

Report of the Directors

Internal controls

The Group has adopted the transitional approach for the internal control aspects of the Combined Code as set out in the letter from the London Stock Exchange to listed companies dated 27 September 1999.

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 and has appointed an Internal Auditor at Group level to complement the existing divisional functions. The scope of the Group Internal Auditor encompasses the examination and evaluation of the adequacy and effectiveness of the Group systems of internal control and the quality of performance in carrying out assigned responsibilities.

The Board is responsible for the Group's system of internal financial control and for reviewing its effectiveness. Such a system can only provide reasonable and not absolute assurance against material misstatement or loss. Key procedures are described under the following four headings:

- authority limits – limits are placed on all employees either acting individually or as a group and some matters are reserved for the Board;
- financial reporting – the Group has a comprehensive system for reporting financial results to the Board whereby each operating unit prepares monthly results, with a comparison against the budget, the latest forecast and the previous year, and the Board reviews these for the Group as a whole and determines appropriate action;
- 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; and
- risk management – controls over business risks are regularly assessed and contingency plans are made against major failures.

The directors 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.

In accordance with their terms of reference, the audit committee have reviewed the internal financial controls in place during the financial year and in the period to the date of approval of the financial statements.

This has involved considering key points arising from a report dealing with the major business risks, the control environment and the results of the Group Internal Auditor's consideration of the business against the criteria for assessing internal financial control set out in the internal control and financial reporting guidance for directors, 'Internal Control and Financial Reporting' issued in December 1994.

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 58, 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
21 March 2000