

Report on directors' remuneration and related matters

The Board presents its report on directors' remuneration and related matters in compliance with new Directors' Remuneration Report Regulations which came into force for the first time this year. The report includes the following sections:

- Role and membership of the Remuneration Committee
- Remuneration policy and description of GUS' pay elements
- Performance graph illustrating GUS' performance against the FTSE100
- Executive director remuneration
- Share option and long term incentive plan awards to executive directors
- Retirement benefits
- Service contracts

1. Remuneration Committee

Both the level and structure of executive directors' pay and the remuneration of the Chairman are decided by the Remuneration Committee. The remuneration of non-executive directors is a matter reserved for the Board as a whole.

The Remuneration Committee is a Board committee consisting exclusively of independent non-executive directors: Lady Patten (Chairman), Sir Alan Rudge and Oliver Stocken. It has written terms of reference from the Board which currently specify the major duties to be as follows:-

- To make recommendations to the Board, within these terms of reference, on the Company's framework of executive remuneration and its cost, its aim being to demonstrate that executive remuneration is set objectively and that executive directors are fairly rewarded.
- To determine on behalf of the Board specific remuneration packages for each of the executive directors, following the process described below, together with conditions of employment (including pension rights), contracts of employment and any compensation package in the event of the early termination of a contract.
- To monitor the remuneration of senior executives below Main Board level so that it can be sensitive to the wider scene especially when determining annual salary increases for Main Board executive directors.
- To establish incentive schemes for executive directors, set performance criteria and monitor their performance.

Pay decisions are made on the advice of or proposals prepared by the Chairman, the Group Chief Executive and the Group Director of Human Resources who are invited to attend meetings of the Committee as and when appropriate. In addition, in making its decisions, the Committee has had direct access to the relevant external advisers appointed by the Remuneration

Committee and the Company. For the year ended 31 March 2003 the principal remuneration advisers were Towers Perrin and Kepler Associates. Other than remuneration advice, no other services were provided by Kepler Associates. Towers Perrin provided administrative support on various share schemes.

The Committee meets at least three times a year and holds additional meetings where necessary. During the year under review, the Committee met on five occasions.

2. Policy Statement

GUS now has three core businesses that are well positioned to achieve sustained growth. Key to success has been a move towards a performance-oriented culture with a clear link between remuneration and performance.

The four tenets on which our remuneration structure is founded are as follows:-

1. Base pay levels are established on a market competitive basis but no higher than this.
2. Benefits (for example pensions and cars) are provided on a basis that is appropriate to the local market in which the director is employed.
3. Performance related incentives provide the opportunity to deliver substantial rewards for high performance.
4. Wherever reasonable, pay is aligned to shareholders' interests. This is reflected in the choice of performance standards applied to incentive awards and the fact that, for a large part of the overall incentive package, rewards are denominated in GUS shares.

Consistent with our philosophy, salaries are set on the basis of mid-market practice amongst UK companies of comparable size. Performance related incentives are targeted at upper quartile levels to produce a highly leveraged package if our growth objectives are attained.

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Performance linkages

Each element in the reward package is designed to support the achievement of different corporate objectives. These are illustrated below:

Element	Purpose	Performance standard
(a) Base salary	Reflects the competitive salary level for the particular job and takes account of personal contribution and performance.	Individual contribution
(b) Annual bonus	Rewards the delivery of current operational targets. Provides leveraged opportunity to reward the achievement of current performance targets through re-investment of the bonus in GUS shares with matching opportunities. Aligns with shareholder through delivery of shares.	Profit before tax together with efficient capital usage
(c) Share options	Direct link to growth objectives through EPS growth hurdle and to value creation through share price increase. Aligns with shareholder interests.	EPS growth
(d) Performance share plan	Aligns with shareholder interests through delivery of shares. Rewards out-performance of peers.	Relative total shareholder return

In fair value terms, the proportion of total pay (excluding pensions and benefits) which is variable is equal to approximately 60 per cent.

We believe that linking incentives to profit growth helps to reinforce our growth objectives and is an appropriate measure for a predominantly retail business.

The pay elements are further explained below:

(a) Base salary

To ascertain the job's market value, external remuneration consultants annually review and provide data about market salary levels, and advise the Remuneration Committee accordingly. These market rates are based on peer group data and derived from the pay position described above. Before making a final decision on individual salary awards, the Committee assesses each director's contribution to the business, to reflect individual performance.

(b) Annual bonus

To reward annual performance, executive directors are eligible for an annual incentive with a target of 50 per cent of base salary and a maximum of 100 per cent of salary for substantially exceeding targets.

Directors are given the opportunity to defer receipt of their bonus and invest it in GUS shares. The number of shares acquired on behalf of the executive is matched on a sliding scale depending on the achievement against target for the relevant financial year. The number of matching shares may vary from a threshold ratio of one half for one, to a maximum of two for one. The release of these shares is deferred for three years including the deferred bonus. If an executive resigns during the three-year period he will forfeit the right to the matching shares.

Bonuses are currently awarded for achieving profit before tax growth and meeting efficient capital usage targets. These targets are calibrated using a range of benchmarks based on internal and external expectations.

(c) Share options

The link to share price provides a built in performance driver for option holders and further aligns them with shareholders' interests. In addition, the scheme applies a further performance test which requires EPS to grow by 4 per cent above inflation when measured over a continuous period of three years commencing no earlier than the latest financial year during which the option is granted and terminating no later than the end of the fifth financial year after the year in which the option is granted.

Options granted to GUS directors are typical in the UK market in that they vest three years after grant, are subject to the performance test and remain exercisable for seven years after vesting. No director may normally receive annually an option grant with a total exercise price of more than one times salary. In exceptional circumstances the Remuneration Committee has discretion to grant up to two times salary.

(d) Performance share plan

The primary objective of the performance share plan is to underpin the longer-term incentive structure by providing a share-based reward, which is earned only when the Company out-performs its peers.

GUS' performance under this plan is assessed in terms of three-year total shareholder return in relation to the following group of peer companies: Acxiom, Boots, Dixons, Equifax, Harte Hanks, Kingfisher, Marks & Spencer, N. Brown, Next, Pinault Printemps Redoute, Reed Elsevier, Reuters, Signet and Tesco.

None of the awards will vest if GUS' total shareholder return (defined as share price movement plus reinvested dividends) is below the median return for the comparator group.

Once GUS achieves median performance, 40 per cent of the award will vest, while 100 per cent of the award will be earned for an upper quartile return or better. Between median and upper quartile performance, awards will vest by straight-line interpolation.

For the year to 31 March 2003, the maximum grant available to directors was 100 per cent of salary, converted to shares at the price prevailing at the time the awards were made. The awards were made in June 2002 and will vest, to the extent that the performance test is met, in June 2005.

No awards will be released unless the Remuneration Committee is also satisfied with the Company's underlying financial performance over the relevant period.

(e) Pensions and other benefits

Pensions are offered in line with local competitive practice. The retirement age for directors in the UK is 60 under arrangements which broadly provide a pension of two thirds of final salary (subject to Inland Revenue limits), life assurance at four times salary and ill health and dependants' pensions. Incentive payments (such as annual bonuses) are not pensionable.

Arrangements are in place to provide pension benefits to those executive directors affected by the pensions cap. These are designed to provide pension benefits in excess of the Inland Revenue cap thereby placing those directors in broadly the same position

as directors whose pension is unaffected by this cap. Further details are provided under the disclosure of the arrangements for each director.

Cars are provided on a basis that is consistent with competitive practice.

Directors, in the UK, in common with all GUS' UK employees, are eligible to participate in the Company's Savings Related Share Option Scheme.

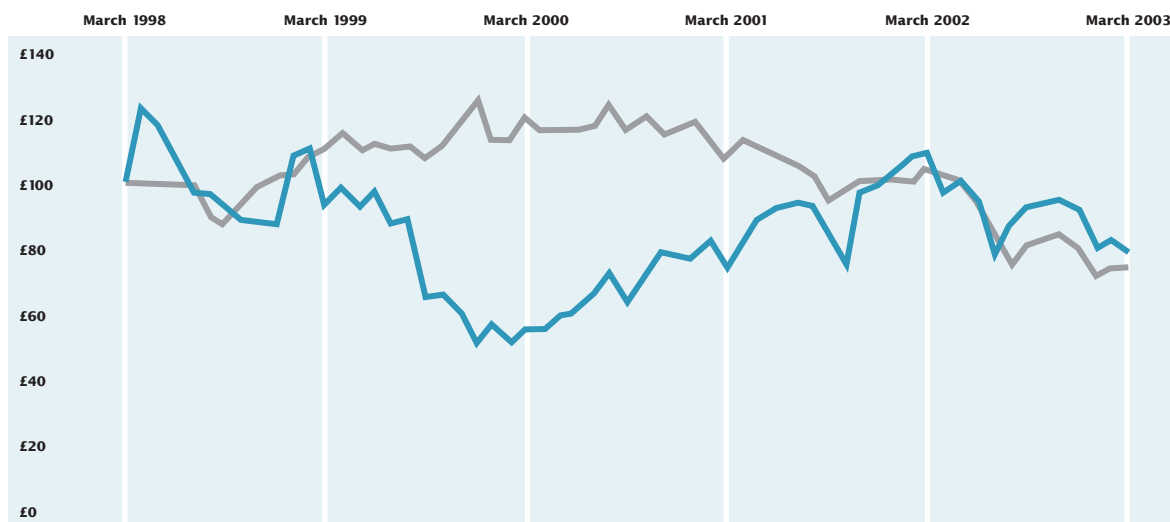
(f) Service contracts

The Board's policy over many years has been to limit service contracts of executive directors to one-year rolling terms. In the event of termination of the director's contract, any compensation payment is calculated in accordance with normal legal principles, including the application of mitigation to the extent which is appropriate to the circumstances of the case.

Historically, there has been one exception to this policy which the Board justified as being in shareholders' interests. As a reflection of local employment conditions in South Africa, Alan Smart, Chief Executive of our retailing interest in that country, had a contract which provided for 24 months' notice on the part of both the company and the executive. These arrangements were varied during the course of the year under review in that, by letter dated 21 August 2002, the parties agreed that the notice of termination would be reduced to 12 months on the part of both the executive and the company.

3. Performance Graph

The following performance graph shows the total shareholder return ("TSR") for GUS versus the FTSE 100 for the last five financial years.



Value of £100 invested in March 1998 - shown on a monthly basis

■ GUS share price
■ FTSE 100

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4. Directors' emoluments

	2003 £'000	2002 £'000
Total emoluments: salary	1,781	2,053
performance related bonuses	1,628	1,670
taxable benefits in kind	107	93
non-executive directors	548	426
	4,064	4,242
Long Term Incentive Plans ('LTIPs')	–	683
Payments to former directors (Note 1)	41	312
Pension contributions	289	293
Pensions in respect of former directors	398	292
	4,792	5,822

The following table shows an analysis of the remuneration of the individual executive directors:

		Salary £'000	Annual bonus £'000	Taxable benefits £'000	Total 2003 £'000	Total 2002 £'000
Eric Barnes	(Note 1)	–	–	–	–	60
Victor Barnett	(Note 2)	129	–	–	129	630
David Bury	(Note 3)	–	–	–	–	84
Terry Duddy		525	525	24	1,074	1,294
John Peace	(Note 9)	650	650	31	1,331	1,551
Alan Smart		89	61	6	156	147
Craig Smith	(Note 8)	8	12	–	20	–
David Tyler	(Note 9)	380	380	18	778	712

Benefits for executive directors comprise a fully expensed company car or cash equivalent and private medical insurance.

The following table provides details of the emoluments of the Chairman and individual non-executive directors. There were no taxable benefits other than those disclosed in note 4 on page 45.

		2003 £'000	2002 £'000
Sir Victor Blank	(Note 4)	296	240
Jonathan Charkham	(Note 5)	–	10
Lord Harris of Peckham		42	30
Frank Newman	(Note 6)	42	10
Lady Patten of Wincanton		57	37
Sir Alan Rudge	(Note 7)	54	62
Oliver Stocken		57	37

During the course of the year under review, the Board considered the level of remuneration paid to the Chairman and the non-executive directors. It was decided that the remuneration paid in cash should remain unchanged but that any increase should be paid in shares. The new remuneration structure for non-executive directors is as follows:-

- Each non-executive director receives a base fee of £30,000 per annum payable in cash.
- The chairmen of the Audit and Remuneration Committees and the senior independent director each receive an additional fee of £7,500 per annum payable in cash.
- In addition, each non-executive director receives 2,500 GUS shares as part of his/her annual remuneration.
- The chairmen of the Audit and Remuneration Committees now receive an additional 1,500 shares as part of their annual remuneration.
- Directors are obliged to retain shares awarded under these arrangements until their retirement from the Board. Any tax liability connected to these arrangements is the responsibility of the individual director.

The following shares were purchased on 25 July 2002 as the first such payment under these new arrangements. The value reported below is included within the remuneration reported in the above table:-

	Number of Shares	Value £
Lord Harris	2,500	12,129
Frank Newman	2,500	12,129
Lady Patten	4,000	19,406
Sir Alan Rudge	2,500	12,129
Oliver Stocken	4,000	19,406

As part of this review of directors' remuneration, the Board approved an increase in Sir Victor Blank's remuneration effective from 1 July 2002 and agreed that 25 per cent of his remuneration be satisfied by payment in shares, the number so purchased to remain fixed for a two year period. 15,000 shares were purchased under this arrangement on 25 July 2002. The value of the shares so purchased, £72,800, is included within the remuneration reported in the above table. The shares so acquired are to be retained by Sir Victor until his retirement from the Board.

Notes

1. Eric Barnes retired from the Board on 25 July 2001. He was paid £41,000 during the year under a consultancy agreement which commenced on 1 August 2001 and was renewed on 15 March 2002.
2. Victor Barnett retired from the Board on 1 July 2002.
3. David Bury retired from the Board on 25 July 2001.
4. Sir Victor Blank's remuneration of £296,000, reported above, consists of £30,000 as a non-executive director and £266,000 as Chairman. In addition he has the use of a company car, the taxable benefit for which in the year under review was £28,000.
5. Jonathan Charkham retired from the Board on 25 July 2001.
6. Frank Newman was appointed to the Board on 10 December 2001.
7. Sir Alan Rudge's remuneration consists of £49,600 as a non-executive director and £4,200 as Chairman of the Company's e-Commerce Developments Committee. The Committee was disbanded in May 2002.
8. Craig Smith was appointed to the Board on 25 March 2003.
9. John Peace serves as non-executive Chairman and David Tyler as a non-executive director on the Board of Burberry Group plc, a listed company in which GUS retains approximately 77 per cent of the issued share capital. Neither executive receives any additional remuneration for such services.

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5. Share options

Details of options granted to executive directors, under the Company's executive share option schemes, are set out in the table below:

	Number of options at 1 April 2002 or date of appointment	Options granted during the year	Exercise price	Date from which exercisable	Expiry date	Total number of options at 31 March 2003
Terry Duddy						
07.04.00	93,159	–	375.7p	07.04.03	06.04.10	
07.08.00	81,737	–	428.2p	07.08.03	06.08.10	
11.06.01	150,155	–	612.7p	11.06.04	10.06.11	
06.06.02	–	80,398	653.0p	06.06.05	05.06.12	
						405,449
John Peace						
07.04.00	146,393	–	375.7p	07.04.03	06.04.10	
11.06.01	195,854	–	612.7p	11.06.04	10.06.11	
06.06.02	–	99,540	653.0p	06.06.05	05.06.12	
						441,787
Alan Smart						
11.06.01	37,038	–	612.7p	11.06.04	10.06.11	
06.06.02	–	14,235	653.0p	06.06.05	05.06.12	
						51,273
Craig Smith						
14.06.00	191,051	–	381.3p	14.06.01	13.06.06	
11.06.01	214,048	–	612.7p	11.06.02	10.06.07	
06.06.02	198,337	–	653.0p	06.06.03	05.06.08	
						603,436
David Tyler						
09.12.98	43,088	–	580.2p	09.12.01	08.12.08	
23.06.99	37,308	–	690.2p	23.06.02	22.06.09	
07.04.00	86,505	–	375.7p	07.04.03	06.04.10	
11.06.01	114,248	–	612.7p	11.06.04	10.06.11	
06.06.02	–	58,192	653.0p	06.06.05	05.06.12	
						339,341

Options granted to Craig Smith prior to his appointment as a director were granted under the US Stock Option Plan. Any future grants to Mr Smith will be made under the UK Executive Share Option Scheme.

The exercise prices represent the average of the middle market quotations of a GUS share as derived from the Daily Official List of The London Stock Exchange for the three immediately preceding dealing days to the date on which options were granted.

The options may not be exercised unless, during a period of three consecutive financial years, Group earnings per share have increased by an average of at least 4 per cent per annum more than the Retail Prices Index.

The market price of the shares at the end of the financial year was 487p; the highest and lowest prices during the financial year were 700p and 440p respectively.

Full details of directors' shareholdings and options to subscribe are contained in the Company's Register of Directors' Interests.

No options were exercised by directors during the year under review.

Phantom share option

Previous reports have disclosed the nature of a "phantom" share option arrangement granted to Victor Barnett who retired from the Board on 1 July 2002. On exercise, in the period 1 August 2003 to 31 July 2006, Mr Barnett was to have been paid a cash sum equal to any increase in the value of 164,007 GUS shares over the period 1 August 2000, when the share price was 430p, to the date the option was exercised.

The details of this arrangement have subsequently been varied. The gain was crystallised at the date of the Burberry initial public offering ('IPO') and, instead of being paid in cash, was converted into 83,596 Burberry shares using the IPO price of a Burberry share. The Company has agreed to match the number of Burberry shares in the ratio 1.3 to 1 with the receipt of the total number of shares deferred for a period of five years from the date of the Burberry IPO. Mr Barnett can, however, elect to receive the shares sooner at a 10 per cent discount.

SAYE share option scheme

Options granted to directors under the Company's SAYE share option scheme were as follows:-

	Number of options at 31 March 2002 and 2003	Exercise price	Date from which exercisable	Expiry date
Sir Victor Blank	4,394	384p	01.05.06	31.10.06
Terry Duddy	4,394	384p	01.05.06	31.10.06
Lord Harris of Peckham	2,522	384p	01.05.04	31.10.04
Lady Patten of Wincanton	2,522	384p	01.05.04	31.10.04
John Peace	4,394	384p	01.05.06	31.10.06
Oliver Stocken	4,394	384p	01.05.06	31.10.06
David Tyler	4,394	384p	01.05.06	31.10.06

6. Long term incentive plans – performance share plan

An award under the Company's Performance Share Plan takes the form of a deferred right to acquire shares at no cost to the participant. The vesting of these awards is subject to the performance conditions described on pages 42 and 43.

Awards to present directors under the plan, described on pages 42 and 43, have been as follows:-

	Shares awarded at 31 March 2002	Shares awarded during the year to 31 March 2003	Vesting date	Total shares awarded at 31 March 2003
Terry Duddy				
07.04.00	74,527	–	April 2003	
11.06.01	37,538	–	June 2004	
06.06.02	–	80,398	June 2005	192,463
John Peace				
07.04.00	146,393	–	April 2003	
11.06.01	48,963	–	June 2004	
06.06.02	–	99,540	June 2005	294,896
Alan Smart				
06.06.02	–	14,235	June 2005	14,235
David Tyler				
07.04.00	69,204	–	April 2003	
11.06.01	28,562	–	June 2004	
06.06.02	–	58,192	June 2005	155,958

100 per cent of the awards made on 7 April 2000 vested on 30 April 2003 following confirmation that the GUS total shareholder return for the performance period was in the upper quartile in relation to the total shareholder return of the comparator group and confirmation from the Remuneration Committee that the underlying financial performance of the Company during the performance period had been satisfactory.

7. Co-investment plan

As explained in note (b) on page 42, directors are given the opportunity to defer receipt of their annual bonus and have it invested in GUS shares. Last year, John Peace, Terry Duddy and David Tyler chose to invest the whole of their bonus. Shares so purchased on their behalf, applying the bonuses reported in last year's Annual Report, are included in the table of directors' interests appearing on page 50. Matching shares under these arrangements are not released until the expiry of a three-year period and the right to these shares is forfeited if a director resigns before then. The contingent interests in such matching shares are John Peace (187,900 shares), Terry Duddy (144,056 shares) and David Tyler (109,608 shares).

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8. Retirement benefits

Victor Barnett, who retired in the year under review, has an unfunded pension arrangement for which provision has been made in the financial statements. During the year under review an amount of £43,000 was charged against profit in order to provide for this unfunded arrangement.

Terry Duddy is a member of the Argos Pension Scheme which will provide him on retirement at age 60 with a pension of up to two thirds of the pensions cap subject to Inland Revenue limits. In addition, his contract provides for the choice of a funded or unfunded scheme to provide benefits above the pensions cap. Mr Duddy has elected to have paid to him a cash sum for investment at his own discretion. The amount so paid in the year under review was £197,000.

David Tyler's pension benefits, above the pensions cap, previously were provided for through payments into a funded unapproved retirement benefit scheme ("FURBS"). However with effect from 1 April 2002, this arrangement was changed so that, in future, such benefits will be provided through an unfunded unapproved retirement benefit scheme after recognising amounts previously invested in a FURBS. The aggregate invested in the FURBS in the five years to 31 March 2002, when the arrangement ceased, was £478,000. During the year under review an amount of £629,000 was charged against profit in order to provide for the accumulated unfunded arrangement.

Alan Smart is a member of the pension scheme operated by the Company's South African subsidiary.

Craig Smith, who was appointed to the Board on 25 March 2003, participates in Experian North America's 401(k) pension plan, a defined contribution style arrangement. Contributions to the plan in the year ended 31 March 2003 amounted to \$10,000. In addition, instead of providing Mr Smith with a Supplemental Executive Retirement Plan, the Company pays him an additional cash sum annually in advance for investment at his discretion. The additional cash sum for 2003/04 was paid in the year ended 31 March 2003 and amounted to \$132,000.

The table set out below provides the disclosure of directors' pension entitlements in respect of benefits from tax exempt schemes and unfunded arrangements.

	Accrued pension at 31 March 2003 (1) £'000	Accrued pension at 31 March 2002 (2) £'000	Transfer value at 31 March 2003 (3) £'000	Transfer value at 31 March 2002 (4) £'000	Change in transfer value (5) £'000	Additional pension earned to 31 March 2003 (6) £'000	Transfer value of the increase (7) £'000
Terry Duddy	15	6	101	55	31	8	44
John Peace	362	334	4,161	4,236	(75)	22	253
David Tyler	77	30	637	360	258	46	366
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Victor Barnett	234	228	3,546	3,192	354	2	30
	Rand '000	Rand '000	Rand '000	Rand '000	Rand '000	Rand '000	Rand '000
Alan Smart	899	806	7,417	6,329	1,088	93	767

The disclosures in columns (1) to (5) are as required by the Companies Act 1985 Schedule 7A.

Columns (1) and (2) represent the deferred pension to which the directors would have been entitled had they left the Group on 31 March 2003 and 2002, respectively.

Column (3) is the transfer value of the deferred pension in column 1 calculated as at 31 March 2003 based on factors supplied by the actuary of the relevant group pension scheme in accordance with actuarial guidance note GN11.

Column (4) is the equivalent transfer value, but calculated as at 31 March 2002 on the assumption that the director left service at that date. Victor Barnett retired on 1 July 2002. The figures reported are in relation to accrued pension at age 65, the normal retirement age.

Column (5) is the change in transfer value of accrued pension during the year net of contributions by the director.

Column (6) is the increase in pension built up during the year, recognising (i) the accrual rate for the additional service based on the pensionable salary in force at the year end, and (ii) where appropriate the effect of pay changes in "real" (inflation adjusted) terms on the pension already earned at the start of the year.

Column (7) is the capital value of the pension in column (6). It represents the amount of cash required to secure that increase in accrued pension.

There are four directors for whom retirement benefits are accruing under defined benefit schemes. One director has a money purchase pension arrangement. The Chairman and the non-executive directors are not entitled to pension benefits from the Company.

The disclosures in columns (6) and (7) are as required by the UK Listing Authority's Listing Rules. The requirements of the Listing Rules differ from those of the Companies Act. The Listing Rules require the additional pension earned over the year to be calculated as the difference between the pension accrued at the end of the financial year and the pension accrued at the start of the financial year less the increase in the pension earned over the year solely due to inflation. The change in the transfer value required by the Companies Act will also be significantly influenced by the assumptions underlying the calculation at the beginning and the end of the financial year and market conditions.

9. Directors' service contracts

The disclosures required by the Regulations in respect of directors' service contracts are as follows:-

Terry Duddy

Terry Duddy has a service contract, dated 27 July 1999, which provides for twelve months' notice on the part of the Company and six months by the executive. The contract ends automatically when Mr Duddy reaches the normal retirement age of 60.

Under the terms of the contract, the Company reserves the option, in its absolute discretion, to terminate the executive's employment by paying in lieu of notice. The payment in lieu shall be calculated by reference to basic salary taking into account any pension contributions and benefits in kind for the duration of the notice period but without taking into account any bonus or incentive payment of any kind.

John Peace

John Peace has a service contract, dated 31 March 2000, which provides for twelve months' notice on the part of the Company and six months by the executive. The contract states that it will end automatically when Mr Peace reaches the normal retirement age of 65 but, as previously reported, the retirement age for directors subsequently was reduced to 60.

Under the terms of the contract, the Company reserves the option, in its absolute discretion, to pay the executive in lieu of the period of notice or the unexpired balance. The payment will be of an amount equal to basic salary and an amount equal to the value of any benefits in kind for the duration of the notice period or the unexpired balance and an amount equal to any bonus to which the executive would have been entitled had he remained in office for the balance of the fixed term or for the notice period or the unexpired balance as the case may be (such bonus to be computed by reference to the bonus paid in respect of the financial year ended immediately before the termination of employment). The Company is to use its best endeavours to procure that the executive is treated under the terms of the LTIP and share option arrangements such that he is vested to the maximum extent possible in LTIP and share options granted to him and will also procure that the executive is granted augmented benefits in the pension scheme as if he had remained in service for the duration of the notice period or the unexpired balance.

The contract also contains a clause covering liquidated damages. If, in breach of the terms of the contract, the Company terminates the executive's employment then the Company will pay and the executive agrees to accept as liquidated damages, in full and final settlement of all claims arising from such termination, a sum computed as indicated above. As also indicated above, the Company will use its best endeavours concerning LTIP, share option and pension arrangements.

Alan Smart

Alan Smart has a service contract the commencement date for which is 1 April 1997 and which, as reported elsewhere, has been varied in terms of the provision covering periods of notice. Once notice of termination has been given the Company shall continue to pay the executive's salary and provide all the benefits provided for in the agreement.

David Tyler

David Tyler has a service contract, dated 3 February 1997, which provides for twelve months' notice on the part of both the executive and the Company. The contract will end automatically at normal retirement age which, as reported elsewhere, has been reduced from 65 to 60.

Under the terms of the contract, the Company reserves the option, in its absolute discretion, to terminate the executive's employment by paying in lieu of notice. The payment in lieu shall be calculated by reference to basic salary taking into account any pension contributions and benefits in kind for the duration of the notice period but without taking into account any bonus or incentive payment of any kind.

Craig Smith

Craig Smith has a service contract, dated 27 March 2003, which provides for twelve months' notice on the part of the Company and six months by the executive. The contract makes specific provisions for the amounts payable to the executive by the Company. Where termination is without cause the agreement provides as follows:-

- Monthly salary to be paid at the same times as the executive would have received such payment had he remained in employment for a period of twelve months from the termination.
- Payment of the annual bonus to which the executive would have been entitled for the bonus period during which the termination date occurred as if the level of achievement of target objectives were 100 per cent as of the end of such period, payable in equal monthly instalments.
- In accordance with normal practice in the US the contract contains a no mitigation clause.
- The executive's stock options under any stock option or similar plan will be exercisable as specified in the relevant plan rules and any applicable grant agreement. Vesting of stock options will not be accelerated unless provided in the stock option or similar plan rules or the applicable grant agreement.

Victor Barnett

Victor Barnett, who retired from the Board on 1 July 2002, did not have a written contract of service. A written memorandum of his terms of employment was available for inspection showing that, in common with other executive directors, its duration was limited to one-year rolling terms.

Chairman and non-executive directors

The Chairman and non-executive directors do not have service contracts and their appointment may be terminated at any time without compensation. Non-executive directors are appointed for specified terms of 3 years and the appointment reviewed at the end of each 3 year term. As explained elsewhere, it has been agreed that Lord Harris should seek re-election annually in the light of his length of service on the Board.

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10. Combined Code

The constitution and operation of the Remuneration Committee are in compliance with the principles of good governance and Code of Best Practice set out in the Listing Rules of the Financial Services Authority.

11. Shareholding guideline

It is one of the tenets of GUS' reward strategy that shareholders' and directors' interests be aligned. To reinforce this, the Remuneration Committee expects that, over a period of five years or so, executive directors will build a personal holding in GUS shares. This holding should be 200,000 shares in the case of the Group Chief Executive and 120,000 shares in the case of other executive directors.

To underpin this commitment, the Committee expects that, while the guideline holding remains unfulfilled, executive directors will not dispose of any shares vesting to them under any of the GUS incentive plans (save for any disposals necessary to meet tax liabilities arising from them).

12. Directors' interests

The beneficial interests of the directors, together with non-beneficial interests, in the Ordinary shares of the Company and in the Ordinary shares of Burberry Group plc, being a body corporate of the same group, are shown below in sections (i) and (ii). Share options granted to directors, awards under the Performance Share Plan and the contingent interests in matching shares under the Co-investment Plan are shown on pages 46 and 47. Save for the disclosures in relation to Burberry shares, the directors have no interests in the debentures of the Company or in any shares or debentures of the Company's subsidiaries.

	Company		Burberry Group plc	
	31 March 2003	1 April 2002 or date of appointment	31 March 2003	1 April 2002 or date of appointment
(i) Beneficial holdings				
Sir Victor Blank	195,000	100,000	–	–
Terry Duddy	60,717	2,500	–	–
Lord Harris of Peckham	9,700	7,200	–	–
Frank Newman	2,500	–	–	–
Lady Patten of Wincanton	8,370	4,370	–	–
John Peace	96,370	30,000	16,000	–
Sir Alan Rudge	6,450	3,950	–	–
Alan Smart	–	–	–	–
Craig Smith	–	–	–	–
Oliver Stocken	22,231	12,621	–	–
David Tyler	52,882	20,000	16,000	–
(ii) Non-beneficial holdings				
Sir Victor Blank	3,000	3,000	–	–
Lord Harris of Peckham	25,000	25,000	–	–

On behalf of the Board

Lady Patten of Wincanton
Chairman – Remuneration Committee

27 May 2003