

Corporate Governance

The Directors acknowledge the importance of high standards of corporate governance and have chosen to comply with the principles set out in the Corporate Governance Code for Small and Mid-Size Quoted Companies, as issued by the QCA (the **QCA Code**), to the extent that the Board considers appropriate for a business of the Company's size and nature. A summary of how the Company currently complies with the QCA Code is set out below to be updated at least annually in the manner recommended by the QCA Code.

As Chairman, my role is to lead the Board of Directors and to be responsible for ensuring that the Company adheres to and applies the standards of corporate governance.

The Board meets regularly to review, formulate and approve the Group's strategy, performance and corporate actions. The Company has established an Audit Committee, Nomination Committee and a Remuneration Committee with formally delegated duties and responsibilities and with written terms of reference. Each of these committees meets regularly as set out below. From time to time, separate committees may be set up by the Board to consider specific issues when the need arises.

Dan Wright
Chairman

Compliance with the QCA Code

Principle 1 - Establish a strategy and business model which promote long-term value for shareholders

Application:

The board must be able to express a shared view of the company's purpose, business model and strategy. It should go beyond the simple description of products and corporate structures and set out how the company intends to deliver shareholder value in the medium to long term. It should demonstrate the delivery of long-term growth is underpinned by a clear set of values aimed at protecting the company from unnecessary risk and securing its long term future.

Website Disclosure Requirements:

N/A

Disclosure:

The Company is in the process of implementing a comprehensive turnaround plan, focused on improving operational efficiency, winning new business and clear pricing to its customers. This strategy is shared by the Board and the senior operational team and has been expressed clearly through recent circulars to shareholders, announcements through RNS and the recent Annual Report.

Principle 2 - Seek to understand and meet shareholder needs and expectations

Application:

Directors must develop a good understanding of the needs and expectations of all elements of the company's shareholder base.

The board must manage shareholders' expectations and should seek to understand the motivations behind shareholder voting decisions.

Website Disclosure Requirements:

Explain the ways in which the company seeks to engage with shareholders and how successful this has been. This should include information on those responsible for shareholder liaison or specification of the point of contact for such matters.

Disclosure:

The Board is committed to an open and ongoing engagement with its shareholders and it also reviews and discusses changes in the Company's shareholder base at Board meetings. The main methods of communication with shareholders are the Annual Report & Accounts, the interim and full-year results announcements, the Annual General Meeting and the Company's website.

In addition, the Chair and Chief Executive Officer meet regularly with institutional investors, and analysts to ensure that its objectives and any business developments are clearly communicated and they are available to respond to any enquiries following Company announcements, together with other Company advisers. The Non-Executive Directors are also available to discuss any matters that shareholders wish to raise and discuss.

The Company does not have a dedicated investor relations department given its size but has engaged an external investor relations adviser to act as another point of contact for shareholders, details of which are on the Company's website.

Principle 3 - Take into account wider stakeholder and social responsibilities and their implications for long term success

Application:

Long-term success relies upon good relations with a range of different stakeholder groups both internal (workforce) and external (suppliers, customers, regulators and others). The board needs to identify the company's stakeholders and understand their needs, interests and expectations.

Where matters that relate to the company's impact on society, the communities within which it operates or the environment have the potential to affect the company's ability to deliver shareholder value over the medium to long-term, then those matters must be integrated into the company's strategy and business model.

Feedback is an essential part of all control mechanisms. Systems need to be in place to solicit, consider and act on feedback from all stakeholder groups.

Website Disclosure Requirements:

- *Explain how the business model identifies the key resources and relationships on which the business relies.*
- *Explain how the company obtains feedback from stakeholders and actions that have been generated as a result of this feedback (eg changes to inputs or improvements in products).*

Disclosure:

The Board recognises that its long-term success will necessitate the maintenance of effective working relationships across a wide range of stakeholders as well as its shareholders; being primarily its employees, customers and suppliers. The executive Directors in particular maintain an ongoing and collaborative dialogue with such stakeholders and take all feedback into consideration as part of the decision- making process and day to day running of the business.

The Company takes corporate social responsibility very seriously and whilst given the nature of the business the risks of it having a negative impact on society and the environment are limited, it is well understood that the behavior of the Company and its employees should always be carefully monitored from this perspective.

Principle 4 - Embed effective risk management, considering both opportunities and threats, throughout the organisation

Application:

The board needs to ensure that the company's risk management framework identifies and addresses all relevant risks in order to execute and deliver strategy; companies need to consider their extended business, including the company's supply chain, from key suppliers to end-customer.

Setting strategy includes determining the extent of exposure to the identified risks that the company is able to bear and willing to take (risk tolerance and risk appetite).

Website Disclosure Requirements:

N/A

Disclosure:

The Company's risk management framework is set out in the Annual Report as published on the website.

Principle 5 - Maintain the board as a well-functioning, balanced team led by the chair

Application:

The board members have a collective responsibility and legal obligation to promote the interests of the company, and are collectively responsible for defining corporate governance arrangements. Ultimate responsibility for the quality of, and approach to, corporate governance lies with the chair of the board.

The board (and any committees) should be provided with high quality information in a timely manner to facilitate proper assessment of the matters requiring a decision or insight.

The board should have an appropriate balance between executive and non-executive directors and should have at least two independent non-executive directors. Independence is a board judgement.

The board should be supported by committees (e.g. audit, remuneration, nomination) that have the necessary skills and knowledge to discharge their duties and responsibilities effectively.

Directors must commit the time necessary to fulfil their roles.

Website Disclosure Requirements:

N/A

Disclosure:

The Board currently comprises four Directors: the Executive Chairman, two Non-Executive Directors and one Executive Director. Both of the Non-Executive Directors, Simon Allport and Euan Hamilton, are considered by the Board to be independent. The Board meets regularly and there are processes in place to ensure that each Director is at all times provided with such information as is necessary for him or her to discharge their duties.

The Board is also supported by the Committees, details of which are set out below.

The Non-Executive Directors were selected with the objective of increasing the breadth of skills and experience of the Board, and bringing independent judgment to the Board. The Company believes that the make-up of the Board as a whole represents a suitable balance of independence and detailed knowledge of the business so as to ensure that it is able to fulfill its role and responsibilities as effectively as possible.

All Directors are subject to re-election by shareholders at the Annual General Meeting and any Directors appointed during a financial year must be formally elected at the Annual General Meeting following their appointment.

Principle 6 - Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities

Application:

The board must have an appropriate balance of sector, financial and public markets skills and experience, as well as an appropriate balance of personal qualities and capabilities. The board should understand and challenge its own diversity, including gender balance, as part of its composition.

The board should not be dominated by one person or a group of people. Strong personal bonds can be important but can also divide a board.

As companies evolve, the mix of skills and experience required on the board will change, and board composition will need to evolve to reflect this change.

Website Disclosure Requirements:

N/A

Disclosure:

Biographies of the Directors are set out in the “About Us” section of the website and in the Annual Report.

Principle 7 - Evaluate board performance based on clear and relevant objectives, seeking continuous improvement

Application:

The board should regularly review the effectiveness of its performance as a unit, as well as that of its committees and the individual directors.

The board performance review may be carried out internally or, ideally, externally facilitated from time to time. The review should identify development or mentoring needs of individual directors or the wider senior management team.

It is healthy for membership of the board to be periodically refreshed. Succession planning is a vital task for boards. No member of the board should become indispensable.

Website Disclosure Requirements:

Include a more detailed description of the board performance evaluation process/cycle adopted by the company. This should include a summary of:

- *The criteria against which board, committee and individual effectiveness is considered*

- *How evaluation procedures have evolved from previous years, the result of the evaluation process and action taken or planned as a result.*
- *How often board evaluations take place.*
- *Explain how the company approaches succession planning and the processes by which it determines board and other senior management appointments, including any links to the board evaluation process.*

Disclosure:

The board has recently undergone huge change and the members of the executive team have been focused on the necessary turnaround plan for the Company. The board has not yet therefore established a formal system of evaluation of its members.

Nevertheless the board has on its agenda for the near future to establish a formal system of evaluation to ensure that the members of the board are committed, independent (where relevant) and provide relevant and effective contribution. In the interim, the Chair is responsible for ensuring an effective board.

Principle 8 - Promote a corporate culture that is based on ethical values and behaviours

Application:

The board should embody and promote a corporate culture that is based on sound ethical values and behaviours and use it as an asset and a source of competitive advantage.

The policy set by the board should be visible in the actions and decisions of the chief executive and the rest of the management team. Corporate values should guide the objectives and strategy of the company.

The culture should be visible in every aspect of the business, including recruitment, nominations, training and engagement. The performance and reward system should endorse the desired ethical behaviours across all levels of the company.

The corporate culture should be recognisable throughout the disclosures in the annual report, website and any other statements issued by the company.

Website Disclosure Requirements:

Explain how the board considers that the Company has the means to determine that ethical values and behaviours are recognised and respected.

Disclosure:

The board places significant importance on the promotion of ethical values and good behaviour within the Company and takes ultimate responsibility for ensuring that these are promoted and maintained throughout the organisation and that they guide the Company's business objectives and strategy.

The Company is an equal opportunities employer and highly values its people. It is committed to delivering products with as little environmental impact as possible.

Principle 9 - Maintain governance structures and processes that are fit for purpose and support good decision-making by the board

Application:

The company should maintain governance structures and processes in line with its corporate culture and appropriate to its:

- *size and complexity; and*
- *capacity, appetite and tolerance for risk.*

The governance structures should evolve over time in parallel with its objectives, strategy and business model to reflect the development of the company.

Website Disclosure Requirements:

In addition to the high level explanation of the application of the QCA Code set out in the chair's corporate governance statement:

- *Describe the roles and responsibilities of the chair, chief executive and any other directors who have specific responsibilities or remits (eg for engagement with shareholders or other stakeholder groups).*
- *Describe the roles of any committees (eg audit remuneration and nomination committees) setting out the terms of reference and matters reserved by the board for its consideration.*
- *Describe which matters are reserved for the board.*
- *Describe any plans for evolution of the governance framework in line with the company's plans for growth.*

Disclosure:

The Chairman leads the Board and is responsible for its governance structures, performance and effectiveness. The Chairman is also responsible for ensuring that the links between the Board and the shareholders, are strong and efficient. Meanwhile, the Chief Executive Officer, the Chief Financial Officer and the Chief Operations Officer are responsible for the day-to-day management of the business and for implementing the strategic goals agreed by the Board.

The Board has also established an Audit Committee, a Remuneration Committee and a Nomination Committee, the responsibilities of which are set out below. From time to time, separate committees may be set up by the Board in order to consider and address specific issues, when and if the need arises.

The effectiveness of the structures and processes described above is assessed by the Chair as part of the annual Board evaluation.

The matters reserved for the board are:

- Strategy and management
- Structure and capital
- Financial reporting and controls
- Risk management and internal controls
- Contract, bank facilities, guarantees and indemnities
- Communication with shareholders
- Board membership and other appointments
- Remuneration, employee benefits and employee issues
- Delegation of authority
- Corporate governance matters
- Policies

Principle 10 - Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders

Application:

A healthy dialogue should exist between the board and all of its stakeholders, including shareholders, to enable all interested parties to come to informed decisions about the company.

In particular, appropriate communication and reporting structures should exist between the board and all constituent parts of its shareholder base. This will assist:

- *the communication of shareholders' views to the board; and*
- *the shareholders' understanding of the unique circumstances and constraints faced by the company.*

It should be clear where these communication practices are described (annual report or website).

Website Disclosure Requirements:

- *Disclose the outcome of all votes in a clear and transparent manner.*
- *Where a significant proportion of votes (eg 20% of independent votes) have been cast against a resolution at any general meeting, the company should include, on a timely basis, an explanation of what actions it intends to take to understand the reasons behind that vote result and, where appropriate, any different action it has taken, or will take, as a result of the vote.*
- *Include historical annual reports and other governance related material, including notices of all general meetings over the last five years.*

Disclosure:

The Group places a strong emphasis on the standards of good corporate governance and maintaining an effective engagement with its shareholders and key stakeholders, which it considers to be integral to longer term growth and success.

The Company's reports and presentations and notices of Annual General Meetings are made available on the website when available, as are the results of voting at shareholder meetings.

The Board Committees

Audit Committee

The Audit Committee has the primary responsibility of monitoring the quality of internal controls to ensure that the financial performance of the Group is properly measured and reported on. It receives and reviews reports from the Group's management and external auditors relating to the interim and annual accounts and the accounting and internal control systems in use throughout the Group. The Audit Committee meets not less than two times in each financial year and has unrestricted access to the Group's external auditors. The Audit Committee comprises Simon Allport, Euan Hamilton and Dan Wright and is chaired by Simon Allport.

Remuneration Committee

The Remuneration Committee reviews the performance of the Executive Directors and makes recommendations to the Board on matters relating to their remuneration and terms of service. The Remuneration Committee meets as and when necessary, but at least once each year. In exercising this role, the Directors shall have regard to the recommendations put forward in the QCA Code and, where appropriate, the Remuneration Committee Guide for Small and Mid-Size Quoted Companies published by the QCA and associated guidance. The Remuneration Committee comprises Euan Hamilton, Simon Allport and Dan Wright and is chaired by Euan Hamilton.

Nomination Committee

The Nomination Committee leads the process for board appointments and makes recommendations to the Board. The Nomination Committee shall evaluate the balance of skills, experience, independence and knowledge on the board and, in the light of this evaluation, prepare a description of the role and capabilities required for a particular appointment. The Nomination Committee will meet as and when necessary, but at least once a year. The Nomination Committee comprises Euan Hamilton, Simon Allport and Dan Wright and is chaired by Dan Wright.