



**EQUITY
INCENTIVES
LIMITED**

news on share based rewards

20 December 2001

Happy New Year for Enterprise Management Incentives

Enterprise Management Incentives looks set to benefit a wider range of companies than ever from 1 January 2002.

Currently, only independent companies with gross assets of less than £15 million can grant options to their employees under this tax efficient arrangement.

But, following the Chancellor's Pre-Budget Report, this limit will be increased to £30 million from the beginning of the New Year. The government hopes to encourage the use of EMI in small dynamic manufacturing businesses which would previously have been likely to fail the gross assets test.

This is one of a number of changes made to EMI since its introduction in the Finance Act 2000. Originally, companies could only grant options to 15 "key" employees under EMI, with a limit of £100,000 worth of options (at grant date) per employee. Since then, the 15 employees limit has been removed altogether, and the overall limit per company has been increased from £1.5 million to £3 million worth of options at grant date.

These changes have come about as a result of lobbying from various groups concerned that EMI, despite its flexibility and tax efficiency, was available to too narrow a range of companies.

You can find out more about EMI by visiting the Inland Revenue website at:

www.inlandrevenue.gov.uk/shareschemes.

Share options are for life, not just for Christmas!

A survey produced by MORI for ProShare, the not for profit organisation dedicated to promoting share based investment through education and research, has made

some interesting findings related to employee share ownership.

In particular, the survey showed that 48% of employee share option holders held on to their shares following exercise, and in fact still hold them. This is in sharp contrast to the mere 7% who sold their shares pretty much straight away to make a quick profit.

With some 34% of employee shareholders saying that their shareholdings made them more business aware, the survey suggests very strongly that employee share options are not seen as a short term reward by participants, but provide significant benefits over the longer term both to employee and employer.

To find out more about ProShare and the research they carry out on employee share ownership, visit their website at www.proshare.org.uk.

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