

Notes to the Company accounts (continued)

13. Employee share schemes

Options over shares of the ultimate parent undertaking, BAE Systems plc, have been granted to employees of the Company under various schemes. Details of the terms and conditions of each share option scheme are given in the Remuneration report on pages 64 to 83 of this report.

	Executive Share Option Scheme				Save-As-You-Earn			
	2007		2006		2007		2006	
	Number of shares '000	Weighted average exercise price £	Number of shares '000	Weighted average exercise price £	Number of shares '000	Weighted average exercise price £	Number of shares '000	Weighted average exercise price £
Outstanding at the beginning of the year	27,513	2.84	36,141	2.77	654	1.78	1,027	1.88
Granted during the year	2,994	4.59	2,886	4.28	-	-	-	-
Exercised during the year	(9,840)	2.31	(3,864)	2.30	(351)	2.23	(248)	2.58
Expired during the year	(5,621)	3.34	(7,650)	3.32	(7)	1.44	(125)	1.09
Outstanding at the end of the year	15,046	3.35	27,513	2.84	296	1.25	654	1.78
Weighted average remaining life (years)		7		6		1		2
Weighted average fair value of options granted (£)		1.47		1.30		-		-
Range of exercise price of outstanding options (£)		1.72 – 4.87		1.72 – 4.87		0.93 – 2.57		0.93 – 2.57
Expense recognised for the year (£m)		4		4		-		-

	Share Matching Plan		Performance Share Plan		Restricted Share Plan	
	2007	2006	2007	2006	2007	2006
	Number of shares '000	Number of shares '000	Number of shares '000	Number of shares '000	Number of shares '000	Number of shares '000
Outstanding at the beginning of the year	-	12,197	11,471		882	826
Granted during the year	281	1,996	1,924		-	119
Exercised during the year	-	(3,742)	(944)		(508)	(9)
Expired during the year	(1)	(577)	(254)		(23)	(54)
Outstanding at the end of the year	280	9,874	12,197		351	882
Weighted average remaining life (years)		2	4	5	-	1
Weighted average fair value of options granted (£)		4.59	2.31	1.88	-	3.89
Expense recognised for the year (£m)		-	3	4	-	1

The exercise price for the Share Matching Plan, Performance Share Plan and Restricted Share Plan is £nil (2006 £nil).

Information on options granted in the year can be found on page 126 (note 26 to the Group accounts).