

# Remuneration report

**The Remuneration Committee presents its report which has been adopted by the Board. Shareholders will be asked to approve the Remuneration Report at the forthcoming Annual General Meeting.**

The Report covers the following:

- // Committee membership and responsibilities
- // Policy on directors' and senior executive remuneration
- // Details of each director's remuneration including awards under share option plans
- // Graphs comparing the performance of the Company against the FTSE 250, its comparator group

Details of each director's interests in the Company's shares are set out in the Director's Report.

Although the Board rather than the Remuneration Committee is responsible for the terms of appointment of non-executive Directors and their fees, details of these are included in this Report.

## Remuneration Committee

The Remuneration Committee consists exclusively of independent non-executive Directors (as defined under the Combined Code). The members during the year were: Michael Jeffries (Chairman), Keith Hodgkinson and Philip Nolan. Nicholas Brookes resigned as a member and Committee Chairman before his appointment as Chairman of the Company on 22 July 2004. Their biographical details appear on page 18. The Committee met nine times and attendance details are set out on page 22. The Committee's terms of reference are set out in full on De La Rue's website and the key requirements are for it to approve:

- // all elements of the Chairman's and the Company's executive Directors' and senior executives' remuneration, including base salaries, benefits, pensions, performance measures and targets;
- // all contracts with executive Directors and any compensation arrangements arising from the early termination of these contracts;
- // all grants of shares and options under the Company's share schemes, any changes to existing schemes and the introduction of any new schemes;
- // the design of bonus schemes for divisions of the Company.

Details of how the Committee has carried out these responsibilities are described in this report.

## Advisers

The Committee is authorised to and uses independent consultants to advise it. During 2004/05 Watson Wyatt LLP advised on remuneration levels compared to comparator companies and on share plan design. New Bridge Street Consultants LLP advised only on whether performance targets in share option schemes were achieved. Watson Wyatt LLP also provided advice to the Company on a variety of compensation and employee benefits for employees below the level of executives reporting directly to the Chief Executive.

In addition, Nicholas Brookes, Chairman, Leo Quinn, Chief Executive, Stephen King, Finance Director and Ian Lowe, Group Director of Human Resources are requested to attend meetings on an ad-hoc basis to provide assistance to the Committee. Louise Fluker, General Counsel and Company Secretary, the Committee's secretary, advises the Committee on governance issues. No-one is present when his or her own remuneration or contractual terms are considered. The Chief Executive is consulted on the remuneration of executives directly

reporting to him and other senior executives and will seek to ensure a consistent process across the Group.

## Remuneration Policy for Executive Directors and Senior Executives

De La Rue's remuneration policy is designed to support the achievement of the Company's key business strategies, is linked to its performance and is regularly reviewed. It reflects the need to attract and retain employees who have the necessary skills and commitment and to motivate them by providing outstanding reward opportunities linked to the achievement of outstanding results.

The structure of the reward package for executive Directors and senior executives comprises:

- // basic salary, set at competitive levels relative to the external market and individual contribution;
- // an annual incentive award, providing a substantial total earnings opportunity, to reward achievement of short-term results and specific personal objectives;
- // a long-term incentive for senior management comprising discretionary executive share option awards, with stretching performance targets;
- // share ownership guidelines to promote retention and longer term ownership by senior executives with a share matching plan;
- // pension and other benefits in line with competitive practice.

The Committee regularly benchmarks key jobs against similar positions in comparable companies and obtains detailed information from external and internal sources about current market practices. The primary external comparator group used by the Committee comprises companies of similar size and complexity in the FTSE 250 as being the most appropriate comparator group. The objective is to ensure that total remuneration packages are fair and competitive and provide simplicity and transparency. The Committee also seeks to ensure that the interests of the executives are aligned with those of the shareholders.

For 2004/2005 incentives linked to performance were through participation in the annual incentive award and grants of share options under the De La Rue Executive Share Option Plan. Details are set out on page 31. The on-target annual incentive bonus, combined with the expected value of the share option grant (using the Watson Wyatt Present Economic Value methodology 'PEV') provides approximately 50 per cent of the executive Directors' direct remuneration for target performance.

Executive Directors and key executives, who are eligible to participate in the Matching Shares Scheme, which is linked to De La Rue's performance, are expected to build up a shareholding in De La Rue over a period of time. Participants may invest up to 50 per cent of their pre-tax annual bonus in De La Rue plc shares. If these shares are held for two years and if De La Rue's earnings per share increase in real terms by at least three per cent per annum, the Company will then match them on a one-for-two basis. These plans are described in more detail on page 31.

The Remuneration Committee has, however, concluded that it would, subject to approval by shareholders at the forthcoming Annual General Meeting, be appropriate to change the longer term incentive plan for executive Directors and senior key executives for 2005/06. Details of a proposed Deferred Bonus and Matching Share Plan are set out in the letter from the Chairman accompanying this Annual Report. Participants in the proposed Deferred Bonus and

Matching Share Plan will not participate in future grants/awards under the De La Rue Executive Share Option Plan and Matching Shares Scheme.

### Salaries for Executive Directors and Senior Executives

Details of each individual executive Director's remuneration are set out on page 28. Basic salaries reflect the responsibilities, market value and sustained performance level of executive Directors and senior executives. Salaries are based on the rate for similar posts in benchmarked companies although individual salaries may be above or below this level, reflecting performance and seniority in the position whilst having regard to employees' pay and conditions elsewhere in the Group. Basic salaries are reviewed annually by the Remuneration Committee.

### Annual Incentive Award

Performance-related elements of remuneration form a significant proportion of total remuneration packages. Executive Directors and senior executives are eligible to receive an annual incentive award which is paid as a percentage of basic salary and is based on achieving targets for the year set by the Remuneration Committee. The Committee considers each year what are appropriate performance measures to align the reward strategy with the business strategy. There will be appropriate divisional measures in divisional schemes.

Typical measures for executive Directors and senior executives will include headline earnings per share, operating cash flow and operating profit together with a discretionary element based on personal performance for each individual. The incentive plan is structured so that there is no payment unless a minimum performance threshold has been achieved and that the maximum payout will only be made if stretching and challenging targets are met. The 2004/2005 Annual Incentive Award achieved maximum payout. Targets set for 2005/2006 follow the same plan design as for 2004/2005 but with more challenging performance targets. The Committee has used a combination of these measures for the past five years, including the annual bonus scheme of 2004/2005. Once the design of the bonus scheme has been approved by the Committee it is then introduced throughout the business, based on seniority with a corresponding market-competitive bonus opportunity.

### External Appointments

The Board considers whether it is appropriate for an executive Director to serve as a non-executive Director of another company. Ian Much received £4,452 in respect of his non-executive Directorship of Manchester United PLC during the period up to his retirement. Stephen King was entitled to £4,471 in respect of his non-executive Directorship of the Weir Group plc. Both were permitted to retain the fees earned.

### Executive Directors' Service Contracts

The executive Directors have rolling service contracts with a 12-month notice period (except as set out below) and provision for compensation on termination not exceeding 12 months' gross salary. Leo Quinn and Stephen King are required to give 12 months' and six months' notice of termination respectively to the Company. Leo Quinn's service contract was dated 3 March 2004.

Stephen King's contract dated 7 October 2002 had a change of control clause which expired on 1 February 2005 so that if his employment had been terminated by reason of a change of control (other than for the purpose of internal amalgamation or reconstruction) before that date the Company would have been liable to pay annual gross salary at the rate current on the date of termination multiplied by 1.25. Such sum would have been reduced by 1/12th in respect of

each month (pro rata in the case of part month) of any notice of termination given by the Company.

Ian Much's service contract dated 1 December 1998 provided for automatic termination on 7 September 2004 when he would have attained his normal retirement age but he agreed in a compromise agreement with the Company to the early termination of his contract on 31 May 2004. This was to facilitate a smooth and quick handover to his successor, Leo Quinn. The Remuneration Committee considered the extent to which mitigation was possible and concluded that it was not appropriate in the circumstances. Details of Ian Much's compensation for the early termination of his contract are in the table of Directors' Emoluments on page 28.

In determining compensation for early termination of a service contract, the Remuneration Committee carefully considers the specific circumstances, the Company's commitments under the individual's contract and the individual's obligation to mitigate loss.

### Benefits

All Executive Directors and senior employees are eligible for a range of taxable benefits which include the provision of a company car and payment of its operating expenses (including fuel), or a cash alternative, membership of private medical and permanent health insurance schemes, life assurance and reimbursement of the annual subscription to an appropriate professional body. Details of the emoluments of the executive Directors during the year are in the table on page 28.

# Remuneration report continued

## Directors' Emoluments (audited information)

	2005 Salary and fees £'000	2005 Other payments £'000	2005 Benefits £'000	2005 Bonus £'000	2005 Total £'000	2004 Total £'000
<b>Executive Directors</b>						
Leo Quinn (appointed 29 March 2004) (a)	405	–	66	400	871	–
Ian Much (retired 31 May 2004) (b)	68	211	10	–	289	910
Stephen King (c)	255	–	30	153	438	410
	<b>728</b>	<b>211</b>	<b>106</b>	<b>553</b>	<b>1,598</b>	<b>1,320</b>
<b>Non-executive Chairman</b>						
Sir Brandon Gough (retired 22 July 2004)	36	–	–	–	36	115
Nicholas Brookes (Chairman w.e.f 22 July 2004)	115	–	–	–	115	31
<b>Non-executive Directors</b>						
Sir Jeremy Greenstock	3	–	–	–	3	–
Keith Hodgkinson	35	–	–	–	35	31
Michael Jeffries	34	–	–	–	34	26
Philip Nolan	30	–	**3	–	33	29
	<b>253</b>	<b>–</b>	<b>3</b>	<b>–</b>	<b>256</b>	<b>232</b>
<b>Aggregate emoluments</b>	<b>981</b>	<b>211</b>	<b>109</b>	<b>553</b>	<b>1,854</b>	<b>1,552</b>

(a) This includes benefits received by Leo Quinn of £35,000 in connection with his relocation. Leo Quinn was eligible for 100 per cent of basic salary for the 2004/2005 annual incentive award of which £100,000 was guaranteed.

(b) Ian Much was not entitled to any bonus under the annual incentive award for 2004/2005. His contract provided for automatic termination on 7 September 2004 but his employment was terminated by agreement on 31 May 2004. The Company paid him £211,000 (less deductions for any applicable tax and national insurance contributions in lieu of the remuneration he would have received to 7 September 2004 which represented:

Basic salary	£109,071
Car allowance:	£4,710
FURBS contribution (paid in cash):	£49,470
Payment in connection with FURBS:	£32,908
Loss of pensionable service:	£7,600

The Company also agreed to continue to keep in force at the Company's expense the benefits in kind Ian Much would have received from the date of termination to 7 September 2004 (estimated benefits in kind of £6,659 plus a cash payment of £825).

Pursuant to the Rules of the De La Rue (1993) Executive Share Option Scheme, the Remuneration Committee exercised its discretion to allow Ian Much to retain executive share options totalling 505,602 exercisable within 12 months of cessation of employment on 31 May 2004. Details are set out in the table of Directors' Share Options on page 29.

(c) Stephen King was eligible for 60 per cent of basic salary for the 2004/2005 annual incentive award.

\*\* Relates to reimbursement of travelling expenses from Ireland to attend Board meetings.

## Directors' Pension Entitlements (audited information)

	Directors' Remuneration Report Regulations 2002					Defined benefit scheme (£'000)			Defined contribution schemes (£'000)	
	Pension accumulated at 26 March 2005	Increase in pension during year	Transfer value of accumulated pension at 27 March 2004	Transfer value of accumulated pension at 26 March 2005	Increase in transfer value of accumulated pension (excluding Directors' contributions)	Pension accumulated at 26 March 2005	Increase in pension (net of inflation during year)	Transfer value of the increase in pension (excluding Directors' contributions)	Contributions over year to 26 March 2005	Contributions over year to 27 March 2004
Ian Much* (resigned 31 May 2004)	10	1	169	172	3	10	1	9	31	184
Leo Quinn (appointed 29 March 2004)	3	3	–	32	26	3	3	32	–	–
Stephen King	7	3	30	58	22	7	3	27	–	26

\* In addition £18,786 was paid as a cash supplement in lieu of contributions otherwise due to the FURBS. This amount included a prior year adjustment of £1,508.

### Directors' Share Options (audited information)

	Date of grant	27 March 2004	Exercised during year	Granted during year	Lapsed during year	Number of options 26 March 2005 (or date of retirement)	Exercise price (pence)	Market price at exercise date (pence)	Performance targets (see below)	Date from which exercisable	Expiry date
Ian Much (retired 31 May 2004)											
Executive	Sep '98	301,600	*301,600	-	-	-	218.833	350.885	(a)	Sep '01	May '05
Share Options	Nov '99	204,002	-	-	-	204,002	333.330	-	(a)	Nov '02	May '05
Share Price Improvement Plan	Jun '01	76,000	-	-	#76,000	-	506.420	-	(b)	-	May '04
		581,602	301,600		76,000	204,002					
Leo Quinn (appointed 29 March 2004)											
Executive	Jul '04	-	-	352,422	-	352,422	340.500	-	(e)	Jul '07	Jul '14
Sharesave Options	Dec '04	-	-	5,448	-	5,448	303.31	-	(f)	Mar '10	Aug '10
				357,870		357,870					
Stephen King											
Executive	Mar '03	100,000	-	-	-	100,000	200.500	-	(c)	Mar '06	Mar '13
Share Options	Jul '03	204,000	-	-	-	204,000	237.333	-	(d)	Jul '06	Jul '13
	Jul '04			149,779	-	149,779	340.500	-	(e)	Jul '07	Jul '14
Sharesave Options	Dec '03	3,563	-	-	-	3,563	258.900	-	(f)	Mar '07	Aug '07
		307,563	-	149,779		457,342					

\* On 10 December 2004 and in accordance with the Rules of the Scheme the option was exercised. At the date of exercise Ian Much made a total gain of £398,268 less deductions for any applicable tax or national insurance contributions.

# Options lapsed on Ian Much's retirement from the Company on 31 May 2004.

#### The performance targets are:

- (a) total return of a share over 36 consecutive months to exceed total return of median company in the FTSE Mid-250 Index; the options granted in September 1998 and November 1999 have vested as the performance targets under the Executive Share Option Scheme were met.
- (b) share price did not achieve a minimum target price of 557.06p;
- (c) earnings per share growth over three years of at least three per cent per annum over rate of increase in retail prices index; headline earnings per share at the start of the performance period was 34.4p;
- (d) earnings per share growth over three years of at least five per cent per annum over rate of increase in retail prices index; headline earnings per share at the start of the performance period was 18.9p;
- (e) earnings per share growth over three years of at least three per cent per annum over rate of increase in retail prices index; headline earnings per share at the start of the performance period was 24.2p;
- (f) no performance conditions are attached to the Options under the Sharesave Scheme as it is open to all UK employees.

During 2004/2005 no executive Director exercised any share options.

The market price of the ordinary shares at 26 March 2005 was 400 pence and the price range during the year was 302 pence to 408.75 pence.

# Remuneration report continued

## Pension

All executive Directors and senior executives in the UK may join the De La Rue Pension Scheme. Executives who are members of the senior section are required to pay a contribution of seven per cent of basic salary to the Scheme (previously five per cent to 1 July 2004 and six per cent up to 31 March 2005). Where required by Inland Revenue rules, basic salary is capped (£102,000 for 2004/2005). Members are provided with a pension of up to two-thirds of pensionable salary on retirement. The actual level of pension depends upon the number of years' service with the Group. The normal retirement age is 62 (except for Leo Quinn whose normal retirement age is 60) although accrued pensions may be drawn in full from age 60. The Scheme also provides a lump sum death in service benefit and pensions for dependents of members on their death. Executive Directors and certain senior executives, for whom a personal pension arrangement is more appropriate, as an alternative to joining the Company scheme, can receive a Company contribution subject to Inland Revenue rules. In addition certain executive Directors may receive a payment into a Funded Unapproved Retirement Benefit Scheme ('FURBS').

This is, however, under review because of the proposed changes to pensions benefits and contributions outlined in the Pensions Act 2004 and expected to apply from April 2006.

Details of each executive Director's pension arrangements are as follows:

Ian Much was a member of the senior section of the De La Rue Pension Scheme and contributions were paid on his behalf to this and a FURBS up to 31 May 2004. He received an early retirement pension from 1 June 2004 from the senior section of the De La Rue Pension Scheme based on his service with the Company and in accordance with the Rules of the Scheme. The FURBS has been wound up and the proceeds paid to him.

Stephen King is eligible for a target pension from all sources of two-thirds of basic salary at the age of 62. Part of this benefit arises from previous employment. His target pension is provided through a combination of a FURBS and membership of the senior section of the De La Rue Pension Scheme. He is required to make a contribution of seven per cent of basic capped salary to his pension arrangement and is covered for a lump sum on death in service based on four times basic salary, with a widow's pension of 60 per cent of target pension in the event of death in service. Pending completion of a review of the pension arrangements to allow for the Pensions Act 2004, contributions to the FURBS were suspended from September 2003 and this part of the benefit is being secured on an unfunded basis. If he leaves service before April 2006 he will be entitled to a cash payment equal to the contributions the Company would have otherwise made to the FURBS of £65,790 in 2004/2005 (2003/2004 £36,120). The Company's external actuary assesses the Company's contributions to the Scheme.

Leo Quinn is eligible for a target pension from all sources of two thirds of basic salary at the age of 60. Part of this benefit arises from previous employment. The target pension is being provided through a combination of membership of the senior section of the De La Rue Pension Scheme and an unfunded arrangement pending completion of a review to ascertain the most appropriate method of providing this benefit taking account of the provisions of the Pensions Act 2004. He is required to make a contribution to the senior section of the pension scheme of seven per cent of capped salary and is covered for a lump sum on death in service based on four times basic salary, with a widow's pension of 40 per cent of basic salary payable on

death in service. The Company's external actuary assesses the Company's contributions to the Scheme. If he leaves service before April 2006 he will be entitled to a cash payment equal to the contributions the Company's external actuary assesses would have been necessary to meet the unfunded part of his pension which amounts to £154,960 for 2004/2005.

## Sharesave Scheme

All UK employees of the Company may join its Inland Revenue approved SAYE Scheme. Options are granted over De La Rue plc shares, at the prevailing market price at the time of grant (with a discretionary discount to the market price), to employees who agree to save between £5 and £250 per month over a period of three or five years. A grant was made in December 2004 at a price of 303.31p pence which was a 15 per cent discount, and 30 per cent of eligible employees participated.

## US Employee Share Purchase Plan

The US Employee Share Purchase Plan, established under section 423 of the US Internal Revenue Code, provides a competitive incentive for all US employees to invest up to 10 per cent of basic salary each year in the Company, subject to the statutory limit (currently US\$25,000 worth of shares). No performance conditions are attached to options under the Plan. The Third Offering under the Plan started on 1 January 2005 and 21 per cent of eligible employees participated. The purchase price is 85 per cent of the lower market value of a De La Rue plc share either at the beginning (294.95pence) or end of the Offering Period on 31 December 2005.

## Executive Share Schemes

Awards are discretionary and subject to the limits approved by the Committee whilst reflecting good corporate governance practice and institutional guidelines. The number of shares under any option is determined by reference to a percentage of annual base salary. This is normally in a range between 25 per cent and up to 200 per cent of base salary depending on levels of seniority. The Committee may award an individual options equal to three times base salary each year, but only in exceptional circumstances. Grants to date have not been made at these levels. The performance conditions attached to share options apply to all executive Directors. Details of all current schemes are described opposite.

## Executive Share Option Scheme

The Company operates an Executive Share Option Scheme with an Inland Revenue approved section and unapproved section which expired on 31 December 2004. Options granted under the Scheme since July 1996 can only be exercised if performance targets are met. The performance condition applied to the 1997 grant and to all subsequent grants of options up to and including 2001 is that options can only be exercised if the total return of a share ('TSR') over a consecutive three-year period exceeds the total return of the median ranked company in the FTSE Mid-250 Index over the same period. Options granted in 1996 are normally exercisable only if the TSR over a rolling three-year period exceeds the average total return of the FTSE All Share Index. A Phantom Share Option Scheme has been operated and the performance targets for grants prior to 2002 match those of the Executive Share Option Scheme. The Remuneration Committee considered the performance target to be the most appropriate at the time it was introduced.

## Share Price Improvement Plan

The Company established the Share Price Improvement Plan in July 1999. The objective of the Plan was to achieve improvement in the Company's value by aligning shareholders' interests with those of

senior key employees so that options would only be exercisable on a sliding scale if the Company's share price had increased over the performance period and if that percentage increase in share price equalled or exceeded the percentage increase in the FTSE 250 Index (excluding investment companies) over the same performance period. During the year 14 employees held options under the Plan. The third grant of options under the Plan failed to meet the minimum performance target price of 557.06 pence on the third anniversary in 2004 and consequently all options lapsed. The first and second grant of options had also failed to meet the minimum target share price of 322.95 and 392.22 pence respectively on their third anniversary and consequently all those options previously lapsed. No further grants of options may be made under the Plan.

### Executive Share Option Plan

The Executive Share Option Plan provides for the grant of options at a price equal to the average market value of a De La Rue plc share over the three dealing days immediately preceding the date of grant with a performance condition based on the achievement of an earnings per share growth target. Options were granted to senior executives in July 2004 and in December 2004 at option prices of 340.50 pence and 356.83 pence respectively. These options will vest subject to achieving the performance condition over three years of earnings per share growth of at least three per cent per annum over the rate of increase in the retail prices index. If this condition is not met at the end of the performance period the options will lapse. For grants of options before April 2004 retesting of the performance target will be allowed on the fourth and fifth anniversaries of the date of grant. For the purpose of the calculations in connection with the Plan (and the Matching Shares Scheme) earnings per share will be derived from the headline earnings per ordinary share (before exceptional items) as shown in the Group Profit and Loss Account.

The Remuneration Committee at the time of establishing the Plan in July 2002 considered using a performance measure based on a comparison of the Company's Total Shareholder Return with those of other companies, but given the difficulty in finding a suitable group of comparator companies, the current market conditions and the Group's position, the Committee's view then was that a performance measure based on growth in earnings per share was more appropriate. The Plan is in two parts. Part A is approved by the Inland Revenue and so confers tax relief on UK resident employees on any gains arising on exercise. Part B is unapproved to enable the grant of options to an individual where the cumulative value of the employee's subsisting options at the date of grant exceeds £30,000. Options are granted for nil payment and may normally only be granted within 42 days of any announcement of results. The Remuneration Committee also has the power to approve the grant of options at other times in exceptional circumstances such as the need to attract a Director or senior executive to join the Company. No grant of options under the Plan may be made later than the fourth anniversary of the adoption of the Plan by the Company.

A Phantom Share Option Scheme is operated under similar rules to provide an equivalent cash incentive to senior executives in jurisdictions where the tax or securities laws make it impracticable to operate a share option scheme.

The Remuneration Committee will regularly review the performance target and may increase but not relax it to ensure the target remains a challenging and stretching test of performance.

### Matching Shares Scheme

One of the principles of the remuneration policy is that certain key executives should be encouraged to acquire and retain a personal shareholding in the Company. The Company has a policy requiring such executives to build up a holding of shares in the Company equivalent to one times salary over a period of five years. In order to encourage key executives to build up their personal shareholding, qualifying shares newly acquired by key executives will, if lodged with a nominee or trustee for a two-year period and subject to a performance target, qualify for an additional free (or 'matching') share for every two qualifying shares lodged.

The performance target which must be satisfied is an increase in the growth of the Company's earnings per share over the latest two financial years which is at least three per cent per annum on average greater than the rate of increase in the retail prices index.

The Remuneration Committee at the time of establishing the Scheme concluded that under current market conditions the performance measure represented an appropriately challenging goal and that the requirement to build up a shareholding equivalent to one times salary was sufficiently flexible to take account of changing economic or personal circumstances. The Remuneration Committee will keep the performance target under review and may increase but not relax it from time to time as it considers appropriate.

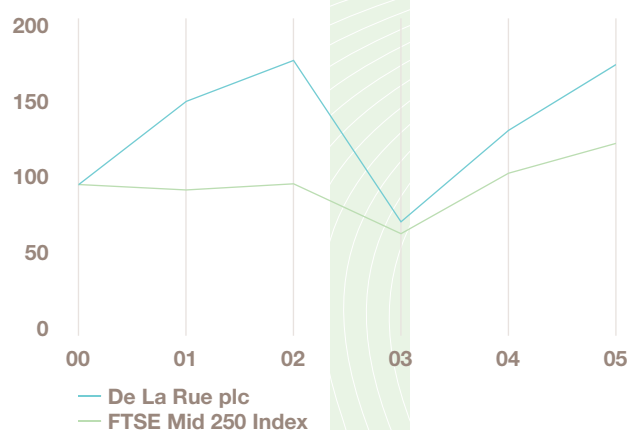
The Remuneration Committee will during 2005/2006 review the effect of IFRS on the performance targets and consider whether any adjustments are appropriate.

### Shareholder Return

The Remuneration Committee considers the FTSE Mid 250 Index to be the most appropriate basis for comparison as the Company has been a constituent of the 250 Index throughout the period.

The performance chart below illustrates total shareholder return.

### Total shareholder return (£)



This graph shows the value, by 26 March 2005, of £100 invested in De La Rue on 1 April 2000 compared with the value of £100 invested in the FTSE Mid-250 Index. The other points plotted are the values at intervening financial year-ends.

# Remuneration report continued

## Non-executive Directors

Non-executive Directors have letters of appointment specifying fixed terms of office of three years, renewable for a further three years subject to satisfactory performance. They do not have service contracts. The Board may invite non-executive Directors to serve an additional third three-year term after a detailed review. The non-executive Directors' current letters of appointment are dated as follows:

<b>Non-executive Director</b>	<b>Date of Current Term of Appointment</b>
Keith Hodgkinson	19 April 2003
Michael Jeffries	19 April 2003
Sir Jeremy Greenstock	18 February 2005
Philip Nolan	1 April 2005

Nicholas Brookes was initially appointed as a non-executive Director on 19 March 1997 and as Chairman of the Company on 22 July 2004. His letter of appointment is dated 22 July 2004.

A non-executive Directors' appointment automatically terminates if he ceases to be a director pursuant to legislation or the Company's Articles of Association or if he fails to be elected or re-elected by the shareholders. Accordingly there is no contractual notice period and no compensation is payable on termination.

## Remuneration for non-executive Directors

The Board determines the fees paid to other non-executive Directors taking into account market norms, comparisons with comparator companies and the duties required of non-executive Directors. Watson Wyatt LLP advised the Board during 2004/2005. Details of fees to the Chairman and other non-executive Directors are set out on page 28. These include additional fees for chairing the Audit and Remuneration Committees. Non-executive Directors are not eligible for pension scheme membership and do not participate in any of the Group's bonus or share option schemes.

By order of the Board



**Michael Jeffries**

Chairman of the Remuneration Committee  
24 May 2005