

Independent auditors' report to the members of Smiths Group plc

We have audited the parent company financial statements of Smiths Group plc for the year ended 31 July 2007 which comprise the Balance Sheet and the related notes. These parent company financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

We have reported separately on the group financial statements of Smiths Group plc for the year ended 31 July 2007.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report, the Directors' Remuneration Report and the parent company financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the parent company financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the parent company financial statements give a true and fair view and whether the parent company financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the parent company financial statements. The information given in the Directors' Report includes that specific information presented in the Business Review that is cross referred from the Business Review section of the Directors' Report.

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 other information contained in the Annual Report and consider whether it is consistent with the audited parent company financial statements. The other information comprises only the Chairman's Statement, the Chief Executive's Statement, the Summary Performance Statement, the Business Review, the Directors' Report, the unaudited part of the Directors' Remuneration Report, the Statement of Directors' Responsibilities and the Group Financial Record. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the parent company financial statements. Our responsibilities do not extend to any other information.

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 parent company financial statements and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the parent company 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 parent company financial statements and the part of the Directors' Remuneration Report to be audited 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 parent company financial statements and the part of the Directors' Remuneration Report to be audited.

Opinion

In our opinion:

- the parent company 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 2007;
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the parent company financial statements.

PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors
London

27 September 2007

Notes

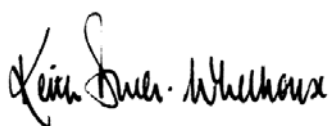
(a) The maintenance and integrity of the Smiths Group plc website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

(b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

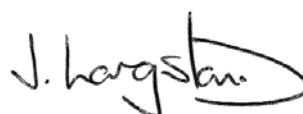
Company balance sheet

	Note	31 July 2007 £m	5 August 2006 £m
Fixed assets			
Tangible assets	3	16.7	34.3
Investments and advances	4	3,081.3	2,356.2
		3,098.0	2,390.5
Current assets			
Debtors			
– amounts falling due within one year	5	104.0	90.5
– amounts falling due after more than one year	5	10.3	8.2
Cash at bank and on deposit		32.8	11.2
Financial derivatives		10.4	13.0
		157.5	122.9
Creditors: amounts falling due within one year	6	(105.7)	(141.4)
Net current assets/(liabilities)		51.8	(18.5)
Total assets less current liabilities			
		3,149.8	2,372.0
Creditors: amounts falling due after more than one year	6	(367.6)	(340.2)
Provisions for liabilities and charges	7	(25.1)	(2.3)
Financial derivatives		(2.8)	(3.7)
Net assets excluding pension assets/(liabilities)		2,754.3	2,025.8
Retirement benefit assets	8	29.7	
Retirement benefit liabilities	8		(50.8)
Net assets including pension assets/(liabilities)		2,784.0	1,975.0
Capital and reserves			
Called up share capital	9	144.6	141.8
Share premium account	10	289.0	224.1
Capital redemption reserve	10	5.7	
Revaluation reserve	10		0.5
Merger reserve	10	180.5	180.5
Profit and loss account	10	2,164.2	1,428.1
Shareholders' equity		2,784.0	1,975.0

The accounts on pages 95 to 104 were approved by the Board of Directors on 27 September 2007 and were signed on its behalf by:



Keith Butler-Wheelhouse
Chief Executive



John Langston
Finance Director

Accounting policies

Basis of preparation

The accounts have been prepared in accordance with the Companies Act 1985 and all applicable accounting standards in the United Kingdom (UK GAAP).

These accounts have been prepared on a going concern basis and under the historical cost convention.

As permitted by Section 230(3) of the Companies Act 1985, the Company's entity profit and loss account and statement of total recognised gains and losses have not been presented.

The Company has taken advantage of the exemption in 'FRS 8 Related Party Disclosures' not to disclose transactions with other members of the Smiths Group.

Foreign currencies

Foreign currency transactions are recorded at the exchange rate ruling on the date of transaction. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the retranslation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognised in the profit and loss account.

Operating leases

Payments made under operating leases are charged to the profit and loss account as incurred over the term of the lease.

Where a leasehold property is vacant, or sub-let under terms such that the rental income is insufficient to meet all outgoings, provision is made for the anticipated future shortfall up to termination of the lease.

Tangible fixed assets

Depreciation is provided at rates estimated to write off the relevant assets by equal annual amounts over their expected useful lives. In general, the rates used are: Freehold and long leasehold buildings – 2%; Short leasehold property – over the period of the lease; Plant, machinery, etc. – 10% to 20%; Motor vehicles – 25%; Tools and other equipment – 10% to 33%.

Fixed asset investments

The Company's investment in shares in group companies are stated at cost less provision for impairment. Any impairment is charged to the profit and loss account as it arises.

Financial instruments

The policies disclosed in the Group accounting policies on pages 49 to 54 for recognition, measurement and presentation of financial instruments are applied in the Company accounts.

Where there are no differences between the disclosures required for the Group and the Company in respect of a class of financial instruments an appropriate cross reference is made to the Group accounts.

Taxation

Deferred tax is recognised in respect of timing differences that have originated but not reversed as at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as disclosed in the accounts, arising from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the accounts.

Deferred tax is recognised in respect of the retained earnings of overseas subsidiaries and associates only to the extent that, at the balance sheet date, dividends have been declared or an obligation is present to distribute past earnings. Deferred tax is not recognised on any fixed assets that have been revalued unless there is a binding agreement to sell the asset.

Provisions

Provisions are recognised when the Company has a legal or constructive obligation as a result of a past event; it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

Post-retirement benefits

For defined benefit schemes, the cost of benefits accruing during the year in respect of current and past service is charged against operating profit. The expected return on the schemes' assets and the increase in the present value of the schemes' liabilities arising from the passage of time are included in other finance income. Actuarial gains and losses are recognised in the statement of total recognised gains and losses. The balance sheet includes the surplus/deficit in schemes taking assets at their year-end market values and liabilities at their actuarially calculated values discounted at year-end AA corporate bond interest rates.

The Company has adopted the amendment to FRS 17 issued in December 2006. The comparative information disclosed has been expanded to comply with the changes to the disclosure requirements. The restatement of quoted equity valuations from mid-market to current bid price has not materially affected the reported assets of the pension scheme.

Share-based Payment

The Company operates a number of equity-settled and cash-settled share-based compensation plans.

The fair value of the shares or share options granted is recognised as an expense over the vesting period to reflect the value of the employee services received.

The fair value of options granted, excluding the impact of any non-market vesting conditions, is calculated using established option pricing models, principally Binomial models. The probability of meeting non-market vesting conditions, which include profitability targets, is used to estimate the number of share options which are likely to vest.

For cash-settled share-based payment a liability is recognised based on the fair value of the payment earned by the balance sheet date. For equity settled share based payment the corresponding credit is recognised directly in reserves.

In accordance with the transitional provisions of 'FRS 20: Share-based Payment', no charge had been recognised for grants of equity instruments made before 7 November 2002.

Dividends

Dividends are recognised as a liability in the period in which they are authorised. The interim dividend is recognised when it is paid and the final dividend is recognised when it has been approved by shareholders at the Annual General Meeting.

Notes to the Company accounts

1 Employees

	Period ended 31 July 2007 £m	Period ended 5 August 2006 £m
Staff costs during the period		
Wages and salaries	148.3	91.7
Social security	14.7	10.0
Cost of share-based incentive plans	7.2	9.9
Pension costs (note 8)	21.6	15.7
	191.8	127.3

For details of Smiths Group plc's employee share option schemes and other share-based plans refer to note 31 relating to the Group accounts.

The average number of persons employed during the period was 6,555 (2006: 3,460).

2 Audit fee

The audit fee for the parent company was £0.1m (2006: £0.1m).

3 Property, plant and equipment

	Land and Buildings £m	Plant and machinery £m	Fixtures, fittings, tools and equipment £m	Total £m
Cost or valuation				
At 6 August 2006	35.2	1.0	2.5	38.7
Additions		0.6	1.2	1.8
Disposals	(19.4)	(0.6)		(20.0)
At 31 July 2007	15.8	1.0	3.7	20.5
Depreciation				
At 6 August 2006	3.4	0.2	0.8	4.4
Charge for the period	0.4	0.2	1.6	2.2
Disposals	(2.8)			(2.8)
At 31 July 2007	1.0	0.4	2.4	3.8
Net book value at 31 July 2007	14.8	0.6	1.3	16.7
Net book value at 5 August 2006	31.8	0.8	1.7	34.3

	31 July 2007 £m
Land and buildings	
Freehold	15.6
Long leasehold	0.2
	15.8

In 2006 £17.1m of land and buildings was secured against certain liabilities of the Company. There is no such arrangement in place for the current year.

4 Investments and advances

	31 July 2007 £m	5 August 2006 £m
Investments in subsidiaries		
Shares at cost	2,276.9	2,364.5
Due from subsidiaries	1,789.6	651.5
	4,066.5	3,016.0
Due to subsidiaries	(985.2)	(659.8)
	3,081.3	2,356.2

The Company's subsidiaries are largely held according to business lines by the following holding companies, which are incorporated in England unless otherwise stated:

Smiths Medical Group Limited
 Smiths Detection Group Limited
 Smiths Specialty Engineering Group Limited
 Smiths Group International Holdings Limited

Smiths Group Holdings Netherlands BV (incorporated in The Netherlands)

The principal subsidiaries and their countries of incorporation are:

England

Smiths Detection – Watford Ltd
 Smiths Medical International Limited
 John Crane UK Limited

Europe

Smiths Medical Deutschland GmbH (Germany)
 Hypertac SA (France)
 Hypertac GmbH (Germany)
 Smiths Heimann GmbH (Germany)

Japan

Smiths Medical Japan Limited

United States

Smiths Detection, Inc.
 Smiths Medical ASD, Inc.
 Smiths Medical MD, Inc.
 Smiths Medical PM, Inc.
 Medex, Inc.
 John Crane, Inc.
 Flexible Technologies, Inc.
 Tutco, Inc.
 Hypertronics Corporation
 PolyPhaser Corporation
 Sabritec, Inc.
 Transtector Systems, Inc.

Of the companies set out above, only Smiths Group International Holdings Limited is 100% owned by the Company direct. The others are 100% owned through intermediate holding companies unless otherwise stated. Shareholdings are of ordinary shares or common stock. All subsidiaries operate in their country of incorporation.

5 Debtors

	31 July 2007 £m	5 August 2006 £m
Amounts falling due within one year		
Amounts owed by subsidiaries	95.1	80.6
Other debtors	6.5	4.5
Corporation tax	0.8	
Prepayments and accrued income	1.6	5.4
	104.0	90.5
Amounts falling after more than one year		
Deferred taxation	10.3	8.2
	114.3	98.7

6 Creditors

	31 July 2007 £m	5 August 2006 £m
Amounts falling due within one year		
Overdrafts	27.8	38.7
B shares (note 9)	18.1	
Amounts owed to subsidiaries	33.6	80.7
Other creditors	10.6	18.1
Other taxation and social security costs	3.0	2.6
Accruals and deferred income	12.6	1.3
	105.7	141.4
Amounts falling due after more than one year		
Term loans	365.4	339.8
Other creditors	2.2	0.4
	367.6	340.2

7 Provisions for liabilities and charges

	At 6 August 2006 £m	Provisions Charged £m	Utilisation £m	At 31 July 2007 £m
Property	2.3		(1.1)	1.2
Disposals		23.9		23.9
	2.3	23.9	(1.1)	25.1

As stated in the accounting policies in this Report, where a property is vacant, or sub-let under terms such that rental income is insufficient to meet all outgoings, the Company provides for the expected future shortfall up to termination of the lease. Provision is also made for the cost of reinstatement work on leased properties where there is an obligation under the lease, and the costs can be reasonably estimated. Where evidence of contamination is found on property in the Company's occupation, provision is made for estimated remedial costs pending action on the affected site. Most of the balance is expected to be utilised within the next five years. The provision is not discounted.

The terms of the disposal of the aerospace operations included certain obligations for which provision has been made, including £20.7m in respect of costs of transferring aerospace active pensioners.

8 Post-retirement benefits

The Company operates three defined benefit plans in the UK. The largest of them is a funded scheme with assets held in a separate trustee-administered fund. The Company is the sole employer in that scheme and, accordingly, accounts for pensions as defined benefits, in accordance with FRS 17.

Pension costs are assessed in accordance with the advice of independent, professionally qualified actuaries. The Company accounts for its pension and other post-retirement benefit costs, principally post-retirement healthcare, in accordance with 'FRS 17 – Retirement Benefits'. The most recent actuarial valuation of the funded scheme was performed using the Projected Unit Method as at 31 March 2006. This has been rolled forward to 31 July 2007.

Contributions to the funded scheme are made on the advice of the actuaries with the objective that the benefits be fully funded during the scheme members' average working lives.

The principal assumptions used in updating the valuations are set out below:

	2007	2006
Rate of increase in salaries	4.1%	3.8%
Rate of increase in pensions in payment	3.1%	2.7%
Rate of increase in deferred pensions	3.1%	2.8%
Discount rate	5.8%	5.3%
Inflation rate	3.1%	2.8%
Healthcare cost increases	5.0%	5.0%

The assumptions used are estimates chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily occur in practice.

The mortality assumptions used in the principal UK schemes are based on the recent actual mortality experience of members within each scheme. The assumptions are based on the PA92 birth tables with relevant scaling factors based on the experience of the schemes. The assumption also allows for future improvements in life expectancy in line with the medium cohort. The assumptions are that a member who retires next year at age 65 will live on average for a further 21 years after retirement if they are male and for a further 24 years after retirement if they are female. For a member who is currently 45, when they retire in 20 years' time they are assumed to live on average for a further 22 years after retirement if they are male and for a further 25 years after retirement if they are female.

8 Post-retirement benefits continued

The assets in the scheme and the expected rates of return as at 31 July 2007 were:

	2007 UK schemes		2006 UK schemes	
	Long-term rate of return	Value £m	Long-term rate of return	Value £m
Equities	8.2%	959.8	8.0%	905.8
Government bonds	4.9%	77.4	4.9%	54.8
Corporate bonds	5.8%	169.9	5.3%	188.2
Property	7.2%	201.4	7.0%	161.8
Other	6.0%	119.0	4.8%	69.8
Total market value		1,527.5		1,380.4
Present value of funded pension scheme liabilities		(1,443.3)		(1,415.2)
Surplus/(deficit)		84.2		(34.8)
Unfunded pension plans		(33.6)		(31.9)
Post-retirement healthcare		(15.9)		(17.0)
		34.7		(83.7)
Related deferred tax (liability)/asset		(5.0)		32.9
Net pension asset/(liability)		29.7		(50.8)

The scheme assets do not include any of the Group's own financial instruments, nor any property occupied by, nor other assets used by, the Group. The expected rates of return on individual categories of scheme assets are determined by reference to relevant industries. The overall rate of return is calculated by weighting the individual rates in accordance with the anticipated balance in the scheme's investment portfolios.

The effect of retirement benefits calculated in accordance with FRS 17 is included in the financial statements as follows:

Analysis of amount recognised in statement of total recognised gains and losses

	2007 £m	2006 £m	2005 £m
Actual return less expected return on pension scheme assets	52.6	23.5	
As a percentage of scheme assets	3%	2%	
Experience gains and losses arising on the scheme liabilities	(36.7)	1.6	1.9
As a percentage of present value scheme liabilities	(2)%	0%	5%

Changes in present value of defined benefit obligations

	2007 £m	2006 £m
At beginning of the period	(1,464.1)	(38.3)
Transfers into scheme		(1,406.2)
Current service cost	(20.5)	(15.7)
Past service cost	(1.1)	
Interest on obligations	(76.1)	(40.2)
Contributions by employees	(0.1)	(0.8)
Actuarial (loss)/gain on liabilities	(23.6)	7.3
Curtailed gain	32.5	
Benefits paid	60.2	29.8
At end of the period	(1,492.8)	(1,464.1)

Changes in present value of scheme assets

	2007 £m	2006 £m
At beginning of the period	1,380.4	
Transfers into scheme		1,285.1
Expected return on assets	96.5	49.2
Contributions by employer	60.0	51.6
Contributions by employees	0.1	0.8
Actuarial gain on assets	50.7	23.5
Benefits paid	(60.2)	(29.8)
At end of the period	1,527.5	1,380.4

8 Post-retirement benefits continued**Cash contributions**

Cash payments in 2008 are expected to be £40.3m.

A one percentage point change in assumed healthcare cost trend rates would have the following effects:

	One percentage point increase £m	One percentage point decrease £m
Effect on the aggregate of service cost and interest cost	0.1	(0.1)
Effect on defined benefit obligations	1.4	(1.2)

9 Share capital

	Number of shares	Issued capital £m	Consideration £m
Ordinary shares			
At 5 August 2006	567,328,353	141.8	
Exercise of share options	10,693,635	2.8	77.7
Effect of share consolidation	(192,523,715)		
At 31 July 2007	385,498,273	144.6	
B shares			
Issued	577,571,145	5.8	
Converted to deferred shares	(348,205,433)	(3.5)	
Purchased and cancelled	(224,439,118)	(2.2)	
At 31 July 2007	4,926,594	0.1	
Deferred shares			
Issued	348,205,433	3.5	
Purchased and cancelled	(348,205,433)	(3.5)	
At 31 July 2007			
Share capital classified as equity at 31 July 2007	385,498,273	144.6	
Share capital classified as debt at 31 July 2007	4,926,594	0.1	
Total share capital at 31 July 2007	390,424,867	144.7	

During the year the Group issued £5.8m of B shares out of the share premium account. The B shares could be: converted into deferred shares with a negligible value in return for a dividend of 365p; redeemed for 365p per share in cash; or retained. £4.2m of associated costs were charged to the share premium account.

572.6 million B shares were redeemed on 25 June 2007, including 348.2 million B shares which had been converted into deferred shares and, as a result, £5.7m was transferred from retained earnings to a capital redemption reserve.

It is currently expected that JPMorgan Cazenove, acting as principal, will make a final purchase offer to acquire any retained B shares for 365p each, free of all dealing expenses and commissions, on or around 17 April 2008, although there can be no guarantee that such an offer will be made. Until they are redeemed the B shares carry annual interest of 75% of 12 month LIBOR, payable in arrears in April. Smiths may redeem and cancel the remaining B shares at any time between May and November 2008 for a consideration of 365p per share.

9 Share capital continued

The following creditor relating to the outstanding B shares has been included in net debt:

	2007 £m
B shares	
Nominal value	0.1
Expected redemption premium	17.9
Accrued interest	0.1
B shares included in short term borrowings	18.1

After the allotment of the B shares a capital reorganisation was undertaken. Existing 25p ordinary shares were subdivided and consolidated so that Shareholders received two new 37.5p ordinary shares for every three existing 25p ordinary shares.

The authorised capital at 31 July 2007 consisted of:

- 533,333,333 (2006: 800,000,000) ordinary shares of 37.5p (2006: 25p) each; and
- 600,000,000 (2006: nil) non-cumulative B shares of 1p each.

At 31 July 2007 all of the issued share capital was in free issue. All issued shares are fully paid.

	31 July 2007	5 August 2006
Number of ordinary shares issuable under outstanding options	11,585,441	20,582,309

	Year issued	Number of shares	Subscription prices	Dates normally exercisable
Smiths Sharesave Scheme	2000	3,600	612.00p	2003/2007
	2001	75,796	608.00p	2004/2008
	2002	284,984	645.00p	2005/2009
	2003	508,562	554.00p	2006/2010
	2004	946,761	525.00p	2007/2011
	2005	579,069	704.00p	2008/2012
	2006	670,504	798.00p	2009/2013
	2007	267,919	868.00p	2010/2014
Smiths Industries Executive Share Option Schemes	1997	39,383	934.00p	2000/2007
	1998	59,475	765.00p	2001/2008
	1999	116,851	858.50p	2002/2009
	2000	110,991	750.00p	2003/2010
	2001	157,552	790.00p	2004/2011
	2002	1,578,882	806.00p	2005/2012
	2002	217,500	654.00p	2005/2012
	2003	325,016	669.00p	2006/2013
	2004	1,690,100	774.00p	2007/2014
	2005	1,362,437	901.00p	2008/2015
	2006	2,074,177	896.50p	2009/2016
TI Group Savings-Related Share Option Scheme	2000	44,315	587.54p	2003/2007
TI Group Executive Share Option Schemes	1997		1,097.82p	2001/2007
	1997	174,858	1,219.80p	2001/2007
	1998	74,762	1,026.66p	2001/2008
	1998	13,525	849.79p	2001/2008
	1999		943.31p	2002/2009
	1999	54,106	907.23p	2002/2009
	1999	110,543	1,103.92p	2002/2009
	2000	19,182	661.23p	2003/2010
	2000	22,132	626.16p	2003/2010
	2000	2,459	672.92p	2003/2010

10 Share premium account and reserves

	Share premium £m	Capital redemption reserve £m	Revaluation reserve £m	Merger reserve £m	Profit and loss account £m
At 6 August 2006	224.1		0.5	180.5	1,428.1
Premium on allotments	74.9				
Purchase of own shares					(7.0)
Return of capital to shareholders and redemption of B shares	(10.0)	5.7			(2,104.6)
Profit for the period					3,003.3
Transfer			(0.5)		0.5
Dividends paid to equity shareholders					(182.4)
Actuarial gain on retirement benefits					27.1
Deferred tax charge related thereto					(8.0)
Share-based payment					7.2
At 31 July 2007	289.0	5.7		180.5	2,164.2

The retained profit of the Company represents a profit for the year of £3,003.3m less dividends paid of £182.4m.

The profit and loss account includes the purchase of Smiths Group plc shares by the Smiths Industries Employee Benefit Trust. The consideration paid was £7.0m and £3.5m was received by the Trust as a result of the redemption of B shares. At 31 July 2007 the trust held 634,274 ordinary shares with a nominal value of £0.2m and a market value of £6.6m.

The Company's profit and loss reserve of £2,164.2m includes £919.6m not available for distribution as dividend.

During the year, the Company received £77.7m (2006: £27.5m) on the issue of shares in respect of the exercise of options awarded under various share option schemes.

11 Contingent liabilities

The Company has arranged letter of credit facilities to support the Group's pension plans. The current amount outstanding is £132.8m.

The Company has guaranteed the US\$250m 5.45% Senior Notes 2013 privately placed by a subsidiary and the £660m revolving credit facility used by a subsidiary.

Other contingent liabilities of the Company are not expected to give rise to a material loss.

12 Post balance sheet event

The directors propose a final dividend of 23.5p per share (totalling approximately £91m) for the period ended 31 July 2007. The dividend will be submitted for formal approval at the Annual General Meeting to be held on 20 November 2007.

In accordance with FRS 21, these financial statements do not reflect this dividend payable, which will be accounted for in shareholders' equity as an appropriation of retained earnings in the year ending 31 July 2008. During the period ended 31 July 2007, a final dividend of 21.5p per share (totalling £122.3m) was paid in respect of the dividend declared for the period ended 5 August 2006.

13 Deferred tax

	Period ended 31 July 2007 £m	Period ended 5 August 2006 £m
Deferred taxation		
At beginning of period	41.1	15.4
(Charge)/credit to profit and loss account	(27.8)	24.5
(Charge)/credit to equity	(8.0)	1.2
At end of period	5.3	41.1
Analysed as follows:		
Post-retirement benefits	(5.0)	32.9
Share-based payments	3.9	7.5
Short-term timing differences	6.4	0.7
	5.3	41.1