

Corporate governance

The Company is committed to high standards of corporate governance. The board is accountable to the Company's shareholders for good corporate governance. This statement describes how the principles of corporate governance are applied to the Company and the Company's compliance with the Code provisions set out in Section 1 of the Combined Code on Corporate Governance.

Statement by the directors on compliance with the provisions of the Combined Code

The Company has been in full compliance with the provisions set out in the Combined Code throughout the year, except in the following area:

As noted in the board Report on Remuneration, the Chief Executive of the Group, H L Tee, has a service contract of more than one year. The directors' statement regarding compliance with requirements relating to internal control are dealt with below.

The workings of the board and its committees

The board The board currently comprises the independent non-executive chairman, the Chief Executive, one other executive director and four other independent non-executive directors, one of whom, P A M Curry, acts as senior independent director. All of the non-executive directors are independent of management and are free from any relationship which could effect the exercise of their independent judgement. Their biographies appear on pages 14 to 15. These demonstrate a range of experience and sufficient calibre to bring independent judgement on issues of strategy, performance, resources and standards of conduct which is vital to the success of the Group. The board is responsible to shareholders for the proper management of the Group. A statement of the directors' responsibilities in respect of the accounts is set out on page 45 and a statement on going concern is given on page 17.

The board has a formal schedule of matter specifically reserved to it for decision. All directors have access to the advice and services of the Company Secretary, who is responsible to the board for ensuring that board procedures are followed and that applicable rules and regulations are complied with. In addition, the Company Secretary ensures that the directors receive appropriate training as necessary.

The board meets at least eight times each year, reviewing trading performance, ensuring adequate funding, setting and monitoring strategy, examining major acquisition possibilities and reporting to shareholders. The non-executive directors have a particular responsibility to ensure that the strategies proposed by the executive directors are fully considered. To enable the board to discharge its duties, all directors receive appropriate and timely information. Briefing papers are distributed by the Company Secretary to all directors in advance of board meetings. The Chairman ensures that the directors take independent professional advice as required.

The following committees deal with the specific aspects of the Group's affairs.

Nomination committee During the year the nomination committee comprised the non-executive directors. The Chairman is Sir Alan Cockshaw. The committee is responsible for proposing candidates for appointment to the board, having regard to the balance and structure of the board. In appropriate cases, recruitment consultants are used to assist the process. All directors are subject to re-election at least every three years. The committee is also involved in the selection and recruitment of Managing Directors of the subsidiary businesses.

Remuneration committee The Group's remuneration committee was chaired by P A M Curry throughout the year with the other members being all the non-executive directors, Sir Alan Cockshaw, J Hewitt, R Jeens and W Whiteley. From 1 January 2003 the committee is chaired by J Hewitt. It is responsible for making recommendations to the board, within agreed terms of reference, on the Company's framework of executive remuneration and its cost. The committee determines the contract terms, remuneration and other benefits for each of the executive directors, including performance related bonus schemes, pension rights and compensation payments.

The board itself determines the remuneration of the non-executive directors. The committee calls for advice by leading firms of remuneration consultants as they consider appropriate.

Further details of the Company's policies on remuneration and service contracts are given in the directors' remuneration report on pages 18 to 21.

Audit committee The audit committee, which is chaired by R Jeens, comprises all the non-executive directors and meets not less than twice annually. The committee provides a forum for reporting by the Group's external auditors. Meetings are also attended by invitation by the executive directors.

The audit committee is responsible for reviewing a wide range of matters including the half year and annual accounts before their submission to the board, and monitoring the controls which are in force to ensure the integrity of the information reported to the shareholders. The audit committee advises the board on the appointment of external auditors and on their remuneration both for audit and non-audit work, and discusses the nature, scope and results of the audit with external auditors. The audit committee keeps under review the cost-effectiveness and the independence and objectivity of the external auditors.

Directors' remuneration and pension entitlements

The auditors have reported on the information contained in this section of the report.

The remuneration, excluding pensions, of the directors is set out below:

	Basic salary £'000	Bonuses £'000	Salary supplement £'000	Taxable benefits £'000	Fees £'000	Total 2002 £'000	Total 2001 £'000
Sir Alan Cockshaw	-	-	-	-	50	50	50
H L Tee	235	-	-	26	-	261	255
A J Vaisey	210	-	100	20	-	330	302
P A M Curry	-	-	-	-	20	20	20
J Hewitt	-	-	-	-	20	20	6
R Jeens	-	-	-	-	20	20	13
W Whiteley	-	-	-	-	20	20	6
L C N Bury	-	-	-	-	-	-	7
R Koch	-	-	-	-	-	-	15
	445	-	100	46	130	721	674

The annual salary review for the executive directors is due on 1 January of each year. The executive directors approached and agreed with the Remuneration Committee that the annual pay review due at January 2002 be deferred in light of the difficult trading conditions. The executive directors have offered and agreed a similar deferral at January 2003. The executive directors were not awarded bonuses during 2002.

The non-executive directors receive a set fee for their services, which can be enhanced for taking on or providing additional responsibilities or services. No additional payments were made during the year. During the year the directors became aware that during the previous two financial years, the total fees paid to the non-executive directors had been in excess to the amount permitted under the Company's Articles of Association. The overpayments totalled £7,000 and £17,000 in the years ended 31 December 2000 and 31 December 2001 respectively. Total fees due to the non-executive directors for the year ended 31 December 2002 are £130,000 which have been fully provided in the year. Of these fees due, £97,000 has been paid during the year. Payment of the £33,000 due for the year ended 31 December 2002 will be made upon shareholder approval being given at the forthcoming Annual General Meeting together with ratification of the overpayment of £24,000 made during the previous two years.

Mr Tee is a contributory member of The Roxboro UK Executive Pension Fund. This fund is a defined benefit scheme and the pension entitlements of Mr Tee are as follows:

	Accrued benefits at 31/12/02 £'000	Increase in accrued benefits excluding inflation (A) £'000	Increase in accrued benefits including inflation £'000	Transfer value of (A) less directors' contributions £'000	Transfer value of accrued benefits at 31/12/01 £'000	Transfer value of accrued benefits at 31/12/02 £'000	Reduction in transfer value less directors' contributions £'000
Mr H L Tee	120	6	8	53	1,439	1,386	(67)

The accrued pension benefit shown is the amount that would be paid each year to the director in the form of a pension if he retired at the end of the year. This pension is calculated based on the total period of service with the Company, both before and after becoming a director. The transfer value has been calculated on the basis of actuarial advice in accordance with Actuarial Guidance Note GN11.

On joining the Company in August 1996, Mr Vaisey became a member of The Roxboro UK Executive Pension Fund on a non-contributory basis. The Company also committed to providing additional pension benefits for Mr Vaisey through a funded unapproved pension scheme in order to bring his pension benefits up to the level which would have been provided under the approved scheme if the restrictions imposed by the Finance Act 1989 had not been applied.