

12. Share capital

	Equity		Non-equity		Total
	Ordinary shares of 2.5p each		Special Share of £1		Nominal value £m
	Number of shares m	Nominal value £m	Number of shares	Nominal value £	
Authorised					
At 1 January 2007 and 31 December 2007	4,450	111	1	1	111
Issued and fully paid					
At 1 January 2006	3,219	80	1	1	80
Exercise of options	24	1	–	–	1
Conversion of preference shares	3	–	–	–	–
At 1 January 2007	3,246	81	1	1	81
Exercise of options	29	1	–	–	1
Placing of shares	174	5	–	–	5
Conversion of preference shares	125	3	–	–	3
At 31 December 2007	3,574	90	1	1	90

Special Share

One Special Share of £1 in the Company is held on behalf of the Secretary of State for Business, Enterprise and Regulatory Reform (formerly the Secretary of State for Trade and Industry) (the Special Shareholder). Certain parts of the Company's Articles of Association cannot be amended without the consent of the Special Shareholder. These articles include the requirement that no foreign person, or foreign persons acting in concert, can have more than a 15% voting interest in the Company, the requirement that the majority of the directors are British, the requirement that decisions of the directors at their meetings, in their committees or via resolution must be approved by a majority of British directors and the requirement that the Chief Executive and any executive chairman are British citizens. The effect of these requirements can also be amended by regulations made by the directors and approved by the Special Shareholder.

The Special Shareholder may require the Company at any time to redeem the Special Share at par or to convert the Special Share into one ordinary voting share. The Special Shareholder is entitled to receive notice of and to attend general meetings and class meetings of the Company's shareholders but has no voting right, nor other rights, other than to speak in relation to any business in respect of the Special Share.

Placing of shares

On 11 May 2007, 174,418,605 new ordinary shares of 2.5p each were placed at a price of 430p, raising £750m before expenses.

Conversion of preference shares

As at 1 January 2007, the Company also had in issue 259,962,909 7.75p (net) cumulative redeemable preference shares of 25p each. During the year, the shares were converted into ordinary shares of 2.5p each on the basis of 0.47904 ordinary shares for each preference share, as a result of which 124,532,630 ordinary shares of 2.5p were issued. There were, therefore, no preference shares in issue as at 31 December 2007.

In accordance with FRS 25 the convertible preference shares were considered to be a compound financial instrument consisting of both a debt element and an equity component which required separate accounting treatment. Following conversion to ordinary shares the amounts previously recognised within equity and within loans and overdrafts have been extinguished.

Treasury shares

In connection with the disposal of its interest in Airbus, the Company stated its intention to return up to £500m to ordinary shareholders by way of on-market purchases of ordinary shares using authorities granted at the 2006 AGM and to hold the repurchased shares initially in treasury. The Company commenced this buyback programme on 26 October 2006 and, as at 31 December 2007, 61,945,000 (2006 28,675,000) 2.5p ordinary shares with an aggregate nominal value of £2m (2006 £1m) were held in treasury.