

<b>POLICY</b>	
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Subject : **CORPORATE GOVERNANCE POLICY**

**Summary:**

This document describes the Corporate Governance Policy adopted for AdEPT Telecom PLC. It is designed to clarify the roles and responsibilities of the Board, senior management and staff.

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<p><b>Distribution :</b>  Board Members Senior Management</p>	<p><input checked="" type="checkbox"/> <b>This document is not confidential</b></p>

## **CORPORATE GOVERNANCE POLICY**

### **1. Introduction**

The purpose of this document is to define the Corporate Governance Policy of AdEPT Telecom PLC trading as AdEPT Telecom ("AdEPT Telecom" or the "Company").

The objective of AdEPT Telecom is to provide a management framework in which the investment in the purchase and acquisition of telecom customers within the Telecom reseller market adds value to the business, whilst balancing the needs of all stakeholders to provide a sustainable and growing business. Ultimately this is the responsibility of the AdEPT Telecom Board of Directors (the Board), and the Board's Corporate Governance policy and related procedures sets out how this is to be achieved.

Since the early 1990's acceptable standards for Corporate Governance have been continually developed and published. The most recent standards are those set in the Combined Code, which is applicable to all Stock Exchange listed companies and incorporates the work of the Cadbury, Greenbury and Hampel Committees. The Combined Code outlines the "Principles of Good Governance" and a Code of Best practice. In late September 1999, the Turnbull Committee issued guidelines for Directors on maintaining an effective system of internal control including risk management. The need for Boards specifically to address risk management is a requirement introduced for the first time in the Turnbull Committee guidelines. Further, the Quoted Companies Alliance ("QCA") has issued its own guidance for AIM listed companies. Whilst AdEPT Telecom is listed on the Alternative Investment Market (AIM), and therefore not formally required to adopt published standards, the Board is seeking voluntarily to adopt the principles underpinning these standards as set out in the QCA guidance.

AdEPT Telecom's objectives and the environment in which it operates are dynamic. As a result, the risks the Company faces are continually changing. A sound system of internal control therefore depends on a thorough and regular evaluation of the nature and extent of the risks to which AdEPT Telecom is exposed. Since there are rewards for successful risk-taking in business, the purpose of a corporate governance framework is to help manage and control risk rather than eliminate it.

AdEPT Telecom's corporate governance policy is focussed on the processes by which the Company is directed and controlled in response to the rights and aspirations of shareholders and other stakeholders.

For the purposes of this policy, the Company's key stakeholders are considered to be:

- The AdEPT Shareholders;
- Regulators, including: OFCOM; Health and Safety Executive;
- AdEPT Telecom's employees;
- AdEPT Telecom's customers; and
- AdEPT Telecom's suppliers

AdEPT Telecom is committed to maintaining a dialogue with stakeholders based on the mutual understanding of objectives, subject to the bounds of commercial confidentiality.

## **2. Corporate Structure**

AdEPT Telecom is both a trading company and a holding company of the companies it has acquired. The intention is to hive up the business of any company purchased into AdEPT Telecom and leave the subsidiaries dormant. Any other subsidiaries are registered to protect the AdEPT trading name in either current or possible future activities.

## **3. Board of Directors**

The membership of the AdEPT Telecom Board is approved by its shareholders in general meeting and is currently as follows:

Roger Wilson	(Chairman)
Ian Fishwick	(Managing Director)
Amanda Woodruffe	(Operations Director)
Chris Riggs	(Sales Director)
Tim Holland	(Finance Director)
Dusko Lukic	(Non Executive)
Mark Palios	(Non Executive)
Edward Williams	(Non Executive)

By invitation with no vote :

Secretarial Solutions Limited (Company Secretary)

Board meetings are not expected to take place unless at least two of the Board Directors are present – either in person, or by telephone or videoconference. The dates of meetings and agendas will be agreed by the Chairman after proposal by any of its directors. Responsibility for the subsequent programming and administration of meetings rests with the Company Secretary.

The Company Secretary will produce the Board minutes for Board members' approval as soon as practicable following meetings.

The Board is responsible for ensuring that its fiscal and statutory obligations are met and for ensuring that shareholder value is preserved/ enhanced.

The Board, through its Directors determines the Company strategy, the budget and financing requirements. The Board is also responsible for policies developed by the Company (including this Corporate Governance policy) in support of its strategy.

## **4. Matters reserved for the Board**

The following matters are reserved for decisions by the Board and are not delegable to a sub-committee:

Companies Act Requirements:

- Approval of the budget, interim and final financial statements.
- Approval of the interim dividend and recommendation of the final dividend.
- Approval of any significant changes in accounting policies and practices.
- Appointment or removal of the company secretary.
- Remuneration of the auditors and recommendations for the appointment or removal of auditors following recommendations of the audit committee.
- Acquisition or sale of companies or major reorganisation.

- Any security, lien or other guarantee, except those given in the normal course of business.
- Recommendations to Extraordinary General Meetings where the matter requires shareholder approval

Board membership and committees:

- Board and board committee appointments and removals and any special terms and conditions attached to the appointment (subject to the recommendations of the Remuneration Committee).
- Terms of reference of the chairman, managing director and other executive directors.
- Terms of reference and membership of board committees.

Management:

- Strategic vision for AdEPT Telecom.
- Decisions on the strategy and forecasted results for the businesses.
- This schedule of matters reserved for board decisions.

## **5. Reports to be considered by the Board**

Reports to be considered by the board on a regular basis will include:

- Governance
- Operational
- Latest financials
- Finance strategy and Planning
- Risk
- Tax issues
- Audit and Remuneration Committee minutes as appropriate

## **6. Board Committees**

The board is responsible for all aspects of governance of AdEPT Telecom. It discharges this responsibility through delegated authority to specific board committees and the senior management team. The board shall establish the terms of reference and membership of these adopted standing committees. Currently these are:

- Audit Committee
- Remuneration Committee
- Senior Management team

The terms of reference for both committees is set out in Annex A

## **7. Delegation**

The Board may at any time delegate part of its normal business to a committee of two Directors, or one Director together with at least two members of the senior management team. But the Board may not delegate any of their Reserved Matters, subject to the provisions of the agreed financial authorities.

## **8. Overall Responsibilities for Corporate Governance**

Establishing and maintaining a Corporate Governance policy is the responsibility of the AdEPT Telecom Board and underpins the aims and strategic goals of the Company as it continues to develop.

The Board is ultimately accountable for all decisions. To enable operational efficiency the authority to make decisions is appropriately delegated to AdEPT Telecom's senior management according to their experience and knowledge.

The Managing Director, who operates under the authority of the Board, leads the senior management team in all matters regarding direction and management of AdEPT Telecom (other than those matters specifically reserved to the board).

The AdEPT Telecom Board through the senior management team is responsible for the application of this Corporate Governance Policy throughout the business and for the effective operation of the risk management and internal control systems.

### **8.1 Chairman**

The chairman is responsible for:

- Leadership of the board, ensuring its effectiveness on all aspects of its role and setting its agenda
- Ensuring the provision of accurate, timely and clear information to directors;
- Ensuring effective communication with shareholders;
- Arranging the regular evaluation of the performance of the board, its committees and individual directors; and
- Facilitating the effective contribution of non-executive directors and ensuring constructive relations between executive and non-executive directors.

### **8.2 Managing Director (MD)**

The AdEPT Telecom MD on behalf of the Board will allocate responsibility for:

- Proposing the strategic vision for the organisation and for the management and total profitability of AdEPT Telecom.
- Establishing current and long-range objectives and setting adequate operating plans for future developments.
- Representing the company and its values in its relationship with customers, suppliers, commercial and investment groups, and professional and regulatory bodies.
- Ensuring risk management policies and procedures necessary to assure compliance with the policies set by the AdEPT Telecom Board are established.
- Establishing and maintaining, in accordance with Audit Committee requirements, a sound system of internal controls designed to safeguard the assets of the Company and ensure compliance with all applicable laws, accounting, and regulatory requirements.
- Seeking approval of the Board of Directors for major project commitments or bids, as required under the financial authorities (see paragraph 9).
- Committing to contracts and other obligations requiring the current or future disbursement of funds, and in respect of authorities delegated to lower levels of management:
  - Setting monetary limitations;
  - Communicating those limitations to the AdEPT Telecom Company Secretary; and
  - Implementing procedures for enforcement

- Implementation of the pension and any incentive schemes of AdEPT Telecom consistent with the recommendations of the Remuneration Committee.
- Making recommendations to the Board of Directors concerning those matters which are reserved to the Board..
- Maintaining corporate accountability through policies such as those referred to in paragraph 10, Corporate Policies.
- Ensuring that the level and quality of resources (including acquisition and development of staff) is adequate to suit AdEPT Telecom's strategic requirements.

### **8.3 Board Directors**

As members of the Board, Directors are responsible for the commercial and financial probity and effectiveness of the company. They are responsible for providing advice and guidance to the Board on all matters within their competence.

### **8.4 Company Secretary**

The Company Secretary is responsible for the organisation and recording of the Company's formal meetings and for providing guidance to the Board and Executive members in relation to their roles and responsibilities as Directors.

## **9. Financial Authorities**

The MD has financial authority as set out below:

For expenditure within a budget or reforecast approved by the Board:

- Invoices up to £1m for network expenditure
- Invoices up to £150k for operating expenditure
- Invoices up to £50k for capital expenditure

For expenditure which is not budgeted a limit of up to £25k for either operating expenditure or capital items. An item is not budgeted where the amount to be paid would take the total of the category above budget, which enables the MD to reprioritise within a budgeted category.

For contracts which commit the company to expenditure, the limits are £5m for network expenditure and £1m for operating expenditure.

Any expenditure or commitments of expenditure above these limits must be referred to the Board.

The MD may delegate these authorities to the Senior Management Team at financial limits up to but not exceeding his own.

## **10 . Corporate Policies**

AdEPT Telecom will establish procedures to implement the policies set out in [annex A] and periodically review the policies for effectiveness and change where necessary.

## **11. Risk Management and Assurance**

The board is responsible for AdEPT Telecom's system of internal control and will seek assurance to satisfy itself that the system is functioning effectively. Further the board will ensure that the system of internal control is effective in managing risks in the manner it has approved. In discharging these responsibilities the board will:

- Review the material risks facing the business
- Determine the appetite for risk
- Monitor the effectiveness of the risk management process
- Reviewing significant issues and failures in the system
- Communicate policy and procedures throughout the business

These responsibilities will be discharged through the senior management and the Audit Committee.

**Annex A**

**Terms of Reference of Board Committees.**

The following terms of reference for the board committees will be developed and revised as the newly formed committees themselves evolve.

**1. Audit Committee**

**1.1 Terms of Reference**

The audit committee's primary function is to assist the board in fulfilling its responsibilities regarding the review of policy and practices in respect of:

- AdEPT Telecom's accounting and financial reporting
- The system of internal control
- Risk management and corporate governance
- The annual audit

**1.2 Membership**

The current membership of the Audit committee is:

Dusko Lukic (Chairman)  
Roger Wilson (Non Executive)

**1.3 Quorum**

Two members.

**1.4 Frequency of Meetings**

The committee shall meet at least twice each year. A meeting shall be convened at the request of the external auditor or any member of the AdEPT Telecom Board or senior management team if any of them believe there is a matter that should be brought to the attention of the committee.

**1.5 Attendance**

Meetings to be attended by external auditors (currently Mark Anderson of Horwath Clark Whitehill), the Managing Director and Finance Director.

**1.6 Secretariat**

Company Secretary or member of his staff

## **2. Remuneration Committee**

### **2.1 Terms of Reference**

Determine and agree with the board the framework or broad policy for the remuneration of the executive directors of AdEPT Telecom and the senior management team; defined as any employee with a salary of £75,000 per annum or greater.

Agree the policy for authorising claims for expenses from the chief executive and chairman.

Be exclusively responsible for selecting, appointing and instructing any remuneration consultants who advise the committee.

### **2.2 Membership**

The current membership of the Remuneration committee is:

Roger Wilson	(Chairman)
Dusko Lukic	(Non Executive)

### **2.3 Quorum**

Two members.

### **2.4 Frequency of Meetings**

The committee shall meet at least twice each year.

### **3.5 Attendance**

The Managing Director, by invitation.

### **3.6 Secretariat**

As decided by the Chairman.

## **3. Senior Management Team**

### **3.1 Terms of Reference**

Implement Board policy through day to day operational control of the business, bringing forward proposals for any changes to the Board for approval.

To provide leadership and development so that all staff may achieve their potential.

### **3.2 Membership**

The current membership of the senior management team is:

Ian Fishwick	(Managing Director)
Amanda Woodruffe	(Operations Director)
Chris Riggs	(Sales Director)
Tim Holland	(Finance Director)

### **3.3 Quorum**

Two members.

**3.4 Frequency of Meetings**

The senior management team shall normally meet once a week.

**3.5 Attendance**

Other members of staff will be asked to join senior management meeting, with no voting rights, as determined by the Managing Director.

**3.6 Secretariat**

As decided by the Managing Director.

## **Annex B**

### **Corporate Governance Policies**

The following policies will be developed and revised as the Board determines.

#### **1. Business Planning and Financial Performance**

The company will operate an annual business planning process to set the budget for the year ahead with a rolling two year projection. The company's performance against this budget will be reviewed monthly through the presentation of monthly management accounts, including updated financial forecasts at least quarterly. Monthly management accounts will comprise the consolidated monthly and year to date trading statement, consolidated balance sheet together with a cashflow summary.

#### **2. Operational Performance Management**

The senior management team will conduct a weekly operational review of the performance of the business including but not limited to :

- sales
- sales pipeline (orders received not yet generating billed revenue)
- revenue and gross margin by bill cycle
- Call centre performance
- Aged debt and debt collection activities

#### **3. Internal Financial Controls**

The Finance Director will maintain a register of the key internal financial controls and review their effectiveness at least quarterly. Further, balance sheet accounts will be reconciled monthly for key accounts and periodically for less material items. Where key controls are identified as improvement required, this will be delivered in a prioritised order on a timescale to be agreed from time to time with the Board.

#### **4. Health and Safety**

The objective of the Health, Safety and Environment policy is to promote a responsible approach to health, safety and environmental matters and to ensure that the company's practices are adequately designed and managed so as to eliminate, as far as is practicable, any health, safety and environmental risks arising from AdEPT Telecom's operations.

The senior management team will achieve its objective through the regular review of health, safety and environmental issues. Including, but not limited to, risk assessments in the office environment, ensuring adequate provision of trained first-aiders, maintaining an appointed fire officer to liaise with local facilities management and discussion at senior management meetings of any relevant matters arising.

## **5. Regulation and Compliance with OFCOM**

The Operations Director, Amanda Woodruffe will be responsible for managing the relationship with OFCOM and ensuring compliance to all appropriate regulations.

## **6. Legal & Regulation Compliance (AIM & Stat)**

The Board and the senior management team will ensure it is adequately briefed on its responsibilities as offices of an AIM listed company and undertake any training as necessary to ensure compliance with statutory and best practice guidance.

## **7. HR Policy**

The senior management team will clearly set out its values, expectations and procedures in a staff handbook which shall be available to all members of staff.

The principal responsibilities of the senior management team and their staff will be set out in an organisation chart. Each staff member will have a job description. Training and coaching needs will be reviewed on a regular, ongoing basis.

## **8. Risk Management**

The senior management team will maintain a risk register which identifies and quantifies all material risks to the business. The team will then determine appropriate commercial mitigation and maintain a regular review of the register for any changes or further action required. The register will be presented at every other board meeting, or more frequently in the event of any matter requiring board attention. This includes, for example, review of Information Technology risk of suppliers, security, equipment and controls.

## **9. Data Protection Act**

The company will comply with the Data Protection Act.

## **10. Delegated Financial Authority Limits**

The FD will maintain a written delegation of authorities setting out what Board powers are delegated to senior management and staff. Senior management will implement a process of control to ensure the delegation of authorities is understood by all relevant staff and there is adequate visibility of compliance.

## **11. Treasury Management**

Surplus cash (and sources of funds) will be invested in a manner which is consistent with a minimum risk – i.e. the company will only use major banks and other appropriately regulated institutions.