

## Corporate governance report

### for the year ended 30 November 2007

#### Introduction

The Listing Rules require that 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 (2006) 'the 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 Code is not appropriate.

#### Directors and Board

The Board comprises two Executive and four Non-executive Directors. The roles of Non-executive Chairman, Non-executive Directors and Chief Executive are separate appointments and it is Board policy that this will continue.

The Non-executive Directors bring their independent judgement to bear on issues of strategy, performance, appointments, resources and standards of conduct.

There is a formal schedule of matters specifically reserved for decisions 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 three Committees, the Audit, Remuneration and Nomination Committees. The Audit and Remuneration Committees have written terms of reference agreed by the Board.

As previously reported, following Board changes at the beginning of the year and in light of the experience of the incoming Chairman, the Board decided that for a temporary period, the Chairman should chair all Board sub-committees to ensure a smooth transition of the sub-committee activities to the new Board. It was understood that this was not in line with recommended practice but was believed to be in the best interests of the Company at that time. Colin Smithers and Andrew Burke are the other members of both the Remuneration and Audit Committees. After approval of these accounts, Andrew Burke will chair the Remuneration Committee and Nominations Committee and Peter Murphy will chair the Audit Committee. The remaining members will serve on the three committees.

#### Audit

The Audit Committee has terms of reference that set out its remit, authority and duties and its intention 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 significant expenditure of either a revenue or capital nature are made in a 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.