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11th July 2007

Sir Christopher Hogg,
Chairman,
Financial Reporting Council,
Aldwych House,
71-91 Aldwych,
London EC2B 4HN.

Dear Chris,

Review of Combined Code

You wrote to me in April advising me of the above review and asking whether I had any comments in my role as Chairman of Gibbs and Dandy, which is a listed company outside the FTSE 350. I have seen the comments made by Anthony Glossop, the Chairman of St Modwen Properties, on whose board I also sit. I agree with his comments.

I would however like to add a few comments of my own which relate to smaller companies as defined in the Code.

The “comply or explain” principle affects smaller companies much less than those in the FTSE 350. In most cases we are below the radar of the corporate governance agencies and therefore not reported on by them. Our shareholders seem prepared to accept our explanations for any divergences from the Code.

In my view the Code has in a lot of ways had an overall positive impact on the corporate governance of smaller companies by setting out a framework within which the boards of such companies should operate. This does not mean that all smaller company boards were not adhering to high standards of corporate governance before the Code was introduced. Having said this I do not think that one should underestimate the costs of compliance with the code – both in direct cost and in the diversion of the board’s time from other matters.

I would make the following specific points which you and your colleagues may care to consider:

1 Clause A3.2 Do smaller companies really need 2 independent directors as well as a Chairman provided the Chairman is non-executive and was independent on appointment. In the case of Gibbs and Dandy we have 2 non-executive directors as well as me and 3 executive directors. I believe we could operate with only one other non-executive director and the working of the board would not be significantly impacted. Of course many smaller companies might choose to have larger boards. My concern is that this is such a fundamental tenet of the Code that shareholders may

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be reluctant to see any divergence from the Code in this area – regardless of explanation.

2 Clause 4.1 I do not see in a smaller company that there is any need for a separate nominations committee. Much of the work of such a committee is undertaken informally outside the board room and decisions can easily be agreed by the whole board rather than a separate committee. If the appointment concerned involves an existing director they can easily be excluded from the informal discussion.

3 Clause A.6 provides that the board should undertake a formal and rigorous annual evaluation of its performance and that of its committees and individual directors. Whilst I accept that each board, of whatever size company, should undertake an annual evaluation of its performance I wonder whether for smaller companies it needs to be “formal and rigorous” every year if ever. Such an evaluation can take up considerable time and effort – especially in the early years. Perhaps a formal and rigorous review could be undertaken every three years with more informal reviews in the intervening years.

I hope these comments are helpful.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Chris Roshier'.

Christopher Roshier
Chairman

gibbs and dandy plc

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