

## **TANGENT COMMUNICATIONS PLC CORPORATE GOVERNANCE STATEMENT**

### **Statement of compliance**

Although AIM listed companies are not required to report on the Combined Code, the directors are committed to proper standards of corporate governance and will continue to keep procedures under review.

### **Board and board committees**

The board of directors comprises three non-executive director and three executive directors. The full board manages overall control of the group's affairs by the schedule of matters reserved for its decision. These include the approval of financial statements, acquisitions and disposals, authority levels for expenditure, and review of monthly and other management reports. The Chairman will continue to review the skills and balance of the board as the group grows.

The directors are able to take independent professional advice in the furtherance of their duties at the company's expense and all directors have access to the advice and services of the company secretary.

The board considers its non-executive directors to be independent. An independent director is one who has no relationship with the company or its management which may undermine independence and who is not dependent on the company or its management for his primary source of income, was not within the last three years a senior manager of the company and does not participate in the company's incentive bonus scheme or pension schemes.

The board delegates day-to-day and business management control to the executive directors who are in regular contact with each other. Formal decisions are communicated throughout the group. The executive directors are responsible for implementing group policy, the monitoring and performance of the business, and reporting to the full board thereon.

The company has an audit committee, whose terms of reference cover the points recommended by the Code. Its duties include monitoring internal financial control throughout the group, approving the group's accounting policies and reviewing the interim and annual financial statements before submission to the board. The audit committee comprises two non-executive directors only. Paul Murray is its chairman and Piers Caldecote is the other member.

The company has a remuneration committee which comprises non-executive directors only. Alan Smith is its chairman, Paul Murray and Piers Caldecote are its other members.

All executive directors have rolling service contracts with the company terminable on twelve month's notice from the company and by six months notice by the director. Non-executive directors agree a letter of appointment terminable on six month's notice by each party.

Following their first appointment to the board, the terms of the Articles of Association require all directors to retire and stand for re-election at the earliest opportunity. Under the Articles of Association all directors are required to retire once every three years.

The nominations committee comprises all directors and is chaired by Piers Caldecote.

## **TANGENT COMMUNICATIONS PLC**

### **CORPORATE GOVERNANCE STATEMENT (continued)**

#### **Relationship with shareholders**

The directors consider the clear and timely communication of information to shareholders as an important part of their duties. The chief executives' review and financial review provide a summary of the group's trading performance and future outlook. The group's web site ([www.tangentuk.com](http://www.tangentuk.com)) also gives shareholders access to additional information. Furthermore, twice a year, the group's financial results are published, in conjunction with briefings for investment managers and institutional analysts following the company's interim and preliminary full year announcements, and at other ad hoc visits.

The board views the annual general meeting as an opportunity to communicate with both institutional and private investors alike and aims to comply with all the provisions of the Code relating to the constructive uses of annual general meetings. The directors plan to be present and available to answer questions at each Annual General Meeting.

#### **Accountability and financial control**

The board has overall responsibility for the systems of financial control. Implementation and maintenance of the financial control systems is the responsibility of executive management. The board, through the audit committee, has reviewed the effectiveness of the systems of internal financial control for the accounting year, and the period to the date of approval of the financial statements. It should be understood, however, that such systems are designed to provide reasonable but not absolute assurance against material misstatement or loss.

The company has an established framework of internal financial controls, the key features of which are as follows:

##### *Control environment*

There are clearly defined organisational responsibilities and the board is committed to employing suitably qualified staff so that the appropriate level of authority can be delegated with regard to accountability and acceptable levels of risk.

##### *Information systems*

The group operates a number of separate systems of financial and operational reporting to the board and senior management, based upon an annual budget and regular forecasts. Monthly, weekly and other periodic reports of actual results (financial and non-financial) together with key performance indicators are produced and discussed by the directors.

##### *Identification and evaluation of business risks and controls*

Management control is exercised at all levels of the group and is regulated by appropriate limits of authority. The directors have considered various areas of business risks and have developed appropriate policies to manage and diffuse those risks. These policies are reviewed in the light of known and perceived changes to the risks.

##### *Quality and integrity of personnel*

The group attaches high importance to the values of trust, honesty and integrity of personnel in responsible positions and operates a policy of recruitment and promoting suitably experienced personnel with clearly defined accountabilities.

##### *Investment appraisal*

All major capital expenditure is included in the annual budget and is reported on to the board. In addition, all potential and actual acquisition opportunities are regularly reviewed by the board, both in meetings and by ad hoc reports.

##### *Monitoring*

Given the size of the group and the close day-to-day involvement of the executive directors in all of the group's locations, no formal internal audit is considered necessary.