Remuneration Committee report

1. Introduction

This report to shareholders sets out the membership of the Remuneration Committee and the names of the advisers who provided services to the Committee during the year ended 3 January 2009. The policies that have been followed by the Remuneration Committee during the year in determining the elements of executive remuneration are also set out, together with the policies and principles to be followed by the Committee over the next two years.

This report has been prepared in accordance with the Directors' Remuneration Report Regulations 2002 ('DRRR') which set out statutory requirements for the disclosure of Directors' remuneration. The report also meets the relevant requirements of the Listing Rules of the UKLA and describes how the Board has applied the Principles of Good Governance relating to Directors' remuneration. The DRRR require the independent auditors to report to the Company's members on the auditable parts of the Remuneration Committee report and to state whether, in their opinion, those parts of the report have been properly prepared in accordance with the Companies Act 1985.

The Board keeps under review the terms of reference for the Remuneration Committee which are based on current best practice contained in the model terms of reference set out in the Guidance Note produced by the Institute of Chartered Secretaries and Administrators. The principal responsibility of the Committee is to determine the framework or broad policy for the Company's executive remuneration and the remuneration of the Chairman of the Board, for approval by the Board. The remuneration of Non-Executive Directors is a matter for the Board itself. The terms of reference of the Remuneration Committee can be found under 'Governance' in the 'Responsibilities' area of the Company's website, www.tomkins.co.uk. In addition, the Company takes full account of the guidelines published by the Association of British Insurers and the National Association of Pension Funds.

During the year, the Remuneration Committee assessed and approved awards under the PSP. It also advanced the grant dates of PSP awards by three months to deal with timing issues related to the cessation of quarterly reporting, making a one-off 25% reduction in the value of the related awards to take account of the earlier grant. The Committee also made a technical amendment to the PSP award limits, which are expressed in terms of shares but relate to an underlying monetary value, in order to reinforce the principle of the PSP that a participant cannot exceed either the maximum shares or monetary value awarded by the Committee at the end of the performance period. The Committee also reviewed calculations relating to awards made to Directors under the ABIP and approved the granting of awards under the Sharesave Scheme. The annual base salary review for executives within the ABIP was carried out in accordance with the ABIP rules, using the 12-month average Retail Prices Index for UK executives (4.3%) and Consumer Price Index for US executives (4.2%).

Details of the emoluments, bonuses, benefits-in-kind, incentive arrangements (including share options and other long-term incentives), pensions and service contracts applicable to each Director who served during the year ended 3 January 2009 are given in this report, which will be put to the vote of shareholders at the forthcoming AGM.

2. Membership of the Remuneration Committee and advisers

The Remuneration Committee is made up of the Chairman of the Board, and Non-Executive Directors whom the Board determined to be independent, as each was found to be free from any material business or other relationship with the Company (either directly or as a partner, shareholder or officer of an organisation that has a relationship with the Company). Accordingly, the Board believes that there are no such relationships that could materially interfere with the exercise of their independent judgement. The members of the Remuneration Committee throughout the year ended 3 January 2009 and as at that date, were John McDonough (Chairman), Richard Gillingwater, David Newlands and Leo Quinn and there were no changes to the membership of the Committee during the year. In June 2006, the Financial Reporting Council published an updated version of the Combined Code that, amongst other things, included a provision that permitted the Chairman to sit on the Remuneration Committee. David Newlands served as a member of the Remuneration Committee during the year.

The Committee consults with the CEO concerning matters of executive remuneration. The Committee appointed PA Consulting Group to provide independent verification of the cost of capital in respect of the Company's PSP and to assist with briefing the Committee on issues relating to the ABIP and to the PSP, and to remuneration generally. Mercer Limited provided professional advice to the Company and to the trustees of the pension schemes of Tomkins and some of its subsidiaries in respect of their respective pension arrangements and Mercer Limited and Buck Consultants (Healthcare) Limited provided professional consultancy advice to Tomkins in respect of the placement and operation of life assurance.

Other than those consulting services mentioned above, PA Consulting Group, Mercer Limited and Buck Consultants (Healthcare) Limited had no connections with the Company.

3. Statement of the Company's policy on Directors' remuneration (unaudited information)

The policies operated by the Company during the year and those to be applied over the next two years are set out below:

A. Executive remuneration

The Company's policy on executive remuneration is that the Remuneration Committee and the Board should each satisfy itself that executives, including Executive Directors, are fairly rewarded for their individual contributions to the Group's performance. The Remuneration Committee has sought to ensure that Executive Directors receive a level of remuneration that is appropriate to their scale of responsibility and performance, and which will attract, motivate and retain individuals of the necessary calibre. The only pensionable element of Executive Directors' remuneration is basic salary. This policy applies whether or not an Executive Director is a member of the Tomkins Retirement Benefits Plan or has a personal pension arrangement.

B. Annual remuneration for executives

The Board recognises that one of its key objectives is to grow the value of the business for the benefit of shareholders and that such growth is strongly related, amongst other things, to the degree of entrepreneurial spirit in the Group. In order to create the necessary entrepreneurial impetus within an organisation, compensation arrangements are required which are similar to those that an owner of a business would seek. This has led to the adoption of a remuneration policy under which the levels of total remuneration are set in order to attract, retain and motivate executives.

The executive rewards at Tomkins have a standard composition, made up of three principal elements:

- Base salary
- Annual Bonus Incentive Plan
- The Performance Share Plan

These standard elements form part of a carefully-designed system put in place between 2003 and 2006 to create an entrepreneurial focus on value creation. The process had three stages:

- first, we agreed a clear set of principles to guide system design
- secondly, we drafted system structures which would embody these principles
- finally, we calibrated each element of the system to ensure enhanced rewards for above-target performance – and reduced rewards for below-target performance.

Remuneration is benchmarked against a series of comparable UK companies as well as North American auto-component manufacturers and is provided through a combination of base salaries at median level or below and annual bonuses that have a direct and proportionate link to total value created for shareholders. This provides the incentive for executives to act like owners of the business. The Remuneration Committee and the Board believe that this more closely aligns the interests of shareholders and management whereby executives only receive substantial rewards when they have created exceptional value in the business.

Over time and subject to the achievement of value-creation, this policy is designed to lead to a realignment of the component parts of total executive remuneration, so that a greater part of the total package received by executives is made up of incentive pay with the remainder coming from base salaries at the median level or below. The performance targets for the ABIP and the PSP ensure that a substantial proportion of total remuneration is directly related to actual measurable performance. Further details of the ABIP and the PSP are set out in section 4B on pages 55 to 57.

C. Non-Executive Directors' fees and Chairman's remuneration

The Executive Directors review the fees of Non-Executive Directors who play no part in determining their own remuneration. The Chairman's remuneration is determined by the Remuneration Committee and is approved by the Board. The Chairman takes no part in the discussions and decisions relating to his own remuneration. The review of Non-Executive Directors' fees and the Chairman's remuneration takes place every two years, the last review having taken place on 1 January 2008 and the next one being due on 1 January 2010.

D. Service contracts

The Company's policy on Directors' service contracts is that service contracts and letters of appointment for Executive Directors normally provide for notice periods of no longer than 12 months. On appointment, a longer notice period may apply, but this will reduce over time to the normal 12 months' notice period. Notwithstanding the provisions in an Executive Director's service contract or letter of appointment concerning termination payments, the Company will seek to reduce any compensation that may be payable to reflect the departing Director's obligation to mitigate loss.

E. External appointments

The Company's policy on external appointments is that, with the approval of the Chairman of the Board, Executive Directors are permitted to hold appointments outside the Company. Any fees payable in connection with such appointments are normally retained by Directors unless otherwise agreed.

Remuneration Committee report (continued)

F. Long-term incentives and share options

The Company has operated a number of share-based long-term incentive schemes in the past but, following a review of executive remuneration, the Remuneration Committee and Board expect the number of plans and schemes to reduce over time as they lapse and are not renewed or replaced. As previously reported, the Remuneration Committee and the Board decided not to continue with an executive share option scheme beyond 9 May 2005, the date on which the Company's executive share option schemes lapsed. Following shareholder approval, the PSP was introduced.

The Company operates an employee savings related share option scheme, the Sharesave scheme, which applies to all UK employees.

G. Retirement benefits

The Company's defined benefit pension plan was closed to new members in April 2002 and, since that time, the Company's policy has been that new employees, including Executive Directors and senior executives, will receive a payment from the Company to enable them to make contributions to pension plans of their choice on behalf of themselves and their dependants. No change to this policy is expected over the next two years.

4. Elements of remuneration (audited information)

Executive remuneration is comprised of base salary, a bonus (in three parts: cash, bonus shares and deferred shares) and benefits-in-kind. Non-Executive Directors are awarded a basic fee and fees for their work on Board Committees. The table below sets out the remuneration paid to each of the current Directors.

A. Base salary, fees, bonuses and benefits-in-kind

Directors' emoluments	Basic salary/fees $000	Bonus cash[1] $000	Bonus shares[1] $000	Bonus deferred shares[2] $000	Benefits-in-kind[3] $000	Pension contribution[5] $000	Total emoluments: Year ended 3 January 2009 $000	Total emoluments: Year ended 29 December 2007 $000
Chairman								
D B Newlands[4]	407	–	–	–	–	–	**407**	380
Executive Directors								
J Nicol	1,763	433[7]	108[7]	216[7]	73	661	**3,254**	4,794
J W Zimmerman (from 1 October 2007)	573	203[8]	51[8]	102[8]	26	215	**1,170**	380[6]
Non-Executive Directors								
R D Gillingwater[4]	150	–	–	–	–	–	**150**	142
J McDonough[4] (from 14 June 2007)	143	–	–	–	–	–	**143**	68
L M Quinn[4] (from 6 July 2007)	119	–	–	–	–	–	**119**	62
D H Richardson[4]	124	–	–	–	–	–	**124**	124
D D S Robertson[4]	122	–	–	–	–	–	**122**	132
	3,401	636	159	318	99	876	**5,489**	6,082

Notes

(1) Details of bonus payments in accordance with the Annual Bonus Incentive Plan are given in section B below.

(2) Deferred shares are held under the Annual Bonus Incentive Plan.

(3) Benefits-in-kind include medical cover, car and fuel benefits, and other benefits in accordance with their service contract.

(4) On 4 August 2008, 2,000 shares were purchased for each of the Non-Executive Directors and 5,000 shares were purchased for the Chairman, at a market price of 127.50p per share. The cost of these shares formed part of their remuneration.

(5) See section 6 'Retirement benefits' below for more details.

(6) The comparative figure for John Zimmerman relates to the 3 months from 1 October 2007 to 29 December 2007.

(7) Comparative figures for Jim Nicol's bonus elements for 2007 were $1,307,000 bonus cash, $326,000 in bonus shares and $652,000 in bonus deferred shares.

(8) Comparative figures for John Zimmerman's bonus elements for the 3 months from 1 October 2007 to 29 December 2007 were $114,000 bonus cash, $28,000 in bonus shares and $56,000 in bonus deferred shares.

Chairman's remuneration

With the assistance of PA Consulting and, having taken into consideration comparative remuneration data, the contribution made by the Chairman to the Company's affairs, the time he devotes to the Company's business and the extra responsibilities placed upon him arising from the changes in corporate governance requirements in the UK and the US, the Remuneration Committee recommended to the Board that his remuneration should be increased from £185,000 ($370,148) plus 2,000 Tomkins plc shares per annum, to £205,000 ($394,687) plus 5,000 Tomkins plc shares per annum with effect from 1 January 2008 for a two-year period. These recommendations were approved by the Board.

Non-Executive Directors' fees

With the assistance of PA Consulting, the Executive Directors reviewed the fees paid to Non-Executive Directors and, having taken into consideration comparative remuneration data, the contribution made by individual Non-Executive Directors to the Company's affairs, the time they devote to the Company's business and the extra responsibilities placed upon them arising from the changes in corporate governance requirements in the UK and the US, approved an increase in the fees to the following with effect from 1 January 2008 for a two-year period:

Basic fee
£45,815 p.a. ($88,208) (previously £42,500 p.a. ($85,034)); plus 2,000 Tomkins' shares p.a. (unchanged)

Additional fees

Audit Committee
Chairman: £16,170 p.a. ($31,132) (previously £15,000 p.a. ($30,012))

Other members: £8,085 p.a. ($15,566) (previously £7,500 p.a. ($15,006))

Remuneration Committee
Chairman: £10,780 p.a. ($20,755) (previously £10,000 p.a. ($20,008))

Other members: £5,390 p.a. ($10,377) (previously £5,000 p.a. ($10,004))

CSR Committee
Chairman: £13,475 p.a. ($25,943) (previously £12,500 p.a. ($25,010))

Other members: £5,390 p.a. ($10,377) (previously £5,000 p.a. ($10,004)) plus £1,617 per meeting day ($3,113) (previously £1,500 per meeting day ($3,001))

Senior Independent Director
£16,170 p.a. ($31,132) (previously £15,000 p.a. ($30,012))

B. Current incentive schemes

Annual Bonus Incentive Plan
The Executive Directors and senior managers participate in the ABIP. Each participant in the ABIP receives a percentage of 'bonusable profit' of the business for which he or she has responsibility. Bonusable profit is based on operating profit less a charge for tax, certain exceptional items and a charge for invested capital. The objective of the ABIP is to reward the senior executives for increasing the overall value created in the business. Accordingly, bonusable profit may increase at a faster rate than operating profit where the margin of the return over the cost of capital increases. This aligns the interests of management and shareholders. In arriving at bonusable profit, adjustments may be made for restructuring charges relating to strategic manufacturing initiatives to match the costs of the strategic manufacturing initiatives to the benefits over a period of up to three years. The charge for taxation reflects the ongoing charge for tax excluding any benefit from exceptional adjustments to tax provisions. The charge for invested capital is based on applying the estimated weighted average cost of capital to the average invested capital in the Group. The estimated weighted average cost of capital takes into account the capital structure of the Group and the costs associated with each element of capital. The method of calculation has been agreed by the Remuneration Committee and is subject to review each year. The invested capital is based on the book value of the Group's assets, excluding goodwill relating to acquisitions made prior to 30 December 1999. The cost of capital used in the calculation of bonusable profit for the year under review was 7.73%.

The Remuneration Committee carries out a detailed review of the computations involved and ensures that the rules are applied consistently. Furthermore, the independent auditors are asked to perform agreed-upon procedures on behalf of the Remuneration Committee on the calculations which underlie the computation of the bonusable profit. The incentive bonus of the Executive Directors is based on a percentage of the bonusable profit of the Group which, for the year ended 3 January 2009, was $63.6 million (2007: $192.1 million) and the respective bonusable profit percentages were: James Nicol (0.85%) and John Zimmerman (0.4%). James Nicol received through bonus cash and bonus shares the sum of $541,000 (2007: $1,633,000) and John Zimmerman received the sum of $254,000 (three months to December 2007: $142,000). Jim Nicol received through bonus deferred shares a further sum of $216,000 (2007: $652,000) and John Zimmerman received a sum of $102,000 (three months to December 2007: $56,000). Although there is no limit to the bonusable profit on which bonuses are calculated, inordinate growth in bonusable profit in any one year is unlikely to arise due to the nature of the Group's business.

Remuneration Committee report (continued)

4. Elements of remuneration (audited information) (continued)

B. Current incentive schemes (continued)

Annual Bonus Incentive Plan (continued)

The bonus awards are payable to senior participants, including Executive Directors, as to four-sevenths in cash, one-seventh in bonus shares and two-sevenths in deferred shares. The bonus awards payable to the remaining participants are as to three-quarters in cash, one-twelfth in bonus shares and one-sixth in deferred shares. The bonus is paid at the end of June, September and December based on 75% of the bonus earned to the end of the previous quarter, with the balance of the full entitlement to the bonus for the calendar year paid at the end of March following the calendar year-end. Bonus shares are restricted and vest only after a period of three years from the initial bonus award. Dividends are paid on the bonus shares. Deferred shares are awarded at the time of the initial bonus award but the vesting of the shares is conditional on continued employment with the Group for three years after the award. Dividends are not paid on the deferred shares until they have vested. On leaving the Company, the bonus shares will normally vest in full. In good leaver circumstances, the deferred shares will vest on a pro-rata basis.

As a condition of continued participation in the ABIP, senior participants, including Executive Directors, are required to retain shares with a value equivalent to one year's total after-tax remuneration including bonus, based on an average of the previous three years. Remaining participants are required to hold shares with a value equivalent to one-half of one year's total after-tax remuneration including bonus, based on an average of the previous three years. Increases in annual base salary of all participants, including Executive Directors, are restricted to the equivalent rate of increase in the Retail Prices Index (in the UK) or equivalent index in the country in which a participant works. The restrictions on the increases in salary, together with the growth in bonus, assuming increases in bonusable profit, will result in the incentive pay element of remuneration increasing over time. The share awards will increase the investment each of the participants, including Executive Directors, has in Tomkins plc shares.

The Tomkins 2006 Performance Share Plan

The PSP is a long-term incentive plan as detailed in the 2006 AGM circular. The purpose of the PSP is two-fold. First, to provide a share-based long-term incentive arrangement for senior executives that more closely aligns the interests of executives with shareholders. Secondly, the PSP is in substitution of the Company's legal obligation to the CEO to provide annual grants of options, which had previously been satisfied by the Executive Share Option Scheme that lapsed in May 2005. The Remuneration Committee considered the alternatives and, with the agreement of the CEO and the assistance of PA Consulting Group, devised a plan that achieves those aims. The PSP will provide rewards in future years only if shareholders have seen value created over the preceding three years. The Remuneration Committee and Board believe that this creates a better alignment between executive reward and the creation of shareholder value than a standard executive share option scheme. The PSP has four key features:

(i) the performance baseline is established which is equal to the cost of equity and if TSR (comprising dividends and increase in the share price) over three years does not exceed the cost of equity over the same three-year period, no award of shares will be made;

(ii) the award of shares will be proportional to the degree of performance over the baseline;

(iii) there is a 'cap' on the quantum of share awards and the value of shares awarded at the end of the performance period; and

(iv) subject to TSR performance, awards will be made at the end of each three-year performance period.

The following maximum awards of Tomkins shares have been made to James Nicol and John Zimmerman under the PSP:

Director	Date of award	Vesting date	Maximum number of shares	Number of shares awarded at end of performance period	Share price required for performance baseline to have been achieved[3]	Share price required for full vesting[3]	Maximum value of award shares at end of performance period £m
J Nicol	22 Nov 05[2]	22 Nov 08	1,041,666	–	302.50p	393.49p	4.0[1]
	22 Nov 06	22 Nov 09	1,152,737	N/A	282.36p	361.66p	4.0
	22 Nov 07	22 Nov 10	1,606,296	N/A	202.87p	257.12p	4.0
	20 Aug 08	20 Aug 11	1,744,794	N/A	155.77p	195.62p	3.0
J W Zimmerman	22 Nov 05[2]	22 Nov 08	208,333	–	302.50p	393.49p	0.8[1]
	22 Nov 06	22 Nov 09	230,547	N/A	282.36p	361.66p	0.8
	22 Nov 07	22 Nov 10	481,889	N/A	202.87p	257.12p	1.2
	20 Aug 08	20 Aug 11	523,438	N/A	155.77p	195.62p	0.9

(1) Matured without award and lapsed

(2) Awards with a performance period commencing on 22 November 2005 were approved by shareholders at the AGM on 22 May 2006.

(3) Due to the nature of the performance criteria, it is impossible to provide exact minimum and maximum share prices that would be required for awards to begin to be made, and be made in full, at the end of the performance period. This is because future dividends and the relevant exchange rate to convert those dividends to sterling are unknown. The illustrative share prices in the above table assume constant dividends and exchange rates throughout the remainder of each of the performance periods.

Based on the assumptions above, the net value of outstanding awards based on the share price as at 3 January 2009 was $nil (2007: $nil).

The Tomkins 2005 Sharesave Scheme

This is a standard HM Revenue & Customs-approved savings related share option scheme which is open to employees who are resident for tax purposes in the UK.

C. Closed incentive schemes

The following schemes are now closed.

The Tomkins Executive Share Option Scheme No. 3 and The Tomkins Executive Share Option Scheme No. 4

ESOS 3 and ESOS 4 lapsed for grant purposes on 9 May 2005 and the Remuneration Committee and the Board decided not to continue with an executive share option scheme beyond that date.

ESOS 3 was an HM Revenue & Customs-approved scheme. ESOS 4 was not approved by HM Revenue & Customs. The options under both schemes mature after three years. All outstanding ESOS 4 options were granted to participants within the limit of four times their annual earnings. The performance condition for all outstanding options under ESOS 3 and ESOS 4 required that the growth in Tomkins' earnings per share must exceed the growth in the Retail Prices Index by an average of 2% per annum over a three-year period before an option can be exercised, which was in accordance with contemporary practice when the schemes were introduced in 1995.

The Tomkins Savings Related Share Option Scheme No. 2

This was a standard HM Revenue & Customs-approved savings related share option scheme which lapsed for grant purposes on 9 May 2005.

The Tomkins Share Matching Scheme

Awards which had been made under a now expired scheme known as The Tomkins Restricted Share Plan and which had vested, were eligible for matching awards for the same number of shares under the SMS. Such awards could be for up to two conditional share matching awards vesting a further two years and four years respectively after the end of the original restricted period. The final grant of SMS awards vested during 2007 and the SMS has therefore now expired. With shareholder approval, this share scheme was introduced in 1996 with no performance conditions attached and, accordingly, it did not comply with Schedule A of the Combined Code.

Remuneration Committee report (continued)

4. Elements of remuneration (audited information) (continued)

C. Closed incentive schemes (continued)

Tomkins Premium Priced Option

This was an option specifically and solely granted to James Nicol as part of the incentive package to ensure he joined Tomkins. No performance conditions were attached to this option and it therefore does not comply with Schedule A of the Combined Code.
It consists of a non-transferable option to acquire 5,076,142 shares. The exercise price was 197p per share in respect of 2,538,072 shares (A option shares), 276p per share in respect of 1,522,842 shares (B option shares) and 345p per share in respect of 1,015,228 shares (C option shares). The options have all vested and will lapse on 11 February 2012 or earlier in certain circumstances.

Ongoing option

This is an option specifically and solely granted to James Nicol on 11 February 2002 as part of the incentive package to attract him to the Company.
It consists of a non-transferable option to acquire 1,522,842 shares at 197p per share, which became exercisable on 18 February 2005 provided the rate of increase of earnings per share over any three-year period was equal to or greater than the rate of increase of the Retail Prices Index plus 9%. This performance condition was met and the option has been exercised in respect of 972,842 shares. The option will lapse on 11 February 2012 or earlier in certain circumstances. If there is a variation in the share capital of the Company, the Remuneration Committee may adjust the number of shares in either the Tomkins Premium Priced Option or the Ongoing Option as it reasonably deems appropriate to take account of the variation.

Directors' share options

	As at 3 January 2009 and 29 December 2007	Period of exercise	
	No.	From	To
J Nicol	9,409,642	4 Jan 09	28 Nov 14
J W Zimmerman	225,000	4 Jan 09	28 Nov 14

There were no movements in Directors' share options during the year.

The table below details the weighted average price each Director would have had to pay to exercise his options and how much they were worth in monetary terms at the year-end and prior year-end.

	Weighted average exercise price (p) as at 3 January 2009		Weighted average exercise price (p) as at 29 December 2007		Net value of unexercised options	
	Exercise price exceeds market price	Market price exceeds exercise price	Exercise price exceeds market price	Market price exceeds exercise price	As at 3 January 2009 £000	As at 29 December 2007 £000
J Nicol	242.36	–	242.36	–	–	–
J W Zimmerman	256.31	–	256.31	–	–	–

The closing mid-market price of a Tomkins share as at 3 January 2009 was 133.50p with a range of closing prices during the year 30 December 2007 to 3 January 2009 of 93.5p to 194.75p.

Options included in the above table at 3 January 2009 relate to ESOS 4 (J Nicol 3,775,486 shares and J Zimmerman 225,000 shares) and, in the case of James Nicol, SAYE 2 (8,014 shares), the Premium Priced Option (5,076,142 shares) and the Ongoing Option (550,000 shares).

The Tomkins Share Matching Scheme

The value of entitlements held under the SMS was £nil and therefore no current Director was required to retain shares in this respect as at both 3 January 2009 and 29 December 2007.

During the year, no shares vested to Directors under the SMS (2007: 4,061 shares worth $15,000).

Directors' interests in Tomkins shares at 3 January 2009

The Directors' current interests in Tomkins shares are set out on page 41 and, in the case of the Executive Directors, where appropriate these included shares held through their participation in the ABIP.

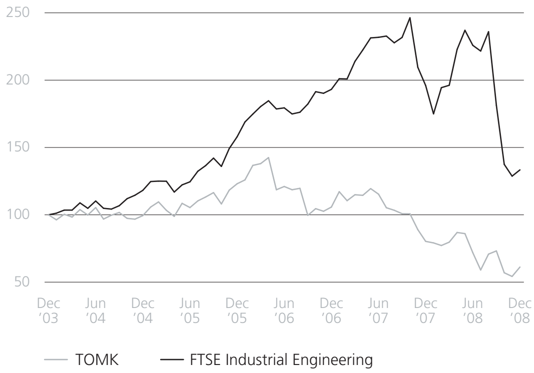
5. Performance graph (unaudited information)

The graph below plots TSR on a holding in the Company's shares for each of the past five years ended 31 December, measured against the performance of the FTSE Industrial Engineering Index.

This index was chosen because its major constituents are, like Tomkins, moderately-diversified engineering groups with significant manufacturing operations outside the home UK market.

TSR (%)

January 2004–December 2008



6. Retirement benefits (audited information)

James Nicol and John Zimmerman were not entitled to any retirement benefits defined in terms of final or average salary but, in 2008, they received a payment at an annual rate of 37.5% of their basic salary to enable them to make contributions to retirement benefit schemes of their choice on behalf of themselves and their dependants. For the year ended 3 January 2009, this amounted to $661,000 (2007: $660,000) for James Nicol and $215,000 for John Zimmerman (2007: payments totalling $42,000 made to defined contribution pension plans on behalf of John Zimmerman from 1 October 2007 to the end of December 2007).

7. Service contracts (unaudited information)

A summary of the service contract or letter of appointment of each of the Directors is as follows:

James Nicol – Chief Executive Officer

The Company and James Nicol entered into a contract dated 11 February 2002 which set out the terms and conditions under which he joined the Company as Chief Executive Officer on 18 February 2002. The contract remains in force until terminated by either party giving notice of not less than 12 months. Mr Nicol has been a Director for seven years.

John Zimmerman – Finance Director (from 1 October 2007)

John Zimmerman's contract was signed on 18 February 2008 with an effective start date of 1 October 2007. The contract can be terminated by John Zimmerman by giving six months' notice or by the Company with immediate effect. Termination by the Company would under normal circumstances result in the equivalent of 12 months' salary and bonus being due to Mr Zimmerman in lieu of a notice period. Mr Zimmerman has been a Director for one year and four months.

Non-Executive Directors

None of the Non-Executive Directors has a service contract with the Company, their terms of engagement being set out in a letter of appointment. Ordinarily, Non-Executive Directors serve for a period of two years but, subject to agreement with the Board, a Non-Executive Director can be reappointed for a further term of up to three years. The appointment of Non-Executive Directors may be terminated before the conclusion of their two-year term by, and at the discretion of, either party upon two weeks' written notice.

In the case of David Newlands, the appointment is for a term of three years and may be terminated at any time by either party giving one month's written notice. None of the Non-Executive Directors is entitled to compensation for loss of office. The dates from which the respective letters of appointment are effective and the Directors' length of service are as follows: Richard Gillingwater: 20 December 2007, three years and one month; David Newlands: 18 February 2009, nine years and six months; John McDonough: 14 June 2007, one year and eight months; Leo Quinn: 6 July 2007, one year and seven months; David Richardson: 1 March 2008, two years and eleven months and Struan Robertson: 20 December 2007, three years and one month.

Remuneration Committee report (continued)

8. Former Directors (audited information)

No payments were made to former Directors during the year (2007: $152,000).

The amounts awarded to former Directors in 2007 for comparative purposes were as follows: K Lever (to 1 October 2007) $3,307,000; J M J Keenan (to 13 June 2007) $50,000; I J G Napier (from 14 June to 13 December 2007) $60,000; and Sir Brian Pitman (to 13 June 2007) $52,000. The £1,822,000 ($3,645,000) disclosed in the 2007 Annual Report in respect of Ken Lever included a compensation for loss of office payment of £1,006,000 ($2,013,000). This amount included an over-accrual of $338,000 (£169,000), as a reduced amount was paid out in 2008 in the form of a bonus under the ABIP.

9. Sums paid to third parties in respect of a Director's services (audited information)

No amounts are paid to third parties in respect of a Director's services to the Company or any company within the Group.

10. Sums received by Executive Directors from other external directorships (audited information)

James Nicol and John Zimmerman hold no external directorships.

Compliance statement

The Company complies with the requirements of Schedule 7A of the Companies Act 1985 and the Listing Rules of the UKLA unless otherwise indicated. In preparing this report, the Remuneration Committee has given full consideration to the provisions set out in Schedule B to the Combined Code.

This Report has been approved by the Remuneration Committee and the Board and signed on their behalf by

John McDonough
Chairman, Remuneration Committee

24 February 2009