

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 2008 which comprise the Company balance sheet, the Accounting policies 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 2008.

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 Group directors' report is consistent with the parent company financial statements. The information given in the Group directors' report includes that specific information presented in the Business review that is cross referred from the Group 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 Summary performance, Group at a glance, Chairman's statement, the Chief Executive's statement, the Business review, Board of directors, the Group directors' report, the unaudited part of the Directors' remuneration report, the Statement of directors' responsibilities, the Group financial record and the Financial calendar. 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 judgements 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 2008;
- 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 Group directors' report is consistent with the parent company financial statements.

PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors
London

23 September 2008

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

	Notes	31 July 2008 £m	31 July 2007 (restated) £m
Fixed assets			
Tangible assets	3	16.7	16.7
Investments and advances	4	3,216.1	3,087.8
		3,232.8	3,104.5
Current assets			
Debtors			
– amounts falling due within one year	5	52.2	104.0
– amounts falling due after more than one year	5	5.2	10.3
Cash at bank and on deposit		1.3	32.8
Financial derivatives		2.7	10.4
		61.4	157.5
Creditors: amounts falling due within one year	6	(95.2)	(105.7)
Net current (liabilities)/assets		(33.8)	51.8
Total assets less current liabilities		3,199.0	3,156.3
Creditors: amounts falling due after more than one year	6	(509.0)	(367.6)
Provisions for liabilities and charges	7	(8.3)	(25.1)
Financial derivatives		(18.0)	(2.8)
Net assets excluding pension assets/(liabilities)		2,663.7	2,760.8
Retirement benefit assets	8		29.7
Retirement benefit liabilities	8	(51.7)	
Net assets including pension assets/(liabilities)		2,612.0	2,790.5
Capital and reserves			
Called up share capital	9	145.5	144.6
Share premium account	10	303.6	289.0
Capital redemption reserve	10	5.8	5.7
Merger reserve	10	180.5	180.5
Profit and loss account	10	1,976.6	2,170.7
Shareholders' equity		2,612.0	2,790.5

The accounts on pages 111 to 120 were approved by the Board of Directors on 23 September 2008 and were signed on its behalf by:

Philip Bowman
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 modified to include revaluation of certain financial instruments, share options and pension assets and liabilities held at fair value.

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.

Changes in accounting policies

As required, the Company has adopted UITF 44 'Group and Treasury Share Transactions' ("UITF 44") in these financial statements. UITF 44 requires the fair value of the award of share options to subsidiary company employees to be treated as a capital contribution.

Consequently, the Company has recognised an addition to investments of the aggregate amount of these contributions for all grants of equity instruments made subsequent to 7 November 2002. The addition to investments in 2008 was £3.3m. The adoption of this pronouncement has required the restatement of the comparative balance sheet. An adjustment of £2.6m was made to the 5 August 2006 balance sheet, with a further £3.9m recognised in 2007.

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 63 to 68 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 for disposal indemnities, restructuring costs, vacant leasehold property and legal claims 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. Provisions are not recognised for future operating losses.

Provisions are discounted where the time value of money is material.

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.

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 over the vesting period to reflect the value of the employee services received. The charge relating to grants to employees of the Company is recognised as an expense in the profit and loss account and the charge for grants to employees of other group companies is recognised as an investment in the relevant subsidiary.

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 has 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

	Year ended 31 July 2008 £m	Period ended 31 July 2007 £m
Staff costs during the period		
Wages and salaries	70.1	148.3
Social security	8.1	14.7
Cost of share-based incentive plans	8.5	7.2
Pension costs (note 8)	7.6	21.6
	94.3	191.8

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 1,736 (2007: 6,555).

2 Audit fee

The audit fee for the parent company was £0.1m (2007: £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 31 July 2007	15.8	1.0	3.7	20.5
Additions	0.3	0.3	0.4	1.0
Disposals		(0.1)	(0.2)	(0.3)
At 31 July 2008	16.1	1.2	3.9	21.2
Depreciation				
At 31 July 2007	1.0	0.4	2.4	3.8
Charge for the period	0.1	0.1	0.6	0.8
Disposals			(0.1)	(0.1)
At 31 July 2008	1.1	0.5	2.9	4.5
Net book value at 31 July 2008	15.0	0.7	1.0	16.7
Net book value at 31 July 2007	14.8	0.6	1.3	16.7

	31 July 2008 £m	31 July 2007 £m
Land and buildings – cost		
Freehold	15.9	15.6
Long leasehold	0.2	0.2
	16.1	15.8

4 Investments and advances

	31 July 2008 £m	31 July 2007 (restated) £m
Investments in subsidiaries		
Shares at cost	2,386.7	2,283.4
Due from subsidiaries	1,470.3	1,789.6
	3,857.0	4,073.0
Due to subsidiaries	(640.9)	(985.2)
	3,216.1	3,087.8

Investments in subsidiaries have been restated following the adoption of UITF 44. Shares at cost at 31 July 2007 have increased by £6.5m from £2,276.9m to £2,283.4m to reflect the value in 2007 and earlier years of share options granted to employees of subsidiaries.

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

Other

Smiths Detection (Asia-Pacific) Pte Ltd (Singapore)
 Smiths Medical Japan Limited (Japan)
 John Crane Middle East FZE (UAE)

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 above Smiths Group International Holdings Limited is 100% owned directly by the Company and Smiths Medical Japan Limited is 60% owned directly by the Company. The others are 100% owned through intermediate holding companies. Shareholdings are of ordinary shares or common stock. All subsidiaries operate in their country of incorporation.

5 Debtors

	31 July 2008 £m	31 July 2007 £m
Amounts falling due within one year		
Amounts owed by subsidiaries	45.4	95.1
Other debtors	5.3	6.5
Corporation tax		0.8
Prepayments and accrued income	1.5	1.6
	52.2	104.0
Amounts falling after more than one year		
Deferred taxation	5.2	10.3
	57.4	114.3

Notes to the Company accounts continued

6 Creditors

	31 July 2008 £m	31 July 2007 £m
Amounts falling due within one year		
Overdrafts	38.7	27.8
B shares (note 9)	1.7	18.1
Amounts owed to subsidiaries	32.4	33.6
Other creditors	6.6	10.6
Other taxation and social security costs	1.5	3.0
Accruals and deferred income	14.3	12.6
	95.2	105.7
Amounts falling due after more than one year		
Term loans	508.6	365.4
Other creditors	0.4	2.2
	509.0	367.6

7 Provisions for liabilities and charges

	At 31 July 2007 £m	Provisions charged £m	Provisions released £m	Utilisation £m	At 31 July 2008 £m
Property	1.2		(1.0)	(0.2)	
Disposals	23.9	5.1	(3.1)	(17.6)	8.3
	25.1	5.1	(4.1)	(17.8)	8.3

The opening disposals provisions included £20.7m in respect of the costs of transferring aerospace active pensioners. In 2008 the pensioners were transferred, utilising £17.6m of this provision. The balance of £3.1m has been released.

A provision has been made in 2008 in respect of obligations of the Company arising from the disposal of the Group's Marine Systems business. See note 30 relating to the Group accounts for details of this disposal. Most of the balance is expected to be utilised within the next five years.

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 it as a defined benefit pension plan, in accordance with FRS 17.

Pension costs are assessed in accordance with the advice of independent, professionally qualified actuaries. 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 2008.

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:

	2008	2007
Rate of increase in salaries	4.1%	4.1%
Rate of increase in pensions in payment	3.5%	3.1%
Rate of increase in deferred pensions	3.6%	3.1%
Discount rate	6.6%	5.8%
Inflation rate	3.6%	3.1%
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 and a 1% underpin. The assumptions are that a member who retires next year at age 65 will 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. For a member who is currently 45, when they retire in 20 years' time they are assumed to live on average for a further 23 years after retirement if they are male and for a further 27 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 2008 were:

	2008 UK schemes		2007 UK schemes	
	Long-term rate of return	Value £m	Long-term rate of return	Value £m
Equities	8.2%	620.2	8.2%	959.8
Government bonds	4.8%	30.9	4.9%	77.4
Corporate bonds	6.6%	242.7	5.8%	169.9
Property	7.2%	188.1	7.2%	201.4
Other	5.8%	229.1	6.0%	119.0
Total market value		1,311.0		1,527.5
Present value of funded pension scheme liabilities		(1,333.5)		(1,443.3)
(Deficit)/surplus		(22.5)		84.2
Unfunded pension plans		(34.3)		(33.6)
Post-retirement healthcare		(15.2)		(15.9)
		(72.0)		34.7
Related deferred tax asset/(liability)		20.3		(5.0)
Net pension (liability)/ asset		(51.7)		29.7

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.

History of experience gains and losses

	2008 £m	2007 £m	2006 £m	2005 £m
Actual return less expected return on pension scheme assets	(183.9)	52.6	23.5	
As a percentage of scheme assets	(14%)	3%	2%	
Experience gains and losses arising on the scheme liabilities	(4.5)	(36.7)	1.6	1.9
As a percentage of present value scheme liabilities	0%	(2)%	0%	5%

Changes in present value of defined benefit obligations

	2008 £m	2007 £m
At beginning of the period	(1,492.8)	(1,464.1)
Current service cost	(7.6)	(20.5)
Past service cost		(1.1)
Interest on obligations	(83.9)	(76.1)
Contributions by employees		(0.1)
Actuarial gain/(loss) on liabilities	36.0	(23.6)
Curtailment gain	1.1	32.5
Liabilities extinguished on settlements	97.2	
Benefits paid	67.0	60.2
At end of the period	(1,383.0)	(1,492.8)

Changes in present value of scheme assets

	2008 £m	2007 £m
At beginning of the period	1,527.5	1,380.4
Expected return on assets	109.1	96.5
Contributions by employer	40.1	60.0
Contributions by employees		0.1
Assets distributed on settlements	(114.8)	
Actuarial (loss)/gain on assets	(183.9)	50.7
Benefits paid	(67.0)	(60.2)
At end of the period	1,311.0	1,527.5

Notes to the Company accounts continued

8 Post-retirement benefits continued

Cash contributions

Cash payments in 2009 are expected to be £39.0m.

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	1.3	(1.2)

9 Share capital

	Number of shares	Issued capital £m	Consideration £m
Ordinary shares			
At 31 July 2007	385,498,273	144.6	
Exercise of share options	2,380,908	0.9	15.5
At 31 July 2008	387,879,181	145.5	
B shares			
At 31 July 2007	4,926,594	0.1	
Purchased and cancelled	(4,467,437)	(0.1)	
At 31 July 2008	459,157		
Share capital classified as equity at 31 July 2008		145.5	
Share capital classified as debt at 31 July 2008			
Total share capital at 31 July 2008		145.5	

On 17 April 2008 4,467,437 B shares were purchased and cancelled. The remaining 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 up to November 2008 for a consideration of 365p per share in cash or convert them to ordinary shares. B shares have no voting rights.

The authorised capital at 31 July 2008 consisted of:

- 533,333,333 (2007: 533,333,333) ordinary shares of 37.5p each; and
- 600,000,000 (2007: 600,000,000) non-cumulative B shares of 1p each.

At 31 July 2008 all of the issued share capital was in free issue. All issued shares are fully paid.

9 Share capital continued

	31 July 2008	31 July 2007
Number of ordinary shares issuable under outstanding options	8,777,181	11,585,441

	Year issued	Number of shares	Subscription prices	Dates normally exercisable
Smiths Sharesave Scheme	2001	30,990	608.00p	2004/2008
	2002	11,851	645.00p	2005/2009
	2003	118,006	554.00p	2006/2010
	2004	115,973	525.00p	2007/2011
	2005	194,283	704.00p	2008/2012
	2006	227,085	798.00p	2009/2013
	2007	189,534	868.00p	2010/2014
	2008	326,309	1,097.00p	2011/2015
Smiths Industries Executive Share Option Schemes	1998	19,244	765.00p	2001/2008
	1999	64,845	858.50p	2002/2009
	2000	69,653	750.00p	2003/2010
	2001	97,076	790.00p	2004/2011
	2002	1,213,113	806.00p	2005/2012
	2002	143,500	654.00p	2005/2012
	2003	214,800	669.00p	2006/2013
	2004	1,007,600	774.00p	2007/2014
	2005	1,146,437	901.00p	2008/2015
	2006	1,845,427	896.50p	2009/2016
	2007	1,610,500	1,097.00p	2010/2017
TI Group Executive Share Option Schemes	1998	8,607	849.79p	2001/2008
	1999	19,183	907.23p	2002/2009
	1999	87,181	1,103.92p	2002/2009
	2000	2,459	661.23p	2003/2010
	2000	13,525	626.16p	2003/2010

Notes to the Company accounts continued

10 Share premium account and reserves

	Share premium £m	Capital redemption reserve £m	Merger reserve £m	Profit and loss account £m
At 31 July 2007 (as previously reported)	289.0	5.7	180.5	2,164.2
UITF 44 adoption				6.5
At 31 July 2007 (as restated)	289.0	5.7	180.5	2,170.7
Exercise of share options	14.6			5.5
Purchase of own shares				(20.7)
Redemption of B shares		0.1		(0.1)
Profit for the period				47.2
Dividends paid to equity shareholders				(131.4)
Actuarial loss on retirement benefits				(147.9)
Deferred tax credit related thereto				41.5
Share-based payment				11.8
At 31 July 2008	303.6	5.8	180.5	1,976.6

The retained profit of the Company represents a profit for the year of £47.2m less dividends paid of £131.4m.

The retained earnings include the purchase of Smiths Group plc shares by the Smiths Industries Employee Benefit Trust, and the issue of these shares upon the exercise of share options. The consideration paid was £20.7m (2007: £7.0m) and £5.5m was received as a result of the issue of shares. At 31 July 2008 the trust held 1,095,965 (2007: 634,274) ordinary shares with a nominal value of £0.4m (2007: £0.2m) and a market value of £11.5m (2007: £6.6m).

The Company's profit and loss reserve of £1,976.6m includes £895.7m (2007: £926.1m) not available for distribution as dividend.

During the year, the Company received £15.5m (2007: £77.7m) 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 £124.9m (2007: £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 2008. The dividend will be submitted for formal approval at the Annual General Meeting to be held on 18 November 2008.

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 2009. During the period ended 31 July 2008, a final dividend of 23.5p per share (totalling £91m) was paid in respect of the dividend declared for the period ended 31 July 2007.

On 1 September 2008 the Company completed the sale of land in Basingstoke for £16m in cash. A further amount of up to £12m will be paid depending on the final terms of such amended planning permission as may be granted.

13 Deferred tax

	Year ended 31 July 2008 £m	Period ended 31 July 2007 £m
Deferred taxation		
At beginning of period	5.3	41.1
(Charge)/credit to profit and loss account	(21.3)	(27.8)
(Charge)/credit to equity	41.5	(8.0)
At end of period	25.5	5.3
Analysed as follows:		
Post-retirement benefits	20.3	(5.0)
Share-based payments	4.6	3.9
Short-term timing differences	0.6	6.4
	25.5	5.3