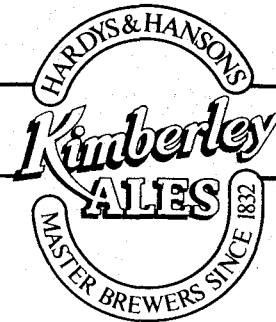

Hardys & Hansons p.l.c.

Kimberley Brewery Nottingham NG16 2NS.
Telephone: Nottingham [0602] 383611
Fax: Nottingham [0602] 459055



RWDH/BD

30th July, 1992

Mr. N. Peace,
Secretary,
Committee on the Financial Aspects
of Corporate Governance,
P.O. Box 433,
Moorgate Place,
London.
EC2P 2BJ

Dear Mr. Peace,

**Draft Report - By the Committee on the Financial Aspects
of Corporate Governance**

I am disappointed to note that the Committee, in the recently published Report referred to above, does not appear to have considered the compliance costs which will result from a company's adoption of their recommended Code of Best Practice.

Whilst some of the ideals and recommendations contained in the Report may be very worthy and relatively easy for large companies to adopt, smaller companies, to comply with the Code, will be faced with substantial extra costs - e.g. increasing the size of their Boards if they wish to establish Audit and/or Remuneration Committees. It is certainly a charter for non-executive directors!

In addition to national legislation, we are faced with ever-increasing legislation coming from the European Commission - and now a combination of the Financial Reporting Council, the London Stock Exchange and the accountancy profession seem determined to add further to our costs.

Is it really right that a relatively small number of substantial cases of fraud and mismanagement in recent years should result in every listed company, regardless of size, being asked to comply with a Code which appears to have been aimed at the very large national and international companies? It is stating the obvious, but fraud will never be eliminated. It is, therefore, essential to keep a sense of proportion when trying to reduce fraud and to avoid placing excessive burdens of cost and administration on the substantial innocent majority.

I hope that your Committee will consider the impact on smaller companies. Perhaps the Code could be directed at listed companies in the FT-SE 100 Share Index or only at those where market capitalisation or assets or turnover or profit before tax (or some other criterion) exceeds a certain minimum figure.

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I do urge you not to add so substantially to our costs and, indeed, to the costs of other medium and small sized listed companies.

Another point of very major concern is that the Committee's proposals will have a divisive effect on boards of directors, with non-executive directors being asked to act as watch-dogs over their executive director colleagues. It is almost as if the Committee thinks that most executive directors are potentially fraudulent. Surely it is vital that a board works as a team.

Yours sincerely,



R.W.D. Hanson
Chairman & Managing Director