

Directors' statement of corporate governance

Corporate governance

The directors are committed to maintaining the highest standards of corporate governance. This statement sets out how the principles outlined in the 2006 Financial Reporting Council Combined Code on Corporate Governance (the "Code") have been applied by the Group.

Board of Directors

Role

The Board is responsible for the overall leadership and control of the Group. There is a formal schedule of matters reserved for the Board. This includes approval of Group strategic plans, annual budgets, financial statements, significant capital expenditure items, major acquisitions and disposals, changes to capital structure, Board appointments, review of the Group's corporate governance arrangements and system of internal control.

The roles of Chairman and Chief Executive are separate with a clear division of responsibility between them. The Board delegates responsibility for the management of the Group through the Chief Executive to executive management. The Board also delegates some of its responsibilities to Board Committees, details of which are set out below.

Individual directors may seek independent professional advice at the Company's expense, where they judge it necessary to discharge their responsibilities as directors.

The Group has a policy in place which indemnifies the directors in respect of legal action taken against them.

Membership

The Board comprises eleven directors, four executive and seven non-executive directors (including the Chairman). Their biographical details are set out on pages 26 to 27.

It is Board policy that at least half the Board, excluding the Chairman, shall consist of independent non-executive directors (as defined by the Code). Currently all the non-executive directors are considered to be independent.

All of the directors bring independent judgement to bear on issues of strategy, performance and standards. The Board considers that between them, the directors bring a range of skills, knowledge and experience necessary to lead the Group.

Chairman

Tony O'Brien has been Chairman of the Group since January 2002. The Chairman is responsible for the efficient and effective working of the Board. He is responsible for ensuring that the Board considers the key strategic issues facing the Group and that the directors receive accurate, timely, relevant and clear information. He also ensures that there is effective communication with shareholders.

Senior Independent Director

The Board has appointed Phillip Lynch as the Senior Independent Director. He is available to shareholders who have concerns, for which contact through the normal channels of Chairman, Chief Executive or Finance Director, has failed to resolve or for which such contact is inappropriate. He is also available to meet major shareholders on request.

Company Secretary

The appointment and removal of the Company Secretary is a matter for the Board. All directors have access to the Company Secretary who is responsible to the Board for ensuring that Board procedures are complied with.

Terms of appointment

The non-executive directors are engaged under the terms of a letter of appointment. Other than Tony O'Brien, each appointment is for an initial period of three years with each non-executive director normally expected to serve two three-year terms. The term of Tony O'Brien's contract is not fixed but is terminable by the Company on twelve months' notice. A copy of the standard letter of appointment is available on request from the Company Secretary.

Retirement and re-election

At least one-third of directors must retire at each annual general meeting and all directors must submit themselves for re-election at least every three years. Directors appointed by the Board must submit themselves for election at the first annual general meeting following their appointment.

Induction and development

All new directors are provided with extensive briefing materials on the Group's operations, management and governance structure. These include visits to Group businesses and briefings with senior management as appropriate. Ongoing briefings are also provided to all directors as required.

Meetings

It is Board policy to meet not less than six times a year. The Board will also meet at other times as it considers appropriate. The Board makes at least one visit a year to one of the operating subsidiaries and the visit incorporates a scheduled Board meeting. In addition the Board spends one day a year reviewing the Group's strategy. During the year under review there were six full meetings of the Board, excluding the strategy meeting. Details of directors' attendance at these meetings are set out in the table on page 35. In addition, at least one meeting a year consists of non-executive directors and the Chairman meeting without the executive directors present, and a further one meeting a year consists of the Senior Independent Director and the other non-executive directors meeting without the Chairman being present.

The Chairman sets the agenda for each meeting in consultation with the Chief Executive and Company Secretary. The agenda and Board papers, which provide the directors with relevant information to enable them fully consider the agenda items in advance, are circulated prior to each meeting. Directors are encouraged to participate in debate and constructive challenge.

Performance evaluation

The Board periodically reviews and appraises its own performance.

The Chairman conducts an annual review of corporate governance and the operation and performance of the Board and its Committees. He also conducts one to one discussions each year with each director to assess his/her individual performance.

The Senior Independent Director and the other non-executive directors review the Chairman's performance each year.

Remuneration

Details of remuneration paid to directors (executive and non-executive) are set out in the Report of the Remuneration Committee on pages 36 to 41.

Share ownership and dealing

Details of directors' shareholdings are set out on pages 40 to 41.

The Group has a policy on dealing in shares that applies to all directors and senior management. This policy adopts the terms of the Model Code as set out in the Listing Rules published by the UK Listing Authority and the Irish Stock Exchange.

Communications with shareholders

The Group attaches considerable importance to shareholder communication and has an established investor relations programme.

There has been regular dialogue with institutional investors and presentations at the time of the release of the preliminary and interim results announcements. Results announcements are sent out promptly to shareholders. Trading Statements are issued in August and February prior to each period end. The Board is briefed regularly on the views and concerns of institutional shareholders.

The Group's website www.candcgroupplc.com provides the full text of the annual report and financial statements and the interim report. News releases are also made available immediately after release to the Stock Exchange.

Directors' statement of corporate governance continued

The Company's annual general meeting affords individual shareholders the opportunity to question the Chairman and the Board. The annual report and the notice of annual general meeting are sent to shareholders at least 20 working days before the meeting. At the meeting, after each resolution has been dealt with, details are given of the level of proxy votes lodged and the balance for and against that resolution.

Committees

The Board has established three permanent committees to assist in the execution of its responsibilities. These are the Audit Committee, the Nomination Committee and the Remuneration Committee. Ad hoc committees are formed from time to time to deal with specific matters.

Each of the permanent Board Committees has terms of reference under which authority is delegated to them by the Board. These terms of reference are available on request from the Company Secretary. Minutes of all Committee meetings are circulated to the entire Board.

The current membership of each committee is set out on page 27. Attendance at meetings held is set out in the table on page 35.

The Chairmen of each these committees attend the Annual General Meeting and are available to answer questions from shareholders.

Audit Committee

The Audit Committee comprises only non-executive directors. It meets a minimum of four times a year. During the year under review it met nine times. Attendance at meetings held is set out in the table on page 35.

The Committee has determined that John Hogan is the Audit Committee financial expert.

The Finance Director and Head of Internal Audit attend Committee meetings as appropriate, while the external auditor attends as required and has direct access to the Committee Chairman.

The Committee's responsibilities include:

- monitoring the integrity and fairness of the financial statements of the Group, including the annual report, interim report, preliminary results and trading statements;
- reviewing the effectiveness of the Group's internal controls and risk management systems;
- maintaining and reviewing the effectiveness of the Group's internal audit function;
- making recommendations to the Board in relation to the appointment and removal of the Group's external auditor;
- evaluating the performance of the external auditor including their independence and objectivity;
- reviewing the annual internal and external audit plans;
- ensuring compliance with the Group's policy on the provision of non-audit services by the external auditor.

The Committee discharged its obligations during the year as follows:

- the Committee reviewed the pre-close trading statements issued by the Company in August and February;
 - the Committee reviewed the Interim Announcement prior to its release;
 - the Committee reviewed the external audit plan presented by the external auditor in advance of the audit;
 - the Committee reviewed the preliminary results announcement, and the annual report and financial statements. It reviewed the post-audit report from the external auditor identifying any accounting or judgemental issues requiring its attention;
 - the Committee approved the annual internal audit plan;
 - the Committee received regular reports from the Head of Internal Audit.
 - the Committee considered whether or not to recommend the re-appointment of the external auditor.
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The Group has a policy in place governing the conduct of non-audit work by the external auditor. Under this policy the auditor is prohibited from performing services where the auditor:

- may be required to audit his/her own work;
- participate in activities that would normally be undertaken by management;
- is remunerated through a “success fee” structure;
- acts in an advocacy role for the Group.

Other than the above, the Group does not impose an automatic ban on the external auditor undertaking non-audit work. The engagement of the external auditor in non-audit work must be pre-approved by the Committee or entered into pursuant to pre-approval policies and procedures established by the Committee.

Details of the amounts paid to the external auditor during the year for audit and other services are set out in the notes to the financial statements on page 61.

Nomination Committee

The Nomination Committee is chaired by the Group Chairman and its constitution requires it to consist of a majority of non-executive directors. It meets a minimum of twice a year and has met three times in the period under review. Attendance at meetings held is set out in the table on page 35.

The Committee’s responsibilities include:

- reviewing the structure, size and composition (including the skills, knowledge and experience) required of the Board and making recommendations regarding any changes in order to ensure that the composition of the Board and its Committees is appropriate to the Group’s needs;
- overseeing succession planning for the Board and senior management;
- establishing processes for the identification of suitable candidates for appointment to the Board;
- making recommendations to the Board on membership of Board Committees.

The Committee is empowered to use the services of independent consultants to facilitate the search for suitable candidates for appointment as non-executive directors.

Remuneration Committee

The Remuneration Committee comprises solely of non-executive directors. It meets at least twice a year and has met five times in the period under review. Attendance at meetings held is set out in the table on page 35.

The Committee’s responsibilities include:

- making recommendations to the Board on the Group’s policy for executive remuneration;
- determining the remuneration of the executive directors and senior management;
- monitoring the level and structure of remuneration for senior management and trends across the Group;
- reviewing the design of all share incentive plans;
- approving any grant of options under the Executive Share Option Plan and the Long Term Incentive Plan;
- overseeing the preparation of the Report of the Remuneration Committee on Directors’ Remuneration (pages 36 to 41).

The Committee receives advice from leading independent firms of compensation and benefits consultants when necessary. The Chairman and Chief Executive are fully consulted about all remuneration proposals.

In the period under review, the Committee determined the salaries of the executive directors and senior management and the awards under the annual and long-term incentive plans. It reviewed the remuneration of management across the Group. It also approved the award of share options to the executive directors and management.

Directors' statement of corporate governance continued

Corporate social responsibility

Corporate social responsibility is embedded throughout the Group. Group policies and activities are summarised on pages 24 to 25, and are available on the Group's website www.candcgroupplc.com.

Internal control

The Board has overall responsibility for the Group's system of internal control, for reviewing its effectiveness and for confirming that there is a process for identifying, evaluating and managing the significant risks for the achievement of the Group's strategic objectives. This system of internal control can only provide reasonable, and not absolute, assurance against material misstatement or loss. The process which has been in place for the entire period accords with the Turnbull Guidance (revised guidance published in October 2005) and involves the Board considering the following:

- the nature and extent of the key risks facing the Group;
- the likelihood of these risks occurring;
- the impact on the Group should these risks occur;
- the actions being taken to manage these risks to the desired level.

The risks facing the Group are reviewed regularly by management and the Audit Committee of the Board whose Terms of Reference require it to conduct an annual assessment of internal control.

In accordance with the process outlined above, the Board confirms that it has conducted an annual review of the effectiveness of the internal control systems in operation and it has approved the reporting lines to ensure the ongoing effectiveness of the internal controls and reporting structures.

The key elements of the internal control system in operation are as follows:

- clearly defined organisation structures and lines of authority;
- corporate policies for financial reporting, treasury and financial risk management, information technology and security, project appraisal and corporate governance;
- annual budgets and three year business plans for all operating units, identifying key risks and opportunities;
- monitoring of performance against budgets and reporting thereon to the directors on a monthly basis;
- an internal audit department which reviews key business processes and controls; and
- an audit committee which approves plans and deals with significant control issues raised by internal or external audit.

Compliance

The Group has complied with the Code during the period under review, save in the following respects:-

Two executive directors who have been employees of the Group for many years have service contracts which have notice periods longer than the one year period recommended by the Code. These service contracts pre-date the company's admission to listing in May 2004. Brendan Dwan's contract does not specify a notice period and therefore is terminable on reasonable notice, which due to his length of service could extend beyond one year. Brendan McGuinness' contract specifies a notice period of two years by the Company. All new employment contracts will comply with the Code in this respect.

Going concern

After making enquiries, the directors have a reasonable expectation that the Company, and the Group as a whole, have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Attendance at scheduled board meetings and board committee meetings during the year.

	Board		Audit Committee		Nomination Committee		Remuneration Committee	
	A	B	A	B	A	B	A	B
Tony O'Brien	6	6	-	-	3	3	-	-
John Burgess	6	4	-	-	1	1	-	-
Brendan Dwan	6	6	-	-	-	-	-	-
Liam FitzGerald	6	6	-	-	3	1	5	5
John Hogan	6	6	9	9	-	-	-	-
Richard Holroyd	6	6	9	9	-	-	5	4
Philip Lynch	6	6	-	-	3	3	5	5
Brendan McGuinness	6	6	-	-	-	-	-	-
James Muldowney	6	6	-	-	-	-	-	-
Breege O'Donoghue	6	6	9	8	-	-	-	-
Maurice Pratt	6	6	-	-	-	-	-	-

The 'A' columns represent the number of meetings held for which each individual director was entitled to attend, while the 'B' columns represent the number of meetings attended by each director.