

Directors' remuneration report

In this report, which will be submitted for approval at the AGM on 29 July 2010, we describe how the executive directors are remunerated. Those parts of the remuneration report which are subject to audit by Ernst & Young are marked 'audited'.

The Remuneration Committee

The role of the Remuneration Committee

The Remuneration Committee of the Board (the Committee) determines the remuneration and terms of employment of the Chairman of the Company, executive directors of NWG and NWL and a further seven senior managers, in accordance with a remuneration policy approved by the Board. The terms of reference for the Committee are published on our website at www.nwg.co.uk (in the 'about us: corporate governance' section) or a copy can be requested from the Company Secretary.

The Committee is always available to engage with major shareholders and their representatives to discuss remuneration matters. During 2009, the Remuneration Committee did consult with its larger shareholders, the Association of British Insurers and RiskMetrics on the change that has been made to the LTIP performance measures. This is described below.

Remuneration Committee members

The Committee members are Martin Nègre (chairman until 31 March 2010), Sir Patrick Brown, Anita Frew, Alex Scott-Barrett (chairman from 1 April 2010), who are all considered by the Company to be independent, and Sir Derek Wanless. The membership of the Committee was, therefore, compliant with the Combined Code throughout the year. Martin Parker, the Company Secretary, is secretary to the Committee.

External advice

The Committee continued to receive advice during the year from its appointed advisers, Hewitt New Bridge Street (HNBS), and also from the Managing Director (although never about his own remuneration). HNBS was paid £41,616 for these services in 2009/10 and continues to assist the Committee in maintaining best practice in relation to remuneration. HNBS did not provide any other services to the Company during the year.

The Committee's work in 2009/10

The Committee met three times during the year with 100% attendance by all members, to:

- set the remuneration package for the new Chief Executive Officer;
- discuss and approve the new policy on LTIP performance measures;
- agree bonus payments for 2008/09;
- set performance targets for executive directors and senior managers;
- agree salaries for 2010/11;
- determine the vesting percentage to be applied to the LTIP awards made on 21 December 2006 which vested on 21 December 2009; and
- grant LTIP awards on 4 January 2010 (to vest on 4 January 2013).

As the Committee works closely with NWL's remuneration committee, Committee papers and minutes are circulated to all NWL and NWG non-executive directors, who can give their views direct to the Committee chairman and can attend meetings if they wish.

Remuneration policy

The Committee considers the principles and provisions of the Combined Code when setting its policy and believes it is fully compliant. The policy of the Company is to provide remuneration that is sufficient to attract, retain and motivate directors of the quality required to run the Company successfully, while paying fairly. Although HNBS provides the Committee with detailed comparative data on other companies in the sector, the Committee is aware of, and avoids the risk of, remuneration being ratcheted up as a result of benchmarking exercises.

Consistent with its fair pay policy, when considering the remuneration packages of senior executives and directors, the Committee takes into account pay awards to other employees in the Group. The Committee also considers environmental, social, risk management and governance issues when setting remuneration terms.

The remuneration policy of the Committee is:

- that the setting of base salaries is largely influenced by individual contributions and internal relativities rather than external comparators (although for 2009/10 the Committee was influenced by general economic conditions);
- that the annual bonus plan recognises the interests of all of the Company's stakeholders (shareholders, customers and employees) rather than being focused solely on profit; and
- that management shares in the longer term value created for the Company's investors and the serviceability of the Company's regulated assets.

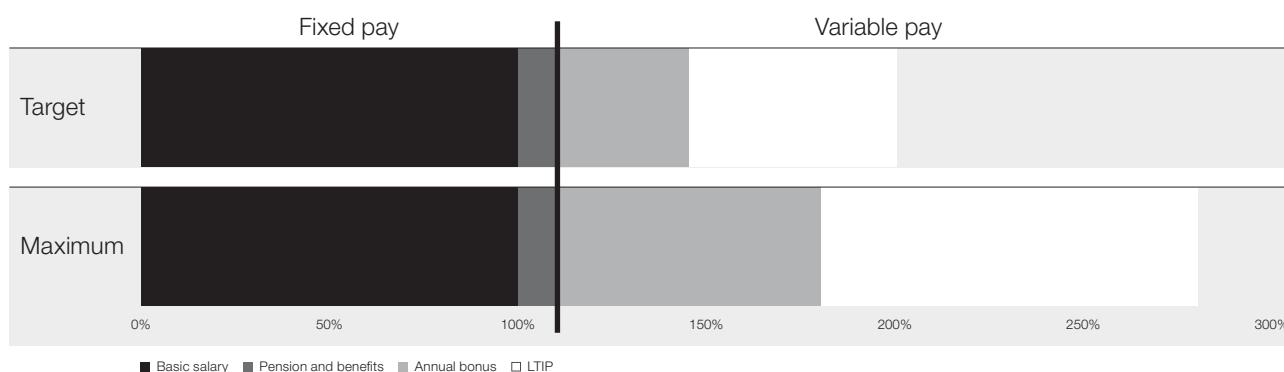
Elements of remuneration

The remuneration of the executive directors comprises:

- basic salary;
- benefits (including pension and participation in the Company's SIP);
- a performance related annual bonus; and
- annual LTIP awards.

In addition to reviewing each constituent element, the Committee reviews the remuneration packages as a whole to ensure that they remain appropriate in terms of structure and quantum. The chart below shows the composition of the new Chief Executive Officer's remuneration (as a percentage of basic salary) both at 'target' and 'maximum' levels of performance. Maximum performance assumes the achievement of maximum bonus and full vesting of LTIP awards.

Chief Executive Officer's remuneration



Directors' remuneration report continued

Basic salary and benefits

Basic salary is reviewed annually based on individual contributions and internal relativities. The Committee also has regard to market practice in other quoted water companies and similar sized companies more generally.

Current basic salaries, together with the previous year's salaries, are set out below:

	As at 1.4.2010	As at 1.4.2009	As at 1.4.2008
John Cuthbert	n/a	£295,000	£295,000
Chris Green	£228,000	£225,000	£225,000
Heidi Mottram	£320,000	n/a	n/a

The basic salaries of the executive directors were not increased for 2009/10. For 2010/11 salaries for senior executives have been increased by 1.3% (except for John Cuthbert who retired on 31 March 2010 and for Heidi Mottram who was appointed on 1 March 2010). This is the same as for all other employees.

Benefits provided to the executive directors comprise membership of pension schemes (as detailed below), car allowance and healthcare.

Pensions

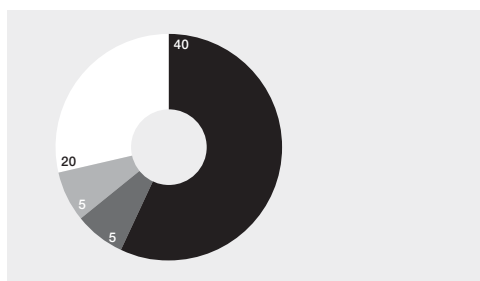
The main features of the Northumbrian Water Pension Scheme are set out in note 24 to the financial statements. Basic salary is the only pensionable element of the executive directors' remuneration packages.

The executive directors' pensions were modified with effect from 1 January 2008, in line with the changes proposed for the pension scheme as a whole, and the executive pension arrangements were closed to new entrants on that date. This means that Heidi Mottram receives an employer's contribution of 8% of salary to the money purchase section of the Northumbrian Water Pension Scheme. She makes an employee contribution of 5%. The employer's contribution of 8% is the same as is available to any other employee making a 5% contribution.

Annual bonus

The annual bonus plan has been designed to reflect the interests of all of the Company's stakeholders. Consistent with prior years, maximum annual bonus potential for the executive directors for 2010/11 is 70% of salary, which is apportioned as follows:

Annual bonus %



- Shareholders – profit before tax (PBT)
- Customers – Ofwat's Overall Performance Assessment (OPA)
- Employees – percentage lost time through sickness
- Bespoke personal targets

Actual performance against the 2009/10 targets was as follows:

Bonus metric	Maximum bonus (% of salary)	John Cuthbert Actual bonus (% of salary)	Chris Green Actual bonus (% of salary)
PBT	40	19.5	19.5
OPA rating	5	1.0	1.0
Percentage lost time through sickness	5	–	–
Bespoke personal targets	20	18.0	18.0
Total	70	38.5	38.5
		£113,575	£86,625

Notes:

1. The PBT bonus is based on actual PBT performance compared to the budget PBT set by the Board at the beginning of the year. PBT has been chosen because it is a primary financial measure for the Company, for which the executive directors are accountable. The calculation of PBT performance is adjusted to exclude (i) the impact of any variance between the actual and budget interest charge on index linked bonds issued by Northumbrian Water Finance plc, which depends entirely on RPI in July of each year and is, therefore, outside of management control; and (ii) the impact of restructuring costs.
2. NWL's estimated OPA score for 2009/10 is 363, against a range for bonus purposes of 343 to 428, being the published range of performance across the 10 water and sewerage companies in 2008/09. NWL's score was adversely affected by sewer flooding.
3. The year end percentage of time lost through sickness was 3.18%, against a range for bonus purposes of 2.7% to 2.99%.
4. In 2009/10, John Cuthbert's personal targets related principally to managing the PR09 process, maintaining key financial ratios and measures, ensuring that good relationships were maintained with major investors and analysts, implementing the agreed approach to succession planning, ensuring that investment needs were properly quantified and that the investment programme was delivered with regulatory outputs met and identifying further opportunities to impact the cost base of NWL and improve its efficiency ranking. Chris Green's personal targets were focused mainly on managing the PR09 process, maintaining key financial ratios and measures, relationships with major investors and analysts, positioning NWL to respond to Ofwat's proposals on accounting separation and competition, ensuring that investment needs were properly quantified and that the investment programme was delivered with regulatory outputs met, identifying further opportunities to impact the cost base of NWL and improve its efficiency ranking and ensuring an appropriate balance of risk and reward in the management of the Group treasury.

In accordance with the terms agreed on her appointment, Heidi Mottram was awarded a bonus in respect of March 2010 equal to 38.5% of her salary for that month. This was the average percentage of the bonuses awarded to John Cuthbert and Chris Green for the year.

For 2010/11, the same bonus metrics will continue to be used with the same weightings as described above.

LTIP

Under the LTIP, executive directors and senior managers may receive, at the discretion of the Remuneration Committee, annual conditional awards of shares in the Company worth up to 100% of annual salary at grant, although only the executive directors participate at the 100% level. All awards have three year pre-vesting performance conditions.

For the three annual awards granted from December 2006 to December 2008 the vesting of up to half of an award is subject to relative total shareholder return (TSR) performance against the FTSE 250 (excluding investment trusts) and the other half is subject to a relative return on capital employed (ROCE) target as monitored by Ofwat.

In the latter half of 2009, the Committee reviewed its policy on the pre-vesting performance conditions that should apply to LTIP awards. The Committee, with advice from HNBS, came to two conclusions that led to changes being made to its policy on performance conditions, namely:

- the volatility in the share prices of companies in the Financials and Oil & Gas FTSE sectors had increased dramatically and this was no longer correlated with NWG's share price movements. This means that these companies are not the best comparators in a relative TSR performance condition; statistically they are more likely to be grouped at the top or the bottom of the list. Accordingly, for LTIP awards made in 2009/10 and future years, the TSR comparator group will exclude companies from these defined FTSE sectors; and
- the work undertaken on drawing up the business plan for 2010-15 showed that there were other long term performance measures, in addition to ROCE, that should be measured and potentially rewarded. These are performance against Ofwat's serviceability targets and customer satisfaction levels. As such, they have been incorporated as LTIP performance metrics.

Directors' remuneration report

continued

These changes were discussed with the Company's top shareholders and received their support. The Committee thanks them for their constructive engagement in this exercise. This consultation did result in the LTIP award date slipping from early December to 4 January 2010. However, this was still within the six week grant window as permitted by the LTIP rules.

The details of this award to Chris Green are:

	Number of conditional awards granted	Face value of awards granted as a % of salary [†]
Chris Green	83,240	100%

[†] Based on a closing share price on 31 December 2009 of 270.3 pence.

Details of the pre-vesting performance condition for these awards are:

Performance metric	Weighting	Description	Calibration
TSR	50%	Relative TSR against the FTSE 250 excluding investment trusts and companies in the following sectors: Banks, Financial Services, Life Insurance, Non-Life Insurance, Real Estate Investment & Services and Real Estate Investment Trusts, Oil & Gas Producers and Oil Equipment & Services. In addition, awards will only vest if the Committee is satisfied that the Company's TSR performance is consistent with the underlying business performance of the Company.	30% of this part of an award (i.e. 15% of the total award) will vest for median performance increasing on a straight line so that 100% (i.e. 50% of the total award) vests for upper quartile performance.
ROCE	20%	Average absolute ROCE over the three financial years starting from 1 April immediately preceding grant date.	For the 2009/10 awards, 30% of this part of an award (i.e. 6% of the total award) will vest for average three year ROCE of 6.3%, increasing on a straight line so that 50% (i.e. 10% of the total award) will vest for average three year ROCE of 6.45% and on a straight line so that 100% (i.e. 20% of the total award) will vest for an average ROCE of 6.75%.
Serviceability	20%	Owat serviceability targets for the four asset classes (i.e. water non-infrastructure, water infrastructure, sewerage non-infrastructure and sewerage infrastructure) in the final year of the relevant three year performance period. Serviceability is measured by Ofwat based on a number of indicators which include asset performance indicators, water quality compliance, environmental compliance and consumer service.	50% of this part of an award (i.e. 10% of the total award) will vest for 'stable' assessments in three out of the four asset classes. 100% of this part of an award (i.e. 20% of the total award) will vest for 'stable' assessments in all four asset classes. No awards would vest under this part of an award for less than three 'stable' assessments.
Customer	10%	Results of NWL's independently run customer satisfaction index, measured in the final quarter of the relevant three year performance period.	For the 2009/10 awards, 30% of this part of an award (i.e. 3% of the total award) will vest for a customer satisfaction index of 83%, increasing on a straight line so that 100% of this part of an award (i.e. 10% of the total award) vests for a customer satisfaction index of 93% or above.

The advantages of using these targets include:

- the continued use of TSR provides consistency with past awards, alignment with investors and, as a result of the less correlated and volatile sectors now being excluded, provides an improved line of sight for executives;
- the use of an absolute ROCE target ensures that reward is directly linked to the management's delivery of the business plan;
- they recognise that the maintenance of NWL's regulated assets (through the serviceability targets) is critical to the longer term returns for shareholders; and
- customer satisfaction is a key objective for NWL and customers are important stakeholders.

In the event of a change of control, the Committee would determine the extent to which the performance conditions had been met and the proportion of the performance period that had elapsed in deciding whether or not any vesting of awards would take place.

The LTIP award, granted on 21 December 2006, became available to vest on 21 December 2009. The Committee instructed PricewaterhouseCoopers (PwC) to assess the level of vesting of this award. PwC reported that 33.2% of the award was available to vest (being 66.5% of the award relating to the Company's TSR performance against the FTSE 250 Index and 0% of the award relating to the Company's ROCE performance against the other water companies). Prior to vesting, the Committee satisfied itself that the recorded TSR performance was a genuine reflection of the Company's underlying performance. Details of the number of awards which lapsed and those which were exercised by the directors of the Company are shown in Table 3.

Full details of award levels and performance conditions are shown in Table 2.

Responsible investment

The Committee is aware of Guideline 3.2 of the ABI Guidelines on Responsible Investment Disclosure and is satisfied that neither the executive directors' annual bonus targets nor the LTIP performance conditions are likely, inadvertently, to motivate irresponsible behaviour.

Non-executive directors' fees

The Company's remuneration policy is that the Chairman and the non-executive directors should receive a fixed fee for their normal duties. Reflecting the added responsibilities and time commitment, chairing the Remuneration and Audit Committees attracts an additional fee over the non-executive directors' standard base fee.

Fees payable during 2009/10 and the Company's policy from 1 April 2010 (in line with the approach taken in respect of the salaries of NWG executives) are:

	2010/11 £	2009/10 £
Chairman	159,516	157,500
Non-executive director base fee	37,220	36,750
Audit Committee chairing fee	10,634	10,500
Remuneration Committee chairing fee	5,317	5,250

The Chairman and the non-executive directors do not receive benefits in kind and do not participate in bonus, pension or share schemes operated by the Company. Further details of non-executive directors' remuneration are set out in Table 1.

Directors' interests in LTIP awards

The directors' conditional interests in the ordinary 10 pence shares of the Company, awarded in accordance with the terms of the LTIP as at 31 March 2010, are set out in Table 3.

Directors' remuneration report continued

Ordinary 10 pence shares required to fulfil LTIP awards which have vested may be provided by the Northumbrian Water Group plc Employee Trust, through Northumbrian Water Share Scheme Trustees Limited. The Trustees are Sir Patrick Brown, Martin Nègre, John Cuthbert (until 31 March 2010), Anita Frew, Alastair Balls and Kate Alsop. At 31 March 2010, the Trust held a total of 914,518 ordinary 10 pence shares. This represents 0.2% of the Company's total issued share capital, so is materially less than the 5% limit on shares that can be held in trust. In line with the ABI Guidelines, dividends are waived on these shares and the voting rights attached to these shares will not be exercised at the AGM.

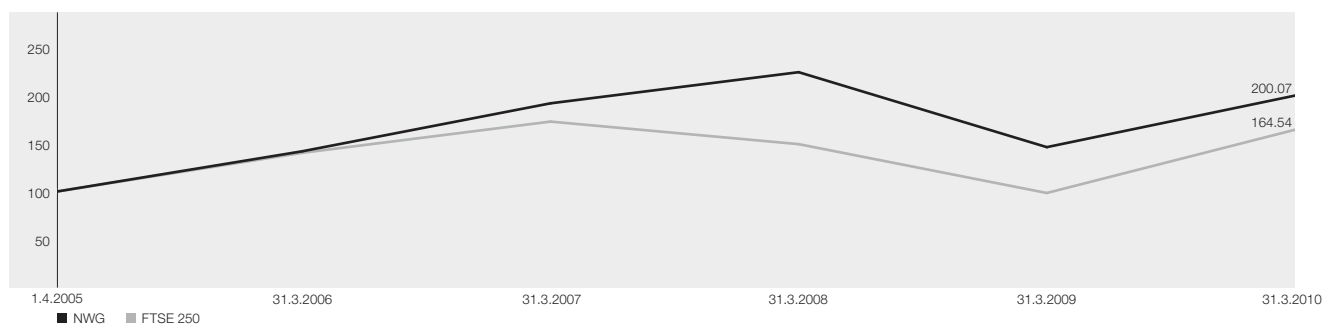
Share dilution

The Company's share plans contain dilution limits that comply with the ABI Guidelines. Shares for both the LTIP and SIP schemes are provided by purchase on the market. There has, therefore, been no dilution to date and there is no commitment to issue new shares in relation to either scheme.

Performance graph

The graph below shows a comparison between the TSR for the Company's shares for the five year period to 31 March 2010, and the TSR for the companies comprising the FTSE 250 Index (excluding investment trusts) over the same period. This index has been selected as the Company is a constituent of the FTSE 250.

Performance graph £



Note:

This graph shows the value, by 31 March 2010, of £100 invested in Northumbrian Water Group plc on 1 April 2005 compared with the value of £100 invested in the FTSE 250 Index (excluding investment trusts) over the same period.

Service contracts

All non-executive directors are appointed for a term of 12 months with a six month notice period for the Company and the director. The executive directors have service contracts with 12 months notice periods and which expire when the directors reach normal retirement age. The contracts do not contain any liquidated damages clauses. Details of the contracts of the executive and non-executive directors who served during the year are shown in Table 4.

Terms and conditions of appointment of non-executive directors are available for inspection at the Company's registered office during normal business hours and at the AGM. The terms of appointment set out the expected time commitment for each non-executive director.

Retirement of John Cuthbert and recruitment of Heidi Mottram

John Cuthbert retired on 31 March 2010 and Heidi Mottram was appointed as an executive director on 1 March 2010, giving the Company the benefit of John Cuthbert's expertise and experience in a one month handover process to Heidi Mottram. Heidi Mottram took up her position as Chief Executive Officer on 1 April 2010.

As explained above, Heidi Mottram has been employed on a salary of £320,000. She will not participate in the Company's final salary pension scheme (now closed), and instead, the Company will make an employer's contribution of 8% of salary into the Company's money purchase scheme for her benefit. She will participate in the annual bonus plan and LTIP as described above. No other compensation was paid to her in connection with her recruitment.

External appointments of executive directors

The Board's position on external appointments is described in full in the corporate governance report but, in summary, the Board has agreed that executive directors of the Company who are appointed to non-executive directorships which pay a fee may retain the fees, subject to obtaining the Chairman's consent before an appointment is accepted. Only one such external appointment per director will generally be permitted. On 1 November 2009, John Cuthbert was appointed as a non-executive director of Bellway plc. This appointment was made following John's decision to retire from the Group earlier in the year. John Cuthbert retained the director's fee received from Bellway plc, which is an annual amount of £46,380. Heidi Mottram is a Board member of Yorkshire Forward for which she is paid and retains an annual fee of £8,666.

Directors' interests in shares

The directors' beneficial interests in the ordinary 10 pence shares of the Company, as at 31 March 2010, are set out in Table 6. The NWG Board has agreed to introduce a guideline requesting NWG directors to build up (over a maximum of five years) shares in the Company with a value equal to one year's basic salary (in the case of the executive directors) or one year's fees (in the case of non-executive directors).

Directors' interests in shares under the SIP

The Company SIP is open to UK employees with more than three months' service. Further details of the SIP are set out in the directors' report and business review. During the year, the executive directors had the opportunity to participate in the SIP and their interests in the ordinary 10 pence shares of the Company, purchased and held in accordance with the terms of the SIP, are set out in Table 7.

This directors' remuneration report has been produced in accordance with the Companies Act 2006 and Schedule 8 of the Large and Medium sized Companies and Groups (Accounts and Reports) Regulations 2008. It was approved by the Board and signed on its behalf by the chairman of the Remuneration Committee. It will be put to the shareholders for approval at the Company's AGM.

Alex Scott-Barrett

Chairman of Remuneration Committee
1 June 2010

Directors' remuneration report

continued

These tables form the part of the directors' remuneration report which are audited (except for Tables 2 and 4 which do not require auditing).

Table 1

Directors' emoluments (audited)

The emoluments of the directors of the Company for their services as directors of the Company and (where relevant) its subsidiaries, are set out below, rounded to the nearest thousand pounds:

	Fees £000	Basic salary £000	Benefits ¹ £000	Bonus ² £000	Total for the year ended 31.3.2010 £000	Total for the year ended 31.3.2009 £000
Executive directors						
John Cuthbert	–	295	20	114	429	335
Heidi Mottram	–	27	1	10	38	–
Chris Green	–	225	12	86	323	273
Non-executive directors						
Sir Derek Wanless	158	–	–	–	158	158
Sir Patrick Brown ³	47	–	–	–	47	47
Claude Lamoureux	37	–	–	–	37	37
Martin Nègre ⁴	42	–	–	–	42	42
Alex Scott-Barrett	37	–	–	–	37	37
Jenny Williams	37	–	–	–	37	37
Total remuneration	358	547	33	210	1,148	966

Notes:

1. The remuneration of each executive director includes non-cash benefits comprising the provision of car allowances and healthcare.
2. The annual bonus is payable in June 2010, for performance during the year ended 31 March 2010.
3. Includes additional fee paid as chairman of Audit Committee.
4. Includes additional fee paid as chairman of Remuneration Committee.

Table 2
Summary of LTIP performance conditions (unaudited)

LTIP award made 21 December 2006	
Maximum award	75% of salary permitted. Actual grants to executive directors related to shares worth 70% of salary.
Performance conditions	<ol style="list-style-type: none"> (1) 50% of award depends on NWL's return on capital employed relative to that of the other water and sewerage companies of England and Wales. (2) 50% of award depends on the Company's TSR performance against the FTSE 250 Index, excluding investment trusts.
Vesting schedules	<ol style="list-style-type: none"> (1) 30% vests at median performance. At upper quartile or above, all of that half of the award will vest. Between median and upper quartile, straight line pro-rating will apply. Where the return on capital employed performance is below the median, none of this element of the award will vest. (2) 30% vests at median performance with straight line pro-rating of TSR performance against the members of the FTSE 250 Index, excluding investment trusts, to 100% for upper quartile performance. Where the Company's TSR performance is below the median, none of this element of the award will vest.
LTIP award made 13 December 2007 and 15 December 2008	
Maximum award	100% of salary permitted and actual grants to executive directors related to shares worth 100% of salary.
Performance conditions and vesting schedules	As per LTIP award made 21 December 2006.
LTIP award made 4 January 2010	
Maximum award	100% of salary permitted and actual grants to executive directors related to shares worth 100% of salary.
Performance conditions and vesting schedules	Please refer back to the remuneration report for new performance conditions.

Directors' remuneration report continued

Table 3**Directors' interests in LTIP awards (audited)**

As at 31 March 2010, the directors had the following conditional interests in the ordinary 10 pence shares of the Company, awarded in accordance with the terms of the LTIP:

	Award date	Awards held at the start of the year	Awarded during the year	Awards lapsed during the year	Awards vested during the year	Awards held as at 31.3.2010
John Cuthbert	21.12.2006 ¹	66,721	–	44,521	22,200 ²	–
	13.12.2007 ³	79,230	–	–	–	79,230
	15.12.2008 ⁴	103,100	–	–	–	103,100
Totals		249,051	–	44,521	22,200	182,330
Chris Green	21.12.2006 ¹	49,423	–	32,978	16,445 ²	–
	13.12.2007 ³	61,620	–	–	–	61,620
	15.12.2008 ⁴	78,650	–	–	–	78,650
	4.1.2010 ⁵	–	83,240	–	–	83,240
Totals		189,693	83,240	32,978	16,445	223,510

Notes:

- The market value of the shares on the date of the award was 302.75 pence per share. The three year performance period runs from 1 October 2006 to 30 September 2009.
- Shares vested on 21 December 2009 and the closing price on that date was 269.00 pence per share.
- The market value of the shares on the date of the award was 334.00 pence per share. The three year performance period runs from 1 October 2007 to 30 September 2010.
- The market value of the shares on the date of the award was 251.50 pence per share. The three year performance period runs from 1 October 2008 to 30 September 2011.
- The market value of the shares on the date of the award was 272.50 pence per share. The three year performance period runs from 1 October 2009 to 30 September 2012.
- The cost of conditional awards is charged to the income statement over the three year performance period to which they relate after taking account of the probability of performance criteria being met. In the year, £0.4 million was charged to the income statement (2009: £0.5 million).
- Details of the performance conditions are shown at Table 2.
- The market price of the shares on 31 March 2010 was 283.10 pence per share. During the year, the highest market price was 295.70 pence per share and the lowest market price was 203.00 pence per share.
- Aggregate gross gains made by directors on exercise of awards at date of vesting was £103,955 (2009: £92,336).

Table 4**Directors' service contracts (unaudited)**

Details of the contracts of the directors who served during the year are shown below:

	Initial appointment	Current contract start date	Unexpired term ¹	Notice period by either party	Current contract end date
Executive directors²					
John Cuthbert ³	23.5.2003	23.5.2003	Not fixed term	12 months	Normal retirement age (65)
Heidi Mottram	1.3.2010	1.3.2010	Not fixed term	12 months	Normal retirement age (65)
Chris Green	23.5.2003	23.5.2003	Not fixed term	12 months	Normal retirement age (65)
Non-executive directors⁴					
Sir Derek Wanless	1.12.2003	1.12.2008	6 months	6 months	30.11.2010
Sir Patrick Brown	12.5.2003	12.5.2009	11 months	6 months	11.5.2011
Claude Lamoureux	1.12.2006	1.12.2008	6 months	6 months	30.11.2010
Martin Nègre	12.5.2003	12.5.2009	11 months	6 months	11.5.2011
Alex Scott-Barrett	26.9.2006	26.9.2008	4 months	6 months	25.9.2010
Jenny Williams	27.5.2004	27.5.2009	2 months	6 months	29.7.2010

Notes:

- Calculated as at 1 June 2010 and rounded to nearest whole month.
- The service contracts of the executive directors do not contain provisions relating to compensation for termination. In the event of termination by the Company, the Remuneration Committee would make recommendations to the Board on what payments, if any, should be made to the director, depending on the circumstances of the termination, taking into account the Combined Code which discourages payment for failure. The Company would also expect directors to seek to mitigate their loss.
- John Cuthbert took early retirement on 31 March 2010.
- Contracts do not provide for compensation for loss of office in excess of fees accrued.

Table 5**Directors' pensions and pension benefits (audited)**

The accrued defined benefit pensions and corresponding transfer values for the executive directors are set out below:

	Accrued pension at 31.3.2009 £000	Accrued pension at 31.3.2010 £000	Increase in accrued pension £000	Increase in accrued pension net of inflation £000	Transfer value of net increase in accrued pension less directors' contributions £000	Transfer value of accrued pension at 1.4.2009 £000	Transfer value of accrued pension at 31.3.2010 £000	Total change in transfer value less directors' contributions £000
John Cuthbert	163.4	172.0	8.6	1.3	24.1	3,119.0	3,580.9	461.9
Chris Green	99.3	104.3	5.0	0.6	9.3	1,838.4	2,111.4	273.0

Notes:

1. Accrued pensions shown are the amounts that would be paid annually at the normal retirement age based on service to the end of the year.
2. Voluntary contributions paid by the directors and resulting benefits are not shown.
3. The change in transfer value reflects fluctuations in the transfer value due to factors beyond the control of the Company and directors, such as changes in stock market conditions.
4. The transfer values have been calculated in line with the relevant legislation and using actuarial assumptions agreed by the Trustee.
5. The directors participate in a salary sacrifice arrangement and, therefore, paid no contributions to the scheme during the year.

Table 6**Directors' interests in shares (audited)**

The directors had the following beneficial or family interests in the ordinary 10 pence shares of the Company as at 31 March 2010:

	Number of shares held at the start of the year	Number of shares held as at 31.3.2010	Number of shares held as at 1.6.2010
Sir Derek Wanless	30,000	65,000	65,000
John Cuthbert	232,436 ¹	232,436	n/a ²
Chris Green	152,894 ³	169,339⁴	169,339
Sir Patrick Brown	43,000	43,000⁵	43,000
Claude Lamoureux	25,000	25,000	25,000
Martin Nègre	70,000	70,000	70,000
Alex Scott-Barrett	10,000	20,000	20,000
Jenny Williams	6,000	6,000	6,000

Notes:

1. At 1 April 2009, 69,436 of these shares were beneficially owned by Mrs L Cuthbert, 4,000 were beneficially owned by Mr I M Cuthbert and 9,000 were beneficially owned by Miss S L Cuthbert.
2. Mr Cuthbert retired from the Company on 31 March 2010.
3. At 1 April 2009, 137,894 of these shares were beneficially owned by Mrs G Green, and 5,000 were beneficially owned by each of Miss P J Green, Mr M F Green and Mr J M Green.
4. At 31 March 2010, 139,339 of these shares were beneficially owned by Mrs G Green, and 10,000 were beneficially owned by each of Miss P J Green, Mr M F Green and Mr J M Green.
5. On 11 March 2010, Sir Patrick Brown transferred 43,000 shares to Lady Brown.

Directors' remuneration report continued

Table 7

Directors' interests in shares under the SIP (audited)

The directors who held office as at 31 March 2010 had the following interests in the ordinary 10 pence shares of the Company, purchased and held in accordance with the terms of the SIP:

	Number of SIP shares held at the start of the year ¹	Number of SIP shares held as at 31.3.2010¹	Number of SIP shares held as at 1.6.2010 ¹
John Cuthbert	4,785	5,653	— ²
Chris Green	4,785	5,653	6,372

Notes:

1. These figures include the shares paid for by the participant and the free shares granted by the Company.
2. Mr Cuthbert's shares were released from the SIP on 1 April 2010, following his retirement on 31 March 2010.
3. A summary of the SIP can be found in the directors' report and business review.