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PAYE reference number

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ESSU scheme reference number

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## Employment-related Securities and Options Reportable events under Section 421J Income Tax (Earnings and Pensions) Act 2003

### Year ended 5 April 2007

This Notification is to advise you that you are required by law to send me a Form 42 giving me information in relation to Reportable events under Section 421J Income Tax (Earnings and Pensions) Act 2003. You must make sure that your Form 42 reaches me by 6 July 2007. If this form has been sent to you on or after 8 June 2007 you have 30 days from the date of issue, shown above, to complete it and send it to me. Penalties may be chargeable where your Form 42 is received late or is incomplete or inaccurate.

#### Colin Gibson

Employee Shares & Securities Unit (ESSU)  
Room G52  
100 Parliament Street  
London  
SW1A 2BQ

Telephone           **020 7147 2843 or 2841**  
Fax                   **020 7147 2747**

Explanatory notes are provided to help you complete this form. Please read them before completing the form and signing the declaration. If you have any questions about how to complete this form please contact the Employee Shares & Securities Unit at the address below or on the telephone numbers shown.

If there is not enough space in any part of the form, please give further details on supplementary sheets, number them and attach them to the completed form when you send it to me.

The completed form should be sent to the address below.

## About this form

Details of reportable events (see below) must be provided in a form specified by HM Revenue & Customs. This form is the one specified for that purpose. In reporting the details required you must provide those details as shown on this form. You may use your own form, spreadsheet or letter provided you give the same details and in the same format as required by this form. A copy of this form is available at

[www.hmrc.gov.uk/shareschemes/ann-app-schemes.htm](http://www.hmrc.gov.uk/shareschemes/ann-app-schemes.htm)

Detailed guidance on reportable events and how to complete Form 42 is available at

[www.hmrc.gov.uk/shareschemes/form42-guidance.pdf](http://www.hmrc.gov.uk/shareschemes/form42-guidance.pdf)

### Approved Share Plans/Option Schemes

Do **not** include details of options granted from HM Revenue & Customs approved CSOP Schemes, SAYE Option Schemes and shares acquired from approved Share Incentive Plans.

### Enterprise Management Incentives (EMI)

Do not include details of EMI options granted up to £100,000. You must include in section 1a EMI options granted in excess of £100,000.

### No Reportable Events

If there are no reportable events, go to page 12, complete sections 5 and 6, and return the form to me.

### Companies incorporated in year ended 5 April 2007

Where a limited company is incorporated in the UK in the year ended 5 April 2007 a report of the acquisition of the initial subscriber shares (also called founder shares) by the directors or prospective directors is not required if certain conditions are fulfilled. Details of the conditions to be met are at

[www.hmrc.gov.uk/shareschemes/form42-guidance.pdf](http://www.hmrc.gov.uk/shareschemes/form42-guidance.pdf)

The majority of newly UK incorporated companies should meet the conditions and will be relieved of the requirement to complete this form.

If other transactions in shares or securities have occurred then a report is required.

### Reportable Events

If there are reportable events to disclose, the index below will help you identify which sections of the form you need to complete and will direct you to the appropriate page.

You only need to complete those pages where there is a reportable event. Please tick the box shown opposite the reportable events for which you are giving details. Then sign the declaration on page 12 and return the form to me.

Page	Reportable Events	✓
	<b>Section 1 Securities options (including share options)</b> You must complete this section if employees were granted or exercised options (including consideration received for giving up the option).	<input type="checkbox"/>
4	1a Summary of grants of securities options	<input type="checkbox"/>
5	1b Acquisition of securities in connection with (including exercise of) securities options	<input type="checkbox"/>
6	1c Assignment and release of securities options	<input type="checkbox"/>
7	<b>Section 2 Acquisition of securities (including shares)</b> You must complete this section if securities were acquired by employees.	<input type="checkbox"/>
	<b>Section 3 Events occurring after the acquisition of securities</b> You must complete this section if taxable events occurred after the employee has acquired the securities.	<input type="checkbox"/>
8	3a Restricted securities (including shares)	<input type="checkbox"/>
8	3b Variation of restrictions for shares acquired before 16 April 2003	<input type="checkbox"/>
9	3c Conversion of securities on or after 6 April 2006	<input type="checkbox"/>
9	3d Discharge of notional loans	<input type="checkbox"/>
10	3e Receipt of other benefits from securities	<input type="checkbox"/>
10	3f Securities sold for more than market value	<input type="checkbox"/>
11	3g Artificial enhancement of market value	<input type="checkbox"/>

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## About this form

### 1. Employment-related Securities (including shares) and options

'Employment-related' securities and securities options are those acquired by reason of employment, or deemed to be so acquired because the opportunity to acquire them is made available to employees by an employer or a person connected with an employer.

Securities include:

- shares in any body corporate (wherever incorporated) or in any unincorporated body constituted under the law of a country or territory outside the United Kingdom
- rights under contracts of insurance other than excluded contracts of insurance
- debentures, loans, bonds, certificates of deposit and other instruments creating or acknowledging indebtedness (other than contracts of insurance)
- warrants and other instruments entitling their holders to subscribe for securities
- certificates and other instruments conferring rights in respect of securities held by persons other than the persons on whom the rights are conferred and the transfer of which may be effected without the consent of those persons
- units in a collective investment scheme
- options and futures, **and**
- rights under contracts for differences or contracts similar to contracts for differences other than contracts of insurance.

### 2. Operation of PAYE and NICs

PAYE and NICs must be operated on all taxable amounts provided in the form of 'readily convertible assets'.

#### Readily Convertible Assets (RCAs)

Securities (including shares) are readily convertible assets if

- the securities can be sold or otherwise realised on a recognised investment exchange, such as the London Stock Exchange, the New York Stock Exchange, etc, or
- trading arrangements are in place in respect of the securities at the time the taxable income is provided, or
- trading arrangements are likely to come into existence in accordance with arrangements or an understanding in place at the time the taxable income is provided.

*In all other cases, securities are deemed to be RCAs and subject to PAYE and NICs if securities are not shares for which the company is entitled to a Corporation Tax deduction by reason of Schedule 23 to the Finance Act 2003.*

#### NIC Agreement

Where the employee has entered into an agreement with his employer to meet some or all of any secondary NICs due then the amount paid by the employee should be entered in the column headed NICs Agreement.

#### NIC Election

Where the employee and his employer have jointly elected that the employee will meet some, or all, of any secondary NICs due then the amount paid by the employee should be entered in the column headed NICs Election where appropriate.

### 3. Non-resident or not ordinarily resident employees

- Do not complete section 1 or section 2 if the employee was non-resident at the date of option grant or securities award, and the grant or award was not in respect of prospective or former employment.
- Where an option has been granted to a non-resident employee in respect of a prospective or former employment then an entry is required in column 1b.06 at section 1b.
- Where an award of securities has been made to a non-resident employee in respect of a prospective or former employment then section 2 should be completed in full.
- Do not complete sections 3a, 3b, 3c, 3e and 3f if the employee was non-resident, or was resident but not ordinarily resident, at the date of securities award, and the award was not in respect of employment including future or former employment when the employee was resident and ordinarily resident.

### 4. Artificial adjustment of market value arising from non-commercial actions

Sections 2 and 3g apply to artificial increases and reductions in the market value of securities arising from non-commercial actions. Non-commercial actions include anything done

- other than for a genuine commercial purpose
- as part of a scheme or arrangement designed to avoid tax or NICs
- between companies in a group of companies on terms other than would be expected from persons acting at arm's length.

### 5. Market Value (MV) (where required)

The market value to be shown is the best available value at the time of the particular transaction. Where the value you enter on this form differs from that on which PAYE and NICs was operated, you should attach a note to this form explaining the difference. If, after the submission of this form, you determine that a different value is more appropriate, then that revised value should be used in your Corporation Tax computation and by employees in their Self Assessment Tax Returns. There is no need to send in a revised Form 42. Provided that the valuation reported on this form is the best available at the time of the transaction, then if a different value is subsequently agreed, we will not regard the form as incorrect.

### 6. Restricted Securities

Securities (or an interest in securities) are restricted securities if their market value is less than it would otherwise be because

- there is a restriction on the rights relating to the securities, including restrictions on the rights to retain or dispose of the securities
- there is a provision under which a disadvantage may arise from the exercise of rights related to the securities, including disadvantages arising from the retention or disposal of the securities
- there will be a transfer, reversion or forfeiture of the securities, if certain circumstances arise or do not arise.

The securities are not restricted because of a provision under which they must be sold or transferred should employment end by reason of misconduct.

## Section 1 Securities option (including share options)

Complete one row for each grant of options.

### 1a Grant of securities options

You must complete this section if employment-related securities options were granted during the tax year ended 5 April 2007. Any EMI options granted in excess of £100,000 during the tax year ended 5 April 2007 should be shown in this section.

### Non-resident/not ordinarily resident employees

Do not include within this section grants to employees who were non-resident at the date of grant and those employees who do not have any UK duties and who are unlikely to come to the UK.

### Column 1a. 03

This is the total number of securities for which options have been granted on this date.

	1a.01	1a.02	1a.03	1a.04	1a.05
	Date of grant	Description of securities	Total number of options granted	Acquisition price for each security	Number of employees granted options
1					
2					
3					
4					
5					
6					

## Section 1b Acquisition of securities in connection with (including exercise of) securities options

You must complete this section where securities including shares (with or without restrictions) were acquired in connection with an employment-related securities option during the tax year ended 5 April 2007. You do not need to complete section 2 in addition to this section for shares acquired by the exercise of an option.

### Column 1b.06 Non-residents

If an employee was not both resident and ordinarily resident when the option was granted, enter 'Yes' here. A notional loan may arise which should be returned each year on forms P11D. See section 3d to provide details of the discharge of such notional loans.

### Column 1b.07 Date securities acquired

This is the date an employee or a person connected with the employee acquires a beneficial interest in the securities connected to the option. In most cases, this will be the date of exercise rather than the date that the securities are transferred or an ownership certificate is issued.

### Column 1b.08 Elections

If an election has **not** been made to disregard restrictions leave this column blank. Enter '1' if an election has been made to disregard all restrictions. Enter '2' if an election has been made leaving some restrictions outstanding.

### Column 1b.10 Market value (see note 5 on page 3)

- If the securities do not carry any restrictions, enter the market value here.
- Where no election has been made and the securities carry restrictions (including personal restrictions) enter the restricted market value.
- If '1' is in column 1b.08, enter the unrestricted market value.
- If '2' is in column 1b.08, enter the market value of the securities taking into account restrictions still attached to the securities.
- If the market value of these securities has been artificially reduced (see note 4 on page 3) by more than 10% in a period of 7 years ending on the date of acquisition, complete this section entering the reduced market value and also complete section 2 (security Type F, column 2.08).

### Column 1b.11 Deductible amounts

The total consideration paid for the grant of the option and for the acquisition of the securities (including the exercise price) together with expenses incurred in connection with the acquisition of the securities. Do not include any expenses in connection with the sale or disposal of the securities.

### Column 1b.12

If tax is due in respect of the acquisition (or chargeable event) then you need to advise whether or not PAYE has been operated. If **no** tax is due then leave blank.

1b.01	1b.02	1b.03	1b.04	1b.05	1b.06	1b.07	1b.08	1b.09	1b.10	1b.11	1b.12	1b.13	1b.14	1b.15	1b.16
Employee name	National Insurance number	Employer	PAYE reference	Description	Not resident and ordinarily resident at grant (see note above) Yes or leave blank	Date securities acquired (see note above)	Elections (see note above)	Number of securities acquired	Total MV of securities acquired (see note above)	Deductible amounts (including Exercise Price) (see note above)	If tax arises, has PAYE/ NICs been operated (Yes/No)? (see note above)	NICs Election (amount paid)	NICs agreement (amount paid)	Date NICs paid by employee	Date NICs paid over to HMRC

## Section 1c Assignment and release of securities options

You must complete this section if a chargeable event has arisen during the tax year ended 5 April 2007.

Chargeable events are

- the assignment or release of the securities options for consideration (unless the consideration received is another securities option), **or**
- the receipt of a benefit in money, or money's worth, in connection with the securities option (other than the acquisition of securities shown in section 1b).

**Do not** complete this section if options lapse for nil consideration.

### Column 1c.08

If the consideration received is in the form of securities the market value of which has been artificially reduced (see note 4 on page 3) by more than 10% in the 7 year period ending on the date the consideration is received, enter the consideration received ignoring the effect of the artificial reduction.

### Column 1c.09

If tax is due in respect of the acquisition (or chargeable event) then you need to advise whether or not PAYE has been operated. If **no** tax is due then leave blank.

1c.01	1c.02	1c.03	1c.04	1c.05	1c.06	1c.07	1c.08	1c.09	1c.10	1c.11	1c.12	1c.13
Employee name	National Insurance number	Employer	PAYE reference	Description	Date of chargeable event	Number of securities affected	Total amount of consideration or money's worth (see note above)	If tax arises, has PAYE/NICs been operated (Yes/No)? (see note above)	NICs Election (amount paid)	NICs agreement (amount paid)	Date NICs paid by employee	Date NICs paid over to HMRC







### 3e. Receipt of other benefits from securities

You must complete this section if an employee, or a person connected with an employee, has received a benefit on or after 6 April 2006, not otherwise chargeable to Income Tax, in connection with employment-related securities. The “not otherwise chargeable” exemption does not apply in cases involving avoidance of tax or National Insurance contributions.

If the shares acquired are in a spin out company, enter “spin out relief” in column 3e.09 and leave the remaining columns blank.

3e.01	3e.02	3e.03	3e.04	3e.05	3e.06	3e.07	3e.08	3e.09	3e.10	3e.11	3e.12
Employee name	National Insurance number	Employer	PAYE reference	Description	Date securities originally acquired	Number of securities	Date benefit received	Nature of benefit received	Amount or MV of the benefit	Nature of artificial reduction (see note on page 7)	Has PAYE/NICs been operated (Yes/No)?

### 3f. Securities sold for more than market value

You must complete this section if the employee, or a person connected with the employee, has disposed of employment-related securities on or after 6 April 2006 for more than their market value, at the time of disposal. In this case the consideration received on disposal of the employment-related securities less their market value and expenses incurred at the time of disposal is employment income of the employee.

3f.01	3f.02	3f.03	3f.04	3f.05	3f.06	3f.07	3f.08	3f.09	3f.10	3f.11	3f.12
Employee name	National Insurance number	Employer	PAYE reference	Description	Number of securities	Date of disposal	Consideration received on disposal	Total MV of securities on disposal (see note 6 on page 3)	Nature of artificial reduction (see note on page 7)	Expenses incurred on disposal	Has PAYE/NICs been operated (Yes/No)?

### 3g. Artificial enhancement of market value

You must complete this section if the market value of an employee's employment-related securities is increased by more than 10% in a relevant period by non-commercial actions (see note 5 on page 3) and the date of the taxable event is on or after 6 April 2006 regardless of when the securities were acquired.

The relevant period runs from the date securities are acquired to the earlier of the date of disposal or 5 April 2007. The date of the taxable event will be 5 April 2007 or the date the securities were disposed of if earlier.

### Section 3g.09 and 3g.10 Unrestricted Market Value (UMV)

This is the market value of the securities ignoring the effect of the restrictions, any artificial reduction, or in relation to convertible securities the MV excluding the right to convert.

3g.01	3g.02	3g.03	3g.04	3g.05	3g.06	3g.07	3g.08	3g.09	3g.10	3g.11
Employee name	National Insurance number	Employer	PAYE reference	Description of securities originally acquired	Date of original acquisition	Number of securities	Date of taxable event	Total UMV on 5 April 2007 or, if earlier, the date of disposal (see note above)	Total UMV, ignoring effect of artificial increase on date of taxable event (see note above)	Has PAYE/NICs been operated (Yes/No)?

## Section 4 Participating Companies

If only one company is issuing employment-related securities to its employees, there is no need to complete this section. However, if this form is completed to cover a group of companies or organisations, please enter details below of the companies for whom the return applies.

4.01	4.02	4.03	4.04
PAYE reference	Corporation tax reference	Company registration number	ESSU reference number (if any)

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## Section 5 Nil return

If the scheme/plan was registered with the ESSU and there is no reportable event during the tax year, please enter 1 in the box.

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## Section 6 Declaration

**Note** The Taxes Acts require that the Company Secretary or the person acting as the Company Secretary should complete the declaration. If a liquidator has been appointed they should complete the declaration. (S108(1) and (3) TMA 1970).

To the best of my knowledge and belief the information I have given on this return (and on any supplementary sheets) is correct and complete.

**Name** *(use capital letters)*

**Signature**

**Position in company**

**Date**

D	D	M	M	Y	Y	Y	Y
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**Telephone**

**Email**

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## Additional information