6. UK taxation consequences of the Scheme, Demerger and New GKN Reduction of Capital

The comments set out below are intended only as a general guide to certain aspects of current UK law and Inland Revenue practice applicable to shareholders resident or (in the case of individuals) ordinarily resident in the UK. The comments are of a general nature and concern only the position of shareholders who are the absolute beneficial owners of their shares and who hold their shares as an investment and not as securities to be realised in the course of a trade. In particular, they do not address the position of certain classes of shareholders such as market makers, brokers, dealers and persons connected with depositary receipt arrangements or clearance services. ***Any shareholders (including holders of GKN ADRs) who are in any doubt about their tax position or who may be subject to tax in a jurisdiction other than the UK should consult their independent professional tax advisers without delay.***

Capital gains tax

For the purposes of UK capital gains tax ("CGT"), it is expected that (a) the Scheme, and (b) the Demerger and New GKN Reduction of Capital will each constitute a reconstruction.

This will mean that for those GKN Ordinary Shareholders (together with connected persons) who hold 5 per cent. or less of any class of GKN shares or debentures in issue there will be no disposal for CGT purposes, and no chargeable gain or allowable loss will arise to them on the implementation of the Scheme or the New GKN Reduction of Capital. Thereafter their New GKN Ordinary Shares and their Brambles (UK) Ordinary Shares will be treated as acquired when their GKN Ordinary Shares were acquired and the CGT base cost of their GKN Ordinary Shares will be divided between their New GKN Ordinary Shares and their Brambles (UK) Ordinary Shares in proportion to the respective market values of those shares at the close of business on the first day of dealing in the Brambles (UK) Ordinary Shares on the London Stock Exchange. The "market value" for these purposes will, unless special circumstances apply, be found by taking the lower of the two prices shown in the quotations for the shares in the Daily Official List of the London Stock Exchange on the relevant date plus one quarter of the difference between those figures or, if less, halfway between the highest and lowest prices at which bargains were done in the shares for the relevant date (other than bargains done at special prices).

By way of example, if a person acquired GKN Ordinary Shares in December 1996 with a base cost of £100 and on the first day of dealing in Brambles (UK) Ordinary Shares the market value of one New GKN Ordinary Share and one Brambles (UK) Ordinary Share was £3 and £5 respectively, the base cost of their New GKN Ordinary Shares and the Brambles (UK) Ordinary Shares would be £37.50 and £62.50 respectively, both treated as acquired in December 1996.

Application has been made for clearance under sections 138 and 139 of the Taxation of Chargeable Gains Act 1992 in respect of the proposals described in this document. On the basis that such clearance is received the CGT treatment of GKN Ordinary Shareholders who hold more than 5 per cent. of any class of GKN shares or debentures in issue will be the same as that described in the preceding paragraphs.

The above comments relating to capital gains tax do not apply in respect of GKN Ordinary Shares which are held through an ISA or PEP since these holdings are exempt from capital gains tax.

Income tax

Neither the Scheme nor the New GKN Reduction of Capital should give rise to taxable income in the hands of GKN Ordinary Shareholders.

Clearance has been received under section 707 of the Income and Corporation Taxes Act 1988 that the provisions of section 703 of the Income and Corporation Taxes Act 1988 (cancellation of tax advantages from certain transactions in securities) will not apply to the Scheme or the New GKN Reduction of Capital.

Stamp duty and stamp duty reserve tax

No stamp duty or stamp duty reserve tax will be payable by New GKN Ordinary Shareholders as a result of any of the proposals described in this document, including the issue of Brambles (UK) Ordinary Shares.

The above comments do not apply, in particular, to shares held in or issued or transferred into depositary receipts or clearance arrangements to which special rules apply.

DLC Combination

It is not expected that implementation of the DLC Combination following the Demerger will give rise to any United Kingdom income tax or tax on capital gains for shareholders resident or ordinarily resident in the United Kingdom.

If you are not resident in the UK or hold GKN ADRs or are in any doubt as to your tax position or if you require more detailed information than that outlined above, you should consult an appropriate professional adviser immediately.