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Sir Adrian Cadbury,
Chairman,
Committee on the Financial Aspects of Corporate Governance,
PO Box 443,
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1 October 1991

Dear Sir Adrian,

SERVICE CONTRACTS FOR DIRECTORS

As a private shareholder, I have become concerned about Service Contracts granted to Directors without shareholder knowledge or prior approval, because I consider them - in nearly all cases - not to be in the interests of shareholders. I expressed this concern publicly at the Storehouse AGM, as you can see from the enclosed press clippings.

As a shareholder in Parrish Plc., I have just received the Recommended Offer from the East of Scotland Industrial Investments Plc., to acquire the whole share capital of Parrish Plc. As you may know, the shares crashed in September 1990 and are no longer quoted. I have lost my investment, as the offer to shareholders is a derisory penny per share.

I am disgusted to read in the Offer document (page 34) that two Parrish Directors signed 3-year Service Agreements on 2nd July 1990, providing annual remuneration of £50,000, subject to upward annual review. Shareholders were not consulted. On 24th September 1990, the majority of the business of Parrish Stockbrokers was sold to Gerrard Vivian Gray Ltd. There was little left to manage.

The Offer document states that, in the event that the Offer becomes unconditional, the Service Contracts will be terminated, and Parrish will pay each £75,000 as compensation for early termination. In addition, the directors will be given their cars. It is hardly surprising that both Directors gave irrevocable undertakings to accept the ESII Offer.

As I see it, these Service Agreements have needlessly cost Parrish shareholders about £300,000. The Offer values the total value of Parrish shares at £912,000 (Page 5). Without these Service Agreements, the offer to Parrish Shareholders

should have been about 30% higher.

I consider that the directors of Parrish Plc have behaved outrageously, in the circumstances, towards the shareholders of Parrish Plc. When they clearly knew that the business was about to collapse, they secretly granted themselves 3-year Service Agreements. After such action, I question whether they are fit persons to be directors of a company quoted on the Stock Exchange.

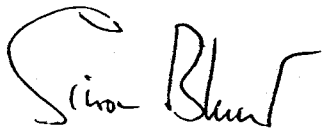
CONCLUSION

May I recommend to your Committee that they examine carefully the whole question of Service Agreements for Directors and other senior executives. As a shareholder, my proposals would be:-

1. That Service Contracts should only be granted, without prior shareholder approval, to those who are not already employees of the company, where such Service Contracts are considered necessary to attract the senior executives to join the company, and
2. that any other Service Contract for an existing employee should always have prior shareholder approval at a General Meeting.

I am sure you will agree that the present situation is unacceptable to shareholders, and brings the city into disrepute.

Yours sincerely


S W Blunt

PS. I fully agree with your reported remarks about Non-Executive Directors, who should be called Independent Directors