

Corporate Governance

The Board

The Board comprises three executive directors and three non-executive directors. They have a range of experience and expertise sufficient to bring independent judgement on issues of strategy, performance, resources and standards of conduct which is vital to the success of the Group. The three non-executive directors hold shares. However because the number of shares held is small and there are no cross directorships between executive and non-executive directors, the non-executive directors are considered to be independent.

Board meetings

The Board is responsible to the shareholders for the proper management of the Group. A statement of directors' responsibilities in respect of the financial statement is set out in the Annual Report.

The Board meets 10 times during the year. To enable the Board to discharge its duties, all directors receive appropriate and timely information. Briefing papers are distributed to all directors in advance of the Board meetings. There is a formal schedule of matters reserved to the Board which include the determination of strategy, approval of new stores and acquisitions, approval of budget and major capital expenditure.

At Board meetings, the agenda normally comprises a review of the management accounts, a CEO review of operations, a review of new store proposal and potential acquisitions and an update on the progress of the Group's other strategic objectives.

The Board meetings in August and March cover the approval of the interim and preliminary financial results respectively and the November meeting deals with the approval of the annual budget.

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

Remuneration Committee

The Remuneration Committee comprises three independent non-executive directors of the Company. The members of the Committee are:

- Peter D McNamara (Chairman)
- Peter J Middleton
- Andrew J Brown

The Committee meets at least once in each year and at such other times as the Chairman of the Committee sees fit.

The Chairman of the Committee is appointed by the Board on the recommendation of the Nomination Committee. The quorum for the Committee is two.

The duties of the Committee are to:

- determine and agree with the Board the framework or broad policy for the remuneration of the Chairman, executive directors and any employees that the Board delegates to it;
- within the terms of the agreed policy, determine individual remuneration packages including bonuses, incentive payments, share options, pension arrangements and any other benefits;
- within the terms of the agreed policy, determine individual remuneration packages including bonuses, incentive payments, share options, pension arrangements and any other benefits;
- determine the contractual terms on termination and individual termination payments, ensuring that the duty of the individual to mitigate loss is fully recognised;
- in determining individual packages and arrangements, give due regard to the comments and recommendations of the Combined Code and the Listing Rules;
- be told of and be given the chance to advise on any major changes in employee benefit structures in the Company;
- recommend and monitor the level and structure of remuneration for senior managers below Board level as determined;
- agree the policy for authorising claims for expenses from the Chief Executive and from the Chairman of the Board; and
- recommend an annual report for the Board to put to Shareholders on executive remuneration compliant with relevant legal and regulatory provisions.

The Committee is authorised by the Board to:

- seek any information it requires from any employee of the Company in order to perform its duties;
- be responsible for establishing the selection criteria and then for selecting, appointing and setting the terms of reference for any remuneration consultants providing advice to the Committee, at the Company's expense; and
- obtain, at the Company's expense, outside legal or other professional advice where necessary in the course of its activities.

Audit Committee

The Audit Committee comprises three independent non-executive directors of the Company. The members of the Committee are:

- Andrew J Brown (Chairman) - Chartered Accountant
- Peter J Middleton
- Peter D McNamara

The Audit Committee reviews each year the arrangements for safeguarding auditor objectivity and independence. The Audit Committee reviews the scope, results and cost-effectiveness of internal and external audit, and has delegated power from the Board to exercise the power from shareholders to agree fees for external auditors. The Audit Committee is responsible for satisfying itself on the independence of internal auditors and on the independence and objectivity of external auditors.

The Committee reviews the operation of internal controls and, from the coming year, will report to the Board on the annual review of the internal control and risk management.

Nomination Committee

The Nomination Committee comprises three independent non-executive directors of the Company. The members of the Committee are:

- Peter J Middleton (Chairman)
- Peter D McNamara
- Andrew J Brown

The function of the Nomination Committee is to provide a formal, rigorous and transparent procedure for the appointment of new directors to the Board. In carrying out its duties, the Nomination Committee is primarily responsible for:

- identifying and nominating candidates to fill Board vacancies;
- evaluating the structure and composition of the Board with regard to the balance of skills, knowledge and experience and making recommendations accordingly;
- reviewing the time requirements of non-executive directors;
- giving full consideration to succession planning; and
- reviewing the leadership of the Group.

Internal controls

The Board acknowledges that it is responsible for the Group's system of internal control and for the continuing process of reviewing the effectiveness of the internal controls. Internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss. The directors confirm that they have reviewed the effectiveness of the systems of internal control that have been in operation during the year. The Group has a branch internal audit function.

Internal control: financial

The internal control process has been reviewed and its main features are:

- **Financial Reporting:** there is a comprehensive budgeting system with an annual budget approved by the Board. Monthly trading results are reported against the corresponding figures for the budget and previous year. The Board also reviews re-forecasts on a regular basis.
- **Capital Expenditure:** there is a comprehensive budgeting system for capital expenditure with an annual budget approved by the Board. The Finance Director authorises individual items of capital expenditure and material items are also authorised by the Board or CEO.
- **Cashflow:** an annual cashflow forecast is drawn up and approved by the Board and actual cashflow is reviewed monthly against this forecast.
- **Organisational Structure:** a clear organisational structure with defined responsibilities and clear authority levels has been set.
- **Branch Audit:** a branch internal audit function exists to ensure that Group procedures regarding cash, pledges and stock handling are being adhered to.

Internal control: risk management

During the year, the group had in place formalised procedures to identify, evaluate and manage significant risks and to enable management to assess and regularly report to the Board on issues relating to business, operational, financial and non-compliance risks.

Relations with shareholders

The board recognises the importance of communications with shareholders. The Chief Executive's statement and the operational review (please see Annual Report) include a detailed review of the business and future developments. There is a regular dialogue with institutional shareholders including presentations after the Group's preliminary announcement of the year end results and at the half year results.

Going concern

Based on the Group's budgets and financial projections, the directors have satisfied themselves that the business is a going concern. The Board has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and therefore the financial statements