

## Notes to the Group accounts (continued)

### 26. Share-based payments

Details of the terms and conditions of each share option scheme are given in the Remuneration report on pages 64 to 83.

#### Executive Share Option Scheme (ExSOS)

##### Equity-settled options

	2007		2006	
	Number of shares '000	Weighted average exercise price £	Number of shares '000	Weighted average exercise price £
Outstanding at the beginning of the year	56,202	2.80	71,399	2.78
Granted during the year	6,161	4.59	6,082	4.28
Converted during the year	-	-	8,641	2.15
Exercised during the year	(19,294)	2.34	(13,353)	2.40
Expired during the year	(11,341)	3.07	(16,567)	3.23
Outstanding at the end of the year	31,728	3.33	56,202	2.80
Exercisable at the end of the year	9,922	2.68	16,269	2.86

##### Cash-settled share appreciation rights

	2007		2006	
	Number of shares '000	Weighted average exercise price £	Number of shares '000	Weighted average exercise price £
Outstanding at the beginning of the year	35,805	2.82	69,129	2.88
Converted during the year	-	-	(8,641)	2.15
Exercised during the year	(8,512)	2.48	(4,843)	2.29
Expired during the year	(10,300)	3.32	(19,840)	3.45
Outstanding at the end of the year	16,993	2.67	35,805	2.82
Exercisable at the end of the year	11,452	2.67	11,736	3.01

	2007		2006	
	Equity-settled	Cash-settled	Equity-settled	Cash-settled
Range of exercise price of outstanding options (£)	1.72 - 4.87	1.72 - 4.21	1.72 - 4.87	1.72 - 4.21
Weighted average remaining contracted life (years)	7	6	7	6
Weighted average fair value of options granted (£)	1.46	-	1.30	-
Expense recognised for the year (£m)	8	15	9	18

#### Performance Share Plan (PSP)

##### Equity-settled options

	2007	2006
	Number of shares '000	Number of shares '000
Outstanding at the beginning of the year	25,608	18,917
Granted during the year	4,107	4,055
Converted during the year	-	5,669
Exercised during the year	(7,240)	(2,495)
Expired during the year	(1,523)	(538)
Outstanding at the end of the year	20,952	25,608
Exercisable at the end of the year	963	-

## 26. Share-based payments (continued)

### Cash-settled options

	2007 Number of shares '000	2006 Number of shares '000
Outstanding at the beginning of the year	12,701	21,389
Converted during the year	–	(5,669)
Exercised during the year	(4,053)	(2,188)
Expired during the year	(699)	(831)
Outstanding at the end of the year	7,949	12,701

No options were exercisable at the end of the year.

	2007		2006	
	Equity-settled	Cash-settled	Equity-settled	Cash-settled
Weighted average remaining contracted life (years)	4	4	5	4
Weighted average fair value of options granted (£)	2.29	–	1.88	–
Expense recognised for the year (£m)	7	18	8	22

The exercise price for the PSP is £nil (2006 £nil).

### Restricted Share Plan (RSP)

All awards are equity-settled.

	2007 Number of shares '000	2006 Number of shares '000
Outstanding at the beginning of the year	1,338	1,047
Granted during the year	–	303
Exercised during the year	(619)	(9)
Expired during the year	(116)	(3)
Outstanding at the end of the year	603	1,338
Exercisable at the end of the year	–	–

	2007	2006
Weighted average remaining contracted life (years)	1	1
Weighted average fair value of options granted (£)	–	3.89
Expense recognised for the year (£m)	1	1

The exercise price for the RSP is £nil (2006 £nil).

### Share Matching Plan (SMP)

All awards are equity-settled.

	2007 Number of shares '000	2006 Number of shares '000
Granted during the year	464	–
Expired during the year	(1)	–
Outstanding at the end of the year	463	–
Exercisable at the end of the year	–	–

	2007	2006
Weighted average remaining contracted life (years)	2	–
Weighted average fair value of options granted (£)	4.59	–
Expense recognised for the year (£m)	–	–

The exercise price for the SMP is £nil.

## Notes to the Group accounts (continued)

### 26. Share-based payments (continued)

#### Save-As-You-Earn (SAYE)

##### Equity-settled options

	2007		2006	
	Number of shares '000	Weighted average exercise price £	Number of shares '000	Weighted average exercise price £
Outstanding at the beginning of the year	21,174	1.71	33,651	1.80
Exercised during the year	(10,873)	2.10	(11,215)	1.96
Expired during the year	(824)	1.64	(1,262)	1.74
Outstanding at the end of the year	9,477	1.25	21,174	1.71
Exercisable at the end of the year	157	1.62	128	1.74

##### Cash-settled share appreciation rights

	2007		2006	
	Number of shares '000	Weighted average exercise price £	Number of shares '000	Weighted average exercise price £
Outstanding at the beginning of the year	8,923	2.76	14,388	2.70
Exercised during the year	(3,214)	2.08	(4,361)	2.48
Expired during the year	(555)	3.18	(1,104)	2.91
Outstanding at the end of the year	5,154	3.14	8,923	2.76
Exercisable at the end of the year	1,865	2.40	1,592	1.74

	2007		2006	
	Equity-settled	Cash-settled	Equity-settled	Cash-settled
Range of exercise price of outstanding options (£)	0.93 – 2.56	1.72 – 3.56	0.93 – 3.21	1.72 – 3.56
Weighted average remaining contracted life (years)	1	1	2	2
Expense recognised for the year (£m)	2	7	3	7

#### Details of options granted in the year

The fair value of equity-settled awards granted in the year has been measured using the weighted average inputs below and the following valuation models:

PSP – Monte Carlo

RSP – Dividend valuation model

ExSOS & SAYE – Binomial model

	2007	2006
Range of share price at date of grant (£)	4.32 – 4.86	4.18
Exercise price (£)	0 – 4.79	0 – 4.28
Expected option life (years)	4 – 5	3 – 5
Volatility	25 – 36%	27 – 38%
Spot dividend yield	2.5 – 2.8%	2.5%
Risk free interest rate	5.0 – 5.3%	4.4%

Volatility was calculated with reference to the Group's weekly share price volatility, after allowing for dividends and stock splits, for the greater of 30 weeks or for the period until vest date.

The average share price in the year was £4.52 (2006 £3.96).

The liability in respect of the cash-settled elements of the schemes shown above and reported within provisions at 31 December 2007 is £75m (2006 £82m).

The intrinsic value of cash-settled options that have vested at 31 December 2007 is £26m (2006 £14m).

#### Share Incentive Plan

The Group also incurred a charge of £16m in respect of the all-employee free shares element of the Share Incentive Plan.