

# summary directors' report

## Principal activity and business review

The principal activity of the Group is the operation of food stores and associated activities in the UK, Republic of Ireland, France, Czech Republic, Slovakia, Hungary, Poland and Thailand. The business review is within the summary financial statement on pages 24 to 25.

## Dividends

The directors recommend the payment of a final dividend of 2.87p per ordinary share to be paid on 1 July 1999 to members on the Register at the close of business on 23 April 1999. Together with the interim dividend of 1.25p per ordinary share paid in December 1998, the total dividend for the year comes to 4.12p, compared with 3.87p for the previous year, an increase of 6.5%.

## Directors

Details of the current members of the Board are shown on pages 20 to 21. David Potts and Philip Clarke were appointed to the Board on 16 November 1998. Charles Allen was appointed to the Board on 19 February 1999 and Dr Harald Einsmann was appointed on 1 April 1999. Terry Leahy, John Gildersleeve, Tim Mason and Baroness O'Cathain will retire from the Board by rotation. David Potts, Philip Clarke, Charles Allen and Dr Harald Einsmann being appointed in the year will also retire. Being eligible, they offer themselves for re-election at the Annual General Meeting. Terry Leahy, John Gildersleeve, Tim Mason, David Potts and Philip Clarke have service contracts with two years' notice. Charles Allen, Dr Harald Einsmann and Baroness O'Cathain do not have service contracts.

## Corporate governance

The company has complied with all the provisions of the Combined Code of Best Practice. The Board is committed

to proper standards of corporate governance and will continue to keep procedures under review should the code develop. The company has established a framework of internal financial control which is reviewed by the Audit Committee and has a separate Executive Committee, Remuneration Committee and Nominations Committee. A full corporate governance statement is contained in the Annual Report and Financial Statements 1999.

## Summary report of the directors on remuneration

### Directors' remuneration policy

The remuneration packages, including contract periods, of executive directors are determined by the Remuneration Committee. It ensures that the remuneration package is appropriate for their responsibilities, taking into consideration the overall financial and business position of the Group, the highly competitive industry of which the Group is part and the importance of recruiting and retaining management of the appropriate calibre.

### Compliance

The Committee is constituted and operated throughout the period in accordance with the principles outlined in the Stock Exchange Listing Rules derived from Schedule A of the Combined Code. In framing the remuneration policy, full consideration has been given to the best practice provisions set out in Schedule B, annexed to the Listing Rules.

A summary of directors' emoluments and interests, including executive options, is set out on page 23. A more detailed analysis is provided in the Annual Report and Financial Statements 1999. Copies of the executive directors' contracts of employment are available for inspection by shareholders as required.

### Auditors' statement to the shareholders of Tesco PLC

We have examined the summary financial statement set out on pages 24 and 25, and the Directors' emoluments and share details included on page 23.

#### Respective responsibilities of Directors and Auditors

The summary financial statement is the responsibility of the directors. Our responsibility is to report to you our opinion on its preparation and consistency with the annual financial statements and Directors' report.

#### Basis of opinion

We conducted our work in accordance with Auditing Guideline 'The auditors' statement on the summary financial statement' adopted by The Auditing Practices Board.

### Opinion

In our opinion the summary financial statement is consistent with the annual financial statements and the Directors' report of Tesco PLC for the year ended 27 February 1999 and complies with the requirements of Section 251 of the Companies Act 1985, and the regulations made thereunder.

**PRICEWATERHOUSECOOPERS** 

Chartered Accountants and Registered Auditors  
London 12 April 1999

## Directors' emoluments

	Salary £000	Profit sharing £000	Benefits £000	Incentive scheme		Total 1999 £000	Total 1998 £000
				Short term £000	Long term £000		
Lord MacLaurin (a)	–	–	–	–	–	–	259
Mr J A Gardiner	300	–	–	–	–	300	232
Mr T P Leahy	565	8	16	184	128	901	798
Mr D E Reid	512	8	36	165	115	836	743
Mr R S Ager	366	8	17	117	82	590	550
Mr C L Allen (b)	3	–	–	–	–	3	–
Mr P A Clarke (b)	58	2	2	14	9	85	–
Mr J Gildersleeve	475	8	40	153	106	782	709
Mr A T Higginson	347	–	11	115	80	553	267
Mrs L James	257	8	21	83	58	427	385
Dr M G Jones (c)	10	–	–	–	–	10	33
Mr T J R Mason	347	8	20	113	79	567	493
Mr J W Melbourn	37	–	–	–	–	37	31
Baroness O'Cathain	32	–	12	–	–	44	40
Mr G F Pimlott	30	–	–	–	–	30	28
Mr D T Potts (b)	79	2	3	19	13	116	–
Mr J M Wemms	398	8	35	128	89	658	589
	3,816	60	213	1,091	759	5,939	5,157

a) Former director.

b) Mr P A Clarke and Mr D T Potts were appointed to the Board on 16 November 1998 and Mr C L Allen was appointed to the Board on 19 February 1999.

c) Dr M G Jones resigned from the Board on 11 June 1998.

## Summary of executive share options and disclosable shareholdings

	Number of shares				Exercise price pence	Value realisable 1999 £000	27 Feb 1999 Ordinary shares
	Options held 28 Feb 1998	Granted	Exercised	Options held 27 Feb 1999			
Mr J A Gardiner	–	–	–	–	–	–	353,325
Mr T P Leahy	2,293,044	126,832	–	2,419,876	70.0-164.0	–	1,233,415
Mr D E Reid	1,600,065	90,245	–	1,690,310	70.0-164.0	–	1,418,418
Mr R S Ager	1,322,100	265,435	443,991	1,143,544	70.0-178.0	386	797,067
Mr C L Allen	–	–	–	–	–	–	–
Mr P A Clarke	493,365	194,655	251,580	436,440	98.3-178.0	153	65,145
Mr J Gildersleeve	1,550,982	570,756	923,949	1,197,789	98.3-178.0	781	771,244
Mr A T Higginson	411,642	436,999	–	848,641	160.3-176.7	–	60,512
Mrs L James	904,839	132,777	523,230	514,386	77.3-178.0	466	737,681
Dr M G Jones	–	–	–	–	–	–	–
Mr T J R Mason	1,212,771	468,287	729,357	951,701	98.3-178.0	594	452,596
Mr J W Melbourn	–	–	–	–	–	–	6,570
Baroness O'Cathain	–	–	–	–	–	–	46,473
Mr G F Pimlott	–	–	–	–	–	–	26,134
Mr D T Potts	749,586	327,486	532,767	544,305	98.3-178.0	410	157,588
Mr J M Wemms	1,426,116	65,658	256,060	1,235,714	70.0-176.7	232	765,054

Options granted in the year were at the exercise prices of 176.7p, 164.0p and 178.0p.

In addition, certain directors held options under the company's savings-related share option scheme.