

Wednesday, September 2, 2009

## **Directors responsibilities and corporate governance**

The group is committed to applying the highest principles of corporate governance commensurate with its size.

### **THE BOARD**

The group is managed by a board, consisting of a chairman, three executive members and two non-executive members, who retain responsibility for the formulation of corporate strategy, approval of acquisitions, divestments and major capital expenditure and treasury policy. The appointment of new directors is a matter reserved for the board as a whole rather than for a separate nomination committee.

The board meets regularly and has a schedule of matters specifically referred to it for decision. All directors have access to advice from the company secretary and training is available for directors as necessary.

The board considers the non-executive directors to be independent.

### **INTERNAL CONTROL**

The directors have overall responsibility for ensuring that the group maintains a system of internal control to provide them with reasonable assurance regarding effective and efficient operations, internal financial control and compliance with laws and regulations. The risk management process and systems of internal control are designed to manage rather than eliminate the risk of failure to achieve the group's strategic objectives. However, there are inherent limitations in any system of internal control and accordingly even the most effective system can only provide reasonable and not absolute assurance. The board has reviewed the operation and effectiveness of the system of internal control in operation during the year.

The board is also responsible for assessing and minimising all business risks, supported by group personnel able to provide specific assistance in matters relating to regulatory compliance, health and safety, environment, quality systems and insurance cover for property and liability risks.

Monthly accounts, with commentary on current year performance compared with planned performance, together with key ratio analysis and working capital information, are prepared in accordance with group accounting policies and principles. They are consolidated and reviewed by the board in order to monitor overall performance and produce appropriate management intervention.

The board monitors the funding requirements and banking facilities provided to the group in addition to the management of investment and treasury procedures. Capital and significant investment expenditure is approved against performance criteria.

The board confirms that it has established the procedures necessary to implement the guidance "Internal Control: Guidance for Directors on the Combined Code". The board has considered the need for an internal audit function but has concluded that the size and complexity of the group does not justify the expense at present. The need for an internal audit function will continue to be reviewed periodically.

### **RELATIONS WITH SHAREHOLDERS**

The board attaches great importance to maintaining good relationships with shareholders. The board regards the Annual General Meeting as an opportunity to communicate directly with investors, who are encouraged to participate.

### **COMPLIANCE**

In the opinion of the directors, the company has complied throughout the period with the provisions of Section 1 of the Combined Code.

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