

Corporate Governance

Chairman's Statement

On 30 March 2018 the AIM Rules were amended to require all companies quoted on AIM to implement a recognised corporate governance code and comply with that code from 28 September 2018. Quixant plc ("Quixant") is a member of the Quoted Companies Alliance (QCA) and it is their corporate governance code that the Company has chosen to apply.

The QCA Code follows 10 basic principles that requires companies to provide an explanation of how they consider that they are meeting those principles through a set of disclosures on their website and in their Annual Report.

As the Chairman of Quixant plc, I am ultimately responsible for the Corporate Governance of the Group but the Board as a whole considers that good corporate governance is a key driver in the success of the business and accountability to the Company's stakeholders, including shareholders, customers, suppliers and employees is a vital element in that governance.

The Directors consider that the corporate governance framework that the Group operates within is proportionate to the size, risk and complexity of its business. The Board considers that it does not depart from any of the principles of the QCA Code.

In the statements within this section we outline the Company's approach to corporate governance. This is the first time that the current QCA Code has required adoption and it is the intention that the information contained within the report will be updated annually alongside the publication of the Group's Annual Report or more frequently for any fundamental changes.

Michael Peagram
Chairman
28 September 2018

Quoted Companies Alliance Code Compliance

The following paragraphs set out the 10 QCA Code principles and how Quixant has complied with those principles:

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

The Quixant business is split into two divisions: the Gaming division and the Densitron division.

The Gaming division technology enables manufacturers of gaming machines to design and ship world-beating products in record time. Its range of all-in-one gaming platforms are high performance, PC compatible systems designed and tuned specifically to meet the complex needs of the gaming industry. The hardware integrates all the features necessary to drive pay to play machines in all major global gaming jurisdictions. Comprehensive software support for Windows and Linux augments the hardware, including device drivers, gaming protocols, libraries, example code and software tools.

The Densitron division is a solution provider of electronic displays. Since Quixant acquired Densitron in 2015 it has changed the focus of the business to be more industry specific supplying more technologically value rich products. To that end a dedicated embedded board design and development facility located in Slovenia has been established.

Challenges

- **Maintaining a level of technology** – technology is always changing and to ensure the future success of the business Quixant must ensure that the products that it is supplying to the market are current, relevant and maintain differentiation from competition. It is essential that it finds the balance between product innovation and pricing so that new products maintain the target level of margin. Quixant invests heavily in design and development. Its development facilities are split between Taiwan, Italy and Slovenia with commercial input arising principally from the US and UK. Together, the interaction of these business units ensure that future products are commercially viable and can be supported as they are introduced.
- **Ensuring a high level of quality of the product supplied** – customers expect a high level of quality in the product supplied. Quixant has, within its Taiwanese branch (which is ISO9001:2015 accredited) a quality control department that undertakes rigorous testing and validation of new products and production line testing of mass production products to ensure quality is maintained. Additionally, all key suppliers are subjected to regular quality audits. A quality report is provided to the Board quarterly so that the directors are aware of, understand and if necessary address any quality issues within the Group.
- **Ensuring continuity of supply** – the Gaming industry is highly regulated and requires regulatory approval of all components contained within a bill of materials. To manage this continuity of supply Quixant's purchasing department in Taiwan controls the bill of materials ensuring purchases are made in accordance with the bill of materials. By doing this the Group is able to manage the end of life process of its own products.
- **Recruitment of high calibre employees in key positions** – it is imperative that the Company continues to be able to recruit employees with relevant experience and knowledge at the level required to continue to grow and enhance the business. Quixant has established a Human Resources department to ensure that the process of recruitment to new employee introduction

and continuing employee engagement is conducted in a professional manner and in accordance with employment regulations.

2. Seek to understand and meet shareholder needs and expectations

The principal responsibility for investor relations lies with the Chief Executive Officer, supported by the Board as a whole. Engagement comes in the form of the Annual and Interim Reports, trading updates, regulatory news updates as appropriate, the annual general meeting (“AGM”) and direct investor meetings following the announcement of the annual and interim results.

Private Shareholders – the main forum for private shareholders to engage with the Board is at the Company’s AGM where the Board makes itself available for Shareholders to ask questions. The Notice of AGM is sent to Shareholders at least 21 days before the meeting is due to be held. At the meeting, Shareholders vote on each resolution and the meeting is advised of the number of votes for, against and withheld on each resolution. The outcome of the AGM is subsequently announced via RNS and published on the Company’s website.

Institutional Shareholders – the directors consider that it is important that its institutional shareholders understand the business and that their expectations are in accordance with those of the Board. Members of the Board engage with institutional shareholders following the announcement of the annual and interim results explaining the results and the Board’s vision for the future. These meetings are arranged by the Company’s FCA regulated nominated adviser and broker, finnCap Ltd, who will follow up with investors following the meetings and provide anonymised feedback to the Board. Additionally, other ad hoc meetings are attended as requested by existing and potential institutional investors.

The Board will consider all feedback received from shareholders whether at the AGM, during face to face meetings with institutional investors or feedback from its nominated advisor following those meetings. It also reviews analysts’ notes to gauge market expectations.

The Chairman has for some years visited the largest four or five institutional shareholders to discuss corporate plans and any concerns. This has now been made a formal annual responsibility.

3. Take into account wider stakeholder and social responsibilities and their implication for long-term success

The Board considers their responsibility to the Company’s stakeholders as key in the continuing success of the business. As such it ensures that there is engagement with each of the Company’s stakeholders. That engagement is outlined below:

Employees – the Board primarily engages with the employees of the Group by holding “Town Hall” meetings twice a year following the announcement of the interim and annual results. Two of each meeting are held to allow all employees, whatever their location in the world, to attend by video conference. Each meeting is run by three Board members to update employees of the performance of the Group in the preceding six months, highlighting areas where the business has been successful or experienced challenges and imparting the Board’s vision for the future. It also gives an

opportunity for the board to re-iterate the culture of the Group to employees and enable employees the opportunity to engage with the Board directly.

Customers – in order to maintain its competitive advantage, it is vital that the Group engages with its customers to ensure that it is fulfilling their requirements in terms of product supplied and the quality and timeliness of the service provided. The Company's employees undertake regular direct customer meetings (at least twice a year with key customers) at which the customers give feedback on their experience with the Company. Particular emphasis is placed on what could have been done better and what the customer's expectation is going forward. This form of feedback is then fed into the Company's future development plans.

Suppliers – it is important that the Group's suppliers understand the lifetime of availability of components from suppliers, the quality of the components and the lead-times. This is done by holding regular supplier meetings with key suppliers, undertaking regular supplier audits and implementing a new component approval process.

Shareholders – the Board recognises the Company's shareholders and has explained its engagement with them above.

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

The Board has in place a disaster recovery plan and risk registers for the Group that identify the key areas of risk within the Group particularly in respect of strategy, customers, suppliers, industry, regulatory, financial, legal and technology. The registers are formally reviewed by the Board annually and updated as considered necessary.

On an annual basis financial risks are considered and reviewed as part of the audit process. These risks include credit risk, cash flow risk, exchange rate risk and liquidity risk as set out on pages 13 and 14 of our annual report and accounts.

5. Maintain the Board as a well-functioning, balanced team led by the chair.

The Board, led by the Chairman, has a collective responsibility and legal obligation to promote the interests of the Group. The Chairman is ultimately responsible for Corporate Governance. However, the Board is responsible for defining the corporate governance policies.

The Board is made up of three non-executives and five executives and has devolved responsible of certain matters to two committees. It does not operate a separate nominations committee with all Board members being responsible for the appointment of new directors.

Non-executive directors are expected to devote sufficient time to the company to meet their responsibilities. Generally, 10-11 Board meetings are held each year and directors are expected to attend as many as practicable either in person or by video or telephone conference arrangements.

Meetings held between October 2017 and September 2018 and the attendance of directors is summarised below:

	Board Meetings	Audit Committee Meetings	Remuneration Committee Meetings
Number of meetings:	11	4	4
M J Peagram	11	2	4
G Van Zwanenberg	11	4	4
G A Y Hudson *	10		
N C L Jarman	11		
G P Mullins	11		
J F Jayal	11		
A C Preddy	11	4 (as an invitee)	
C-T Lin	5		

* G A Y Hudson was appointed as a member of the Remuneration committee following the last meeting.

The Board is provided with Board papers in advance of the meetings and minutes of the meetings are provided to the Board following the meeting. The Chairman is responsible for ensuring that the directors receive the information that they require for decision-making and each member of the Board understands the information that they are expected to provide. The Board meetings have an annual cycle of matters that are reviewed annually, and these are spread through the program of meetings in the year.

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

All members bring different experiences and knowledge to the Board and between them they provide a blend of business understanding, technical knowhow, experience of public markets and financial expertise. The Board consider that this is appropriate to enable it to successfully execute its long-term strategy. All members of the Board attend seminars and regulatory and trade events to ensure that their knowledge is up to date and relevant. Where the Board considers that it does not possess the necessary expertise or experience it will engage the services of professional advisors.

For biographies of each of the directors [click here](#).

7. Evaluate Board Performance based on clear and relevant objectives, seeking continuous improvement

A Board evaluation process is carried out annually as part of a wider strategy review and future planning discussion. The process is led by the Chairman and with the help of an external facilitator the Board is challenged to review its performance and effectiveness objectively. During this process the Board considers:

- Performance of the Board against the current strategy;
- Effectiveness of the Board in areas such as supervision, leadership and management of personnel and risk areas;
- Areas of weakness either at Board level or executive management level for which recruitment may be required; and
- Succession planning.

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

Our long-term growth is underpinned by our corporate culture and core beliefs. As part of a new starter pack all new employees are provided with a statement on culture in which the Group operates.

Our Culture – Quixant has a culture of openness and transparency, where team work is key. We embrace ideas and above all we respect one another. Together Everyone Achieves More (TEAM). As members of the TEAM you will work in a diverse and vibrant environment and are encouraged to contribute to the growth of the Quixant Group.

Our core beliefs are embedded in our DNA:

- Being passionate about team work
- Being innovative
- Embracing high standards
- Defying market expectations
- We are ethically driven
- We play to win
- Creating a fun, friendly working environment

These core beliefs are reinforced by senior management throughout the year at Town Hall and other meetings.

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

The Board provides the strategic leadership for the Company and ensures that the business operates within the corporate governance framework that has been adopted. Its prime purpose is to ensure the delivery of shareholder value in the long term by setting the business model and defining the strategic goals to achieve this. Additionally, it has introduced the culture, values and practices

that have been adopted throughout the business to assist in achieving the strategic goals and ensures that they remain up-to-date and fit for purpose.

Board Committees

The Board has established a remuneration committee and an audit committee. It has not deemed it necessary to form a nomination committee, rather leaving the decision-making regarding the appointment of new directors to the Board as a whole. Each committee has formally delegated duties and responsibilities and a summary of their terms of reference are outlined below.

Remuneration committee – The remuneration committee is comprised of not less than two non-executive directors, it meets at least once a year and is responsible for setting the remuneration policy for the executives and senior management of the Company.

Audit committee – The audit committee is comprised of not less than two non-executive directors, it meets at least twice a year and is responsible for ensuring the financial performance of the Company is properly reported on and monitored, including reviews of the annual and interim reports, internal control systems and procedures and accounting policies.

Chairman – the Chairman has overall responsibility for corporate governance and in promoting high standards throughout the Group. He leads and chairs the Board in the development of strategies and corporate objectives, ensuring that the committees are appropriately structured and operate to their terms of reference. He is also responsible for ensuring that performance reviews of individual directors, the board and committees are carried out on a regular basis.

Chief Executive Officer – the CEO is responsible for the management of the Group and implementation of the strategies and standards agreed by the Board. He monitors, reviews and manages the key operational risks highlighting to the Board areas of perceived weakness. He is responsible for investor communications and ensuring that the Group's standing with its shareholders and the wider investment community is maintained.

Executive Directors – the executive directors are collectively responsible for the day-to-day operation of the business ensuring the deliverance of the Group's strategy by making the necessary operational and financial decisions. They are also responsible for promoting the core values of the Group and providing leadership to the wider Group.

Non-executive directors – the non-executive directors, all of whom have all been determined as being independent, are experienced individuals from a range of backgrounds and industries bringing a wealth of knowledge to the company. They provide independent views through their experiences challenging the executive directors, providing oversight and ensuring that the Group is operating within the parameters set by the board both in terms of strategy and corporate governance.

Company Secretary – An external company secretary is appointed to assist the Board with the statutory filing and the annual general meeting, all other matters are managed internally. Where further advice is required the Board employs professional advisors.

There are certain business matters that are of sufficient importance that the Board considers that it should take the responsibility for ultimate decision making. The following are the matters that are reserved for the Board:

- Formulating the Group's business model.
- Setting the long-term objectives and strategy.
- Setting and review of the corporate governance framework under the QCA code.
- Market communication.
- Approvals of matters such as:
 - Dividend policy and declaration of dividends.
 - Acquisition or disposal of investments.
 - Major capital investment projects.
 - Changes to the capital structure of the Company.
 - Annual and interim reports on advice from the Audit committee.
 - Resolutions to be put before the shareholders at general meetings.
 - Approval of annual budgets.
 - Changes to executive remuneration and remuneration packages of new executives.
 - Changes to the structure of the board of directors.
 - Appointment of professional advisors such as auditors, tax advisors and insurance brokers.
 - Approval of contracts that have the potential to have a material impact on the Group.

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

In addition to the investment activities described above:

Remuneration Committee Report

The Remuneration committee comprises Michael Peagram (Chairman), Guy van Zwanenberg and Gaye Hudson, it will invite executive directors as it considers necessary. The committee met four times during the year. They consider the executive directors and senior management remuneration packages and discuss policy on annual reviews with the Board. They will, subsequently, review and approve the Executive proposals for salary reviews and annual profit linked bonus schemes and awards. In doing so it ensures that individual packages have been set in line with companies of a similar size and operation.

The committee is responsible for the overall package offered to staff including employee incentive schemes in each of the group's operating territories. Each package is designed to attract, motivate and retain our staff. An employee share option scheme was established in 2013 and the committee grants new options to employees and executive directors. At 30 June 2018, options had been granted over a total of 2,430,294 shares of which options over 349,568 shares were outstanding.

Audit Committee Report

The Audit Committee comprises Guy van Zwanenberg (Chairman) and Michael Peagram. The committee has met four times during the year inviting the external auditors to two of these meetings and the Group Finance Director to each meeting (at the meetings where the auditors were present time was taken to meet with the auditors without the Group Finance Director being present). During these meetings the audit committee considered the impact of future accounting standards on the business and the financial statements and reviewed the accounting policies, internal controls, the reports of the auditors to the audit committee and the interim and annual reports.

Directors' biographies



Michael Peagram

Role: Non-executive Chairman

Appointed: 1 February 2013

Committees: Chairman of the remuneration and member of the audit committees

Time commitment: Attendance at and preparation for Board and Committee meetings, offline meetings with executive, non-executive directors and employees, meeting with Investors and professional advisors.

Background and suitability for the role: Michael has a background in the pharmaceutical and chemical industry. As managing director of Holliday Chemical Holdings PLC, he oversaw the international expansion of the company, leading to a listing on the Official List in 1993 and the subsequent sale to Yule Catto PLC in 1998, following which he remained as deputy chairman until 2007. Subsequently, Michael has held various non-executive director positions, principally as chairman, for growing AIM listed companies such as CRC Group PLC (computer and mobile phone servicing) and RMR plc (internet conferencing).

Michael is also an active investor in numerous private technology companies and is involved with a number of community-based business and technology development ventures.

Michael has a doctorate in Chemistry from Oxford University and an MBA from Manchester Business School.

Other appointments: Michael is non-executive director GAMA Aviation plc along with a number of other appointments.



Nicholas Jarman

Role: Executive Vice-Chairman

Appointed: 16 March 2005

Time commitment: Full time

Background and suitability for the role: Nick is a founding director of Quixant and has brought extensive management experience and computer engineering knowledge to the Company. Nick has a background in the technology industry and he was employed by Densitron Technologies PLC for 22 years. In this time, he held numerous roles in design, engineering, sales and, finally, as Group Technical Director. Nick had overall responsibility for Densitron's gaming business strategy, led the design process and negotiated with key suppliers and customers in the USA, Europe and Asia.

Nick has an honours degree in Electronic Engineering from the University of Sheffield.



Jon Jayal

Role: Chief Executive Officer

Appointed: 20 June 2016

Time commitment: Full time

Background and suitability for the role: Jon Jayal was one of the key members of the design team which developed Quixant's first product, the QX-10. Jon left Quixant in 2006 to broaden his experience in the financial sector, both as an investment consultant at Mercer Limited and as account manager at BlackRock, Inc. He re-joined Quixant in July 2012 as General Manager of Quixant plc and latterly Chief Operating Officer and is based at the Company's UK headquarters in Cambridge. The Director's believe that Jon's deep knowledge of the technology that is the foundation of Quixant's business together with his wider financial and managerial experience means he is well positioned as part of the management team.

Jon is a Chartered Financial Analyst and has a first class honours degree in Electronic Engineering from the University of Warwick.



Cresten Preddy

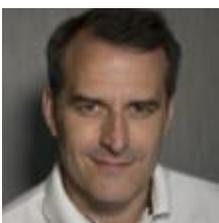
Role: Outgoing Group Finance Director

Appointed: 1 July 2012

Time commitment: Full time

Background and suitability for the role: Cresten is an experienced accountant with 41 years in practice. Cresten began her career at Baker, Rooke & Amsdoms before moving to Arthur Andersen. She left Arthur Andersen after 18 years, moving to NCL Investments Limited to become its financial controller and company secretary. In April 2004, Cresten established her own practice, providing accounting services to a variety of clients as a qualified sole practitioner. Cresten has worked with and advised Quixant since July 2009 and joined the Company in July 2012.

Cresten is a Fellow of The Institute of Chartered Accountants in England and Wales.



Gary Mullins

Role: Group Strategic Sales Director

Appointed: 11 January 2006

Time commitment: Full time

Background and suitability for the role: Gary is a founding director of Quixant and has a proven track record in technology sales and marketing. He was employed by Densitron Technologies PLC for more

than 10 years in sales and marketing. At Densitron, Gary was responsible for securing contracts with numerous multi-nationals. Gary has a proven track record of winning large orders for technical products from major companies. Prior to founding Quixant, he was sales director at NTera Limited, a nanotech electronic paper displays developer.

Gary has an honours degree in Electronic Systems from the Royal Military College of Science.



JJ Lin

Role: Manufacturing Director

Appointed: 12 July 2007

Time commitment: Full time

Background and suitability for the role: JJ is a founding director of Quixant and has 23 years' experience in computer hardware manufacturing. JJ's previous roles include leading the design teams at GIT Technologies Ltd and TC-Tech, developing automotive test systems and managing the hardware production at Intimate Partner Co., a major EMS house, producing motherboards and graphics cards for large Taiwanese brands. JJ was the General Manager of Densitron Computers Taiwan Ltd, a manufacturer of long-life custom embedded PC products for the gaming market and became the General Manager of Techware Technology Co. Ltd, a Taiwanese Windows CE development house.

JJ has a degree in Electronic Engineering from the National Taiwan University of Science and Technology.



Guy van Zwanenberg

Role: Non-executive Director

Appointed: 1 March 2013

Committees: Chairman of the audit and member of the remuneration committees

Time commitment: Attendance at and preparation for Board and Committee meetings, offline meetings with executive, non-executive directors and employees, meeting with Investors and professional advisors.

Background and suitability for the role: Guy has 40 years' experience in industry and practice. He qualified as a Chartered Accountant with Grant Thornton and then spent three years working with James Gulliver. Guy subsequently moved to become UK Finance Director of an American computer accessory company which was taken public in 1989. In 1991, he established his own interim financial management business and has since been involved in a number of SME businesses providing strategic and financial help. He joined Gaming King PLC in 1998 on a part time basis as Finance Director and became Company Secretary and non-executive director in 2006, remaining as a non-executive director when the company reversed its listing on AIM by acquiring Sceptre Leisure PLC in 2008, whilst with them

he sat on the Audit and Remuneration committees. The company was sold in 2013. In 2015 he joined Smartspace plc, an AIM listed software business specialising in smart offices. He is a member of the Audit committee and in July 2018 was made Chairman of the company.

Guy is both a Fellow of The Institute of Chartered Accountants in England and Wales and a Chartered Director.



Gaye Hudson

Role: Non-executive Director

Appointed: 22 March 2017

Committees: Member of the remuneration and audit committees

Time commitment: Attendance at and preparation for Board and Committee meetings, offline meetings with executive, non-executive directors and employees, meeting with Investors and professional advisors.

Background and suitability for the role: Gaye's experience is in the world of corporate communications, driving and promoting award winning communications programmes to meet the business objectives of global enterprises. Most recently Gaye was Vice President of Corporate Communications Europe, Middle East & Africa for Oracle Corporation, building its brand and protecting its reputation. Prior to her experience within the technology industry she was on the UK board of directors of international PR agencies Hill and Knowlton and Burson-Marsteller shaping the development of communications strategies and driving sales for B2B and B2C corporations.

Gaye is a Fellow of the Public Relations & Communications Association.



Guy Millward

Role: Incoming Group Finance Director

Time commitment: Full time

Background and suitability for the role: Guy qualified as a Chartered Accountant at Ernst and Young in 1989. He has extensive experience as Finance Director of several public companies in the electronics, software and IT sectors. He joins Quixant from Imagination Technologies Group plc, which he joined as CFO in 2015.