

24/25 Board report on directors' remuneration

Remuneration The remuneration committee was chaired throughout the year by P A M Curry and its other members are Sir Alan Cockshaw, L C N Bury and R Koch.

The Group aims to remunerate directors at levels which are competitive, and are designed to attract, retain and motivate people of the right calibre. The committee, drawing on the advice of independent consultants to maximise comparability within the marketplace, with particular emphasis to the remuneration levels of closest competitors, is charged with maintaining a remuneration package for the Group's senior executives that balances short and long-term goals with immediate, medium and long-term rewards within a structure that is performance-related and fits the culture and values of the Group.

The remuneration package for the executive directors and senior executives consists of an annual salary and incentive scheme, pension arrangements, car and health care benefits. Salaries and incentive schemes are normally reviewed annually on 1 January and are based on experience, responsibility and performance.

The incentive schemes available for the committee's use consist of annual bonuses, executive share option schemes, employee sharesave schemes and an employee share ownership plan. The individual schemes are:

Basic salary and benefits

The salary and benefits are reviewed annually. Benefits principally comprise a car and private healthcare.

Performance related bonuses

The bonus for executive directors and certain senior executives is calculated on formulae which are determined in advance of each year by the remuneration committee. For the executive directors and certain senior executives, the formula measures the Group's performance against specified targets relating to profit before taxation but excluding goodwill and non-operational exceptional items. For the subsidiary senior executives, the targets are a combination of measures relating to that subsidiary's operational performance.

The maximum bonuses payable under the above schemes are limited to 50% of annual salary.

No.1, No. 2 and No. 3 Executive share option schemes

The No. 1, No. 2 and No. 3 executive share option schemes are available for certain executives in the Group's businesses. The option price is based on the mid market price of the Company's shares on the last dealing date preceding the granting of the options and can be exercised between the third and tenth anniversary of the grant date. Share options were granted under the No. 3 Executive share option scheme during the year and are exercisable at a price of 250.5p per share between March 2003 and March 2010. The exercise of options under the No. 3 Executive share option scheme, is dependent on certain performance criteria being achieved, namely that compound EPS growth over a three year period should exceed the movement in the retail price index by at least 3% for each year.

Employee sharesave and stock option schemes

During the year, the US stock option scheme matured and options were exercised by employees over 88,305 shares.

In the UK grants were made under a sharesave scheme in January 1998. The option price is based on a discount of 20% from the mid market price of the ordinary shares five days before the application date. The savings term is for three or five years. The options are exercisable at a price of 150p per share between 1 March 2001 and 30 September 2003.

Employee share ownership plan (restricted share scheme)

This scheme is administered by an independent trust and awards can be recommended by the remuneration committee for senior executives in the Group's businesses. The shares are awarded at nil cost to the recipient. No award was made under this scheme during the year.

Directors' remuneration and pension entitlements The remuneration, excluding pensions, of the directors is set out below:

	Basic salary £'000	Bonuses £'000	Other benefits* £'000	Taxable benefits £'000	Fees £'000	Total 2000 £'000	Total 1999 £'000
Sir Alan Cockshaw	-	-	-	-	50	50	50
H L Tee	215	107	-	16	-	338	224
A J Vaisey	196	98	35	14	-	343	232
L C N Bury	-	-	-	-	19	19	15
P A M Curry	-	-	-	-	19	19	15
R Koch	-	-	-	-	19	19	15
	411	205	35	30	107	788	551

*Additional pension contributions are provided for A J Vaisey under a funded unapproved pension scheme in order to bring his pension benefits up to the level which would have been provided under the approved scheme if the restrictions imposed by the Finance Act 1989 had not applied. The amounts charged in these accounts amounted to £52,000 (1999: £49,000). A J Vaisey has an entitlement to additional payments, amounting to £35,000, classified as other benefits, to compensate for the tax liability which arises in respect of the Company's contribution to this unapproved pension scheme.

The non-executive directors receive a set fee for their services, which can be enhanced for taking on or providing additional responsibilities or services. No additional payments were made during the year.

The pension entitlements of the directors from a defined benefits scheme are as follows:

	Increase, excluding inflation, in accrued pension during the year £'000	Transfer value for increase £'000	Accumulated total accrued pension at 31 December 2000 £'000	Accumulated total accrued pension at 31 December 1999 £'000
H L Tee	18	226	104	84
A J Vaisey	3	33	14	10

As part of the pension arrangements, the directors are entitled to life assurance cover equal to four times basic salary.

Directors' beneficial interests Directors' beneficial interests in the ordinary shares of 1p each in the Company are set out below:

	At 31 December 2000 Shares	At 31 December 1999 Shares
Sir Alan Cockshaw	30,000	30,000
H L Tee	2,554,422	2,554,422
A J Vaisey	58,022	58,022
L C N Bury	100,000	200,000
P A M Curry	60,000	60,000
R Koch	46,000	46,000

During the year L C N Bury transferred his beneficial interest in 100,000 ordinary shares of 1p each to a non-beneficial interest.

At 31 December 2000 L C N Bury had a non-beneficial interest in 100,000 ordinary shares (1999: 100,000).

There has been no change in directors' holdings since the year end date.

None of the directors had or has an interest in any material contract relating to the business of the company or any of its subsidiary undertakings.

Directors' share options Share options granted to directors are as follows:

No. 1 Executive share option scheme

	Date granted	Options granted	Exercise price per share
A J Vaisey	14 November 1996	21,978	136.5p

The options are exercisable after the third anniversary and before the tenth anniversary of the grant.

No. 3 Executive share option scheme

	Date granted	Options granted	Exercise price per share
H L Tee	21 September 1999	80,000	246.5p
	14 March 2000	84,970	250.5p
A J Vaisey	21 September 1999	60,000	246.5p
	14 March 2000	71,202	250.5p

The options are exercisable after the third anniversary and before the tenth anniversary of the year of the grant.

Employee sharesave scheme

	Date granted	Options granted	Exercise price per share	Savings period years
H L Tee	21 January 1998	11,500	150p	5
A J Vaisey	21 January 1998	2,600	150p	3

The directors were eligible to participate in the company's Inland Revenue approved savings related share option scheme on equal terms with all other employees.

Service contracts The service contract of H L Tee includes an ongoing notice period for termination of 24 months to be given by both the Company and H L Tee. This notice period was fixed in 1990 at the time of the formation of the Company and the committee are in agreement for it to continue. A J Vaisey's service contract includes an ongoing terminable period of 12 months if given by the Company and six months if given by A J Vaisey.

It is the committee's intention that future appointments will have notice periods of not more than 12 months. However, the committee accepts that it may have to offer a longer initial contract term for certain incoming directors.

The normal agreement with non-executive directors is that they have an initial term of three years. Thereafter, the board will decide upon any subsequent term of appointment. All agreements with the non-executive directors include notice periods of three months. Sir Alan Cockshaw retires by rotation at the forthcoming Annual General Meeting and is seeking reappointment as a non-executive director. L C N Bury also retires by rotation but will not be standing for re-election.

Share price The share price range during 2000 was between a lowest market mid point price of 181p per share and a highest market mid point price of 367.5p per share. The market mid point price at 31 December 2000 was 341.5p per share.

P A M Curry

Chairman of the remuneration committee
15 March 2001