to be able to allot shares in the company, or grant rights to subscribe for, or to convert any security into shares in the company (together "Rights") up to a nominal amount of £10,257,016. This represents one third of the issued share capital together with the amount of Rights that the company may be obliged to allot to satisfy its obligations under the various option schemes, long term incentive plan and annual performance bonus that the company operates.

In December 2008, the Association of British Insurers ("ABI") revised its guidelines on directors' authority to allot shares (in line with the recommendations of the report issued in November 2008 by the Rights Issue Review Group). The guidelines state that ABI members will permit, and treat as routine, resolutions seeking authority to allot shares representing up to one third of the company's issued share capital. In addition they will treat as routine a request for authority to allot shares representing an additional one third of the company's issued share capital provided that it is only used to allot shares pursuant to a fully pre-emptive rights issue.

In light of these guidelines, the directors consider it appropriate that the directors be granted authority to allot shares in the capital of the company up to an additional maximum nominal amount of £10,257,016 representing the guideline limit of one third of the company's issued share capital. This additional authority can only be used to allot shares pursuant to a rights issue. The additional power will last until the conclusion of the next annual general meeting of the company or, if earlier, 5 July 2011.

With the exception of shares to be issued under the company's share option schemes, the directors have no current intention of exercising the above mentioned authorities.

Resolution 11 Permission To Allot A Limited Number Of Shares Other Than To Existing Shareholders

When shares and certain rights to subscribe for shares are issued for cash, they normally have to be offered first to existing shareholders in proportion to their current shareholding.

Resolution 11 will give the directors authority to allot shares in the capital of the company, pursuant to the authority granted under Resolution 10 above, for cash without complying with the pre-emption rights in the 2006 Act in certain circumstances. In the light of the ABI guidelines described in relation to Resolution 10 above, this authority will permit the directors to allot:

- (a) shares up to a nominal amount of £20,514,032 (representing approximately two thirds of the company's issued share capital) on an offer to existing shareholders on a pre-emptive basis. However unless the shares are allotted pursuant to a rights issue (rather than an open offer), the directors may only allot shares up to a nominal amount of £10,257,016 (representing one third of the company's issued share capital) (in each case subject to any adjustments, such as for fractional entitlements and overseas shareholders, as the directors see fit); and
- (b) shares up to a maximum nominal value of £1,538,552, representing approximately 5% of the issued ordinary share capital of the company otherwise than in connection with an offer to existing shareholders.

As with Resolution 10, the terms of Resolution 11 have been updated to reflect that it is being passed pursuant to Sections 570 and 573 of the 2006 Act rather than Section 95 of the 1985 Act.

The directors have no present intention of exercising this authority.

Your directors will have due regard to institutional guidelines in relation to any exercise of this power, in particular the requirement for advance consultation and explanation before making any non pre-emptive cash issue pursuant to this resolution which exceeds 7.5% of the company's issued share capital in any rolling three year period.

In this context, shareholders should note that under the 2006 Act the rights of pre-emption conferred by section 561 of the 2006 Act (to the extent not disapplied) also apply to the sale by the company of any shares which it holds as treasury shares. Resolution 11, if passed, will also disapply the provisions of section 561 of the 2006 Act in relation to any sales of treasury shares, within the limits referred to in the resolution. As at 28 May 2010, the company did not hold any shares in the company in treasury.

Resolution 12 Adoption Of New Articles Of Association

It is proposed in resolution 12 to adopt new articles of association (the "New Articles") in order to update the company's current articles of association (the "Current Articles") primarily to take account of the coming into force of the Companies (Shareholders' Rights) Regulations 2009 (the "Shareholders' Rights Regulations") and the implementation of the last parts of the Companies Act 2006.

The principal changes introduced in the New Articles are summarised in Appendix 1 to this document. Other changes, which are of a minor, technical or clarifying nature and also some minor changes which merely reflect changes made by the Companies Act 2006 have not been noted in Appendix 1. The New Articles showing all the changes to the Current Articles are available for inspection, as noted on page 6 of this document.

Resolution 13 14 Day Notice Period For General Meetings (Other Than AGMs)

Changes made to the Companies Act 2006 by the Shareholders' Rights Regulations increased the notice period for all general meetings of the company to 21 days unless shareholders approve a shorter notice period which cannot, however, be less than 14 clear days (AGMs will continue to be held on at least 21 clear days' notice). Before the coming into force of the Shareholders' Rights Regulations on 3 August 2009, the company was able to call general meetings (other than AGMs) on 14 clear days' notice without obtaining such approval. In order to preserve this ability, 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 directors will consider on a case by case basis whether the use of the flexibility offered by the shorter notice period is merited taking into account the circumstances, including whether the business of the meeting is time-sensitive.

The changes to the Companies Act 2006 mean that in order to be able to call a general meeting on less than 21 clear days' notice, the company must make means of electronic voting available to shareholders for that meeting.

Resolution 14 The N Brown Group plc Unapproved Discretionary Share Option Scheme 2000 (the "Unapproved Scheme") And The N Brown Group plc Company Share Option Plan (the "CSOP").

The Unapproved Scheme and the CSOP were each adopted by shareholders at the company's annual general meeting in 2000. Each permits the grant of options to selected employees (including executive directors) to acquire shares in the company. Each of the Unapproved Scheme and the CSOP expires on 5 July 2010 (that is, no options may be granted after that date). Resolution 14 seeks the approval of shareholders to re-adopt the rules of the Unapproved Scheme and the CSOP to permit the grant of options up to 6 July 2020. A summary of the principal terms of the Unapproved Scheme and the CSOP (as they are proposed to be re-adopted) is set out in Appendix 2. The rules of the Unapproved Scheme and the CSOP are available for inspection, as noted on page 6 of this document.

Resolution 15 The N Brown Group plc Savings-Related Share Option Scheme 2000 (the "SAYE Scheme").

The SAYE Scheme was adopted by shareholders at the company's annual general meeting in 2000. The SAYE Scheme permits the grant of options to employees (including executive directors) to acquire shares in the company. The SAYE Scheme expires on 5 July 2010 (that is, no options may be granted after that date). Resolution 15 seeks the approval of shareholders to re-adopt the rules of the SAYE Scheme to permit the grant of options up to 6 July 2020. A summary of the principal terms of the SAYE Scheme (as they are proposed to be re-adopted) is set out in Appendix 3. The rules of the SAYE Scheme are available for inspection, as noted on page 6 of this document.

Resolution 16 The N Brown Group plc Deferred Annual Bonus Scheme (the "DABS").

The DABS was adopted in 2001. Participants in the DABS who invest a proportion (determined by the trustees of the company's employee benefit trust on the recommendation of the Remuneration Committee) of their net annual bonus in the acquisition of shares in the company which are held for the purposes of the DABS, receive an award of matching shares. This award is subject to (i) the relevant participant remaining in employment; (ii) the satisfaction of performance conditions (where these are applied to the awards) and (iii) the relevant participant leaving deposited in the DABS until the second anniversary of the award the shares acquired by the investment of a proportion of the participants bonus. Resolution 16 seeks the approval of shareholders to adopt the DABS. A summary of the principal terms of the DABS is set out in Appendix 4. The rules of the DABS are available for inspection, as noted on page 6 of this document.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the annual general meeting of N Brown Group plc will be held at Griffin House, 40 Lever Street, Manchester M60 6ES on Tuesday, 6 July 2010 at 12.30pm. You will be asked to consider and, if thought fit, pass the resolutions proposed below. Resolutions 11-13 (inclusive) will be proposed as special resolutions. All other resolutions will be proposed as ordinary resolutions.

Ordinary Business

- 1 To receive the annual accounts of the company for the 52 weeks ended 27 February 2010 together with the directors' and auditors' report on those accounts.
- 2 To approve the directors' remuneration report from the 52 weeks ended 27 February 2010.
- 3 To declare a final dividend of 6.41 pence per ordinary share for the 52 weeks ended 27 February 2010.
- 4 To re-elect as a director Dean Moore.
- 5 To re-elect as a director John McGuire.
- 6 To re-elect as a director Lord Alliance of Manchester CBE.
- 7 To re-elect as a director Nigel Alliance OBE.
- 8 To re-elect as a director Ivan Fallon.
- 9 To re-appoint Deloitte LLP as the company's auditors and to authorise the directors to fix their remuneration.
- 10 To consider and, if thought fit, to pass the following resolution as ordinary resolution:-

- (a) That, the directors be and are hereby generally and unconditionally authorised pursuant to Section 551 of the Companies Act 2006 (the "2006 Act") to exercise all powers of the company to allot shares in the company, and to grant rights to subscribe for, or to convert any security into, shares in the company ("Rights") up to an aggregate nominal amount of £10,257,016 provided that this authority shall expire at the conclusion of the next annual general meeting of the company after the passing of this resolution or, if earlier, 5 July 2011, save that the company may before such expiry make any offers or agreements which would or might require shares to be allotted or Rights to be granted after such expiry and the directors may allot shares and grant Rights in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.

- (b) That, the directors be and are hereby generally and unconditionally authorised to exercise all powers of the company to allot equity securities (as defined in Section 560 of the 2006 Act) in connection with a rights issue in favour of holders of ordinary shares where the new equity securities respectively attributable to the interests of the ordinary shareholders are proportionate (as nearly as may be) to the respective numbers of ordinary shares held by them up to a further aggregate nominal amount of £10,257,016 provided that this authority shall expire at the conclusion of the next annual general meeting of the company after the passing of this resolution or, if earlier, 6 July 2011, save that the company may before such expiry make any offers or agreements which would or might require shares to be allotted or Rights to be granted after such expiry and the directors may allot shares and grant Rights in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.
- (c) That, all previous unutilised authorities given to the directors pursuant to Section 80 of the Companies Act 1985 and Section 551 of the 2006 Act shall be revoked (save to the extent that the same are exercisable pursuant to Section 551(7) of the 2006 Act by reason of any offer or agreement made prior to the date of this resolution which would or might require shares to be allotted or rights to be granted on or after that date).

Special Business

To consider and, if thought fit, pass the following resolutions which, in the case of resolutions 11 – 13 (inclusive) will be proposed as special resolutions and in the case of resolutions 14 – 16 (inclusive) will be proposed as ordinary resolutions:-

- 11 THAT, subject to the passing of resolution 10, the directors be and are hereby generally empowered, pursuant to Sections 570 and 573 of the Companies Act 2006 (the "2006 Act"), to allot equity securities (as defined in Section 560 of the 2006 Act) for cash, pursuant to the authority conferred by resolution 10 or by way of a sale of treasury shares as if Section 561 of the 2006 Act did not apply to such allotment, provided that this power shall be limited to:-
 - (a) the allotment of equity securities in connection with an offer of securities (but in the case of the authority granted under sub-paragraph (b) of Resolution 10 by way of rights issue only) in favour of the holders of ordinary shares on the register of members at such record dates as the directors may determine where the equity securities respectively attributable to the interests of the ordinary shareholders are proportionate (as nearly as may be

practicable) to the respective numbers of ordinary shares held or deemed to be held by them on any such record dates, subject to such exclusions or other arrangements as the directors may deem necessary or expedient to deal with treasury shares, fractional entitlements or legal or practical problems arising under the laws of any overseas territory or the requirements of any regulatory body or stock exchange or by virtue of shares being represented by depositary receipts or any other matter; and

- (b) the allotment (otherwise than pursuant to sub-paragraph (a) of this resolution 11) to any person or persons of equity securities up to an aggregate nominal amount of £1,538,552,
- (c) and shall expire upon the expiry of the general authority conferred by resolution 10 above, save that the company shall be entitled to make offers or agreements before the expiry of such power which would or might require equity securities to be allotted, or relevant shares to be sold, after such expiry and the directors may allot equity securities pursuant to any such offer or agreement as if the power conferred hereby had not expired.

12 That,

- (a) 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; and
- (b) the Articles of Association produced to the meeting and initialled by the chairman of the meeting for the purpose of identification be adopted as the Articles of Association of the Company in substitution for, and to the exclusion of, the existing Articles of Association.

13 That, a general meeting of the company other than an annual general meeting may be called on not less than 14 clear days' notice.

14 That the N Brown Group plc Unapproved Discretionary Share Option Scheme 2000 (the "Unapproved Scheme") and the N Brown Group plc Company Share Option Plan (the "CSOP") copies of the rules of which have been produced to the meeting and initialled by the chairman of the meeting (for the purposes of identification only) and summaries of the principal terms of which are set out in Appendix 2 to this Notice be and are hereby approved, and the directors are hereby authorised to establish the Unapproved Scheme and the CSOP and to do all such acts and things as may be necessary or expedient to give effect to the Unapproved Scheme and the CSOP (including making any amendments to the CSOP considered necessary or desirable in connection with the approval of that plan under Schedule 4 to the Income Tax (Earnings and Pensions) Act 2003).

15 That the N Brown Group plc Savings Related Share Option Scheme 2000 (the "SAYE Scheme") a copy of the rules of which has been produced to the meeting and initialled by the chairman of the meeting (for the purposes of identification only) and a summary of the principal terms of which is set out in Appendix 3 to this Notice, be and is hereby approved and the directors are hereby authorised to establish the SAYE Scheme and to do all such acts and things as may be necessary or expedient to give effect to the SAYE Scheme (including making any amendments to the SAYE Scheme considered necessary or desirable in connection with the approval of that scheme under Schedule 3 to the Income Tax (Earnings and Pensions) Act 2003).

16 That the N Brown Group plc Deferred Annual Bonus Scheme (the "DABS"), a copy of the draft rules of which has been produced to the meeting and initialled by the chairman of the meeting (for the purposes of identification only) and a summary of the principal terms of which is set out in Appendix 4 to this Notice, be and is hereby approved, and the directors are hereby authorised to establish the DABS and to do all such acts and things as may be necessary or expedient to give effect to the DABS.

By Order of the Board
Philip F Harland LL.B (Hons), Solicitor
Secretary
28 May 2010

Registered Office:
Griffin House
40 Lever Street
Manchester
M60 6ES

Notes

- 1 A member entitled to attend and vote at the annual general meeting convened by the notice set out above is entitled to appoint a proxy or proxies to exercise all or any of his rights to attend, speak and vote in his place. A member may appoint more than one proxy in relation to the meeting, provided that each proxy is appointed to exercise the rights attached to a different share or shares held by a member. A proxy need not be a member of the company.
- 2 A form of proxy which may be used to make such appointment and give proxy instructions is enclosed for your use.
- 3 To be valid, the form of proxy together with any power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power or authority must be deposited by hand only at the office of the company's registrars, Capita Registrars, PXS, 34 Beckenham Road, Kent, BR3 4TU or in accordance with the replied paid details not later than 12.30pm on 4 July 2010.
- 4 Completion and return of the form of proxy or any CREST Proxy Instructions (as described in paragraph 9 below) will not preclude a member from attending and voting in person at the annual general meeting should he or she so wish.
- 5 In the case of joint holders of a share the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders. For this purpose seniority is determined by the order in which the names of the holders stand in the register of members in respect of the joint holding.
- 6 The following documents, which are now available for inspection during normal business hours at the registered office of the company and at the offices of Pinsent Masons LLP, CityPoint, One Ropemaker Street, London EC2Y 9AH, (public holidays excluded), will also be available for inspection on the date and at the place of the annual general meeting 15 minutes before the start of the annual general meeting until its conclusion:-
 - 6.1 copies of all directors' service contracts with the company and the terms and conditions of appointment of non-executive directors;
 - 6.2 a copy of the company's memorandum and existing articles of association;
 - 6.3 a copy of the revised articles of association to be adopted with immediate effect from the date of the annual general meeting;
 - 6.4 the rules of the N Brown Group plc Unapproved Discretionary Share Option Scheme;
 - 6.5 the rules of the N Brown Group plc Company Share Option Plan;
 - 6.6 the rules of the N Brown Group plc Savings Related Share Option Scheme 2000; and
 - 6.7 the rules of the N Brown Group plc Deferred Annual Bonus Scheme.
- 7 To be entitled to attend and vote at the annual general meeting (and for the purpose of the determination by the company of the votes they may cast), members must be registered in the Register of Members of the company at 6.00pm on 4 July 2010 (or, in the event of any adjournment, on the date which is two days before the time of the adjourned meeting). Changes to the Register of Members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting.
- 8 CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
- 9 In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with CRESTCo's specifications, and must contain the information required for such instruction, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA10) by the latest time for receipt of proxy appointments set out above. 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 Application Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.
- 10 CREST members and, where applicable, their CREST sponsors, or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider, to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
- 11 The company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

- 12 Pursuant to Regulation 41 of the Uncertified Securities Regulations 2001, the company specifies that only those shareholders registered in the register of members of the company as at 6.00pm on 4 July 2010 (or in the case of an adjournment as at 48 hours before the time appointed for the holding meeting) shall be entitled to attend or vote at the above meeting and that the number of votes which any shareholder may cast, on a poll, will be determined by reference to the number of shares registered in such shareholder's name at that time. Changes to entries on the register after that time will be disregarded in determining the rights of any person to attend or vote at the meeting.
- 13 If you are a person who has been nominated under section 146 of the Companies Act 2006 to enjoy nomination rights (a "Nominated Person") you may, under an agreement between you and the member of the company who has nominated you, have a right to be appointed (or have someone else appointed) as a proxy for the meeting. If you do not have such a proxy appointment right, or you do not wish to exercise it, you may, under any such agreement, have a right to give instructions to the member who has appointed you as to the exercise of voting rights.
- 14 If you are a Nominated Person, the statement of the rights of members in relation to the appointment of proxies in paragraph 1 above does not apply. The rights described in these paragraphs can only be exercised by a registered member of the company.
- 15 As at 27 May 2010 (being the latest business day prior to the publication of this notice) the company's issued share capital consists of 278,404,714 ordinary shares of 11¹/₁₉ pence each, carrying one vote each. Therefore, the total voting rights in the company are 278,404,714.
- 16 Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided they do not do so in relation to the same shares.
- 17 Members satisfying the thresholds in Section 527 of the Companies Act 2006 can require the company to publish a statement on its website setting out any matter relating to: (a) the audit of the company's accounts (including the auditors' report and the conduct of the audit) that are to be laid before the Meeting or (b) any circumstances 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 Meeting. The company cannot require members requesting the publication to pay its expenses. 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 auditors no later than the time it makes its statement available on the website. The business which may be dealt with at the Meeting includes any statement that the company has been required to publish on its website.
- 18 Any member attending the Meeting has the right to ask questions. The Company must cause to be answered any such question relating to the business being dealt with at the Meeting but no such answer need be given if (a) to do so would unduly interfere with the preparation for the Meeting or involve the disclosure of confidential information, (b) the answer has already been given on a website in the form of an answer to a question, or (c) it is undesirable in the interests of the Company or the good order of the Meeting that the question be answered.
- 19 A copy of this notice, and other information required by s311A of the Companies Act 2006 can be found at www.nbrown.co.uk
- 20 You may not use any electronic address provided in this Notice of Annual General Meeting to communicate with the Company for any purposes other than those expressly stated.

Appendix 1

Explanatory notes of principal changes to the company's articles of association

1 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 a wide scope.

The Companies Act 2006 (the "2006 Act") significantly reduces the constitutional significance of a company's memorandum. The 2006 Act 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 2006 Act the objects clause and all other provisions which are contained in a company's memorandum, for existing companies at 1 October 2009, are deemed to be contained in the company's articles of association but the company can remove these provisions by special resolution.

Further, the 2006 Act states that unless a company's articles provide otherwise, a company's objects are unrestricted. This removes the need for companies to have objects clauses. For this reason the company is proposing to delete its objects clause together with all other provisions of its memorandum which, by virtue of the 2006 Act, are treated as forming part of the company's articles of association as of 1 October 2009. Resolution 12 (a) authorises the removal of these provisions for the company. As the effect of this resolution will be to remove the statement currently in the company's memorandum of association regarding limited liability, the New Articles also contain an express statement regarding the limited liability of shareholders.

2 Articles which duplicate statutory provisions

Provisions in the Current Articles which replicate provisions contained in the 2006 Act are in the main to be removed in the New Articles. This is in line with the approach advocated by the Government that statutory provisions should not be duplicated in a company's constitution.

3 Change of name

Under the Companies Act 1985, a company could only change its name by special resolution. Under the 2006 Act a company will be able to change its name by other means provided for by its articles. To take advantage of this provision, the New Articles enable the directors to pass a resolution to change the company's name.

4 Authorised share capital and unissued shares

The 2006 Act abolishes the requirement for a company to have an authorised share capital and the New Articles reflect this. Directors will still be limited as to the number of shares they can allot at any time because authority to allot (by way of shareholder resolution) continues to be required under the 2006 Act, save in respect of employee share schemes.

5 Redeemable shares

Under the Companies Act 1985, if a company wished to issue redeemable shares, it had to include in its articles the terms and manner of redemption. The 2006 Act enables directors to determine such matters instead provided they are so authorised by the articles. The New Articles contain such an authorisation. The company has no plans to issue redeemable shares but if it did so the directors would need shareholders' authority to issue new shares in the usual way.

6 Share Certificates

The New Articles contain new provisions for the issue of consolidated share certificates, in line with the model form articles.

7 Authority to purchase own shares, consolidate and sub-divide shares, and reduce share capital

Under the Companies Act 1985, a company required specific enabling provisions in its articles to purchase its own shares, to consolidate or sub-divide its shares and to reduce its share capital or other undistributable reserves as well as shareholder authority to undertake the relevant action. The Current Articles include these enabling provisions. Under the 2006 Act a company will only require shareholder authority to do any of these things and it will no longer be necessary for articles to contain enabling provisions. Accordingly the relevant enabling provisions have been removed in the New Articles.

8 Provision for employees on cessation of business

The 2006 Act provides that the powers of the directors of a company to make provision for a person employed or formerly employed by the company or any of its subsidiaries in connection with the cessation or transfer to any person of the whole or part of the undertaking of the company or that subsidiary, may only be exercised by the directors if they are so authorised by the company's articles or by the company in general meeting. The New Articles provide that the directors may exercise this power.

9 Suspension of registration of share transfers

The Current Articles permit the directors to suspend the registration of transfers. Under the 2006 Act share transfers must be registered as soon as practicable. The power in the Current Articles to suspend the registration of transfers is inconsistent with this requirement and accordingly has been removed in the New Articles.

10 Vacation of office by directors

The Current Articles specify the circumstances in which a director must vacate office. The New Articles update these provisions to reflect the approach taken on mental and physical incapacity in the model articles for public companies produced by the Department for Business, Innovation and Skills.

11 Voting by proxies on a show of hands

The Shareholders' Rights Regulations have amended the 2006 Act so that it now provides that each proxy appointed by a member has one vote on a show of hands unless the proxy is appointed by more than one member in which case the proxy has one vote for and one vote against if the proxy has been instructed by one or more members to vote for the resolution and by one or more members to vote against the resolution. The Current Articles have been amended to reflect these changes.

12 Notice of general meetings

The Shareholders' Rights Regulations amend the 2006 Act to require the company to give 21 clear days' notice of general meetings unless the Company offers members an electronic voting facility and a special resolution reducing the period of notice to not less than 14 days has been passed. Annual general meetings must be held on 21 clear days' notice. The New Articles amend the provisions of the Current Articles to be consistent with the new requirements.

13 Adjournments for lack of quorum

Under the 2006 Act as amended by the Shareholders' Rights Regulations, general meetings adjourned for lack of quorum must be held at least 10 clear days after the original meeting. The Current Articles have been changed to reflect this requirement.

14 Chairman's casting vote

The New Articles remove the provision of the Current Articles giving the Chairman a casting vote in the event of an equality of votes at a general meeting of the Company as this is no longer permitted under the 2006 Act.

15 Attending and Speaking at Meetings

The New Articles provide that the Chairman of the Meeting may permit non-members or persons who are not entitled to exercise the rights of members to attend and, at the Chairman's discretion, speak at a general meeting.

16 Participation in meetings at different places and by electronic means

Amendments made to the Companies Act 2006 by the Shareholders' Rights Regulations specifically provide for the holding and conducting of electronic meetings. The New Articles clarify provisions in the Current Articles permitting members to participate in meetings of the company even if they are not present in person at the principal place where the meeting is being held.

17 Validity of Votes

Following the implementation of the Shareholders' Rights Regulations, proxies are expressly required to vote in accordance with instructions given to them by members. The New Articles contain a provision stating that the company is not required to enquire whether a proxy or corporate representative has voted in accordance with instructions given to him and that votes cast by a proxy or corporate representation will be valid even if he has not voted in accordance with his instructions.

18 General

Generally the opportunity has been taken to bring clearer language into the New Articles and in some areas to conform the language of the New Articles with that used in the model articles for public companies produced by the Department for Business, Innovation and Skills.

Appendix 2 Summary of the Unapproved Scheme and the CSOP

The rules of the Unapproved Scheme and the CSOP are substantially the same and the summary below relates both to the Unapproved Scheme and the CSOP unless otherwise stated.

The principal features of the Unapproved Scheme and the CSOP are as follows.

1 Regulation

The Unapproved Scheme and the CSOP will each be regulated by the board of the company or a committee of the board (the "Board"). In practice, operation of the Unapproved Scheme and the CSOP in respect of grants of options to executive directors of the company will be delegated to the remuneration committee of the board of the company.

2 Eligible employees

All employees (including executive directors) of the group are eligible for selection by the Board to participate in the Unapproved Scheme and the CSOP, provided that an employee who is an executive director of any company in the Group must work at least 25 hours a week (excluding meal breaks).

3 Grants of options

Options may be granted by the company or by any other person who has agreed with the company to do so.

Options may be granted during each period commencing on the third dealing day after and ending on the 42nd day after the announcement of the company's results for any period to the London Stock Exchange. Options may also be granted at any time when the Board resolves that exceptional circumstances exist which justify the grant of an option or options. Options may not be granted after 6 July 2020.

The Board will in its discretion determine which eligible directors and employees are to be granted options and the number of shares to be comprised in such options.

No payment is required for the grant of an option. Options granted will be personal to the participants to whom they are granted and may not be transferred or assigned. However, they will be exercisable by the legal personal representative of a participant who dies before exercising his option.

4 Option price

The price per share payable on the exercise of an option will be determined the Board and will not be manifestly less than the average of the middle market quotations for a share as derived from the Daily Official List of the London Stock Exchange on each of the three dealing days immediately preceding the date of grant of the option, subject, in the case of options to subscribe for unissued shares, to a minimum price equal to the nominal value of a share.

5 Performance conditions

The Board may impose one or more performance conditions which will determine the extent to which, if at all, an option may be exercised.

It is intended that performance conditions will be measured over a fixed period of not less than three financial years.

The performance condition currently applied to options is that the growth in earnings per share over the performance period exceeds the growth of the Retail Prices Index plus 9.2%.

6 Exercise of options

An option will not normally be exercisable until three years from the date of its grant and thereafter only if the participant remains a director or employee.

An option may, however, be exercised after cessation of employment, notwithstanding that such period of three years has not elapsed, if the cessation is by reason of death or on account of illness, injury, disability or redundancy, retirement, or the sale of the business or subsidiary for which the employee works. If the participant ceases to be employed in any other circumstances, the Board has discretion to permit exercise after cessation of employment.

Options will, unless and to the extent the board determines that the options may be exercised, lapse if the participant ceases employment otherwise than in the circumstances referred to above.

Exercise is allowed in the event of an amalgamation, reconstruction or take over of the company. Alternatively, options may, with the agreement of the acquiring company, be exchanged for options over shares in the acquiring company or a company associated with the acquiring company. Options may also similarly be exercised in the event of a voluntary winding up or demerger of the company.

An option may not be exercised after the expiry of a period of ten years from the date of its grant or such shorter period as may be specified at the time of grant.

If an option becomes exercisable early as a result of the cessation of the participant's employment or due to a change of control or other relevant event, the option may ordinarily only be exercised over a time pro-rated proportion of the option shares and following the application of any performance condition at that time. However, in circumstances where the performance condition and pro-rata reduction are to apply, the Board will retain discretion to adjust the extent to which an option may be exercised in such circumstances.

7 Issue or transfer of shares on exercise of options

Ordinary shares issued or transferred following exercise of an option will rank *pari passu* in all respects and form one class with the ordinary shares then in issue, save as regards dividends payable by reference to a record date prior to the date of allotment or transfer.

8 Limits on individuals' participation

The grant of options under the Unapproved Scheme or the CSOP shall be limited so that the aggregate market value (at the date of grant) of the shares that may be acquired pursuant to the option when aggregated with the aggregate market value (at the respective date of grant) of shares which may be acquired or which have been acquired pursuant to options granted in the same financial year of the company under the CSOP, the Unapproved Scheme or any other discretionary share option scheme adopted by the company shall not exceed twice the higher of (a) the relevant participant's annual rate of remuneration (exclusive of bonuses, commissions and benefits in kind) from the group plus bonuses and commissions payable to him in the preceding financial year; and (b) the relevant participant's remuneration (inclusive of bonuses and commissions but exclusive of benefits in kind) paid to him in the 12 months immediately preceding the date of grant.

In addition, to meet HM Revenue and Customs requirements for approval of the CSOP, the market value of shares over which an option is granted to any individual under the CSOP must not, when aggregated with the market value (calculated at the respective dates of grant) of the shares comprised in all other outstanding and unexercised HM Revenue and Customs approved options then held by that individual, which were granted under the CSOP or any other HM Revenue and Customs approved share option scheme (other than a savings related share option scheme) established by the company or any associated company of the company, exceed £30,000 or any other statutory limit applicable for the time being.

9 Limits on the issue of ordinary shares

In any ten year period:-

- (a) the aggregate of:
 - (i) the number of unissued ordinary shares placed under option in that period under the Unapproved Scheme and the CSOP and any other share option scheme or employee share scheme of the company; and
 - (ii) the number of ordinary shares issued in that period pursuant to any other employees' share schemes of the company;

shall not exceed 10 per cent. of the company's issued ordinary share capital for the time being; and

- (b) the aggregate number of unissued ordinary shares placed under option in that period under the Unapproved Scheme and the CSOP and any other discretionary employee share scheme of the company (but excluding awards under the company's Value Creation Plan approved by shareholders of the company on 26 February 2009 as amended from time to time) shall not exceed 5 per cent of the company's issued ordinary share capital for the time being.

For the purposes of the limits described above, shares in respect of awards which have lapsed cease to count. Furthermore the issue of ordinary shares to any employee benefit trust for the purpose of satisfying awards granted by the company under any of its share schemes will not be counted for the purposes of the limits described above if such shares are so counted in relation to the grant of such awards. The company intends to comply with the guidance of the Association of British Insurers, as amended from time to time, regarding the inclusion of options or other awards satisfied by the transfer of treasury shares when calculating these limits.

10 Adjustments

The number of shares subject to any option and the option price are subject to appropriate adjustment in the event of any capitalisation issue (other than a scrip dividend which is not an enhanced scrip dividend) or rights issue by the company or any consolidation, sub division or reduction of the company's share capital or any other variation in the company's share capital. No adjustments made under the CSOP will be effective until approved by HM Revenue and Customs.

11 Amendments

The Board may make minor amendments to benefit the administration of the Unapproved Scheme and/or the CSOP, to take account of changes in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for participants in the Unapproved Scheme and/or the CSOP as relevant or for the company or other members of the group.

Save as set out above, no amendment to the advantage of participants may be made, without the prior approval of shareholders in general meeting, to the following provisions of the Unapproved Scheme and the CSOP:-

- (a) the definition of those eligible to participate;
- (b) the times at which and the circumstances in which options may be granted or exercised;
- (c) the basis of calculation of the option price;
- (d) the basis of adjustments to the option price and the number of ordinary shares subject to options;
- (e) the basis of calculation of the total numbers of ordinary shares available for the Unapproved Scheme and the CSOP;
- (f) the basis of calculation of the limits on an individual's participation; and
- (g) the rules relating to amendment of the Unapproved Scheme and the CSOP.

No amendment to the CSOP will be effective until approved by HM Revenue and Customs.

12 Benefits non pensionable

Options granted and shares acquired under the Unapproved Scheme and the CSOP are non pensionable.

The summary above does not form part of, and should not be taken as affecting the interpretation of, the detailed terms and conditions constituting the rules of the Unapproved Scheme or the CSOP.

Appendix 3 Summary of the SAYE Scheme

The principal features of the SAYE Scheme are as follows.

1 Eligible employees

All employees (including executive directors) of the company (or of any subsidiary to which the SAYE Scheme may be extended) who are subject to tax in the UK and who have been employed for a minimum period (not exceeding 4 years and 10 months) fixed by the directors are entitled to participate in the SAYE Scheme provided that an employee who is a director of the company or of any participating subsidiary is only entitled to participate as of right if he or she normally works a minimum of 25 hours per week (excluding meal breaks). In addition, the directors may permit other employees (including part time executive directors) to participate in the SAYE Scheme. The directors currently set a minimum period of employment of 6 months.

2 Invitations

Invitations to take up options may be sent out by the company during each period commencing on the third dealing day and ending on the 42nd day after the announcement of the company's results for any period to the London Stock Exchange. Invitations may also be sent out at any time when the board of directors resolves that exceptional circumstances exist which justify the grant of options.

3 Savings contracts

To join the SAYE Scheme, an eligible employee must enter into a save as you earn contract (a "Savings Contract") with a bank or building society, thereby agreeing to make monthly contributions for a period of three or five years. The minimum monthly contribution is £5 (or such greater sum, not being more than £10 or other statutory limit, as the directors decide) and the maximum monthly contribution is £250 (or such lesser sum as the directors decide). If he or she saves for five years and the directors permit, he or she can elect whether, for the purpose of exercising options, to take a five or seven year bonus. The bonus is tax free in the United Kingdom.

4 Applications and option price

Each employee who enters into a Savings Contract will be entitled in consideration thereof to apply for an option to acquire ordinary shares at a price determined by the directors, being not less than 80 per cent, of the average of the middle market quotations for such ordinary shares as derived from the Daily Official List of the London Stock Exchange for the three dealing days immediately preceding the date upon which invitations to apply for options are issued to employees, subject, in the case of options to subscribe for unissued ordinary shares, to a minimum price equal to the nominal value of an ordinary share.

5 Options

Options may be granted by the company or by any other person who has entered into an agreement with the company to do so. The number of ordinary shares over which an option may be granted must be limited to that number which may be acquired at the option price out of the repayment proceeds of the relevant Savings Contract. Options are not transferable and may only be exercised by the persons to whom they were granted or their personal representatives.

Options may not be granted after 6 July 2020.

6 Exercise of options

Options will normally only be exercisable for a period of six months commencing on the maturity of the related Savings Contract (i.e. after 3, 5 or 7 years as appropriate) and, if not exercised by the end of that period, will lapse. Options may, however, be exercised earlier than this in certain specified circumstances, including death, ceasing employment on account of injury, disability or redundancy, retirement at age 60, the sale of the business or subsidiary for which the employee works, reaching age 60 without retiring and, where the option has been held for at least three years, early retirement or retirement after reaching age 60 or where the cessation is due to retirement on account of illness (demonstrated to the satisfaction of the directors). Exercise is allowed in the event of an amalgamation, reconstruction or takeover of the company; alternatively, options may, with the agreement of the acquiring company, be exchanged for options over shares in the acquiring company or a company associated with the acquiring company. Options may also be exercised in the event of the voluntary winding up of the company.

7 Issue or transfer of shares on exercise of options

On the exercise of an option granted by the company, the company may issue unissued ordinary shares to the participant or procure the transfer to the participant of issued ordinary shares by the holder thereof.

Ordinary shares issued or transferred following exercise of an option will rank *pari passu* in all respects and form one class with the ordinary shares then in issue, save as regards dividends payable by reference to a record date prior to the date of allotment or transfer.

8 Limits on the issue of ordinary shares

In any ten year period:

- (a) the number of unissued ordinary shares placed under option in that period under the SAYE Scheme and any other share option scheme of the company; and
- (b) the number of ordinary shares issued in that period pursuant to any other employees' share schemes of the company;

shall not exceed in aggregate 10 per cent of the company's issued ordinary share capital for the time being.

For the purposes of the limit described above, shares in respect of which awards which have lapsed cease to count. Furthermore the issue of ordinary shares to any employee benefit trust for the purpose of satisfying awards granted by the company under any of its share schemes will not be counted for the purposes of the limits described above if such shares are so counted in relation to the grant of such awards. The company intends to comply with the guidance of the Association of British Insurers, as amended from time to time, regarding the inclusion of options or other awards satisfied by the transfer of treasury shares when calculating this limit.

9 Adjustments

The number of ordinary shares subject to any option and the option price are subject to appropriate adjustment in the event of any capitalisation issue (other than a scrip dividend which is not an enhanced scrip dividend) or rights issue by the company or any consolidation, sub division or reduction of the company's share capital or any other variation in the company's share capital. No adjustment will be effective until approved by HM Revenue and Customs.

10 Amendments

The directors may make minor amendments to benefit the administration of the SAYE Scheme, to take account of changes in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for participants in the SAYE Scheme or for the company or its subsidiaries. Save as set out above, no amendment to the advantage of participants may be made, without the prior approval of shareholders in general meeting, to the following provisions of the SAYE Scheme:-

- (a) the definition of those eligible to participate;
- (b) the times at which and the circumstances in which options may be granted or exercised;
- (c) the basis of calculation of the option price;
- (d) the basis of adjustments to the option price and the number of shares subject to options;
- (e) the basis of calculation of the total numbers of shares available for the SAYE Scheme;
- (f) the basis of calculation of the limits on an individual's participation; and
- (g) the rules relating to amendment of the SAYE Scheme.

No amendment to the SAYE Scheme will be effective until approved by HM Revenue and Customs.

11 Benefits non pensionable

Options granted and shares acquired under the SAYE Scheme are non pensionable.

The summary above does not form part of, and should not be taken as affecting the interpretation of, the detailed terms and conditions constituting the rules of the SAYE Scheme.

Appendix 4 Summary of the DABS

The principal features of the DABS are as follows.

1 Regulation

The trustees of one of the company's employee benefit trusts (the "Trustees"), acting on the recommendation of the board of the company or a committee of the board (the "Board") may select eligible employees to participate in the DABS. In practice, recommendations in respect of the participation in the DABS by executive directors and senior employees of the company will be delegated to the remuneration committee of the board of the company.

2 Eligible employees

All full time employees (including executive directors) of the group are eligible to participate in the DABS.

3 Structure of awards under the DABS

Eligible employees who participate in the company's annual bonus scheme in respect of any financial year of the company commencing on or after 28 February 2010 may be selected by the Trustees (acting on the recommendation of the Board) to participate in the DABS in respect of a financial year of the company. The Trustees (acting on the recommendation of the Board) shall determine for each such eligible employee the proportion of his gross annual bonus payable in respect of the relevant financial year under the company's annual bonus scheme that shall be applied (after deduction of income tax and employee National Insurance contributions) in the acquisition of shares in the company ("Deposited Shares") which shall be held for the purposes of the DABS, as described below. The current policy is for 25% of directors' bonuses to be applied in the acquisition of Deposited Shares. The percentage of bonus so applied for other participants varies but currently does not exceed 25%.

Following the acquisition of Deposited Shares by the Trustees on behalf of a participant in the DABS, the Trustees shall make an award to the participant either in the form of a right to acquire an additional number of shares in the company (for no cost) or a contingent share award ("Matching Shares"). The number of Matching Shares subject to an award shall be equal to the number of Deposited Shares acquired from the net amount of the appropriate proportion of the annual bonus, "grossed-up" for income tax and employee National Insurance contributions.

4 Timing of awards

Deposited Shares shall be purchased and awards under the DABS may be made within the period of 42 days following the date upon which the company announces to the London Stock Exchange its preliminary results for the financial year in respect of which the relevant annual bonus is payable.

Deposited Shares may be purchased and awards made at any other time at which the Board resolves that exceptional circumstances exist which justify such events.

5 Performance conditions

The Board may impose one or more performance conditions which will determine the extent to which, if at all, a participant shall become entitled to Matching Shares.

It is intended that any performance conditions will be measured over a period of two years.

The performance condition that is currently applied to Matching Share Awards under the DABS is that growth in the company's earnings per share over the deferral period must at least equal the growth of the retail prices index over that period.

6 Exercise/vesting of awards

An award over Matching Shares will ordinarily become exercisable or, as relevant, will vest on the second anniversary of its date of grant, if (i) the participant was an employee (including an executive director) on the second anniversary of the date of the award, (ii) any performance condition has been met and (iii) the participant has not instructed the Trustees to transfer any of the Deposited Shares prior to the second anniversary of the date of the award.

If a participant leaves employment by reason of death, retirement at or after normal retirement age, early retirement with the consent of the Board, redundancy, illness, injury, disability or the sale of the business or subsidiary for which the employee works then, unless the Board determines otherwise, the participant can exercise his award or, as relevant, his award will vest. In such circumstances, the participant can exercise his award or, as relevant, his award will vest during the period of six months following the cessation of employment (or such longer period as the Trustees determine) but only if the participant has not instructed the Trustees to transfer any of his Deposited Shares prior to the date on which he gave or received notice to terminate employment (or the date on which he ceased employment if no notice was given) and only in respect of a time pro-rated proportion of the Matching Shares and following the application of any performance condition at that time. However, the Board will retain discretion to adjust the extent to which an award may be exercised or may vest in such circumstances. If the participant ceases to be employed in any other circumstances, the Trustees have discretion to permit exercise after cessation of employment.

Exercise or, as relevant, vesting is allowed in the event of an amalgamation, reconstruction or take over. Awards may also similarly be exercised or, as relevant, may vest in the event of a voluntary winding up or demerger of the company. In such circumstances, an award shall not be exercisable or, as relevant, shall not vest if the participant has instructed the Trustees to transfer any of his Deposited Shares prior to the date on which the relevant occurs and awards may only be exercised or may only vest in respect of a time pro-rated proportion of the Matching Shares and following the application of any performance condition at that time. However, the Board will retain discretion to adjust the extent to which an award may be exercised or may vest in such circumstances.

7 Shares acquired on the exercise of an award

Ordinary shares acquired following exercise of an award will rank *pari passu* in all respects and form one class with the ordinary shares then in issue, save as regards dividends payable by reference to a record date prior to the date of transfer.

8 Limits on the issue of ordinary shares

The aggregate number of ordinary shares over which awards under the DABS may be granted on any day which require the company to issue unissued shares shall be limited so that it shall not exceed, when aggregated with the number of ordinary issued or issuable pursuant to rights granted under the DABS and any other share scheme of the company in the period of 10 years preceding that day, 10 per cent. of the issued ordinary share capital of the company on the day preceding that day.

The aggregate number of ordinary shares over which awards under the DABS may be granted on any day which require the company to issue unissued shares shall be limited so that it shall not exceed, when aggregated with the number of ordinary issued or issuable pursuant to rights granted under the DABS and any other discretionary share scheme of the company (but excluding awards granted under the company's Value Creation Plan approved by shareholders of the company on 26 February 2009 as amended from time to time) in the period of 10 years preceding that day, 5 per cent. of the issued ordinary share capital of the company on the day preceding that day.

For the purposes of the limits described above, shares in respect of which awards which have lapsed cease to count. Furthermore the issue of shares to any employee benefit trust for the purpose of satisfying awards granted by the company under any of its share schemes will not be counted for the purposes of the limits described above if such shares are so counted in relation to the grant of such awards. The company intends to comply with the guidance of the Association of British Insurers, as amended from time to time, regarding the inclusion of options or other awards satisfied by the transfer of treasury shares when calculating these limits.

9 Adjustments

The number of shares subject to any award is subject to appropriate adjustment in the event of any capitalisation issue (other than a scrip dividend which is not an enhanced scrip dividend) or rights issue by the company or any consolidation, sub division or reduction of the company's share capital or any other variation in the company's share capital.

10 Amendments

The Trustees, with the consent of the Board, may amend the DABS provided that other than in the case of minor amendments to benefit the administration of the DABS, to take account of changes in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for participants in the DABS or for the company or other members of the group, no amendment to the advantage of participants may be made, without the prior approval of shareholders in general meeting, to the following provisions of the DABS:-

- (a) the definition of those eligible to participate;
- (b) the times at which and the circumstances in which awards may be granted or exercised;
- (c) the basis of adjustments to the number of ordinary shares subject to awards;
- (d) the basis of calculation of the total numbers of ordinary shares available for the DABS;
- (e) the basis of calculation of the limits on an individual's participation; and
- (f) the rules relating to amendment of the DABS.

11 Benefits non pensionable

Awards granted and shares acquired under the DABS are non pensionable.

The summary above does not form part of, and should not be taken as affecting the interpretation of, the detailed terms and conditions constituting the rules of the DABS.

