

Report of the Directors

Internal controls

Guidance for companies on compliance with the internal control requirements of the Combined Code is set out in the publication Internal Control: Guidance for Directors on the Combined Code. The Company has throughout the financial year and up to the date of approval of the financial statements complied with this guidance.

The Board is responsible for the Group's internal control system. This system can only provide reasonable and not absolute assurance against material misstatement or loss.

The Company has a continuous process for identifying, evaluating and managing key risks faced by the Group and the Board has regularly reviewed this process.

The Board has also reviewed the effectiveness of the Group's internal control system. The audit committee has reported to the Board its review of summaries of the effectiveness of the Group's internal control system. The review covered all controls, including financial, operational and compliance controls and risk management. The review also considered reports by the Group internal audit function on material internal risks in three of the business units and on post investment audits, that were carried out to evaluate the performance in the first full year of major investments made in 1998.

The Group's internal control system is designed to regulate the processing of transactions, preserve related data on files and safeguard assets from inappropriate use or from fraud. This system is described under the following four headings.

1. Risk management – Risk management is a continuous process whereby market, regulatory and operational risks that the Group may face over a three-year period are identified, evaluated and managed. Controls over financial risks are regularly assessed and contingency plans are made against major failures.
2. Processing transactions and safeguarding assets – Where the Board has not reserved matters for their sole consideration, limits are placed on transactions and activities that employees either acting individually or as a group can undertake. There is also a division between those who authorise, process, record and handle the related assets of any transaction or activity.
3. Financial reporting – Each operating unit prepares monthly results, with a comparison against the budget, the latest forecast and the previous year, which the Board reviews for the Group as a whole and determines appropriate action; and
4. Training of personnel – All personnel are trained on joining the Group and thereafter on proper adherence to the control systems relevant to their role within the Group.

Directors' responsibility statement

This statement, which should be read in conjunction with the Auditors' Report, is made with a view to distinguishing for shareholders the respective responsibilities of the directors and of the auditors in relation to the financial statements.

The directors are required by legislation to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year and of the profit or loss for the financial year.

The directors consider that the Company has adequate resources to continue in operational existence for the foreseeable future and therefore have continued to adopt the going concern basis in preparing the financial statements.

The directors also consider that, in preparing the financial statements on pages 42 to 59, appropriate accounting policies have been used, consistently applied and supported by reasonable and prudent judgements and estimates, and that all accounting standards, which they consider to be applicable, have been followed.

The directors have responsibility for ensuring that the Company keeps accounting records which disclose with reasonable accuracy the financial position of the Company at any time and which enable them to ensure that the financial statements comply with legislation.

The directors also have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Approved by the Board of Directors and signed on their behalf

A J Goodenough
Company Secretary
20 March 2001