

Report by the Board on Directors' Remuneration

The Remuneration Committee The Remuneration Committee is chaired by Mr Merrifield and acknowledges the principles and provisions relating to Directors' remuneration contained in the Code. During 2000, he and Sir Harry Djanogly, Lord Owen and Sir Victor Blank were members of the Remuneration Committee and are independent Non Executive Directors. The Committee maintains overall responsibility for the development and effective implementation of senior management remuneration policies as well as approving the individual salaries and packages of the Board and other senior executives. The Committee has access to professional advice from inside and outside the Group as well as to detailed information about the remuneration practices of companies of similar size and international spread and of industry competitors. No Director plays a part in any discussion about his or her own remuneration.

The Group has sought to build a performance led culture and, accordingly, its remuneration and benefits policies are constructed to support the principle of rewards related to achievement. The Group's success is dependent on senior management motivated by the opportunity both to pursue a varied and challenging career and to benefit from a fairly based and competitive remuneration package.

Remuneration package The Group's Executive Directors received a basic salary and were eligible to receive an annual bonus pursuant to the Senior Management Performance Plan. The level of basic salary is determined by the Remuneration Committee prior to April each year or when an individual changes position or responsibility.

Bonuses possible under the Senior Management Performance Plan consider factors including achieving budget for operating profit and return on capital employed. In addition the Remuneration Committee is empowered to award additional bonuses at its discretion. Details of bonuses paid to Directors for 2000 are disclosed on page 22.

A Long Term Incentive Plan introduced in 1995 for senior managers did not result in the allocation of any shares as performance targets were not achieved. During the year no shares for use under the Long Term Incentive Plan were purchased by the employee benefits trust which administers the funds allocated to the Group's subsidiaries. The Trust held 1,012,907 ordinary shares as at 31 December 2000 and the market value of these shares was £389,969 (1999 – £420,356).

Under the terms of the 1994 Executive Share Option Scheme, the Remuneration Committee may grant options to Directors and a wide group of senior management at the market price prevailing at the time of grant. Options are exercisable not less than three and not more than ten years after the grant. The exercise of options granted under this Scheme is dependent upon growth in the Group's earnings per share exceeding by 2% the increase in the retail price index during the three year period following grant. During the year no options were granted to Directors under the Scheme. It is the Group's policy ordinarily to grant options under the Scheme on a staged basis.

The Executive Share Option Scheme and the Long Term Incentive Plan are designed to emphasise the correlation of interests of shareholders, Directors and senior management.

Executive Directors' pension arrangements All Executive Directors are members of the Group pension plan which is contributory and is approved by the Inland Revenue. Their dependants are eligible for dependants' pensions and the payment of a lump sum in the event of death in service. The Group pension plan has been established for many years and normally provides for a pension on retirement at the age of 60 or up to two-thirds of final basic salary. This may be increased within Inland Revenue limits where qualifying pensionable service exceeds 30 years in which case remuneration in addition to basic salary may be taken into account.

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Where a Directors' benefits from the Group scheme are restricted by revenue limits, as is the case in respect of Ms Kantor, the Group increases pension and death benefits to the level that would otherwise have applied through the mechanism of an unfunded unapproved retirement benefit scheme. The pension costs of unfunded unapproved arrangements are charged over their estimated service lives based upon actuarial advice.

There have been no changes in the terms of Directors' pension entitlements during the year.

Other benefits Executive Directors receive benefits including medical insurance and company car benefits in line with competitive practice. The value of such benefits is set out on page 22.

Executive Directors' contracts Executive Directors currently have contracts expiring on 12 months' notice. On appointment from outside the Group, however, a new Director may be entitled to a contract with an initial notice period of 24 months reducing to 12 months at the end of the first year of service. The Group may be obliged to pay the unexpired portion of a Director's contract, if it is terminated early. The Group's personnel policies relating to its UK based senior management include guidelines on redundancy payments, which reflect the length of service of the redundant employee. These guidelines would also apply to any Director made redundant. Mr Flower has 33 years' service with the Group and the maximum benefit payable to him under the guidelines, inclusive of any entitlement under his service contract, would not exceed two years' basic salary. Executive Directors' contracts of service will be available for inspection at the Annual General Meeting.

External appointments Subject to Board approval and the reasonableness of demands on their time, Executive Directors may assume membership of up to two other boards on the basis that the Director concerned may retain any fees earned by him/her.

Non Executive Directors The remuneration of the Non Executive Directors is determined by the Board and is based upon independent surveys of fees paid to Non Executive Directors of similar companies. The Non Executive Directors do not have contracts of service with the Company and are not members of the Pension Plan. Sir Harry Djanogly is entitled to benefits including medical insurance and company car benefits. Details of Non Executive Directors' remuneration are disclosed in the table of Directors' remuneration set out on page 22.

The Remuneration Committee has determined that there are no special circumstances giving rise to a need to invite shareholders to vote on any resolution concerning remuneration at this year's Annual General Meeting. The Chairman of the Committee will, however, be available to answer questions on any aspect of the remuneration policy at the Annual General Meeting.

For and on behalf of the Remuneration Committee
K J Merrifield

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Directors' salaries for year ended 31 December 2000

	Salaries/fees		Taxable benefits		Performance related bonuses		Total	
	£'000 2000	£'000 1999	£'000 2000	£'000 1999	£'000 2000	£'000 1999	£'000 2000	£'000 1999
Sir Harry Djanogly	125	99	20	24	–	–	145	123
M C Flower	300	250	16	12	174	71	490	333
M G Hartley	250	225	16	11	167	9	433	245
K T Kantor	250	240	25	15	250	56	525	311
Sir Victor Blank	20	20	–	–	–	–	20	20
K J Merrifield	20	20	–	–	–	–	20	20
Lord Owen	20	20	–	–	–	–	20	20
Former Directors	–	217	–	38	–	157	–	412
Total	985	1,091	77	100	591	293	1,653	1,484

Notes

- The figures set out above related only to the period of each Director's membership of the Board.
- Emoluments are paid in the same financial year with the exception of bonuses, which are paid in the year following that in which they are earned.

Directors' pension entitlements	Increase in accrued pension entitlement during 2000 (Note 2) £ pa	Total accrued pension entitlement at 31 Dec 2000 £ pa	Transfer value of increase in accrued pension entitlements during 2000 (Note 3) £
M C Flower	30,280	174,530	571,240
M G Hartley	31,290	113,866	559,330
K T Kantor	12,270	25,610	217,600

Notes to pension benefits

- The pension entitlement shown is that which would be paid annually on retirement based on service at the end of the year.
- The increase in accrued pension during the year excludes any increase for inflation.
- The transfer value has been calculated on the basis of actuarial advice in accordance with Actuarial Guidance Notes GN11 less Director's contributions and includes the cost of death in service cover and salary continuance protection.
- Members of the Plan have the option to pay Additional Voluntary Contributions. The figures in the table above do not include allowance for benefits produced by AVCs, nor has the transfer value been adjusted in respect of AVCs.

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Directors' interests	Ordinary Shares	
	31 December 2000	31 December 1999
Sir Harry Djanogly	1,292,207	1,292,207
M C Flower	84,502	34,502
M G Hartley	64,780	57,039
K T Kantor	–	–
Sir Victor Blank	124,094	124,094
K J Merrifield	30,000	30,000
Lord Owen	1,417	1,417

In 1992, the Company, through a subsidiary, acquired a joint interest in a property with Mr Flower on his taking permanent residence in England. The subsidiary's investment was £180,000. Under the agreement Mr Flower has the option to purchase the Group's interest at market value. The Group's investment was reduced to £75,000 in January 1994 following partial exercise of Mr Flower's option.

None of the Directors has or had any interest in the preference share capital of the Company or of the shares of any of its subsidiaries.

Details of Directors' executive share options are as follows:

Director	Number of Options				Weighted average exercise price	Range of dates from which exercisable	Range of expiry dates
	At 1 Jan 2000	Granted in year	Lapsed	At 31 Dec 2000			
M C Flower							
Options granted since 01/01/98	720,800	–	–	720,800	42.00p	29/03/01	29/03/08
Options granted prior to 01/01/98	376,050	–	–	376,050	185.41p	15/10/94-	15/10/01-
	SAYE 11,660	–	4,423	7,237		17/03/00	17/03/07
	1,108,510	–	4,423	1,104,087			
M G Hartley							
Options granted since 01/01/98	776,666	–	–	776,666	34.92p	21/10/01-	21/10/08-
Options granted prior to 01/01/98	151,543	–	–	151,543	185.97p	29/03/02	29/03/09
	SAYE 8,863	–	8,863	–		15/10/94-	15/10/01-
	937,072	–	8,863	928,209		17/03/00	17/03/07
K T Kantor							
Options granted since 01/01/98	1,757,185	–	–	1,757,185	36.44p	21/10/01-	21/10/08-
						29/03/02	29/03/09
	1,757,185	–	–	1,757,185			
Totals	3,802,767	–	13,286	3,789,481			

The market price of the Group's shares at 31 December 2000 was 38.50p (1999 – 41.5p) and the range during the year was 37.75p to 62.50p.