

Summary directors' remuneration report

Remuneration policies Remuneration policies for the executive directors and the senior management team are aligned with the board's governing objective, which is to maximise the value of the company for the benefit of shareholders in terms of total shareholder return represented by share price movement and the value of dividends as if reinvested when paid. Executive bonuses are seen as a means of reinforcing this objective and rewarding executives for their achievement.

Remuneration policies are based on the following fundamentals:

Pay levels Executive directors' salaries and non-executive directors' fees are positioned at competitive levels in the light of independent assessment of market practices. Bonus schemes provide an opportunity for executives to receive additional rewards if, and only if, business performance reaches specified objectives and targets.

Short term executive bonus scheme This scheme rewards executive directors for achieving operating efficiencies and profitable growth in the relevant year by reference to challenging but achievable forecasts derived at the beginning of the year from strategic plans.

Long term bonus schemes The schemes provide a direct link between the pay of executive directors and the creation of value for shareholders. In schemes commencing prior to April 2002 group performance is measured predominantly over rolling four year cycles, in terms of total shareholder return relative to a peer group of ten other leading companies. After the end of each performance cycle, one half of any bonus earned is paid in cash and the remaining half is paid as a share award. For performance periods ending prior to 1st April 2001 the executive director will normally become entitled to receive those shares only after remaining employed for a further three years. Thereafter any share award vests immediately upon grant.

For performance periods commencing on or after 1st April 2002 the performance period is reduced to three years, but any bonus is paid entirely in shares.

Executive share option plan The 2001 annual general meeting of the company approved the establishment of an executive share option plan, under which executive directors and other employees can be granted options to subscribe for ordinary shares in the company subject to the satisfaction of performance conditions relating to growth in earnings per share.

Directors' remuneration Full details of directors' emoluments are set out in the directors' remuneration report, contained in the 2002 Annual Report and Accounts, copies of which are available on request. The cash elements of the remuneration are set out in the table below.

Analysis of individual directors' emoluments £000	Salaries and fees	Short term bonuses	Long term bonuses	Other benefits	Total 2002	Total 2001
Sir Michael Angus (deputy chairman until retirement on 31st December 2000)	-	-	-	-	-	71
J Bennink (from 10th September 2001)	17	-	-	-	17	-
Lord Blyth (chairman until retirement on 31st July 2000)	-	-	-	-	-	338
Dr J G S Buchanan	30	-	-	-	30	30
B Clare	350	105	24	17	496	376
F M Harrison	30	-	-	-	30	30
J B McGrath (chairman from 1st August 2000)	250	-	-	5	255	147
K S Piggott	350	105	34	10	499	405
H Ploix (from 7th September 2000)	30	-	-	-	30	17
Dr M P Read	30	-	-	-	30	30
Sir Peter Reynolds (retired on 27th July 2000)	-	-	-	-	-	10
Sir Nigel Rudd (deputy chairman from 3rd December 2001)	55	-	-	-	55	36
M F Ruddell (retired from the board on 31st March 2001)	-	-	-	-	-	435
S G Russell	575	173	45	16	809	684
A P Smith (from 1st April 2001)	250	75	-	11	336	-
D A R Thompson	470	141	50	16	677	629
J J H Watson (retired on 31st July 2001)	130	26	25	4	185	337
Sir Clive Whitmore (retired on 31st March 2001)	-	-	-	-	-	30
	2,567	625	178	79	3,449	3,605

Included above are long term bonuses for Mr B Clare and Mr K S Piggott of £5,000 and £15,000 respectively that were earned from schemes before they became executive directors. In addition, Mr D A R Thompson exercised options on 1,422 shares making a gain of £3,000.