# DIRECTORS' REMUNERATION REPORT

At 31 December 2008

This report, prepared on behalf of and approved by the board, provides details of the remuneration of each of the directors and sets out the company's remuneration policies for the current financial year and, subject to ongoing review, for subsequent financial years. The report will be put to the company's Annual General Meeting for approval by the shareholders.

The Remuneration Committee met four times during the period under review. The members of the committee, all of whom are considered to be independent, are Lord Condon (chairman), Mark Elliott, Bo Lerenius and Mark Seligman. The committee is responsible for setting all aspects of the remuneration of the chairman, the executive directors, the three other members of the group executive committee and the company secretary. It is also responsible for the operation of the company's share plans. Its terms of reference are available on the company's website.

Towers, Perrin, Forster & Crosby, Inc.* ("Towers Perrin") has been appointed by the committee to provide executive and senior management remuneration advice to the company. Their terms of appointment are available on the company's website. In addition Alithos Limited* ("Alithos") has been appointed by the committee to verify the calculation of certain elements of payments due under the company's performance share plan. In addition to its work for the committee, Towers Perrin has also provided a small amount of management remuneration information to the company during the period under review. Alithos has not provided any other services to the company during the period under review.

Nick Buckles, chief executive, provided guidance to the committee on remuneration packages for senior executives within the group. Further guidance was received from the group's HR director, Irene Cowden. Neither Mr Buckles nor Mrs Cowden participated in discussions regarding their own remuneration.

## Remuneration policy

The policy for the remuneration of the executive directors and the executive management team aims to achieve:

> the ability to attract, retain and motivate high calibre executives;
> a strong link between executive reward and the group's performance;
> alignment of the interests of the executives and the shareholders; and
> provision of incentive arrangements which focus on both annual and longer-term performance.

In terms of market positioning, the overall objective is to achieve remuneration levels which provide a market competitive base salary with the opportunity to earn above market norms on the delivery of superior performance through the company's incentive schemes. A significant proportion of total remuneration is related to performance, through participation in both short-term and long-term incentive schemes. On average, the performance-related element of remuneration for executive directors amounts to around 45% of the total package for target performance and around 65% of the total package for stretch performance. The committee believes that the current balance is appropriate, although it is kept under review.

The committee is satisfied that the incentive structure for the board does not raise environmental, social or governance risks by inadvertently motivating irresponsible behaviour.

Bonus payments do not form part of salary for pension purposes.

## Elements of remuneration

### (a) Base salary and benefits

The salaries of the executive directors are reviewed with effect from 1 January each year. Interim salary reviews may be carried out following significant changes in responsibility. The salaries take account of a benchmarking exercise based on similarly sized companies with a significant part of their business overseas and also reflect responsibility, individual performance, internal relativities and salary and other market information supplied by Towers Perrin. Benefits include pension arrangements and the provision of a company car (or a cash allowance in lieu of a car), health insurance and life assurance. Notwithstanding the strong performance of the business, for 2009 the executive directors have requested that their base salaries are frozen at 2008 levels, given the current economic climate. Similarly, the non-executive directors have asked that their fee levels are not changed in 2009.

* Towers Perrin and Alithos have each given, and not withdrawn, their written consent to the issue of this document with the inclusion of the reference to their respective names in the form and content in which they appear. Copies of the consent letters are available for inspection at the company's registered office.

# DIRECTORS' REMUNERATION REPORT
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### (b) Performance-related bonus scheme

For the year under review, the executive directors participated in an annual performance-related bonus scheme, payments under which were dependent on the attainment of defined PBTA (profit before tax and amortisation) targets of the group, adjusted for the effect of any exceptional items and discontinued operations and using constant exchange rates. The committee believes that PBTA best reflects the various key drivers of business success within the group. For achievement of a threshold level of profits which is slightly below the budgeted profit target, a bonus payment of 25% of base salary was due. 40% of base salary was payable on achievement of the budgeted target and the amount of bonus increases on a straight line basis up to 80% of base salary for achievement of a stretch profit target. A further 20% was payable on achievement of pre-defined key business objectives approved by the Remuneration Committee. These objectives vary for each individual according to their responsibilities and support longer-term business development. Any such bonus up to the value of 50% of the executive director's salary was payable in cash with any excess balance being awarded in the form of deferred shares. Any deferred shares will normally only be transferred to the executive director if he remains in employment (otherwise than where he leaves in certain specified circumstances) for a period of three years from the date of the award of the shares.

The company performed well in 2008, with PBTA increased by £75.6m (£53.3m at 2008 constant exchange rates) materially exceeding target, but falling below maximum full stretch target performance. As a result the Remuneration Committee agreed that the resulting payment for this component of the bonus should be at the 62.5% of base salary level. In addition the committee agreed that the element of bonus dependent on achievement of pre-defined key business objectives, including objectives linked to strategic development and organisational development issues, should be paid at between 17% and 20% of base salary.

Following a review of the level of bonus opportunities offered by the company in comparison with those of its peers, the committee has agreed that for 2009, the bonus opportunity for executive directors will be changed so that they may receive an amount equal to 125% of base salary (150% in the case of the chief executive). No specific element of bonus will be attributable to key business objectives as the committee believes it is preferable to concentrate on financial performance in the present economic conditions. The executive directors will however still be set key business objectives which will be used to monitor performance. Furthermore, any bonus due above 50% of the individual's maximum bonus entitlement will be awarded as deferred shares which will not vest for three years. The bonus will be entirely based on the achievement of PBTA targets which would result in the payment of 60% of maximum bonus entitlement. This amount of bonus would increase on a straight line basis up to 100% of maximum bonus entitlement for achievement of a stretch profit target. 35% of maximum bonus entitlement would be payable for achievement of a threshold level of profit which is at least 95% of the budgeted profit target. No bonus would be payable for performance below threshold. The committee believes that payment of at least part of the available bonus entitlement for a performance slightly below the PBTA target is justified because it would be desirable to incentivise the executives to push for the best result possible, even if it became apparent that the PBTA budget would not be met.

In addition, a claw-back provision has been included in the 2009 annual bonus rules. Any deferred shares awarded and dividends arising from these shares could be clawed back if the 2009 profit figures are restated materially in line with a recommendation by the Audit Committee within two years of the year end.

The PBTA targets used for the above schemes are the same as the company's budgeted PBTA for the corresponding period (assuming constant exchange rates). The committee is satisfied that in order to achieve the 2009 PBTA targets, the company would have to achieve a tough budget in what are likely to be testing times. The PBTA targets allow for adjustments in respect of any material, non-budgeted changes which take place during the year, such as acquisitions, disposals etc. Thus, for example, should a planned disposal not be completed by the year end, the committee reserves the right to re-insert the operating profit or loss for the business in question in the actual and budgeted PBTA targets.

### (c) Performance Share Plan (long-term incentive plan)

The Performance Share Plan ("PSP") was introduced in July 2004. Under the plan, the executive directors and certain other senior executives receive conditional allocations of the company's shares which are released to them only on the achievement of demanding performance targets.

The maximum annual award of shares payable under the plan is two and a half times base salary. The annual award approved by the committee for the year under review is two times base salary for the chief executive, one and a half times base salary for the other executive directors and one times salary for senior executives below board level. The extent to which allocations of shares under the plan vest is determined, as to two thirds of the award, by the company's normalised earnings per share growth relative to the RPI over a single three-year period and, as to the remaining third of the award, by the company's ranking by reference to TSR (total shareholder return; being share price growth plus dividends paid) using a bespoke global group of 16 support services companies as a comparator group, again over a single three-year period.

In relation to awards made in years prior to 2007, the conditions subject to which allocations of shares vest under this plan differ in a number of respects: half of any award is determined by the company's normalised earnings per share growth relative to the RPI over a single three year period and the other half of the award by the company's ranking by reference to TSR using the FTSE 100 constituent companies as at the date of the award as a comparator group, again over a single three year period. There is no provision for retesting.

# DIRECTORS' REMUNERATION REPORT
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At 31 December 2008

### (c) Performance Share Plan (long-term incentive plan) (continued)

The following targets will continue to apply to two-thirds of awards granted since 2007, with the three year EPS (earnings per share) period ending on 31 December in the third year (so for awards granted in the year under review, the period ends on 31 December 2010):

| Average annual growth in EPS | Proportion of allocation vesting |
|---|---|
| Less than RPI + 6% per annum | Nil |
| RPI + 6% per annum (18% over three years) | 25% |
| RPI + 6-11% per annum | Pro rata between 25% and 100% |
| RPI + 11% per annum (33% over three years) | 100% |

The same targets apply to the first half of awards granted in years prior to 2007.

The following targets apply to the remaining one third of each award granted since 2007:

| Ranking of the company against the bespoke comparator group by reference to TSR | Proportion of allocation vesting |
|---|---|
| Below median | Nil |
| Median | 25% |
| Between median and upper quartile | Pro rata between 25% and 100% |
| Upper quartile | 100% |

The same targets apply to the second half of each award granted in years prior to 2007, but the ranking applied is that of the company against the FTSE 100 constituent companies as at the date of the award.

In addition, participants in the PSP will receive a further share award with a value equivalent to the dividends which would have been paid in respect of PSP awards vesting at the end of the performance period.

In relation to awards made before 2007, there will only be a transfer of shares under the second half if the growth in EPS of the company has exceeded the growth in RPI by 10% over a performance period of three financial years.

Furthermore, there will only be a transfer of shares under the final third (or second half in respect of awards made before 2007) if the Remuneration Committee is satisfied that the company's TSR performance is reflective of the company's underlying performance. For the 2009 PSP awards, a claw-back provision has been applied so that, in the event of a re-calculation of EPS and/or TSR within the two years of vesting, any over-payment must be returned.

The Remuneration Committee believes that a combination of earnings per share growth and total shareholder return targets is the most appropriate performance measure for the performance share plan, as it provides a transparent method of assessing the company's performance, both in terms of underlying financial performance and returns to shareholders. The company calculates whether the EPS performance targets have been achieved by reference to the company's audited accounts which provide an accessible and objective measure of the company's earnings per share, whilst TSR ranking will be determined by Towers Perrin whose findings are verified by Alithos.

Awards will not normally vest where an employee ceases to be employed within the group unless cessation of employment is due to death, injury, disability, redundancy, retirement or following a change of control of, or sale outside the group of, his or her employing company. In these situations, vesting will occur in the normal course and the performance targets will need to be satisfied pro rata to the time the allocation has been held. Only a proportion of the award, based on the time which has elapsed from the award date to the end of the last complete month in which the employee was employed, will vest in these circumstances in most cases. The Remuneration Committee does however retain the ability to allow for a greater award to vest if it considers it to be appropriate in exceptional circumstances.

The company's current policy is to use market purchased shares to satisfy performance share plan awards.

The Remuneration Committee believes that continued shareholding by executive directors will strengthen the alignment of their interests with shareholders' interests. Accordingly, executive directors of the company will be expected to retain shares to the value of 30% of the after-tax gains made on the vesting of performance share plan awards until they have built up a shareholding equivalent to one times base salary.

# DIRECTORS' REMUNERATION REPORT
## CONTINUED

At 31 December 2008

### (c) Performance Share Plan (long-term incentive plan) (continued)

Following a review of the operation of the PSP by the Remuneration Committee including detailed analysis of the current EPS and TSR targets, the committee was satisfied that both measures and targets remained appropriate for 2009. In addition, the committee also recognised that the current method of calculating both EPS and TSR introduces inappropriate effects (both positive and negative) of fluctuations in currency exchange rates outside the control of participants.

In an effort to more closely align the PSP with the underlying performance of the company, the committee plans to remove the impact of currency movements from the calculation of both EPS and TSR.

In respect of EPS, the committee believes that this is the correct method of calculation because the company's exposure to currency risk is almost entirely translational and not transactional. The committee believes that if the impact of currencies is excluded from the EPS calculation, it is consistent to calculate TSR on a local currency basis so that currency movements do not impact either measure and instead focus on rewarding superior management performance.

The EPS for 2005, which is the base year for determining the EPS performance for the PSP awards vesting in 2009, is 11.7 pence if calculated on a constant exchange rate and lower, at 11.1 pence, if calculated on actual exchange rates.

For PSP awards based on EPS performance for the three years to 31 December 2008, vesting in 2009 will be unaffected as a result of the application of the committee's adjustment to EPS performance for currency fluctuations over the period. Similarly, TSR-based awards vesting in 2010 and thereafter will be calculated on a local currency basis.

### Fees, service contracts and letters of appointment

The chairman's annual fee is £270,000. The annual fee for the non-executive directors, which is set by the chairman and the executive directors, is £54,100, with a further £44,550 for the role of deputy chairman, £16,700 for the chairmanship of each of the Audit and Remuneration Committees and £10,000 for the role of senior independent director. No other fees are paid for membership of the board committees. These fees are subject to periodic review which takes into account comparative fee levels in other groups of a similar size and the anticipated time commitment for the non-executive directors.

The service contracts of those who served as executive directors during the period are dated as follows:

| | |
|---|---|
| Nick Buckles | 2 June 2004 |
| Trevor Dighton | 2 June 2004 |
| Grahame Gibson | 6 December 2006 |

The contracts of Messrs Buckles, Dighton and Gibson are terminable by the company on 12 months' notice. The contracts are terminable by the executive directors on 12 months' notice. There are no liquidated damages provisions for compensation payable upon early termination, but the company reserves the right to pay salary in lieu of notice. It is the company's policy that it should be able to terminate service contracts of executive directors on no more than 12 months' notice and that payments for termination of contract are restricted to the value of salary and other contractual entitlements for the notice period. The Remuneration Committee is satisfied that the current arrangements are appropriate and in line with best practice.

The chairman and the other non-executive directors do not have service contracts but letters of appointment. Mr Elliott's three year term of appointment began on 1 September 2006. Mr Seligman has been granted a two year extension to his initial three year term of appointment. That extension began on 1 January 2009. The other non-executive directors were granted three year extensions to their initial letters of appointment, such extensions having begun on 19 May 2007. All continuing directors are required to stand for re-election by the shareholders at least once every three years.

It is the company's policy that executive directors may each hold not more than one external non-executive appointment and may retain any associated fees. Mr Buckles is a non-executive director of Arriva plc for which he received fees of £45,000 in the year ended 31 December 2008. Neither of the other executive directors currently holds an external non-executive appointment.

# DIRECTORS' REMUNERATION REPORT
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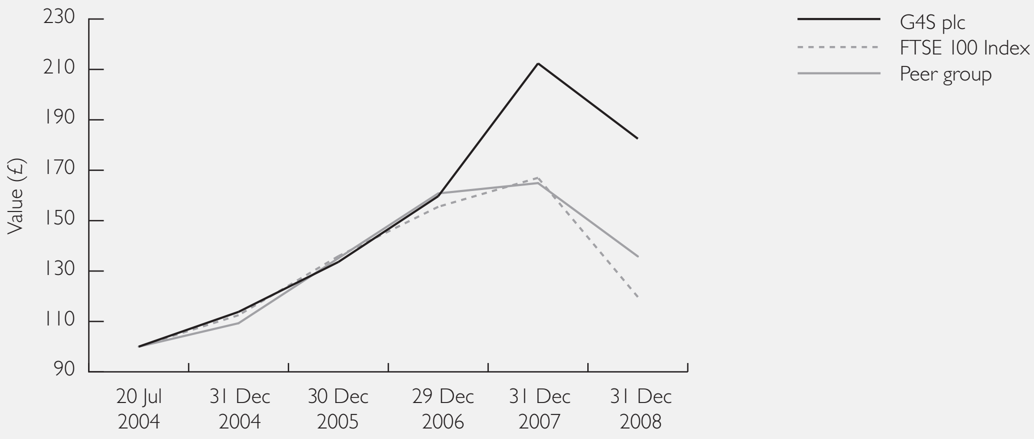
### Performance graph

The performance graph below shows the total cumulative shareholder return of the company from its first day of listing, 20 July 2004, until 31 December 2008, based on a hypothetical shareholding worth £100, compared with the return achieved by the FTSE 100 constituent companies over the same period. The directors believe this to be an appropriate form of broad equity market index against which to base a comparison given the size and geographic coverage of the company and the fact that the company is itself a member of the FTSE 100. The graph also compares the company's performance over the same period with the bespoke group of companies which is used now for comparative total shareholder return purposes in the company's performance share plan. (Until 2007, the FTSE 100 constituent companies were used for this purpose). The values attributable to the bespoke comparator group companies have been weighted in accordance with the market capitalisation of the companies and spot exchange rates were used at each of the relevant dates to obtain constant currency.




The peer group currently comprises: Atkins WS, Brambles, Brink's, Bunzl, Capita, Compass, Garda, G4S, Hays, MITIE, Prosegur, Rentokil Initial, Rexam, Securitas, Serco and Sodexho.

THE FOLLOWING INFORMATION HAS BEEN AUDITED

### Base salaries and bonuses

| | Salary and Fees £ | Benefits (excluding pension contribution) £ | Performance Related Bonus £ | 2008 Total £ | 2007 Total £ |
|---|---|---|---|---|---|
| **Chairman** (non-executive) Alf Duch-Pedersen | 260,000 | – | – | 260,000 | 237,500 |
| **Executive directors** Nick Buckles (see note 1 below) | 761,400 | 28,222 | 628,155 | 1,417,777 | 1,406,271 |
| Trevor Dighton (see note 1 below) | 475,240 | 18,560 | 392,073 | 885,873 | 851,715 |
| Grahame Gibson (see notes 1,2 & 3 below) | 559,534 | 16,480 | 499,958 | 1,075,972 | 960,258 |
| **Other non executive directors** Lord Condon | 117,065 | – | – | 117,065 | 106,190 |
| Mark Elliott | 52,265 | – | – | 52,265 | 49,815 |
| Thorleif Krarup | 68,790 | – | – | 68,790 | 65,190 |
| Bo Lerenius | 52,265 | – | – | 52,265 | 49,815 |
| Mark Seligman | 52,265 | – | – | 52,265 | 49,815 |
| Sir Malcolm Williamson (retired 30 May 2008) | 27,825 | – | – | 27,825 | 65,190 |
| **Total** | 2,426,649 | 63,262 | 1,520,186 | 4,010,097 | 3,841,759 |

# DIRECTORS' REMUNERATION REPORT CONTINUED

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Notes:

1. The performance-related bonuses derived from the company's bonus scheme were paid as 50% of basic salary in cash and between 29.5% and 32.5% of basic salary through the award of deferred G4S shares, based on a share price of 185.7p, being the average middle market closing price of the company's ordinary shares over the three days immediately following the date of the company's preliminary results announcement, 10 March 2009. The deferred share awards were:

| | |
|---|---|
| Nick Buckles | 133,255 shares |
| Trevor Dighton | 83,173 shares |
| Grahame Gibson | 82,658 shares |

2. The company paid air fares amounting to £29,930 for flights between the UK and the USA for Mr Gibson's wife and children. This sum is taxable in the USA.

3. Mr Gibson receives part of his salary in sterling and part in US$. The US$ element has been translated into sterling for the purposes of this section of the report at the exchange rates prevailing in each month in which Mr Gibson was paid.

The annual base salaries of the executive directors and the annual fees of the non-executive directors at 31 December 2008 were:

| Executive directors | |
|---|---|
| Nick Buckles | £761,400 |
| Trevor Dighton | £475,240 |
| Grahame Gibson | £52,033 & $936,594 |

| Non-executive directors | £ |
|---|---|
| Alf Duch-Pedersen (chairman) | 270,000 |
| Lord Condon | 125,350 |
| Mark Elliott | 54,100 |
| Thorleif Krarup | 70,800 |
| Bo Lerenius | 54,100 |
| Mark Seligman | 54,100 |

## Directors' share options

| | Option | At 31.12.07 | Granted during 2008 | Outstanding at 31.12.08 | Option price (p) |
|---|---|---|---|---|---|
| Nick Buckles | A | 72,901 | – | – | 107.98 |
| | B | 95,000 | – | 95,000 | 164.00 |
| | C | 75,000 | – | 75,000 | 133.75 |
| | D | 55,000 | – | 55,000 | 153.00 |
| | E | 700,000 | – | 700,000 | 108.00 |
| Trevor Dighton | B | 55,000 | – | 55,000 | 164.00 |
| | C | 40,000 | – | 40,000 | 133.75 |
| | D | 30,000 | – | 30,000 | 153.00 |
| | E | 350,000 | – | 350,000 | 108.00 |

Option A = 1996 Securicor Executive Share Option Scheme, exercisable until June 2008
Option B = Securicor Executive Share Option Scheme, exercisable until December 2009
Option C = Securicor Executive Share Option Scheme, exercisable until June 2010
Option D = Securicor Executive Share Option Scheme, exercisable until December 2010
Option E = Securicor Executive Share Option Scheme, exercisable until December 2011

The above options, which had been granted over Securicor plc shares, were rolled over into options over G4S plc shares. No further grants of options under these schemes will be made.

Mr Buckles exercised his option over the "Option A" shares described above on 11 June 2008 when the market price was 204.00p per share. Neither of the above directors exercised any other options under any of the above schemes during the year.

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As a result of implementation of the Scheme of Arrangement of Securicor plc in July 2004, the performance conditions for the executive share options referred to above ceased to apply. This would not occur under the current Performance Share Plan.

The market price of the ordinary shares at 31 December 2007 was 244.75p. At 31 December 2008 it was 205.00p.

The highest and lowest market prices of an ordinary share during the year to 31 December 2008 were 240.00p and 156.90p respectively.

### Directors' interests in Performance Share Plan

| | At 31.12.07 | Shares awarded conditionally during year | Date of award | Market price at date of award | Vesting date | 2005 awards | At 31.12.08 |
|---|---|---|---|---|---|---|---|
| Nick Buckles | 1,176,495 | 683,880 | 17.03.08 | 215.50p | 17.03.11 | 352,160 | 1,508,215 |
| Trevor Dighton | 769,230 | 320,140 | 17.03.08 | 215.50p | 17.03.11 | 263,650 | 825,720 |
| Grahame Gibson | 819,130 | 350,520 | 17.03.08 | 215.50p | 17.03.11 | 241,050 | 928,600 |

The conditions subject to which allocations of shares vest under this plan are described under (c) Performance Share Plan on pages 37 to 39.

During the year under review the following performance share plan awards vested:

Nick Buckles – 262,359 shares gross (352,160 maximum award; 74.5% vested; 154,791 shares released after tax, NIC etc)
Trevor Dighton – 196,419 shares gross (263,650 maximum award; 74.5% vested; 115,887 shares released after tax, NIC etc)
Grahame Gibson – 179,582 shares gross (241,050 maximum award; 74.5% vested; 129,648 shares released after tax, NIC etc)

The market price at date of award (17 March 2005) was 135.25p per share, the market price at the vesting date (19 March 2008) was 221.25p per share.

### Directors' interests in shares of G4S plc (unaudited)

(including awards of deferred shares but excluding shares under option and shares awarded conditionally under the performance share plan, both as shown above)

| | At 31.12.08 | At 31.12.07 |
|---|---|---|
| Nick Buckles | 1,399,773 | 1,079,849 |
| Lord Condon | 2,029 | 2,000 |
| Trevor Dighton | 920,493 | 729,427 |
| Alf Duch-Pedersen | 128,560 | 128,560 |
| Mark Elliott | 25,000 | – |
| Grahame Gibson | 763,594 | 512,409 |
| Thorleif Krarup | 3,206 | 3,206 |
| Bo Lerenius | 16,000 | 16,000 |
| Mark Seligman | 50,496 | 50,496 |

All interests shown above are beneficial.

Changes in the executive directors' holdings have taken place since 31 December 2008 relating to the vesting of the 2006 Performance Share Plan, the vesting of deferred shares arising from the 2005 annual bonus scheme and the award of deferred shares relating to the 2008 annual bonus scheme, as a result of which their interests as at 31 March 2009 are:

| | |
|---|---|
| Nick Buckles | 1,591,228 |
| Trevor Dighton | 1,045,528 |
| Grahame Gibson | 920,310 |

As at 31 December 2008, each of Nick Buckles, Trevor Dighton and Grahame Gibson also had a deemed interest in 5,832,653 ordinary shares held in the G4S Employee Benefit Trust.

# DIRECTORS' REMUNERATION REPORT
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### Directors' pension entitlements

For the period under review, both Nick Buckles and Trevor Dighton participated in non-contributory categories of the group's defined benefit pension schemes with a normal retirement age of 60. Trevor Dighton accrued pension at a rate of 1/30ths and Nick Buckles accrued pension at a rate of 1/52ths of their final pensionable salaries. An actuarial reduction is applied to pensions payable before normal retirement age. Pension can continue to accrue at the same rates beyond normal retirement age.

For death before retirement a capital sum equal to four times pensionable salary is payable, together with a spouse's pension of 50% of the member's prospective pension at the age of 60 plus a return of any contributions paid prior to the admission to the non-contributory category.

For death in retirement, a spouse's pension of 50% of the member's pre-commutation pension is payable.

Post retirement pension increases are payable at the rate of 5% per annum in respect of pension earned up to 31 December 1994 and in line with the increase in the Retail Prices Index subject to a maximum of 5% per annum in respect of pension earned after that date.

With effect from 6 April 2006, Grahame Gibson opted for enhanced protection and receives a salary supplement in lieu of pension of 40% of his basic salary.

Pension entitlements and corresponding transfer values increased as follows during the 12 months ended 31 December 2008 (all figures are in £'000s):

| | Gross increase in accrued pension (1) | Increase in accrued pension net of inflation (2) | Total accrued pension at 31.12.08 (3) | Value of net increase in accrual over period (4) | Total change in transfer value during period (5) | Transfer value of accrued pension at 31.12.08 (6) | Transfer value of accrued pension at 31.12.07 (7) |
|---|---|---|---|---|---|---|---|
| Nick Buckles | 38 | 23 | 332 | 375 | 2,054 | 5,789 | 3,735 |
| Trevor Dighton | 20 | 17 | 81 | 381 | 742 | 1,870 | 1,128 |
| Grahame Gibson | 13 | 2 | 230 | 34 | 674 | 3,649 | 2,975 |

Notes:

(i) Pension accruals shown are the amounts which would be paid annually on retirement based on service to the end of the year with the exception of Mr Gibson whose accrual ended on 5 April 2006.

(ii) Transfer values have been calculated in accordance with version 8.1 of guidance note GN11 issued by the actuarial profession.

(iii) The value of net increase (4) represents the incremental value to the director of his service during the year, calculated on the assumption that service terminated at the year-end. It is based on the increase in accrued pension (2) with the exception of Mr Gibson whose accrual ended on 5 April 2006.

(iv) The change in transfer value (5) includes the effect of fluctuations in such value due to factors beyond the control of the company and the directors, such as stock market movements.

(v) Mr Gibson receives a salary supplement in lieu of pension of 40% of his base salary.

(vi) A large part of the increase in transfer values over the year is due to the assumptions underlying the year end transfer values being different to those at the start of the year. This is due partly to changing market conditions over the year, in particular falling government bond yields, on which the transfer values are based. In the case of Messrs Buckles and Gibson, around 70% of the increase in their transfer values is due to changing assumptions. In Mr Dighton's case, the corresponding figure is around 40%.

**Lord Condon**
Chairman of the Remuneration Committee
31 March 2009