

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

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

Primary Health Properties PLC

(Registered in England and Wales No: 3033634)

SCRIP DIVIDEND SCHEME

If you have sold or otherwise transferred all or some of your ordinary shares of 50 pence each ("Ordinary Shares") in the capital of Primary Health Properties PLC (the "Company") prior to 12 March 2014, you should send this document, together with the accompanying Scrip Mandate Form (if applicable), at once to the purchaser or transferee or the bank, stockbroker or other agent through whom the sale or transfer was effected for delivery to the purchaser or transferee. However, except as set out in this document, those documents should not be forwarded or transmitted in or into any jurisdiction in which such an act would constitute a violation of the relevant laws of such jurisdiction. If you have sold or otherwise transferred only part of your holding of Ordinary Shares, you should retain these documents and consult the bank, stockbroker or other agent through whom the sale or transfer was effected. The attention of Shareholders not resident in the United Kingdom is drawn to paragraph 10 of Appendix 2 to this document.

Primary Health Properties PLC

Incorporated and registered in England and Wales under Number 3033634

Registered Office: Ground Floor, Ryder Court, 14 Ryder Street, London SW1Y 6QB

Directors

Graeme Elliot (Non-executive Chairman)
Mark Creedy (Non-executive Director)
James Hambro (Non-executive Director)
William Hemmings (Non-executive Director)
Harry Hyman (Managing Director)
Alun Jones (Non-executive Director, Senior Independent Director)
Steven Owen (Non-executive Director)
Dr Ian Rutter OBE (Non-executive Director)

5 March 2014

To Shareholders

SCRIP DIVIDEND SCHEME

On 20 February 2014 the Company announced the payment of a second interim cash dividend for the year ended 31 December 2013 of 9.75 pence per Ordinary Share ("Second Interim Dividend"). The Scrip Dividend Scheme offers Shareholders the opportunity to take up New Shares instead of cash in respect of the Second Interim Dividend.

Accordingly, the Board is now pleased to offer Shareholders the opportunity to receive the Second Interim Dividend in New Shares (the "Scrip Dividend Offer") instead of cash (the "Cash Dividend").

Scrip dividends are attractive to many Shareholders because they enable Shareholders to increase their holding in the Company in a simple manner without incurring any dealing costs or stamp duty. At the same time, the Company will retain more cash in its business, which would otherwise be paid as a dividend.

The purpose of this circular is to provide Shareholders with details of the Scrip Dividend Offer and to explain how Shareholders may elect now, and in the future, to receive New Shares rather than cash dividends.

SCRIP DIVIDEND OFFER

The Scrip Dividend Offer is made to Shareholders on the register of members at the close of business on 14 March 2014 ("Record Date").

The Second Interim Dividend is payable on 25 April 2014. Shareholders who choose to take up the Scrip Dividend Offer will increase their total holding of Ordinary Shares in the Company without incurring dealing expenses or stamp duty. This right is non-transferable.

Shareholders' Scrip Dividend Offer entitlements will be determined on the basis of the Second Interim Dividend and a price per Ordinary Share which will be the average of the closing middle market quotations, derived from the Daily Official List of the UK Listing Authority for an Ordinary Share on the day on which the shares were first quoted as ex-dividend and the four subsequent dealing days, (being 12 March to 18 March 2014 inclusive ("Second Interim Dividend Share Price")).

No fraction of a New Share will be allotted and calculations of entitlements to New Shares will be rounded down to the nearest whole New Share. Any residual cash balance will be carried forward to be included in the calculation for the next dividend and no interest will be paid on any residual cash balances.

To protect Shareholders against a fall in the price of an Ordinary Share between the date of this document and 8 April 2014, being the final date for receipt of validly completed Scrip Mandate Forms ("Final Receipt Date"), the Scrip Dividend Offer will be withdrawn if the middle market quotation of an Ordinary Share, derived from the Daily Official List of the UK Listing Authority for the Final Receipt Date, has fallen relative to the Second Interim Dividend Share Price by 10 per cent. or more. In such circumstances, any Scrip Dividend Mandate will be deemed to be void, in respect of the Second Interim Dividend only, and the Cash Dividend will be paid in the usual way. Validly completed and returned Scrip Mandate Forms will continue to be valid in respect of future cash dividends in respect of which the Directors decide to offer a scrip dividend alternative under the Scrip Dividend Scheme. If the price falls after the Final Receipt Date, any Scrip Dividend Mandate will remain in force in respect of the Second Interim Dividend.

Application will be made for the New Shares to be admitted to the Official List of the UKLA and to trading on the London Stock Exchange's Main Market for Listed Securities. On issue, New Shares, which may be held in uncertificated form, will rank pari passu with the issued Ordinary Shares in the Company in respect of all rights arising on or after the date of issue.

Allotment of New Shares under the Scrip Dividend Offer is subject to the following conditions:

- the price of Ordinary Shares not falling by 10 per cent. or more from the Second Interim Dividend Share Price by the Final Receipt Date;
- admission of the New Shares to the Official List of the UKLA and to trading on the London Stock Exchange's Main Market for Listed Securities; and
- the authority granted to the Directors at the October 2009 GM to allot shares in lieu of any cash dividend and in connection with a scrip dividend alternative (pursuant to Section 551 of the Companies Act 2006) not lapsing.

If any of these conditions are not met, the Scrip Dividend Offer will be cancelled and dividends will be paid in cash to all Shareholders.

SCRIP MANDATE

Shareholders who wish to take up the Scrip Dividend Offer and to receive New Shares in connection with all future dividends offered that are subject to the Scrip Dividend Scheme should sign and return the enclosed Scrip Mandate Form to Equiniti at Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA. A reply-paid envelope is enclosed for your use. Scrip Mandate Forms must be received by Equiniti at least 10 business days before the dividend payment date to be eligible for that dividend (i.e. 8 April 2014 in respect of the Second Interim Dividend).

You may cancel the Scrip Mandate at any time by writing to Equiniti at the above address. For a cancellation to be effective for a dividend, it must be received at least 10 business days before the payment date for that dividend. If it is received within the 10 business days before a payment date, it will not apply to that dividend but it will apply to all subsequent dividends.

If you wish to receive dividends in cash in the usual way you need take no action and should disregard this document. Your dividend will be paid to you in cash on 25 April 2014.

If you are in any doubt about what course of action to take or your personal tax position, you should consult an independent financial adviser. You should bear in mind that the price of the Company's shares can go down as well as up.

Appendix 1 contains the timetable for the Scrip Dividend Offer and a glossary for the capitalised terms used in this document. Further details of the terms and conditions of the Scrip Dividend Scheme can be found in Appendix 2. Appendix 3 contains information relating to taxation.

Yours faithfully,

Graeme A Elliot
Chairman

Glossary

“Company”	Primary Health Properties PLC
“CREST”	the relevant system (as defined in the Uncertificated Securities Regulations 2001 (SI/3755)) in respect of which Euroclear UK & Ireland Limited is the operator
“Directors” or the “Board”	the directors of the Company
“Equiniti”	the Company's registrars, Equiniti Financial Services Limited and Equiniti Limited (together or separately “Equiniti”)
“London Stock Exchange”	London Stock Exchange plc
“New Shares”	the new Ordinary Shares issued under the Scheme
“October 2009 GM”	the general meeting of the Company held on 6 October 2009
“Ordinary Shares”	ordinary shares of 50 pence each in the capital of the Company
“Scrip Dividend Scheme” or “Scheme”	the Primary Health Properties PLC Scrip Dividend Scheme as comprised under and subject to the terms and conditions contained in this document as amended from time to time
“Scrip Mandate”	the instructions of a Shareholder as set out in a valid Scrip Mandate Form
“Scrip Mandate Form”	an instruction in a form provided by the Company from a Shareholder to the Directors to allot New Shares under the terms of the Scheme in lieu of a cash dividend to which they may become entitled from time to time
“Share Price”	the average of the closing middle market quotation derived from the Daily Official List of the UK Listing Authority for an Ordinary Share on the day on which the Ordinary Shares are first quoted as ex-dividend and the four subsequent dealing days
“Shareholder”	a holder of Ordinary Shares
“UKLA”	the United Kingdom Listing Authority
“UK” or “United Kingdom”	means the United Kingdom of Great Britain and Northern Ireland and its dependent territories

Appendix 1

Timetable	2014
Ordinary Shares quoted ex-dividend	12 March
Calculation period for Second Interim Dividend Share Price	12-18 March (inclusive)
Posting of Scrip Mandate Form	5 March
Record date for the Second Interim Dividend	14 March
Second Interim Dividend Share Price announcement date	19 March
Latest date for receipt of Scrip Mandate Form	8 April
Definitive share certificates and notional tax voucher to CREST participants posted	24 April
Payment of Second Interim Dividend, CREST accounts credited, first day of dealings in New Shares	25 April

Appendix 2

Scrip Dividend Scheme Terms and Conditions

1. The Scrip Dividend Scheme

The optional Scrip Dividend Scheme enables you to receive New Shares in Primary Health Properties PLC instead of the cash dividends you normally receive. This makes it possible for you to build your shareholding in the Company without going to the market to buy New Shares. You will not incur any dealing costs, stamp duty or stamp duty reserve tax in electing to take a scrip dividend instead of a cash dividend. Please refer to the taxation information in Appendix 3 below.

For your protection, the Directors may (and absent mitigating circumstances intend to) declare your Scrip Mandate void and pay a cash dividend instead, in respect of the relevant dividend only, if the middle market quotation for the Company's Ordinary Shares by the final date for receipt of Scrip Mandate Forms in respect of that relevant dividend falls by 10 per cent. or more from the Share Price.

At the October 2009 GM the Shareholders authorised the Directors to offer a scrip dividend alternative instead of all or part of any dividend declared or paid in the period up to 6 October 2014.

The continued operation of the Scheme is subject both to renewal of that authority at the appropriate time and to the Directors' subsequent decision to make that scrip dividend alternative offer in respect of dividends declared or paid. If the authority is not renewed at the appropriate time or the Directors decide not to offer a scrip dividend alternative in respect of a particular dividend, the full cash dividend will be paid in the normal way together with any cash balance carried forward. The Scheme may be modified or terminated at any time by the Company without notice to participants individually although advice of any such action will normally be sent to all Shareholders. In the case of any modification, existing Scrip Mandates will remain valid under the modified scheme unless and until the Company receives a valid revocation of the Scrip Mandate. Should the Scheme be terminated, all Scrip Mandates then in force will be deemed to have been revoked as at the date of such termination and any cash balances carried forward will be paid to Shareholders/carried forward until the next dividend.

2. Joining the Scheme

All Shareholders resident in the UK can join the Scheme by completing the enclosed Scrip Mandate Form (which may be amended from time to time) in accordance with the instructions thereon and sending it (in the envelope provided) to Equiniti at Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA. No acknowledgement of receipt of Scrip Mandate Forms will be given. **Shareholders that hold their Ordinary Shares in CREST can only elect to receive dividends in the form of New Shares by submitting an election by CREST input message.** Scrip Mandate Forms must be received by Equiniti by 5.00 p.m. on such date that is at least 10 business days before the dividend payment date to be eligible for that dividend. Forms received after that will apply to subsequent dividends. Your Scrip Dividend Mandate will remain in force in respect of your entire holding of Ordinary Shares for all future dividends until cancelled by you in writing.

Upon execution of a Scrip Mandate Form, either personally or on behalf of the relevant Shareholder, that Shareholder is deemed (in respect of himself, his heirs, successors and assigns): (a) to agree to participate in the Scheme pursuant to these terms and conditions; and (b) to authorise the Company or its agent to send to the Shareholder, at the Shareholder's registered address, any definitive share certificate in respect of New Shares allotted.

Any Scrip Mandate Form sent to an address other than that stated above will not be accepted or considered valid. For details regarding overseas Shareholders please see paragraph 10 below.

3. Number of New Shares

The number of New Shares that Shareholders will receive for each dividend will depend on the amount of the cash dividend, any residual cash balance brought forward from the last scrip dividend, the number of shares held and the Share Price to be used in calculating Shareholders' entitlements. The Share Price will be the average of the middle market quotations for the Ordinary Shares on the London Stock Exchange for the five dealing days commencing on the ex-dividend date. The scrip reference share price will be posted on the Company's website www.phpgroup.co.uk. The formula used for calculating the maximum number of New Shares to be received for each dividend is set out below:

$$\frac{(\text{Number of Ordinary Shares held at the dividend record date} \times \text{cash dividend rate}) + \text{Any fractional cash entitlement carried forward from last dividend}^*}{\text{Share Price}}$$

No fractional entitlements will be available for inclusion in respect of the first dividend for which you participate in the Scheme.

Once the New Shares have been issued a statement, along with a new share certificate, showing the number of New Shares allotted, Share Price and the total cash equivalent of the New Shares for tax purposes, will be sent to Shareholders.

4. Fractions and cash balances

No fraction of a New Share will be allotted and calculations of entitlements to New Shares will always be rounded down to the nearest whole New Share. Any residual cash balance will be carried forward to be included in the calculation for the next dividend. No interest will be paid on any residual cash balances.

5. Future dividends

Once a Shareholder has returned a valid Scrip Mandate Form this will apply for all successive dividends unless and until it is cancelled in writing by the Shareholder. Shareholders holding their shares in CREST must elect for each dividend using a CREST Dividend Election Input Message. The Scheme is always subject to the Directors' decision to offer a scrip dividend. The Directors' may decide not to offer a scrip alternative in respect of any future dividend.

All New Shares issued under the Scheme will automatically increase Shareholders' shareholdings on which the next entitlement to a scrip dividend will be calculated. Where the cash dividend is insufficient to acquire New Shares, funds representing Shareholders' fractional cash entitlement will be accumulated for their benefit. These funds will be added to the cash amount of any subsequent dividends (in respect of which a scrip dividend alternative is offered) and applied in calculating Shareholders' entitlements under that offer.

If you withdraw from the Scheme or sell or transfer your entire holding of ordinary shares or if the Company terminates the Scheme any cash balance of less than £5 will be paid to a charity of the Company's choice.

6. Listing and ranking of the New Shares

Application will be made to the London Stock Exchange and the UKLA for admission of the New Shares to trading and to the Official List of the UKLA. The New Shares will be credited as fully paid and will rank equally in all respects with the existing Ordinary Shares (including the same voting rights). If for any reason the New Shares are not admitted to listing the Company will pay the dividend in cash in the usual way as soon as practicable.

7. Share certificates and dealings in the New Shares

Subject to the New Shares being admitted to the Official List of the UKLA and to trading on the London Stock Exchange, your new share certificate will be posted to you, at your own risk, on or about the same date as dividend warrants are posted to Shareholders who are taking the dividends in cash. CREST holders will have their member accounts credited directly with the New Shares on the dividend payment date or as soon as practicable thereafter and will separately receive a statement showing the number of New Shares allotted, the Share Price and the total cash equivalent of the New Shares for tax purposes. Dealings in the New Shares are expected to begin on the dividend payment date.

8. Multiple and joint shareholdings

If a Shareholders' shares are registered in more than one holding, then unless such multiple shareholdings are consolidated before the date for final receipt of the Scrip Mandate Forms they will be treated as separate. As a result, separate Scrip Mandate Forms will need to be completed for each holding if Shareholders wish to receive New Shares under the Scheme in respect of each holding.

In respect of shareholdings held in joint names all joint Shareholders must sign the Scrip Mandate Form.

9. Partial elections

Scrip Mandate Forms will only be accepted in relation to the whole shareholding. The Directors may, at their discretion, allow a Shareholder to take up a lesser number of shares where they are acting on behalf of more than one beneficial holder that is, through a nominee shareholding held in CREST. The CREST Dividend Election Input Message submitted to CREST must contain the number of shares for which the election is being made. Such Scrip Mandate must be renewed for each dividend. A cash dividend will be paid on any remaining shares not included in the CREST Dividend Election Input Message.

10. Overseas Shareholders

Shareholders who are resident outside the UK may treat this document as an invitation to receive New Shares unless such an invitation could not lawfully be made to such Shareholders without compliance with any registration or other legal or regulatory requirements. It is the responsibility of any person resident outside the UK wishing to receive New Shares under the Scheme to be satisfied that such a decision can validly be made without any further obligation on the part of the Company, and to be satisfied as to full observance of the laws of the relevant territory, including obtaining any governmental, regulatory or other consents which may be required and

observing any other formalities in such territories and any resale restrictions which may apply to the New Shares. Unless this condition is satisfied, such Shareholders may not participate in the Scheme or sign a Scrip Mandate Form (or where applicable make an election through CREST).

11. Recent sale or purchase of Ordinary Shares

If Shareholders have sold some of their Ordinary Shares before a record date, the Scrip Dividend Scheme will apply in respect of the remainder of such Shareholders' shares. If Shareholders have bought any additional Ordinary Shares after a record date, the additional shares will not be eligible for the next dividend, but will be eligible for future dividends, without the need to complete a further Scrip Mandate Form in respect of the additional shares.

12. Cancellation of Scrip Mandate

Shareholders may cancel their Scrip Mandate at anytime. Notice of cancellation must be given in writing to Equiniti, at least 10 business days before the relevant dividend payment date. CREST Shareholders can only cancel their Scrip Mandates through the CREST system. A notice of cancellation will take effect on its receipt and processed by Equiniti in respect of all dividends payable after the date of receipt of such notice. If a notice of cancellation is received within 10 business days of a dividend payment date, the Shareholder will receive additional shares under the Scheme for the next dividend and the cancellation will take effect for subsequent dividends. A Shareholder's Scrip Mandate will be deemed to be cancelled if such Shareholder sells or otherwise transfers their Ordinary Shares to another person but only with effect from the registration of the relevant transfer. If you hold your shares in certificated form and you sell or transfer your entire shareholding before the last date for the lodging of the Scrip Mandate Form for a particular dividend, you will be withdrawn from the Scrip Dividend Scheme for that and any subsequent dividend.

A Shareholder's Scrip Mandate will also terminate immediately on receipt of notice of such Shareholder's death. However, if a joint Shareholder dies, the Scrip Mandate will continue in favour of the surviving joint Shareholder(s) (unless and until cancelled by the surviving joint Shareholder(s)). Any residual amounts over £5 standing to the credit of a Shareholder will be paid to such Shareholder in cash (by cheque) on or as soon as practicable after the cancellation. Where such residual amount is under £5, such sums will be paid to a charity of the Company's choice.

Any notice sent to an address other than that stated in paragraph 2 above will not be accepted or considered valid.

13. Changes to or cancellation of the Scheme

The Directors may at anytime, at their discretion and without notice to Shareholders, modify, suspend, terminate or cancel the Scheme. In the case of any modification, existing Scrip Mandates (unless otherwise specified by the Directors) will be deemed to remain valid under the modified arrangements unless and until Equiniti receives a cancellation in writing from such Shareholders pursuant to paragraph 12 above. If the Scheme is terminated or cancelled by the Directors, all Scrip Mandates then in force will be deemed to have been cancelled as at the date of such termination or cancellation.

The operation of the Scrip Dividend Scheme is always subject to the Directors' decision to make an offer of New Shares in respect of any particular dividend. The Directors also have the power, after such an offer is made, to revoke the offer generally at any time prior to the allotment of New Shares under the Scheme. If the Directors revoke an offer (or otherwise suspend, terminate or cancel the Scheme), Shareholders will receive their dividend in cash on or as soon as reasonably practicable after the dividend payment date.

14. Taxation

The tax consequences of electing to receive New Shares in place of a cash dividend will depend on your individual circumstances. If you are not sure how you will be affected from a tax perspective, you should consult your solicitor, accountant or other professional adviser before taking any action. UK resident trustees, corporate, pension funds and other Shareholders, including overseas Shareholders, are advised to contact their professional advisors regarding their own tax circumstances in relation to the Scheme.

15. Governing law

The Scheme is subject to the Company's Articles of Association and these terms and conditions, as amended from time to time, and is governed by, and its terms and conditions are to be construed in accordance with, English law. By electing to receive New Shares the Shareholder agrees to submit to the exclusive jurisdiction of the English courts in relation to the Scheme.

Contacts

For general enquiries about the Scheme please contact Equiniti on 0871 384 2268. Calls cost 10 pence per minute plus network extras. Lines are open 9.00 a.m. to 5.00 p.m. Monday to Friday (except UK public holidays). Calls to the helpline from outside the UK will be charged at applicable international rates. Calls may be recorded and randomly monitored for security and training purposes. The helpline cannot provide advice on the merits of the Scrip Dividend Scheme nor give any personal financial, legal or tax advice.

Appendix 3

Taxation

The precise tax consequences for a Shareholder electing to receive New Shares in lieu of the Cash Dividend ("Scrip Dividend") will depend on the Shareholder's individual personal circumstances. The Directors have been advised that, under UK legislation, the tax consequences for United Kingdom resident Shareholders electing to receive a Scrip Dividend are as summarised below.

This summary is based on current law, is not exhaustive and does not deal with the position of any Shareholder not resident in the United Kingdom for tax purposes. Unless expressly stated, it does not anticipate the effect (if any) of any changes in taxation which may be introduced after the date of this document.

If you are in any doubt as to your position, you are strongly advised to consult your professional adviser before taking any action.

1. UK resident individuals

Individuals who elect to receive a Scrip Dividend instead of the Cash Dividend will be treated as having received gross income of an amount which, when reduced by income tax at the dividend ordinary rate (currently 10 per cent.) is equal to the Cash Dividend (or the market value of the New Shares if substantially different) which they would have received if they had not elected to take up an offer of a Scrip Dividend. For example, if an individual takes a Scrip Dividend in lieu of the Cash Dividend of £100, he will be treated as receiving gross income of £111.11 and as having paid income tax of £11.11 on that grossed up amount.

Individuals subject to income tax at the basic rate only will have no further liability to tax on receipt of the New Shares.

Higher rate taxpayers will be subject to higher rate income tax on the gross income deemed to be received on the issue of the scrip shares (£111.11). Further tax will be due on the gross income at the dividend upper rate of 32.5 per cent., less credit for the notional 10% tax already suffered. £111.11 at 32.5 per cent. = £36.11, less credit of £11.11, leaving further tax to pay of £25. This equates to 25 per cent. of the cash dividend.

From 6 April 2013, individuals subject to income tax at the additional rate are liable to tax at a rate of 37.5 per cent. On the grossed up amount where dividend income, taken as the top slice of a Shareholder's taxable income, forms part of the Shareholder's overall taxable income in excess of £150,000. After taking into account the 10 per cent. notional tax credit, this will result in an effective rate of tax of 30.6 per cent. on the net dividend. This rate applies equally to the Cash Dividend or a Scrip Dividend in situations where the £150,000 threshold is exceeded.

For example, if an additional rate tax payer receives a dividend of £100, a tax liability will arise on £111.11 (that is, the total of the dividend of £100 and the tax credit of £11.11). Additional rate tax is charged at the rate of 37.5 per cent. so the tax due will be £41.67. The 10 per cent. tax credit of £11.11 can then be offset against the tax due of £41.67, leaving the additional rate tax payer with £30.56 to pay. This is the same as the additional tax liable to be paid if the dividend was received in cash.

Individual Shareholders will not be entitled to claim a repayment of the 10 per cent. tax credit attached to any dividend (including Cash Dividends) paid.

Capital gains tax

The receipt of New Shares will not give rise to an immediate charge to capital gains tax ("CGT"). For the purpose of computing an individual's CGT liability upon a future sale of the New Shares, the amount of the Cash Dividend (or the market value of the New Shares if substantially different) will be treated by HM Revenue & Customs as the base cost in the New Shares.

Higher and additional rate taxpayers are subject to CGT at the rate of 28 per cent. on gains realised on or after 23 June 2010, but the 18 per cent. rate continues to apply to basic rate taxpayers, in both cases subject to any available exemptions, reliefs or losses, including entrepreneurs' relief.

Stamp duty and stamp duty reserve tax

An individual will not be liable to stamp duty or stamp duty reserve tax on the acquisition of the New Shares.

2. UK resident trustees

Where a Scrip Mandate Form is lodged to receive a Scrip Dividend instead of the Cash Dividend by the trustees of a trust which is liable to income tax at the current trust rate of 42.5 per cent. in respect of dividends, the same grossing up procedure as outlined above for individuals will apply. Trustees will therefore be treated as having received gross income of an amount which, when reduced by income tax at the ordinary rate (10 per cent) is equal to the cash dividend foregone, or, if substantially different, the market value of the New Shares.

The above rate of 42.5 per cent. applies to trust income above £1,000. Income falling within the initial £1,000 band will be taxed at no more than the dividend ordinary rate for trusts (currently 10 per cent.).

Where New Shares are received instead of the Cash Dividend, the amount of the Cash Dividend forgone, or, if substantially different, the market value of the New Shares will be treated as the consideration given for the New Shares for capital gains tax purposes.

As for individuals above, a trustee will not be liable to stamp duty or stamp duty reserve tax on the acquisition of the New Shares.

3. UK resident companies

For a UK resident corporate shareholder corporation tax will not be chargeable on the receipt of either a Scrip Dividend or Cash Dividend. For the purpose of corporation tax on chargeable gains, no consideration will be treated as having been given for a Scrip Dividend and the New Shares are treated as acquired when the existing Ordinary Shares were acquired. The calculation of any chargeable gains on a disposal of a UK resident company's shareholding will, therefore, be made by reference to the base cost of the original shareholding only.

As above, a company will not be liable to stamp duty or stamp duty reserve tax on the acquisition of the New Shares.

4. Charities, individual savings accounts, pensions and other UK resident gross funds

No repayment claim can be made in respect of the tax credit. This is the same whether a Scrip Dividend or Cash Dividend is taken.

5. Cash element

If a UK Shareholder receives dividends in the form of cash, the Cash Dividend will be treated as a conventional dividend for UK taxation purposes.

6. Opening value

Where the market value of the New Shares on the first day of dealings on the London Stock Exchange plc (the "Opening Value") differs substantially (i.e. 15 per cent. or more above or below) from the cash equivalent of one new Ordinary Share, HM Revenue & Customs will substitute that Opening Value as the cash equivalent for the purpose of calculating any taxes due. If this occurs, Shareholders will be sent a notice of the revised valuation which they should keep with their share certificate(s). This revised value is used for both income tax and capital gains tax purposes, but basic rate tax payers would have no further income tax liabilities.

