

Corporate Governance

The Board is accountable to the Company's shareholders for good governance and this statement describes how the principles of good corporate governance are applied by the Company.

The Group is not required to comply with the Combined Code on Corporate Governance issued by the UK Listings Authority, and does not currently comply with all of its requirements. However, the Group does voluntarily comply with many of the requirements of the Combined Code as described in this statement.

The Board

The Board comprises three executive directors and three non-executive directors.

The Board meets formally at least ten times a year and full information is given to the directors to enable the Board to function effectively and to allow the directors properly to fulfil their responsibilities. Board papers are usually distributed four days in advance of meetings and decisions may be deferred if directors require further information to be made available to them. The Company Secretary is responsible to the Board for the timeliness of the information given to it.

Statement of Directors' Responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and International Financial Reporting Standards.

Company Law in the UK requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the Company and Group and the profit or loss for that period.

In preparing those accounts the directors are required to:

- Select suitable accounting policies and apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed subject to any material departures disclosed and explained in the accounts; and
- Prepare the accounts on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The directors are responsible for maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the accounts comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonable open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information available through the Group's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements and other information included in annual reports may differ from legislation in other jurisdictions.

Board Committees

In furtherance of the principles of Corporate Governance the Board has appointed the following Committees, each of which has formal terms of reference. The membership of the Committees is shown below.

Audit Committee

The Audit Committee, comprising the non-executives, is chaired by Barrie Brinkman and normally meets two or three times a year with the Executive Directors and representatives of the auditors in attendance as required. The Committee assists the Board in the discharge of its duties concerning the announcements of results and the Annual Report & Accounts and the maintenance of proper internal controls; it reviews the auditors' findings and considers Group Accounting policies and the compliance of those policies with applicable legal and accounting standards.

Remuneration Committee

The Remuneration Committee, comprising the non-executive directors under the chairmanship of John Scholes sets the Group's overall remuneration policy. It determines, on behalf of the Board, the remuneration and other benefits of the executive directors. It meets on a regular basis, usually three times a year and additionally whenever required.

Internal Controls

The directors are responsible for the Group's system of internal control. However such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can provide only reasonable and not absolute assurance against misstatement or loss. The Directors have put in place an organisational

structure and framework of controls, which is periodically reviewed for its effectiveness. The key financial procedures within the Group's system of internal control are as follows:

- There is a comprehensive budgeting system with the annual budget being approved by the Board. Actual results and updated forecasts are prepared regularly and compared against budget.
- The annual capital investment budget is approved by the Board together with significant individual items prior to commitment.
- Significant treasury items are reserved for the Board.