

# Directors' Remuneration Report

At 31 December 2006

This report 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 Annual General Meeting for approval by the shareholders.

The Remuneration Committee met six 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. (Alf Duch-Pedersen left the committee when he became chairman of the board on 1 July 2006, at which time Lord Condon became chairman of the committee. Waldemar Schmidt also left the committee when he retired from the board on 30 June 2006. Mark Elliott joined the committee on 1 March 2007.) 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.

Advice was provided to the committee by New Bridge Street Consultants LLP, compensation consultants, who were appointed by the committee until 6 October 2006 when Towers, Perrin, Forster & Crosby, Inc.<sup>1</sup> ("Towers Perrin") were appointed by the committee in place of New Bridge Street Consultants. The terms of appointment of both firms are available on the company's website. New Bridge Street Consultants did not provide any other services to the company during the period under review, but Towers Perrin also provided benchmarking services in respect of a small number of the company's senior executives.

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 pay.

## 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.

A significant proportion of total remuneration is related to performance through participation in both short-term and long-term incentive schemes. For base target performance, the performance-related element amounts to around 40% of the total package. For stretch target performance, the performance-related element amounts to around 60% of the total package. The committee believes that the current balance is appropriate, although it is kept under review.

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 the compensation consultants appointed by the Remuneration Committee. The overall objective is to achieve salary 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. 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.

<sup>1</sup> Towers, Perrin, Forster & Crosby, Inc. has given, and not withdrawn, its written consent to the issue of this document with the inclusion of the reference to its name in the form and content in which it appears. A copy of the consent letter is available for inspection at the company's registered office.

# Directors' Remuneration Report (continued)

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## Elements of remuneration (continued)

### 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 the budgeted target, a bonus payment of 50% of base salary was due, increasing on a straight-line basis up to a bonus payment of 100% of salary for achievement of a stretch profit target. 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 PBTA budgeted targets used for the above scheme are the same as the company's budgeted PBTA for the corresponding period (assuming constant exchange rates).

2006 was a strong year for the company with PBTA performance exceeding the budgeted target. The Remuneration Committee agreed that the bonus payment for such performance should be at the 76% level. This was above the 50% level which would have been payable for achievement of budgeted PBTA, but below the 100% level which was the maximum payable under the scheme for achievement of the full stretch profit target.

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

The Performance Share Plan 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 under the plan is currently one times base salary, save that, in exceptional circumstances, the Remuneration Committee may determine that an award of up to one and a half times salary may be made. The extent to which allocations of shares under the plan vest have been determined, as to half 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 second half of the award, by the company's ranking by reference to TSR (total shareholder return, being share price growth plus dividends paid) 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.

The following targets apply to the first half of awards granted in the year under review, with the three-year EPS (earnings per share) period ending on 31 December 2008:

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 following targets apply to the second half of each such award:

Ranking of the company against the FTSE-100 constituent companies 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%

In addition, there will only be a transfer of shares under the second half if (a) the growth in EPS of the company has exceeded the growth in RPI by 10% over a performance period of three financial years, and (b) the Remuneration Committee is satisfied that the company's TSR performance is reflective of the company's underlying performance.

# Directors' Remuneration Report (continued)

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## Elements of remuneration (continued)

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

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 comparative data will be supplied by Towers Perrin. The committee will also ensure that the EPS targets are measured on a consistent basis and are not artificially impacted, either to the benefit or to the detriment of participants, by the change in accounting standards to International Financial Reporting Standards.

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. However, 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, may vest in these 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.

### Remuneration strategy review

The company's executive remuneration strategy aims to provide market competitive levels of total remuneration in return for achievement of stretching short and long-term performance targets. In particular, the company's short-term incentive plan is focused on rewarding the achievement of tough annual profit growth targets while the Performance Share Plan (the "PSP") is intended to reward the achievement of sustained earnings growth and superior returns to shareholders over time.

During 2006, assisted by Towers Perrin (independent executive remuneration adviser to the Remuneration Committee and the company), the Remuneration Committee conducted a review of the company's executive incentive arrangements to ensure that they provide a strong alignment with the delivery of value to shareholders while enabling the company to continue to attract, retain and motivate high-calibre executives.

The results of this review were that:

- > Base salary levels are close to mid-market competitive norms against a basket of similarly sized and international companies and so the Remuneration Committee proposes not to make any changes to their approach in setting salaries.
- > Maximum annual bonus levels are behind market norms. The Remuneration Committee is comfortable with the level of bonus opportunity but has made certain structural changes as described below in order that bonuses are also linked to the successful delivery of key business objectives and milestones other than profit.
- > Overall total compensation levels in respect of the three Executive Directors have fallen behind mid-market norms, largely as a result of below market long-term incentive levels. Furthermore, the Remuneration Committee feels that the current TSR peer group in the PSP is no longer appropriate and, instead, wishes to move to a group of more directly comparable companies in the company's sector.
- > Finally, the Remuneration Committee feels that the additional EPS underpin applying to the TSR portion of the PSP was unnecessary.

As a result of this review, changes have been made to the annual performance-related bonus scheme so that in the event of achievement of a threshold level of profits which is slightly below the budgeted profit target, a bonus payment of 25% of base salary would be due and the amount of bonus payable is linked to achievement of key business objectives as well as PBTA. Thus, in the current year, 40% of base salary will be payable on achievement of budgeted PBTA, increasing on a straight-line basis up to a bonus of 80% of salary for achievement of a stretch profit target, with a further 20% on achievement of pre-defined key business objectives approved by the Remuneration Committee. These objectives will vary for each individual according to their responsibilities and will support longer-term business development.

# Directors' Remuneration Report (continued)

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## Remuneration strategy review (continued)

In addition, the Remuneration Committee also proposes the following changes to the PSP, for which the company is seeking shareholder approval at the 2007 Annual General Meeting:

- > The FTSE-100 comparator group will be replaced with the following bespoke global group of 16 support services companies. The current vesting schedule will be retained. Relative TSR will be measured on a common currency basis.

Atkins WS	Capita Group	Hays	Rexam
Brambles Industries	Compass Group	MITIE Group	Securitas AB
Brinks	Garda	Prosegur	Serco Group
Bunzl	Group 4 Securicor	Rentokil Initial	Sodexo Alliance

- > The annual limit within the PSP will be raised to 250% of salary. However, it is the Remuneration Committee's intention that awards will initially be no higher than 150% of salary per year (or 100% of salary for senior executives below board level). If in the future the committee wished to grant at levels greater than 150%, either in exceptional circumstances or because, for example, the market had risen, major shareholders would be consulted prior to any change in this policy. Going forward the Remuneration Committee also wishes to place greater emphasis on the EPS portion of the PSP, therefore two thirds of future awards will be linked to existing EPS performance targets and the remaining one third will be linked to TSR performance relative to the new comparator group.
- > The current explicit EPS underpin to the TSR target will be replaced with a commitment by the Remuneration Committee to ensure that the underlying financial performance of the company is satisfactory prior to permitting the vesting of any award in respect of the TSR portion of the plan. Given the emphasis on EPS growth within the PSP, the committee feels that the current underpin is unnecessary. The Remuneration Committee believes that EPS has a greater motivational impact for executives as it comes under their accountability and control. However, it is acknowledged that TSR aligns the interests of shareholders and executives over the longer term and the revised TSR peer group provides a more relevant market perspective.
- > In line with current best practice, 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 future PSP awards vesting at the end of the performance period.
- > The PSP rules will be amended to comply with age discrimination legislation by removing the provision relating to ineligibility within 2 years of retirement.
- > Where a participant leaves employment, or there is a corporate transaction affecting the company, awards under the PSP currently vest subject to having achieved performance conditions and subject to prorating of the award for the time since award. The Remuneration Committee considers this approach to be consistent with best practice, but wishes to retain the ability to allow for a greater proportion of the award to vest if it considers it to be appropriate in exceptional circumstances, and so an amendment allowing such discretion is proposed in this respect.

The Remuneration Committee believes that these proposals are important in providing a more performance-related remuneration package that will more effectively attract, retain and motivate executives, bring total pay packages closer to mid-market norms and introduce greater alignment with business objectives. Shareholders are asked to confirm their approval of the above changes at the company's Annual General Meeting.

## Fees, service contracts and letters of appointment

The chairman's annual fee is £225,000. The annual fee for the non-executive directors, which is set by the chairman and the executive directors, is £48,600, with a further £40,000 for the role of deputy chairman, £15,000 for the chairmanship of each of the Audit and Remuneration Committees and £15,000 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

# Directors' Remuneration Report (continued)

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## Remuneration strategy review (continued)

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. As part of the wider remuneration review referred to above, the Remuneration Committee undertook a comprehensive review of all the provisions relating to termination in these directors' contracts and 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 which provide for initial three-year terms which began on 19 May 2004 other than in the cases of Mr Seligman, whose term began on 1 January 2006, and Mr Elliott, whose term began on 1 September 2006. All directors are required to stand for re-election by the shareholders at least once every three years.

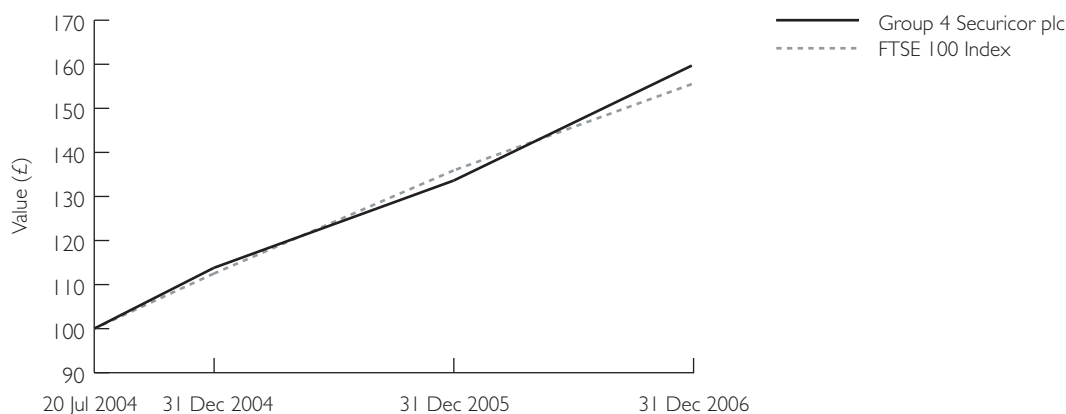
It is the company's policy that executive directors may each hold not more than one external non-executive appointment and may retain any associated fees. Mr Buckles is a non-executive director of Arriva plc for which he received fees of £35,500 in the year ended 31 December 2006. Neither of the other executive directors currently holds an external non-executive appointment.

## 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 2006, 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. The FTSE 100 index has also been used for comparative total shareholder return purposes in the company's performance share plan. For future performance graphs, consideration will be given to using the bespoke global group of 16 support services companies which it is proposed should be used as the comparator group for the company's performance share plan going forward.

## Total Shareholder Return

Source: Datastream



This graph shows the value, at 31 December 2006 of £100 invested in Group 4 Securicor plc on 20 July 2004 compared with the value of £100 invested at the same time in the FTSE 100 Index. The other points plotted show the value at the intervening financial year ends.

# Directors' Remuneration Report (continued)

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THE FOLLOWING INFORMATION HAS BEEN AUDITED

## Base salaries and bonuses

	Salary and fees £	Benefits £	Performance related bonus £	2006 Total £	2005 Total £
<b>Chairman</b>					
(non-executive)					
Jørgen Philip-Sorensen (retired 30 June 2006)	90,000	–	–	90,000	170,000
Alf Duch Pedersen	161,250	–	–	161,250	93,750
<b>Executive directors</b>					
Nick Buckles (see note 1 below)	660,000	21,390	501,600	1,182,990	1,534,625
Trevor Dighton (see note 1 below)	400,000	20,763	304,000	724,763	894,386
Grahame Gibson (appointed 1 April 2005) (see notes 1 & 2 below)	449,691	33,191	346,112	828,994	844,954
<b>Other non-executive directors</b>					
Lord Condon (see note 3 below)	67,633	–	–	67,633	42,500
Mark Elliott (appointed 1 September 2006)	16,200	–	–	16,200	–
Thorlief Krarup	60,550	–	–	60,550	42,500
Bo Lerenius	46,800	–	–	46,800	42,500
Waldemar Schmidt (retired 30 June 2006)	22,500	–	–	22,500	42,500
Mark Seligman (appointed 1 January 2006)	46,800	–	–	46,800	–
Lord Sharman (retired 31 December 2005)	–	–	–	–	106,250
Malcolm Williamson	61,800	–	–	61,800	42,500
<b>Total</b>	<b>2,083,224</b>	<b>75,344</b>	<b>1,151,712</b>	<b>3,310,280</b>	<b>3,856,465</b>

Notes:

- The performance-related bonuses derived from the company's bonus scheme were paid as 50% of basic salary in cash and 26% of basic salary through the award of deferred Group 4 Securicor shares, based on a share price of 192.75p, 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, 13 March 2007. The awards were:

Nick Buckles	89,027 shares
Trevor Dighton	53,956 shares
Grahame Gibson	61,993 shares
- Grahame Gibson was reimbursed £23,635 for expenses associated with his relocation from the West Midlands to Surrey. This sum is subject to UK income tax. The company also paid air fares amounting to £13,360 for flights between the UK and the USA for Mr Gibson's wife and infant children. This sum is taxable in the USA.
- Lord Condon was paid an additional £10,000 in the period for his duties as a director of G4S Global Risks Limited, a subsidiary of the company.

# Directors' Remuneration Report (continued)

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## Base salaries and bonuses (continued)

The annual base salaries of the executive directors and the annual fees of the non-executive directors at 31 December 2006 were:

Executive directors	£
Nick Buckles	660,000
Trevor Dighton	400,000
Grahame Gibson	449,691

Non-executive directors	£
Alf Duch-Pedersen (chairman)	225,000
Lord Condon	103,600
Mark Elliott	48,600
Thorleif Krarup	63,600
Bo Lerenius	48,600
Mark Seligman	48,600
Malcolm Williamson	63,600

## Directors' share options

	Option	At 31.12.05	Granted during 2006	Outstanding at 31.12.06	Option price (p)
Nick Buckles	A	72,901	–	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
	F	14,453	–	0	64.00
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
	F	14,453	–	0	64.00

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.

Option F = Securicor Sharesave Scheme, exercisable between October 2006 and March 2007.

The above options, which had been granted over Securicor plc shares, were rolled over into options over Group 4 Securicor shares. No further grants of options under these schemes will be made.

Both of the above directors exercised all their options under Option F above. The market price of the shares on the day on which the directors exercised these options was 168.25p. Neither of the above directors exercised options under any other of the above schemes, during the year.

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 2005 was 161p. At 31 December 2006 it was 188p.

The highest and lowest market prices of an ordinary share during the year to 31 December 2006 were 193.75p and 158p respectively.

# Directors' Remuneration Report (continued)

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## Directors' interests in Performance Share Plan

	At 31.12.05	Shares awarded conditionally during year	Date of award	Market price at date of award	Vesting date	At 31.12.06
Nick Buckles	720,990	341,085	17.03.06	192.75p	17.03.09	1,062,075
Trevor Dighton	539,780	206,720	17.03.06	192.75p	17.03.09	746,500
Grahame Gibson	493,510	241,600	17.03.06	192.75p	17.03.09	735,110

The conditions subject to which allocations of shares vest under this plan are described under (c) Performance Share Plan on pages 40 to 42.

## Directors' interests in shares of Group 4 Securicor 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 31.12.06	At 31.12.05
Nick Buckles	975,043	871,563
Lord Condon	2,000	2,000
Trevor Dighton	650,964	582,555
Alf Duch-Pedersen	128,560	56,560
Mark Elliott	—	—
Grahame Gibson	397,834	335,841
Thorleif Krarup	3,206	3,206
Bo Lerenius	16,000	16,000
Mark Seligman	50,000	—
Malcolm Williamson	2,000	2,000

All interests shown above are beneficial.

No changes in these holdings have taken place since 31 December 2006.

Each of Nick Buckles, Trevor Dighton and Grahame Gibson also has a deemed interest in 6,022,967 ordinary shares held in the Group 4 Securicor Employee Benefit Trust.

## Directors' pension entitlements

For the period under review, the executive directors 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 of the statutory earnings cap until 5 April 2006 when the cap was lifted. Nick Buckles accrued pension at a rate of 1/52ths of his final pensionable salary. Grahame Gibson accrued pension at a rate of 1/52ths of his final pensionable salary until 5 April 2006 when he opted for enhanced protection and ceased further accrual. An actuarial reduction is applied to pensions payable before normal retirement age and an increase is applied where retirement is deferred 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 pensions increase in line with the increase in the Retail Prices Index subject to a maximum of 5% per annum.

# Directors' Remuneration Report (continued)

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## Directors' pension entitlements (continued)

Pension entitlements and corresponding transfer values increased as follows during the 12 months ended 31 December 2006 (all figures are in £'000s).

	Gross increase in accrued pension (1)	Increase in accrued pension net of inflation (2)	Total accrued pension at 31/12/06 (3)	Value of net increase in accrual over period (4)	Total change in transfer value during period (5)	Transfer value of accrued pension at 31/12/06 (6)	Transfer value of accrued pension at 31/12/05 (7)
Nick Buckles	37	29	263	328	336	3,129	2,793
Trevor Dighton	11	10	45	169	190	766	576
Grahame Gibson	20	13	206	178	481	2,368	1,887

### 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 GNI 1 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) Between 6 April 2002 and 5 April 2003, Mr Dighton received a salary supplement of 30% of base salary in excess of the earnings cap in lieu of pension provision in respect of his base salary in excess of the cap. Following the Government's announcement of proposed changes to the tax rules for pensions, these payments were suspended with effect from 6 April 2003, pending a review of Mr Dighton's pension arrangement. In September 2005, it was agreed that Mr Dighton should be granted an Unfunded Lump Sum Retirement Benefit (ULSRB) to be calculated as the accumulation of notional contributions of 30% of his base salary in excess of the earnings cap, deemed to be invested in the FTSE All Share Total Return Index. The ULSRB is money-purchase in nature and was consolidated with Mr Dighton's benefits from the Securicor Group Pension Scheme under the transitional arrangements following 6 April 2006. A sum of £229,568 was paid to the Securicor Group Pension Scheme in respect of Mr Dighton's ULSRB in April 2006.
- (vi) Mr Gibson receives a salary supplement in lieu of pension of 40% of his basic salary with effect from 6 April 2006.

### Lord Condon

Chairman of the Remuneration Committee  
30 March 2007