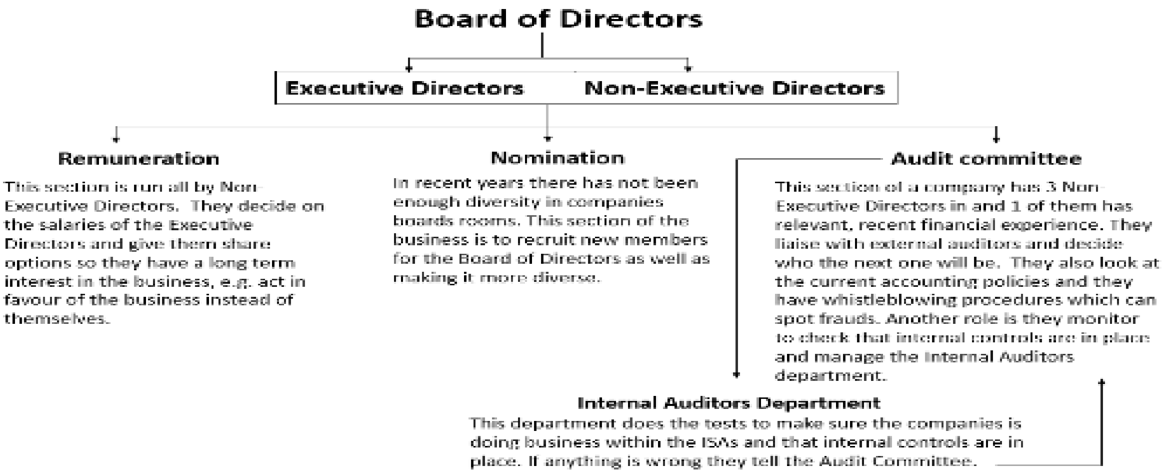
Board of Directors

Executive Directors (EDs) – These are the people that manage the company and may want to manipulate financial information for them to gain a bonus.

Non-Executive Directors – They do not manage the company but they sit on the board to monitor the EDs as a corporate consciences. They are not paid as much as the EDs and there must be at least



one NED with recent and relevant financial experience.

UK Corporate Governorate code vs the USA Sarbanes Oxley Act

Corporate governance is based on principles whereas SOX is rules based.

C.G. principles based	**SOX** rules based
Small companies do not have to follow principles and are given flexibility.	Applies burdens on small companies as they have to apply to the rules even if they have at least 2 exemptions from an audit. This gives them less flexibility and harder for them to be successful.
Larger companies are allowed to comply or explain their financial statements.	Audit fees are not cheap and every company is due an audit in the USA.
There is no punishment if you do not follow the principles.	You could go to prison if you do not follow the rules.
Having a principle based system means you are more open to change for new ISAs and IASs.	There is more clarity with the company's financial statements as rules have been applied to them which the company has had to follow.
People are more likely to look for loop holes as there is more chance they will get away with it.	There is less ambiguity and people know how to produce financial statements.
It is easier to rule this out internationally then it is the rules based system.	People are less likely to look for loop holes to show more profit etc.
It is harder to enforce this system and you cannot go to prison for it.	