



## Corporate Governance Statement

### 1 INTRODUCTION

- 1.1 This statement is made by me, Ian Martin, as the Company's Chairman and explains the Company's present corporate governance arrangements and the standards with which the Company complies.
- 1.2 The Company has elected to adopt and comply with the QCA Corporate Governance Code (the "**QCA Code**"). This statement reflects the structures that the Company has adopted in order to achieve compliance with the QCA Code. The Company's website (the "**Website**") provides further explanation as to the Company's compliance with the ten key principles of the QCA Code.

### 2 THE BOARD OF DIRECTORS

- 2.1 The Company (and thereby its group (the "**Group**")) is ultimately managed by the directors of the Company (the "**Directors**"), who (individually and as a group) are responsible for running the Company for the benefit of its shareholders in accordance with their fiduciary and statutory duties.
- 2.2 The Board of Directors (the "**Board**") currently comprises four Directors: two Non-Executive Directors (including the Chairman) and two Executive Directors (being the Chief Executive Officer ("**CEO**") and the Chief Operating Officer). The roles of the Chairman and the CEO are undertaken by separate individuals.
- 2.3 The Board has three standing committees (the "**Committees**"): the Audit Committee, the Remuneration Committee and the Executive Committee. The Terms of Reference for each of the Committees are available on the Website.
- 2.4 The Board does not have a formally-established nominations committee. All matters concerning the appointment and removal of Directors, and for Executive and Non-Executive Director succession planning are considered by the full Board (with any appointments subject to a shareholder vote at the next Annual General Meeting).

### 3 CHAIRMAN

In my role as Chairman, I am responsible for:

- 3.1.1 leading the Board and ensuring that all members are able to contribute to Board discussions and the wider running of the Group as appropriate;
- 3.1.2 ensuring that the Company acts in the best interests of shareholders and other stakeholders; and

3.1.3 the Group's corporate governance arrangements.

## **4 CEO AND EXECUTIVE DIRECTORS**

4.1 Mark Hardy is the CEO and in that role he is responsible for:

4.1.1 leading and managing the business of the Company;

4.1.2 proposing and implementing strategy for the success of the Company's business;

4.1.3 leading and maintaining the Company's investor relations activities; and,

4.1.4 is responsible for the operational oversight of all financial matters within the Group.

4.2 Jon Hall is the Chief Operating Officer and is responsible for the Group's research and development, commercial and risk management functions and for supporting the CEO in his role.

## **5 NON-EXECUTIVES**

5.1 In addition to the Chairman, the other Non-Executive Director is John Christmas.

5.2 The Non-Executive Directors challenge and scrutinise the performance of the Executive Directors, while supporting them in their delivery of the Company's strategy and management of the Group's risks.

## **6 THE COMPANY SECRETARY**

6.1 The Company Secretary is Natasha Rourke and, in conjunction with me, she ensures that accurate, timely and clear information is provided to the Board in order for informed decisions and discussions to take place.

6.2 The Company Secretary is responsible for advising the Board on governance matters and regulatory requirements. The appointment and removal of the Company Secretary is a matter reserved to the Board. All Directors have direct access to the Company Secretary and to independent professional advice at the Company's expense as required.

## **7 FREQUENCY OF MEETINGS**

7.1 The Board meets at least four times a year and relevant information is distributed to Directors in advance of the meetings.

7.2 The Group does not have a formal schedule of matters reserved to the Board but does maintain a delegated authority framework which is periodically reviewed and approved by the Board. Save for those matters delegated, the Board makes decisions on all material matters including strategy (as may be recommended by the Executive Committee), annual operating and capital budgets, capital structure and financial and internal controls.

## **8 EVALUATING BOARD PERFORMANCE**

8.1 The Board has a number of sources of information from which it judges its own performance and that of the individual Directors, these include but are not limited to:

- (i) financial performance indicators including revenue, order book, gross margin, net margin, earnings per share and cash flow;
- (ii) the Company's share price;
- (iii) reports from external auditors;
- (iv) shareholder feedback;
- (v) customer feedback;
- (vi) formal and informal reviews of its effectiveness by the Company's nominated adviser; and,
- (vii) employee feedback.

8.2 All these factors are considered and action taken to improve performance as appropriate.

8.3 The Board will formally evaluate its own performance (whether itself, through its retained advisers, or by engaging external consultants) not less than once a year.

## **9 COMMUNICATION WITH SHAREHOLDERS**

9.1 The Board attaches a high priority to communication with shareholders having regard to its obligations as a quoted public company and the AIM Rules. The Group liaises regularly with major shareholders and there is an opportunity for individual shareholders to question the management of the Company through the Chairman at the Annual General Meeting.

9.2 The Group lists contact details on its website should shareholders wish to communicate with the Board. All announcements and results, including those released via RNS and RNS Reach, are available on the Group's website.

## **10 RISK MANAGEMENT AND INTERNAL CONTROLS**

10.1 The Board reviews and approves an Annual Budget and Business Plan prior to the start of each financial year. This includes reviewing the key strategic, operational and financial objectives for the year, together with a detailed financial budget.

10.2 The Executive Committee is accountable to the Board for delivery of the Annual Business Plan. The Executives report performance against the plan on a monthly basis, which includes detailed analysis of budgetary variances and updated financial projections.

10.3 Each Executive Director is responsible for identifying and managing the risks relating to their respective areas of responsibility, including the risks relating to strategy, the Annual Business Plan, and day-to-day business.

- 10.4 An organisational structure with clear operating procedures, lines of responsibility and delegated authority has been established and is kept under review. The purpose of the systems of internal control is to manage rather than eliminate the failure to achieve business objectives and can only provide reasonable, but no absolute, assurance against material misstatement or loss.
- 10.5 In addition to day-to-day risk management, the Executive Directors formally assess the major business risks and evaluate their potential impact on the Group.
- 10.6 These risks and the reporting of the risk assessment is included in the annual report and accounts within the strategic report.

## 11 **CITY CODE ON TAKEOVERS AND MERGERS**

The Company is subject to the City Code on Takeovers and Mergers.

## 12 **QCA CORPORATE GOVERNANCE CODE**

- 12.1 As an AIM company, the Company is not required to comply with the Financial Reporting Council's UK Corporate Governance Code (the "Code"). Notwithstanding that, the Board seeks to achieve compliance with the Code wherever appropriate and proportionate, having regard to the size of the Group and the resources available to it.
- 12.2 In accordance with AIM rule 26 the company has adopted the QCA code and has explained on the company website how it has adopted and complied with the QCA code.

Ian Martin

Chairman

21 September 2018