

CORPORATE GOVERNANCE REPORT

FOR THE YEAR ENDED 30 NOVEMBER 2005

INTRODUCTION

The Listing Rules require listed companies (but not companies traded on the Alternative Investment Market (AIM)) incorporated in the UK should state in their report and accounts whether they comply with the Combined Code on Corporate Governance and identify and give reasons for any area of non-compliance. The Company is listed on AIM and therefore no disclosure is required. However, some voluntary disclosures have been given.

The board supports the principles and aims of the Code and intends to ensure that the Group observes the provisions of the Code as it grows, as far as is practical. However, the board considers that at this stage in the Group's development the expense of full compliance with the new Combined Code is not appropriate.

DIRECTORS AND BOARD

The board comprises three executive and three non-executive directors. The roles of Chairman, non-executive and Chief Executive are separate appointments and it is board policy that this will continue.

The non-executive directors bring their independent judgment to bear on issues of strategy, performance, appointments, resources and standards of conduct.

There is a formal schedule of matters specifically reserved for decision by the board.

All directors have access to the advice and services of the Company Secretary and there is an agreed procedure for directors to take independent professional advice at the Group's expense if necessary.

BOARD COMMITTEES

The board has established two committees, the Audit and the Remuneration Committees. Both committees have written terms of reference agreed by the board.

Nick Kuenssberg is Chairman of the Audit Committee, the other members of which are Grant Masom and Colin Smithers.

Colin Smithers chairs the Remuneration Committee, the other members of which are Nick Kuenssberg and Grant Masom.

AUDIT

The Audit Committee has written terms of reference setting out its remit, authority and duties and its intention is to meet at least three times a year with the external auditors.

INTERNAL FINANCIAL CONTROL

The Group has established policies covering the key areas of internal financial control and the appropriate procedures, controls, authority levels and reporting requirements which must be applied throughout the Group.

The key procedures that have been established in respect of internal financial control are:

- internal control: the directors review the effectiveness of the Group's system of internal controls on an annual basis;
- financial reporting: there is in place a comprehensive system of financial reporting based on the annual budget approved by the board. The results for the Group are reported monthly along with an analysis of key variances and year end forecasts are updated on a regular basis; and
- investment appraisal: applications for capital expenditure are made in a prescribed format which places emphasis on the commercial and strategic justification as well as the financial returns. All significant projects require specific board approval.

No system can provide absolute assurance against material misstatement or loss but the Group's systems are designed to provide reasonable assurance as to the reliability of financial information, ensuring proper control over income and expenditure, assets and liabilities.

RISK MANAGEMENT

The board is currently introducing an ongoing process for the identification, evaluation and management of all significant risks faced by the Group.

This is not a statement of compliance as required by the Combined Code and should therefore not be relied upon to give the disclosures that would normally be made.