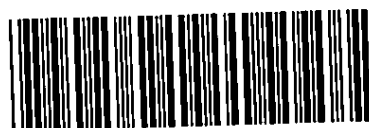


# **Surrey Asset Finance Limited**

## **Report and Financial Statements**

31 July 2007

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COMPANIES HOUSE

# **Surrey Asset Finance Limited**

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Registered No 2740386

## **Directors**

R A Aust  
B L Bannay  
M J Barley  
D J Dine

## **Secretary**

S C F Chan

## **Auditors**

Ernst & Young LLP  
1 More London Place  
London SE1 2AF

## **Bankers**

HSBC Bank PLC  
38 High Street  
Dartford  
Kent  
DA1 1DG

## **Registered Office**

Tolworth Tower  
Surbiton  
Surrey KT6 7EL

## Directors' report

The directors present their report and financial statements for the year ended 31 July 2007

### Results and dividends

The company's trading profit before taxation amounted to £4,403,000 (2006 - £2,348,000) The company paid interim and final dividends totalling £1,750,000 (2006 - £1,120,000) during the year

### Principal activities and review of the business

The company is a wholly owned subsidiary of Close Brothers Group plc ("CBG") and operates as part of CBG's Banking division Its immediate parent is Close Asset Finance Limited

The company's principal activity is the provision of instalment credit to business customers The company has achieved satisfactory results in the year As shown in the company's profit and loss account on page 7, income has increased by 49% over the prior year and profit before tax by 88% over the same period The balance sheet on page 8 shows that the company's financial position at the year end remains strong, in both net assets and cash terms

On 1 August 2006, the company bought 100% of the trade and the associated assets and liabilities of its wholly-owned subsidiary, Commercial Finance Credit Limited ("CFC") The operations of CFC have been fully integrated with those of the company

The directors are contemplating transferring the whole trade of the company and associated assets and liabilities as a going concern to its immediate parent, Close Asset Finance Limited, and to continue growing the business in the print and engineering finance markets as a division of the parent

### Risk management

Credit risk is one of the principal risks the company faces Credit risk at inception of new lending is controlled by a number of senior managers operating within a framework of delegated underwriting authorities In addition, arrears and other default-related information is monitored and discussed regularly by directors and other senior managers, and mitigating actions are taken in a timely manner where appropriate

Damage to our reputation and competitive pressure are continuing risks for the company The company mitigates these risks by providing added value services to its customers, having fast response times not only in supplying products and services but in handling all customer queries, and by maintaining strong relationships with customers

The company is financed by Close Brothers Limited, which is wholly-owned by CBG, and has no third party debt A combination of both long and short term fixed rate loans and interest rate swaps are used It therefore has little interest rate exposure

### Corporate social responsibility

CBG recognises the importance of its environmental responsibilities, monitors its impact on the environment, and designs and implements policies to reduce any damage that might be caused by the group's activities The company operates within the group's Corporate Social Responsibility statement, which is described in the group's Annual Report Initiatives designed to minimise the company's impact on the environment include recycling and reducing energy consumption

### Employees

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the company continues and that appropriate training is arranged It is the company's policy that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees

## Directors' report

The company participates in CBG's policies and practices to keep employees informed on matters relevant to them as employees through regular meetings and newsletters. Employee representatives are consulted regularly on a wide range of matters affecting their interests. CBG's employee share scheme has been running successfully since its inception in 1993 and is open to all employees after a qualifying service period.

The company's strong relationship with its employees is supported by the fact that 63% of the employees have been with the company for five years or more.

### Directors

The directors during the year were as follows

R A Aust  
B Bannay  
M J Barley  
D J Dine  
M Gregg (resigned 29 September 2006)

### Policy and practice on payment of creditors

The company does not follow any stated code on payment practice. It is the company's policy to agree terms of payment with suppliers when agreeing the terms of each transaction and to abide by those terms. Standard terms provide for payment of all invoices within 30 days after the date of the invoice, except where different terms have been agreed with supplier at the outset. There are 52 creditor days of suppliers' invoices outstanding at the year end (2006 - 69).

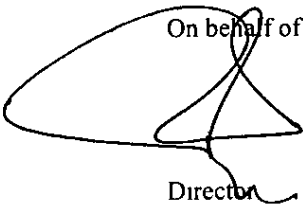
### Auditors

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

### Completeness of information supplied to auditor

So far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware. The directors have taken all steps that they should have taken as directors to make themselves aware of any relevant information and to establish that the company's auditors are aware of that information.

On behalf of the board



Director

## **Statement of directors' responsibilities in respect of the financial statements**

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company Law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statement in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for maintenance and integrity of financial information included in the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## **Independent auditors' report**

**to the members of Surrey Asset Finance Limited**

We have audited the company's financial statements for the year ended 31 July 2007 which comprise the Profit and Loss account, Statement of Total Recognised Gains and Losses, Balance sheet and related notes 1 to 19. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditors**

The directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) as set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view, are properly prepared in accordance with the Companies Act 1985 and whether the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

## **Independent auditors' report**

**to the members of Surrey Asset Finance Limited (continued)**

### **Opinion**

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 July 2006 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements

*Ernst & Young LLP*

Ernst & Young LLP

Registered Auditor

London

Date *20 Sept 2007*

## Profit and loss account

for the year ended 31 July 2007

	Notes	2007 £'000	2006 £'000
<b>Turnover</b>	2	11,896	7,997
Operating costs		(3,957)	(3,015)
<b>Operating profit</b>		7,939	4,982
Other income	3	38	11
Interest payable and similar charges	4	(3,574)	(2,645)
<b>Profit on ordinary activities before taxation</b>	5	4,403	2,348
Taxation	6	(1,447)	(1,257)
<b>Profit for the financial year</b>		2,956	1,091
Dividends paid		(1,750)	(1,120)
<b>Retained (loss)/profit</b>	14	1,206	(29)
<b>Retained profit brought forward</b>		6,461	6,490
<b>Retained profit carried forward</b>	14	7,667	6,461

The results shown in the profit and loss account derive wholly from continuing operations

The statement of movements on reserves is shown in note 14 to the financial statements

There were no recognised gains or losses in the current or preceding year other than the profits disclosed above



**Balance sheet**

at 31 July 2007

	Notes	2007 £'000	2006 £'000
<b>Fixed assets</b>			
Tangible assets	7	1,202	1,408
Investments	8	0	0
<b>Current assets</b>			
Debtors - amounts falling due within one year	9	37,193	22,555
- amounts falling due after more than one year	9	58,856	36,044
Cash at bank and in hand		1,351	409
		<u>97,400</u>	<u>59,008</u>
<b>Creditors: amounts falling due within one year</b>	12	(88,578)	(51,598)
<b>Net current assets</b>		<u>8,822</u>	<u>7,410</u>
<b>Total assets less current liabilities</b>		<u>10,024</u>	<u>8,818</u>
<b>Capital and reserves</b>			
Called up share capital	13	1	1
Share premium account	14	2,356	2,356
Profit and loss account	14	7,667	6,461
<b>Equity Shareholders' funds</b>	14	<u>10,024</u>	<u>8,818</u>

The notes on pages 9 to 18 form part of these financial statements

The financial statements were approved by the board on 20 September 2007

Director

Director

## Notes to the financial statements

at 31 July 2007

### 1. Accounting policies

#### Accounting convention

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards and the SORP 'Accounting issues in the asset finance and leasing industry' issued by the Finance and Leasing Association

#### Goodwill

Before 1 August 1998, goodwill arising on the acquisition of business assets representing the excess of the purchase consideration over the fair value ascribed to the net tangible assets was written off to reserves in the year of acquisition. From 1 August 1998 as required by Financial Reporting Standard 10, such goodwill arising subsequently shall be capitalised as an intangible asset and amortised in equal annual instalments over their useful lives. Goodwill written off to reserves would be charged to the Profit and Loss account on the subsequent disposal of the business to which it relates.

#### Tangible fixed assets

Fixed assets are shown at cost less accumulated depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets on a straight-line basis over their estimated useful lives as follows:

Fixtures, fittings and computer equipment	- 25%-33% per annum
Motor vehicles	- 25% per annum

#### Hire purchase, finance leases and regulated loan agreements

Hire purchase, finance leases and regulated loan agreements are recognised as loans at the minimum instalment payments less finance charges. Finance charges are taken to income by the actuarial method.

#### Provisions

Loans and advances are stated net of provisions against doubtful debts which are made on the basis of regular review by management. The provision raised is an estimate of the amount needed to reduce the carrying value of the asset to its expected net realisable value and takes into account management's assessment of a combination of factors including each portfolio structure, characteristics of individual cases, past and expected credit losses and business and economic conditions.

#### Documentation fees and commissions

Documentation fees receivable and commissions payable relating to loans and leases are deferred and recognised in the profit and loss account over the term of the loan or lease, in line with interest income.

#### Deferred taxation

Deferred taxation is provided in full on material timing differences, at the rates of taxation anticipated to apply when these differences crystallise, arising from the inclusion of items of income and expenditure in taxation computations in periods different from those for which they are included in the financial statements. Deferred tax balances are not discounted.

#### Interest payable and similar charges

Interest payable comprises interest charged on bank loans, overdrafts and other loans together with the interest paid and received on interest rate swap agreements entered into for hedging purposes.

#### Pensions

Contributions within defined contribution schemes are charged to the profit and loss account as they become payable, in accordance with the rules of the scheme.

## Notes to the financial statements

at 31 July 2007

### 1. Accounting policies (continued)

#### Share-based payments

Close Brothers Group plc, the company's ultimate parent undertaking, has for many years operated long term incentive arrangements in which the company participates. These include the 1995 Executive Share Option Scheme and the Inland Revenue approved Savings Related Share Option Scheme, together "Incentive Schemes". FRS 20 has been applied to all grants of equity instruments under these Incentive Schemes after 7th November, 2002.

The expense for these Incentive Schemes is measured by reference to the fair value of the shares or share options granted on the date of grant. Such fair values are determined using the Black-Scholes pricing model. The model takes into account the exercise price of the option, the current share price, the risk free interest rate, the expected volatility of the company's share price over the life of the option/award and other relevant factors. Vesting conditions are not taken into account when measuring fair value, but are reflected by adjusting the number of equity instruments included in the measurement of the transaction such that the amount recognised reflects the number that actually vest. The fair value is expensed in the income statement of the company on a straight line basis over the vesting period.

#### Cashflow statement

The company has taken advantage of the exemption within FRS1 (Revised 1996) for 90% or more owned subsidiaries. Accordingly, it has not presented a cashflow statement.

#### Group Accounting

The company has taken advantage of the exemption available under section 228 of the Companies Act 1985 from preparing group financial statements. Accordingly these financial statements only contain information about Surrey Asset Finance Limited and not its subsidiary undertakings.

### 2. Turnover

Turnover, which arises wholly in the UK, represents net finance income arising from finance leases and hire purchase contracts, as well as commission and collection fees, exclusive of VAT.

The analysis of turnover is as follows:

	2007	2006
	£'000	£'000
Hire purchase	5,767	2,791
Lease finance	3,763	3,495
Regulated agreements	4	-
Operating leases	99	279
Other income	2,263	1,432
	<u>11,896</u>	<u>7,997</u>

## Notes to the financial statements

at 31 July 2007

### 3. Other income

	2007	2006
	£'000	£'000
Bank interest	38	11

### 4. Interest payable and similar charges

	2007	2006
	£'000	£'000
Bank loans, overdrafts and interest rate swap agreements		
- payable to group undertakings	3,574	2,454
Bank overdraft interest	-	12
Other interest	-	179
	3,574	2,645

### 5. Profit on ordinary activities before taxation

(a) This is stated after charging	2007	2006
	£'000	£'000
Auditors' remuneration		
- as auditors	14	10
- other services	-	6
Depreciation of owned tangible fixed assets	29	12
Depreciation of assets held for operating leases	170	289
Staff costs including executive directors		
Wages and salaries	1,395	1,057
Social security costs	205	97
Other pension costs	63	36
Share based awards	16	17
Operating lease rentals payable Leasehold property rents	80	26

## Notes to the financial statements

at 31 July 2007

### 5. Profit on ordinary activities before taxation (continued)

#### (b) Directors' remuneration

	2007	2006
	£'000	£'000
Emoluments	857	717
Company contributions paid to money purchase pension schemes	33	35

*No* *No*

Members of money purchase pension schemes	4	4
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The amounts in respect of the highest paid director are

	£'000	£'000
Emoluments	338	254
Company contributions paid to money purchase pension schemes	14	14

#### (c) Employee numbers

The average number of employees during the year was

	2007	2006
	No	No
Office and management	11	7
Sales and collections	6	4
	17	11

## Notes to the financial statements

at 31 July 2007

### 6. Taxation on profit on ordinary activities

#### (a) Analysis of charge in the year

	2007 £'000	2006 £'000
<i>Current Tax</i>		
UK corporation tax	1,942	454
Tax under/(over) provided in prior years	(314)	313
Total current tax (note 6(b))	1,628	767
<i>Deferred Tax</i>		
Deferred tax – current year	(508)	280
Deferred tax – prior year	327	210
Total deferred tax	(181)	490
Tax on profit on ordinary activities	1,447	1,257

#### (b) Factors affecting the tax charge

The tax assessment on profit on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 30% (2006 – 30%). The differences are reconciled below

	2007 £'000	2006 £'000
Profit before tax	4,403	2,348
Corporation tax at 30%	1,321	704
Expenses not deductible for tax purposes	33	26
Capital allowances (in excess of)/less than depreciation	521	(192)
Movement in general provisions	(20)	-
Movement in deferred bonus	37	16
Deduction for share options exercised in the year	(4)	(6)
Accounting policy restatement	-	(120)
Chargeable gains	54	26
Tax under/(over) provided in previous years	(314)	313
Corporation tax charge (note 6(a))	1,628	767

## Notes to the financial statements

at 31 July 2007

### 7. Fixed assets

	<i>Leasehold additions £'000</i>	<i>Motor vehicles £'000</i>	<i>Fixtures fittings and computer equipment £'000</i>	<i>Assets held for operating leases £'000</i>	<i>Total £'000</i>
Cost					
At 1 August 2006	-	17	108	1,699	1,824
Additions	39	73	25	958	1,095
Transfer from subsidiary	-	-	12	-	12
Disposals	-	(17)	(37)	(1,299)	(1,353)
At 31 July 2007	39	73	108	1,358	1,578
Depreciation					
At 1 August 2006	-	7	96	313	416
Charge for the year	4	11	14	170	199
Transfer from subsidiary	-	-	18	-	18
Disposals	-	(11)	(36)	(210)	(257)
At 31 July 2007	4	7	92	273	376
Net book value					
At 31 July 2007	35	66	16	1,085	1,202
At 31 July 2006	-	10	12	1,386	1,408

### 8 Investments

	<i>Subsidiary undertakings £</i>
Cost	
At 1 August 2006 and 31 July 2007	100
Net book value	
At 31 July 2006 and 31 July 2007	100

Details of the investments in which the company holds more than 10% of the nominal value of any class of share capital are as follows

<i>Name of company</i>	<i>Country of registration (or incorporation) and operation</i>	<i>Holding</i>	<i>Proportion of voting rights and shares held</i>	<i>Nature of business</i>
<i>Subsidiary undertaking</i>				
Commercial Finance Credit Limited	England and Wales	Ordinary shares	100%	Financing

## Notes to the financial statements

at 31 July 2007

### 9. Debtors

	<i>Amounts falling due within one year</i>		<i>Amounts falling due after more than one year</i>	
	2007	2006	2007	2006
	£'000	£'000	£'000	£'000
Finance receivables	32,471	20,360	58,856	36,044
Prepayments	846	518	-	-
Other debtors	2,648	774	-	-
VAT debtor	-	322	-	-
Amounts due from group undertakings	-	1	-	-
Deferred tax	1,228	580	-	-
	<u>37,193</u>	<u>22,555</u>	<u>58,856</u>	<u>36,044</u>

Included in finance receivables are the following amounts

	<i>Gross</i>	<i>Unearned charges</i>	<i>Net</i>	<i>Net</i>
	2007	2007	2007	2006
	£'000	£'000	£'000	£'000
HP agreements				
within one year	28,686	5,912	22,774	10,258
after one year	48,573	7,203	41,370	17,649
	<u>77,259</u>	<u>13,115</u>	<u>64,144</u>	<u>27,907</u>
Finance leases				
within one year	12,261	2,630	9,631	10,080
after one year	20,243	2,821	17,422	18,387
	<u>32,504</u>	<u>5,451</u>	<u>27,053</u>	<u>28,467</u>
Regulated loans				
within one year	74	8	66	22
after one year	66	2	64	8
	<u>140</u>	<u>10</u>	<u>130</u>	<u>30</u>
Total				
within one year	41,021	8,550	32,471	20,360
after one year	68,882	10,026	58,856	36,044
	<u>109,903</u>	<u>18,576</u>	<u>91,327</u>	<u>56,404</u>

### 10. Hire purchase contracts and finance leases

The aggregate cost at 31 July 2007 of assets acquired for the purpose of letting under hire purchase contracts or finance leases was £147,632,000 (2006 - £111,543,000)



## Notes to the financial statements

at 31 July 2007

### 11. Deferred taxation

	<i>Capital allowances</i>		<i>Short term and other timing differences</i>		<i>Total</i>	
	<i>2007</i>	<i>2006</i>	<i>2007</i>	<i>2006</i>	<i>2007</i>	<i>2006</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Total deferred tax asset	1,313	693	(84)	(113)	1,229	580

Movement in the year

	<i>£'000</i>
Asset at 1 August 2006	580
Transferred from subsidiary	468
Deferred tax credit in the profit and loss account (note 6(a))	181
Asset at 31 July 2006	1,229

### 12. Creditors: amounts falling due within one year

	<i>2007</i>	<i>2006</i>
	<i>£'000</i>	<i>£'000</i>
Trade creditors	7,769	4,172
Amounts due to group undertakings	77,797	46,312
Current corporation tax	2,004	551
Other taxes and social security costs	133	25
Accruals and deferred income	875	538
	88,578	51,598

### 13. Called up share capital

	<i>2007</i>	<i>2006</i>
	<i>£'000</i>	<i>£'000</i>
Authorised		
Ordinary shares of £1 each		
Ordinary 'A' shares of £1 each	79	79
Ordinary 'B' shares of £1 each	21	21
	100	100
Called up, allotted and fully paid		
Ordinary shares of £1 each		
Ordinary 'A' shares of £1 each	1	1
Ordinary 'B' shares of £1 each	-	-
	1	1

"A" and "B" shares convey identical rights to the owners and rank pari passu on winding up except that a quorum for any General Meeting must include at least one holder of "A" shares

## Notes to the financial statements

at 31 July 2007

### 14. Reconciliation of shareholders' funds and movements on reserves

	<i>Share capital £'000</i>	<i>Share premium £'000</i>	<i>Profit and loss account £'000</i>	<i>Total share- holders' funds £'000</i>
At 1 August 2006	1	2,356	6,461	8,818
Profit for the financial year	-	-	1,206	1,206
At 31 July 2006	1	2,356	7,667	10,024

The cumulative goodwill written off against reserves is £266,000 (2006 - £266,000)

### 15. Financial commitments and contingent liabilities

The minimum annual commitment under non cancellable operating leases was as follows

	<i>2007 £'000</i>	<i>2006 £'000</i>
Land and buildings		
Leases expiring After five years	26	26
	26	26

### 16. Related parties

The company has taken advantage of the exemptions conferred by FRS 8 ('Related Party Transactions'), whereby details of transactions with group companies do not have to be disclosed in the subsidiary entity if the entity is more than 90% owned and if group financial statements are publicly available

### 17. Interest rate contracts

Interest rate swap agreements and interest rate caps are entered into for hedging purposes. The nominal value of the open contracts at 31 July 2006 was £3 million with a maturity date of 1 August 2007 (2006 - £17 million)

### 18. Parent undertaking

The parent undertaking of the largest group of undertakings for which group financial statements are drawn up and of which the company is a member is Close Brothers Group plc, the ultimate parent undertaking, which is a listed company registered in England and Wales, and the parent undertaking of the smallest such group is Close Brothers Limited, registered in England and Wales. Copies of the financial statements of both Close Brothers Group plc and Close Brothers Limited may be obtained from 10 Crown Place, London EC2A 4FT. The immediate parent undertaking is Close Asset Finance Limited, registered in England and Wales

## Notes to the financial statements

at 31 July 2007

### 19. Share-based awards

Close Brothers Group plc ("the Group") has for many years operated long-term performance related incentive arrangements. These include the 1995 Executive Share Option Scheme ("the 1995 Scheme"), approved by shareholders in 1995 and the Inland Revenue approved Savings Related Share Option Scheme ("the SAYE Scheme"). Grants under the SAYE Scheme are made annually and are expected to continue for the foreseeable future. No further grants will be made under the 1995 Scheme.

Under the 1995 Scheme 50% of each grant of options has been subject to a performance condition requiring average EPS growth of RPI +4% per annum over any three year period during the ten year life of the option. The remaining 50% has been subject to the achievement of a performance condition requiring the group's EPS growth over any five year period during the life of the option to be in the top 25% of FTSE-100 companies.

All employees are entitled to participate in the SAYE Scheme on the same terms and options are granted for a fixed contract period of three or five years, usually at a discount of 20% to the mid-market price.

The following share-based awards have been granted under the SAYE Scheme and the 1995 Executive Share Option Scheme.

Year of Grant	Exercise period	Market price upon exercise <sup>1</sup>	Exercise price per share	Number of options					At 31 July 2007
				At 1 August 2006	Granted	Exercised	Forfeited	Lapsed	
2002	1st Dec 2007 to 31st May 2008	-	391 0p	4,200	-	-	-	-	4,200
2003	7th Oct 2006 to 6th Oct 2013	1051 0p	732 5p	6,500	-	4,000	-	-	2,500
2003	7th Oct 2008 to 6th Oct 2013	-	732 5p	6,500	-	-	-	-	6,500
2004	7th Oct 2009 to 6th Oct 2014	-	675 0p	6,500	-	-	-	-	6,500
2004	7th Oct 2009 to 6th Oct 2014	-	675 0p	6,500	-	-	-	-	6,500
2004	1st Dec 2007 to 31st May 2008	-	540 0p	701	-	-	-	-	701
2005	1st Dec 2008 to 31st May 2009	-	661 0p	2,827	-	-	565	-	2,262
2006	1st Dec 2009 to 31st May 2010	-	807 0p	-	2,342	-	-	-	2,342
2006	1st Dec 2011 to 31st May 2012	-	807 0p	-	2,029	-	-	-	2,029
				33,728	4,371	4,000	565	-	33,534

<sup>1</sup> The market price upon exercise was determined by the weighted average of the closing mid-market share price on the day of each exercise during the year.

<sup>2</sup> Options exercisable at 31 July 2007.

The general terms and conditions for the three schemes, which are all share settled, are summarised above.

For the share-based awards granted during the year, the weighted average fair value of those options at 31 July 2007 was 278p (2006 - 203p). The main assumptions for the valuation of these share-based awards comprised:

Exercise period	Share price at issue	Expected volatility	Expected option life in years	Dividend yield	Risk free interest rate
1st December, 2009 to 31st May, 2010	1009 0p	24%	3.0	3.8%	4.9%
1st December, 2011 to 31st May, 2012	1009 0p	29%	5.0	3.8%	4.8%

Expected volatility was determined mainly by reviewing share price volatility for the expected life of each option up to the date of grant. The total liability as at 31 July 2007 for share-based payments is £22,199 (2006 - £26,299).