

# Corporate governance report

The Combined Code is intended to promote the principles of openness, integrity and accountability. The Company fully supports these principles and although not required to do so, the Directors have decided to provide Corporate Governance disclosures.

The Board formally adopted the principles of good governance set out in the Code. However, in view of the size and nature of the Group, the directors have taken into consideration the Guidance for Smaller Quoted Companies on the Code, produced by the Quoted Companies Alliance. The Company's governance policies already in place matched closely the position set out in the Combined Code.

## Narrative statement

### Directors

As at the Group's year end 31 March 2010, the Board comprised of six executive, a non-executive Chairman and three other non-executive Directors. Details of the current Directors are set out on page 18. The composition of the Board is designed to provide an appropriate balance of executive, financial, technical and commercial experience and skills, and will be reviewed regularly. The Board looks to meet in a formal manner on a monthly basis at the head office in Boldon, Tyne and Wear, with additional meetings held as required.

### Summary of board meetings attended in the 12 months to 31 March 2010

Twelve board meetings were held in the year to 31 March 2010.

Director	Meetings attended	Meetings eligible
Dr Roger Duggan	12	12
Mr Paul Hailes	11	12
Mr David Evans	11	12
Mr Antony Wilks	10	12
Dr Martha Garrity	11	12
Mr Ian Cookson	12	12
Mr Alain Rousseau	12	12
Mr William Dracup	3	4
Dr Eddie Blair	11	12
Dr Burkhard Wittek	5	6
Dr Patrik Dahlen	3	4

It is the responsibility of the Company Secretary to ensure that the Directors receive all of the information necessary for the effective performance of their duties. In the furtherance of their duties, the Directors have access to the advice and service of the Company Secretary and are permitted to take independent professional advice where necessary and to undertake any training considered appropriate, both at the Company's expense.

The Chairman, David Evans, does not meet the independence criteria required by paragraph A.3.1 of the Combined Code on appointment. The Chairman also has eight other Non-Executive Directorships, details of which are shown below. The Chairman is responsible for the running of the Board.

The Executive Directors are Paul Hailes, Antony Wilks, Martha Garrity, Ian Cookson, Alain Rousseau and Roger Duggan, who is also the Chief Executive Officer. The Board considers Burkhard Wittek, Patrik Dahlen and Edward Blair to be independent.

The Board has overall responsibility for determining and directing the Group's corporate strategy. This is achieved through consideration and approval of the annual business plan and financial strategy and through the monitoring and discussion of financial results and corporate matters, including the exposure to key business risks and the results of individual trading subsidiaries, their annual budgets and financial strategy, at regular board meetings.

Patrik Dahlen has been identified as the Senior Independent Director as required by the Code.

### Chairman's commitments

The Chairman has the following Non-Executive Directorships:

Omega Diagnostics Group plc  
 Quotient Diagnostics Limited  
 Epistem Holdings plc  
 Bgenuine Tech KK (succeeds Secure Design KK)  
 Onyx Scientific Limited  
 Scancell Limited  
 IBL plc – appointed November 2009  
 Marine Biotech Ltd – appointed March 2010

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During the year the Chairman ceased to be a Non-Executive Director of:

Microtest Matrices Limited – left office November 2009  
Vindon Healthcare plc – left office March 2010

All other Non-Executive Directorships were held throughout the year.

### Board committees

In addition to the Audit Committee (see below) the following Board committees were established in December 2004 under specific terms of reference:

#### 1. The Remuneration Committee

The Remuneration Committee comprises Edward Blair (Chairman), Patrik Dahlen and Burkhard Wittek. It reviews the performance of Executive Directors and sets the scale and structure of their remuneration and reviews the basis of their service agreements with due regard to the interests of shareholders. The Board itself determines the remuneration of the Non-Executive Directors. The Remuneration Committee also makes recommendations to the Directors concerning the allocation of share options to employees. No Director is permitted to participate in discussions or decisions concerning his own remuneration. The details of Directors' remuneration are set out under Note 6 and share options under Note 37.

#### 2. The Nominations Committee

The Nominations Committee comprises David Evans (Chairman), Patrik Dahlen and Edward Blair. The Nominations Committee is responsible for reviewing the size, structure and composition of the Board, establishing appropriate succession plans for the Executive Directors and other senior executives in the Group and for the nomination of candidates to fill Board vacancies where required. The Committee will normally meet twice every year.

### Relations with shareholders

The Board recognises the importance of maintaining good communications with its shareholders. The Group engages a firm of financial PR consultants to provide another channel of communication to shareholders, potential investors and analysts.

### Accountability and audit

The Board believes that the Annual Report and Financial Statements play an important part in presenting all shareholders with an assessment of the Group's position and prospects.

The Chairman's Statement contains a detailed consideration of the Group's position and prospects.

### Internal controls

The Board has designed the Group's systems of internal control in order to provide the Directors with reasonable assurance that its assets are safeguarded, that transactions are authorised and properly recorded and that material errors and irregularities are either prevented or would be detected within a timely period. However, no system of internal control can eliminate the risk of failure to achieve business objectives or provide absolute assurance against misstatement or loss.

The Board has overall responsibility for the Group's systems of internal control and for reviewing its effectiveness. The Audit Committee which was established on flotation has been delegated responsibility for conducting this review.

The Group's systems of internal control include regular meetings of management to discuss operational, strategic and risk issues, designed to ensure that the possibility of misstatement is kept to a minimum.

The Board has not undertaken a formal review in the current period but shall endeavour do so in the next reporting period.

The system in place for financial reporting ensures the Board receives management accounts, forecast variance analysis and other ad hoc reports on a timely basis.

The Group has not implemented an internal audit function because the Directors believe that the controls in place are appropriate for the size and complexity of the Group's activities.

There are no significant issues disclosed in the report and financial statements for the year ended 31 March 2010 and up to the date of approval of the report and financial statements that have required the Board to deal with any related material internal control issues.

**Audit committee**

The Audit Committee is chaired by David Evans, a qualified chartered accountant, and the Board feels that this committee is independent, all members being non-executive Directors. The Audit Committee is responsible for the relationship with the Group's external auditors and the review of the Group's financial reporting and the Group's internal controls.

The Committee also comprises Burkhard Wittek and Edward Blair, both independent non-executive Directors. The Committee will normally meet twice a year and is responsible for monitoring the quality of internal control, ensuring that the financial performance of the Company is properly measured and reported on, meeting with the auditors and reviewing reports from the auditors. It meets with the auditors at least once a year.

The Audit Committee has undertaken an assessment of the auditor's independence, including:

- a review of non-audit services provided to the Group and related fees
- discussion with the auditors of a written report detailing all relationships with the Company and any other parties that could affect independence or the perception of independence
- a review of the auditor's own procedures for ensuring the independence of the audit firm and partners and staff involved in the audit, including regular rotation of the audit partner, and
- obtaining written confirmation from the auditors that in their professional judgement, they are independent.

An analysis of fees payable to the external audit firm in respect of both audit and non-audit services during the year is set out in Note 3 to the financial statements.

The Company is satisfied that the external auditors remain independent in the discharge of their audit responsibilities.

**Going concern**

The Board has considered the applicability of the going concern basis in the preparation of these financial statements. This included the review of internal budgets and financial results. The Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operation for the foreseeable future. For this reason they have adopted the going concern basis in the preparation of the financial statements.

**Compliance statement**

The Board has reviewed compliance with the Combined Code.

Throughout the year ended 31 March 2010 the Group has substantially complied with the provisions set out in Section 1 of the Combined Code.

By order of the Board

**Paul Hailes**

Company Secretary  
9 July 2010