

# DIRECTORS' REPORT

## REVIEW OF BUSINESS, PRINCIPAL ACTIVITIES, RESULTS AND POST BALANCE SHEET EVENTS

This is contained within pages 2 to 28 and note 36 to the accounts.

## DIVIDENDS

An interim dividend of 3.275p net per Ordinary share was paid on 16 August 2002. The directors recommend the payment of a final dividend of 5p net per Ordinary share, on 7 April 2003 to Ordinary shareholders on the register on 28 February 2003.

## DIRECTORS

### Directors' responsibilities

Directors are required by the Companies Act 1985 to ensure that financial statements for each financial year are prepared which give a true and fair view of the state of the Company and the Group as at the end of the financial year and of the profit or loss for that period. In preparing the financial statements, the directors confirm that suitable accounting policies have been used and applied consistently; reasonable and prudent judgements and estimates have been made; and the financial statements have been drawn up on a going concern basis. Applicable accounting standards have been followed.

It is also the directors' responsibility to ensure that adequate accounting records are maintained; to safeguard the assets of the Company and the Group; to maintain a system of internal financial control; and to prevent and detect fraud and other irregularities.

### Board of directors

The Company ensures that it recruits to the Board only individuals of sufficient calibre, knowledge and experience to fulfil the duties of a director appropriately. All directors are given appropriate briefing on appointment and individual training needs are met as required. The Carlton Board currently comprises the Chairman, the Chief Executive and the Finance Director, along with five non-executive directors. The biographies of the current directors on page 14 illustrate their range of experience, which ensures an effective board

to lead and control the Company. All the directors served on the Board for the whole year under review except P C Murray who was appointed as Finance Director on 1 January 2002. N N Walmsley served as Deputy Chief Executive and B A Cragg served as Finance Director until 31 December 2001. G M Murphy, the Chief Executive, is due to stand down from the Board on 31 January 2003.

The Board meets regularly, normally eight times throughout the year. It retains full and effective control over the Company and monitors the executive management. The Board is supplied in a timely manner with information in a form and of a quality appropriate to enable it to discharge its duties. Board meetings follow a formal agenda and the Board has a formal schedule of matters specifically reserved to it for decision. The Company Secretary and Finance Director are responsible for ensuring that applicable rules and regulations are complied with and that Board procedures are followed. All directors have access to the advice and services of the Company Secretary and, if required, external professional advice at the Company's expense.

All directors are subject to re-election by shareholders at the first opportunity after their appointment. Pursuant to the Company's articles, all directors are required to retire by rotation and offer themselves for re-election at least every three years.

M P Green, L F Hill and Sir Brian Pitman will retire by rotation and offer themselves for re-election at the 2003 Annual General Meeting. Sir Brian Pitman, aged 71, has been invited to offer himself for re-election as the Board continues to believe that his business experience and ability are valuable and his re-election is in the best interests of shareholders. None of the retiring directors has a service contract with the Company. Biographies of the directors offering themselves for re-election at this year's AGM appear on page 14.

### Non-executive directors

The five non-executive directors carry significant influence in Board decisions. With their differing backgrounds, they bring a wide range of experience and expertise to the Company's affairs and an independent judgement on issues of strategy performance and resources. Appointments are normally for an initial term of three years, which may be extended by mutual consent for additional periods. Given the calibre and experience of the non-executive directors, the Board does not consider it currently necessary to appoint a senior independent non-executive director. Of the non-executive directors, the Board considers E M de Villiers, L F Hill, Sir Sydney Lipworth and Sir Brian Pitman to be independent.

### Audit committee

The audit committee is comprised solely of non-executive directors; Sir Sydney Lipworth (Chairman of the committee), E M de Villiers and L F Hill all of whom the Board considers to be independent.

The Company's audit committee meets at least four times a year to monitor the accounting policies, internal controls and financial reporting of the Group. The duties of the audit committee also include keeping under review the scope and costs of audit and the nature and extent of non-audit services provided by the auditors. The external auditor attends all the meetings and has direct access to the committee Chairman.

### Nomination committee

A nomination committee, consisting of two non-executive directors and the Company Chairman, is responsible for reviewing and making recommendations to the Board on the appointment of directors. The members of the nomination committee are: M P Green (Chairman of the committee), Sir Sydney Lipworth and Sir Brian Pitman.

### Directors' interests

Details of the directors' interests in the Company's Ordinary shares are as follows:

	1 October 2001*	30 September 2002
M P Green	10,208,324	10,208,324
E M de Villiers	—	—
D B Green	9,375,299	9,375,299
L F Hill	79,889	79,889
Sir Sydney Lipworth	33,100	34,572
G M Murphy	164,883	164,883
P C Murray	109,821	109,821
Sir Brian Pitman	1,082	1,082

\*or date of appointment

### Notes

- (1) The Company established an Employee Share Ownership Trust (ESOP) in 1991 and a Qualifying Employee Share Ownership Trust (Quest) in 1998. The Companies Act 1985 deems each executive director to be interested in the shares held for the purposes of the ESOP and the Quest. These interests have not been included in the above figures. The number of Ordinary shares held for the purposes of the ESOP was 2,016,126 on 1 October 2001 and 1,822,172 on 30 September 2002 and 26 November 2002. The number of Ordinary shares held for the purposes of the Quest was 696,177 on 1 October 2001, 30 September 2002 and 26 November 2002.
- (2) The interests of M P Green and D B Green include a holding of 8,057,330 Ordinary shares in the name of Tangent Industries Limited, a company controlled by M P Green.
- (3) There have been no changes in these interests between the year end and the date of this document.

### Remuneration committee

The remuneration committee is comprised solely of the following non-executive directors: Sir Brian Pitman (Chairman of the committee), E M de Villiers, L F Hill and Sir Sydney Lipworth, all of whom the Board considers to be independent. The committee deals with the remuneration of the executive directors on behalf of the Board. The Company's Chairman and Chief Executive assist the committee except in relation to matters specifically concerning their own remuneration. The Committee does not retain a firm of remuneration consultants, but seeks professional advice on an ad hoc basis.

The remuneration report of the Board can be found on pages 33 to 40.