Quixant plc

Annual Report and Accounts

For the year ended 31 December 2019

Agile. Pioneering.

WE PUSH TECHNOLOGY BOUNDARIES WITH DEEP INSIGHT INTO THE SECTORS WE SUPPORT

Quixant plc

Quixant designs, develops and manufactures gaming platforms and display solutions for the gaming and slot machine industry. Through its Densitron division, Quixant is also a pioneer in human machine interaction and control for a range of global industrial markets.

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Strategic Report

Quixant is regarded as an integral component of the gaming sector, and intrinsic to its evolution.

With game-changing technology, customer-centric capabilities and in-depth knowledge of regulations in all global markets, Quixant enables gaming pioneers to think outside the box.

Our global approach to innovation is always underpinned by a thorough local knowledge and understanding of cultural requirements. We are committed to delivering the products and services that our customers need - to exacting standards - for each market worldwide.

HIGHLIGHTS

FINANCIAL HIGHLIGHTS

Revenue Split Between:

GAMING PLATFORMS REVENUE **$46.6m** (2018: $62.5m)

GAMING MONITORS REVENUE **$9.6m** (2018: $15.1m)

Covid-19 **PRESENTS A MATERIAL UNCERTAINTY TO THE GROUP'S FUTURE OPERATIONS**

REVENUE DECLINE of 20% to $92.3m **(2018:$115.2m)**

QUIXANT GAMING DIVISION REVENUE $56.2m **(2018: $77.6m)**

NET CASH AT PERIOD END of $16.1m **(2018: $9.7m)**

NET CASH FROM OPERATING ACTIVITIES UP 33% to $14.9m **(2018: $11.3m)**

DENSITRON DIVISION REVENUE of $36.2m **(2018: $37.5m)**

DILUTED EPS of $0.124/ share **(2018: $0.213/share)**

ADJUSTED[1] PRE-TAX PROFIT $10.7m **(2018: $18.2m)**

ADJUSTED[2] DILUTED EPS of $0.139/ share **(2018: $0.260/share)**

PRE-TAX PROFIT of $9.4m **(2018: $14.3m)**

1. Adjusted by adding back items included in the adjusted PBT reconciliation in note 1 to the financial statements totalling $1.3m (2018: $3.9m).

2. Adjusted by adding back the items included in note 1 above and subtracting the associated tax effect as set out in note 10 to the financial statements. In 2019 these amounted to $1.0m (2018: $3.1m).

OPERATIONAL HIGHLIGHTS

Revenue decline in Gaming due to major customers facing stiff competition which has led to a reduction in demand for our products.

No major customers lost during the year.

New products launched by Densitron to target the broadcast market expected to generate revenue in 2020 and increased pipeline of new business of $12m.

Appointment of key senior management, including a Densitron Managing Director, Densitron Product Director, Gaming Product Director and a new Gaming Global Sales Director.

Enhanced systems and sales discipline to improve revenue visibility.

Acquisition of IDS to enhance Densitron product offering in Broadcast sector

Unpredictability in 2020 and beyond due to the impact of Coronavirus/Covid-19

CHAIRMAN'S STATEMENT

Michael Peagram CHAIRMAN

First year of reduced revenue in the company's history masks strengthened underlying business

Against the backdrop of a significant softening in some of our largest gaming customers' businesses, unfortunately I am reporting to you the first year in Quixant's history in which the business has seen a fall in revenue and profit. While clearly disappointing, we are confident in the business' ability to deliver growth and have made significant steps in the year to address areas of weakness.

Intense competition among the gaming machine manufacturers has reduced demand for some of our largest customers' machines and consequentially impacted demand for our gaming platforms and monitors. The outlook for the industry, however, remains buoyant with significant long-term opportunities and we continue to see evidence of the outsource trend which has fuelled our gaming division growth over the last 15 years. We believe long-term this intense competition will lead to more business opportunities as new customers seek to streamline their businesses. We have taken steps during the year to improve our revenue visibility to be more equipped to predict such shocks in our customer demand.

Our Densitron Broadcast strategy remains very positive as we start to see the first revenue being generated from the new business pipeline which continues to grow.

We delivered strong cash generation in the year, despite lower than anticipated profits and as a result we end the year with an extremely strong balance sheet with a healthy net cash position. Given the current Covid-19 situation, the Board will review whether it is able to pay an interim dividend later in the year.

Gaye Hudson has decided to step down from the Board at the AGM in 2020. I would like to take this opportunity to thank Gaye for her contribution to Quixant over the last three years. The Board will begin a search for a new non-executive immediately. At the end of May 2020, JJ (C-T) Lin will also step down from the board and Nick Jarmany and Gary Mullins will become non-executive directors. JJ was the founder of Quixant's operation in Taiwan, is responsible for much of Quixant's success over the years and is still a large shareholder. I would like to thank him for his massive contribution over many years.

Our future outlook remains positive and we believe that the business is well progressed in moving towards a more diversified series of growth drivers. A robust start to 2020 is tempered by the unpredictability for the full year due to Coronavirus' impact across the Gaming business and the industrial sectors Densitron supplies into. We are closely monitoring the situation on our business from a demand and supply side and have executed a number of contingency plans to mitigate the risk to our staff and our financial performance. Despite these, we expect continued challenges with the business throughout 2020 as a result of the virus outbreak.

Michael Peagram CHAIRMAN

CHIEF EXECUTIVE'S REPORT

Jon Jayal **CHIEF EXECUTIVE OFFICER**

It is clear that the COVID-19 pandemic will have a significant impact on the business and consequently we have taken a number of actions to weather the storm.

COVID-19 – IMPACT ASSESSMENT

When the pandemic first appeared in China, the initial threat was to our supply chain. It is now very clear that the risk to customer demand is by far our greatest challenge and we are prepared for a significant downturn in sales for the duration of the pandemic.

We have no experience of a similar crisis so it is difficult to accurately predict the extent that the effect of COVID-19 will have on our revenues. It is not yet clear how widespread the virus will become, how long the pandemic will last and what the medium to long term effect of this pandemic will be on consumer and business behaviour.

The global technology industry relies almost entirely on Far Eastern manufacturing for the electronic components used in its products. We manufacture our Gaming division products in Taiwan which has skilfully handled the outbreak and therefore seen limited impact from reduced manufacturing capacity. However, many of the components which are used on the gaming manufacturing lines are sourced from China and we have therefore suffered some delays in the delivery of such components in the first quarter. Densitron saw a more direct and immediate supply side impact from the COVID-19 outbreak. Many of the products in the Densitron business are manufactured in China in factories which were operating at a fraction of their normal capacity during February.

The Chinese government's rapid and weighty response to the outbreak has meant that capacity returned very quickly to most of our suppliers over the course of February and into March and we have seen an ongoing improvement in the delivery dates we can quote customers. Our strategic stock holding and the intelligent handling of the outbreak by the Taiwanese authorities has meant our production impact has been minimised. We are continuing to monitor the effects on our manufacturing capability.

With a return to relative normality on the supply side, we are now focused on customer demand. The impact of Macau closing for two weeks immediately after the Chinese New Year holiday was an 88% reduction in overall gaming revenues in February in the territory (a fall of around $2.8bn compared to prior year). As COVID-19 has spread outside Asia, we have now started to see the impact on the key Australian and American casino markets with MGM Resorts and Wynn closing down their Las Vegas resorts for an indeterminate period. On 17 March there was a state directive for all gaming machines in Nevada to be switched off for 30 days. We have since seen other markets such as the US tribal gaming market and the Australian market closing down their operations. Globally, we are seeing the few gaming venues which haven't closed applying severe restrictions and "distancing measures" (turning off every other machine to distance players from one another). This loss in casino revenues is already weighing heavily on our customers' income and longer term will likely weigh on demand for new machines and therefore our customers' consumption of our products this year.

From a position where the focus was on our ability to meet expected delivery dates, the Densitron business has seen the first signs of customers looking to postpone/cancel orders as their manufacturing facilities close and demand for products across most industrial markets reduces. We have nonetheless seen continued demand in certain sectors and have been actively offering help to our medical customers to source components where they have faced challenges.

We have been in constant dialogue with customers to understand the direct impact on our Gaming Division at a senior management level. Given the greater unpredictability around lead-times, we have been seeking orders further out into the year to solidify deliveries.

Gradually we are forming a clearer picture of their short term (next few months') demand which unsurprisingly has been significantly reduced. The uncertainty principally relates to the outlook for the second half which will be heavily influenced by governments' response to the crisis. Some Densitron customers have signalled reduced demand and requested postponed deliveries while others have continued or even accelerated demand.

Our priority is to do all we can to keep our offices as safe as possible for customers and staff. At the same time, we must prepare the business for varying levels of sales declines. To that end we have modelled the effects of differing levels of sales declines along with all the measures we can take to ensure that the Company remains within its cash and bank facilities, and have prepared cash flow forecasts for a period in excess of 12 months.

The Board's central case scenario is based on the existing debts being recovered, irrevocable sales orders already received from customers and their related cost of sales being fulfilled, and an assumption that we will only recover 50% of debts from these new fulfillments. Under this scenario, the Group would have sufficient funding to pay existing overheads without reducing them until the second half of 2021. The analyses depend greatly on the amount of orders assumed to be collectable in cash, major changes to this could significantly change the result. In all scenarios considered the Board assumed that the Group's medical sector revenues did not stop, including revenues from displays sold as components for ventilators.

The Board's severe downside forecasts are based on a scenario where customers stop paying entirely for new orders delivered from April 2020 onwards and do not begin buying any further goods until December 2020. Orders delivered and invoiced up to the end of Q1 2020 are assumed to be paid for. Cost reductions can be made to offset this reduction in cash receipts by a 25% reduction in staff costs and a reasonable reduction in other controllable costs. The Group has a $3.0m loan facility in Taiwan that is currently undrawn and is part of the mortgage on the Group's property in Taiwan. In this scenario the Group have sufficient cash until March 2021 without drawing on its bank facilities.

The Board therefore consider that the Group's strong balance sheet and material net cash position means it is well positioned to navigate through the impact of COVID-19.

While the Directors' have no reason to believe that customer revenues and receipts will decline to the point that the Group no longer has sufficient resources to fund its operations, should this occur, the group may need to seek additional funding beyond the facilities that are currently available to it, as well as making significant reductions in its fixed cost expenses. There would be an opportunity to mortgage or sell certain property and inventory assets to accelerate cash generation and/or mitigate risk, but in the economic environment that would see customer revenues and receipts decline severely, such sales would be likely to be difficult to achieve. The potential impact of changes in assumptions arising from matters outside the Group's control, or the unlikely event of a culmination of events, may result in the group requiring additional working capital beyond the group's existing facilities.

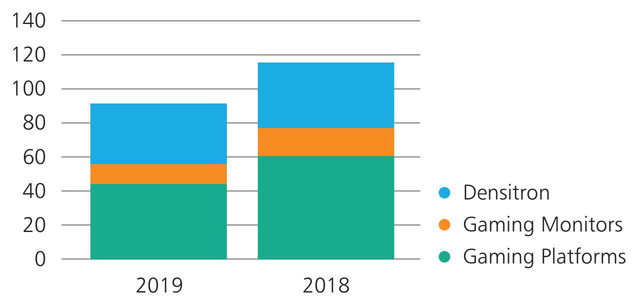
2019 REVIEW

Looking back to last year, despite 2019 having been a challenging year financially for the Group, we took significant steps to improve the business and the fundamentals which underpin our growth opportunity remain intact. In the year, Group revenues fell by 20% to $92.3m due to an unexpected and pronounced decline in expected consumption from some of our bellwether gaming customers. Most of this loss of revenue has been due to these customers experiencing fierce competition, reducing demand for their machines and hence their production volumes with the consequential effect on demand for Quixant's gaming products integrated into their machines. While we have continued to drive revenue from new customers it has been insufficient to offset declines in our established customer base.

Densitron performed in line with expectations in 2019, delivering broadly flat year on year revenue despite us closing the non-performing Nordic business. Our focus on the broadcast vertical continues to progress, with a strong pipeline forecasting further growth, which will not only deliver in the near term but also into future years.

Despite the difficult year Quixant remains profitable and cash generative, generating profit before tax of $9.4m (2018: $14.3m), adjusted profit before tax of $10.7m in 2019 (2018: $18.2m) out of which we generated cashflow from operations in excess of 140% of profits.

Segmental Revenue Analysis



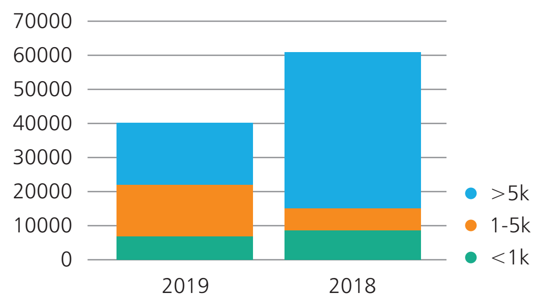
CUSTOMER HEADWINDS IN THE LAND-BASED GAMING BUSINESS

In the gaming division, our long standing major customer, Ainsworth Game Technology, has been detrimentally impacted by the exceptional success of one of its rivals: Australian listed Aristocrat Leisure. The latter launched a game called Lightning Link in 2015 which has become the top performing slot game in Australia and North America and in doing so has fuelled the company's market capitalisation growth from under AU$5bn to AU$24bn. In the Australian market, Lightning Link holds more than 60% of the "pokies" market according to Goldman Sachs. The success of Lightning Link, and the derivative games which have followed, has been unprecedented in the last 20 years in gaming and propelled Aristocrat to the dominance it has today. Aristocrat's success has also impacted, albeit to a lesser extent, revenue from several of our other customers.

It is important to note that, during this period, Quixant has not lost any customers. Improvements in the demand for these customers products will immediately positively impact our revenue. Nonetheless, the impact has weighed heavily on our financial performance in 2019 across both the gaming platforms and gaming monitors product lines.

We shipped just over 40,000 gaming platforms in 2019 compared to 61,000 in 2018, a reduction of 34%. Several of our customers to which in previous years, we have shipped in excess of 5,000 platforms a year reduced orders to 1,000 and 5,000 in 2019 as shown in the chart.

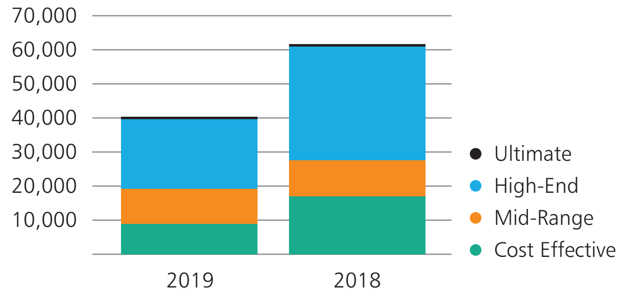
Sales by customer unit purchase quantity



We sold 16,981 gaming monitors and button decks in 2019 compared with 30,800 in 2018.

The average selling price of our products increased slightly as we saw an increase in demand for the mid-range platforms with reductions in demand for the cost-effective range and (mainly due to the major customer declines) a reduction in high-end product sales. We also shipped several hundred of the Ultimate platform range in the year as this new product range starts to gather traction in the market.

Quantity of gaming platforms sold split by product family



NEW BUSINESS WINS WITH LONG TERM GROWTH PROSPECTS

During the year we secured a significant win for gaming boards with a major Japanese manufacturer who currently has extensive business in the North American, Australian and Asian markets. This is expected to develop into a multi-million dollar annual revenue stream in the coming years. We already supply this customer with electronic button deck solutions, but from the fourth quarter of 2021 will be supplying them with our highest performing gaming computer product, the QMax-2. The business was won on the technical depth of hardware and software features of the product, as well as the expert, gaming-focused support infrastructure Quixant has globally. This is an exciting business win and while not due to contribute significantly to revenue until next year, positions us well to benefit from their existing international markets and from the casino resorts opening in Japan in the middle of the decade. We have already shipped samples to them for their engineering teams to work on developing the new machines.

In addition, we have converted around $3.5m of new business pipeline to revenue in 2019 which we expect to grow over coming years as the customers reach their full year run rate. Our new business pipeline gives us confidence in achieving healthy growth in 2021 and 2022, subject to any extended impact of COVID-19.

The major game manufacturers, aside from Aristocrat, have all had challenging periods in their land-based gaming businesses. Their focus on content to reinvigorate their competitiveness has led to opportunities for us to pitch for strategic outsource arrangements which have been supported by the sales and product team members we brought in during Q3 2019 and Q1 2020.

As we look to build on the recent new business wins, we are focusing on delivering market appropriate solutions to our current and prospective customers, based upon a segmentation and needs analysis. For our Strategic Accounts, our value proposition is clear in that we can help our customers deliver a higher quantity of better games faster, with reduced costs and reduced time to market. Our business enables a global standard for Strategic Accounts (Tier 1) to build their next generation games upon, and our market leading hardware, and embedded Gaming Ecosystem® allows game developers to excel creatively, whilst ensuring the hardware can deliver the ultimate player experience. For our Key Accounts (Tier 2), we are focusing on account retention and new account penetration via a focused product range, at differing price points, and SKU distribution maximisation across the portfolio of current products. For our Core Accounts (Tier 3) we are bringing to market turnkey outsource options, enabling these customers to focus solely on game design and distribution, with Quixant providing every element of the solution. Our sales team structured around this market segmentation, ranging from Strategic Account Directors for the Strategic Accounts, to a Tele-Accounts function for our Tier 3 customers, ensuring the appropriate level of contact and focus to maximise the account experience.

"...we continue to be optimistic of future business in the sector and have a weighted new business pipeline which builds up to business worth several million dollars annually over the next 5 years."

SPORTS BETTING MARKET ENTRY

In 2019, we launched Quixant's entry to an adjacent market to Gaming: Sports Betting. The legalisation of Sports Betting in the US has led to a major focus on this market as a growth driver in the gambling industry. There is already a well-established European sports betting industry in which technology (online and retail) plays a significant role. A number of the existing slot machine manufacturers already have business in sports betting but all are viewing the market as a revenue growth driver alongside the limited growth available in global slots. Many of our prospective customers in sports betting are businesses new to Quixant, so this industry represents a diversifier to our land-based gaming business.

At a high level, Quixant is offering two products to the sports betting market: an optimised computer platform designed to drive customers' own sports betting terminals onto which they integrate their sports book software and a turnkey, full terminal solution which integrates our computer platform into a regulatory compliant cabinet. We have already received significant interest for both of these solutions since their launch at the G2E trade show in Las Vegas in October 2019 and will have first pre-production samples shipping to customers in H1 2020.

While we had expected to generate revenue from the sports betting opportunity in 2020, the suspension of almost all sporting events and the consequential shutdown of most sports betting operations means that we believe there is uncertainty around this revenue being realised during the year. Nonetheless, we continue to be optimistic of future business in the sector and have a a weighted new business pipeline which builds up to business worth several million dollars annually over the next 5 years.

Densitron

DENSITRON 2.0 - CONTROL SURFACE GROWTH STRATEGY

Within Densitron, we have continued to execute our change plan across all areas of the business as we pivot towards Densitron 2.0 (one product to many customers) to generate growth through our range of Broadcast-centric control surfaces, while protecting our traditional Densitron 1.0 display component core business (typically one product for one customer). Densitron 2.0 control surface products bring together our expertise in display, touch/tactile, embedded computing and mechanical engineering to help our customers modernise the human interaction with their products while accelerating their time to market and reducing their execution risk.

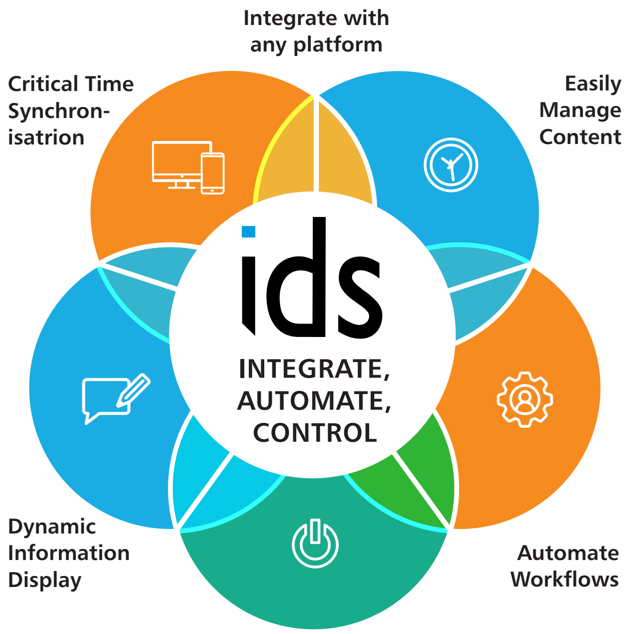
BROADCAST INDUSTRY PROGRESS WITH DENSITRON 2.0 PRODUCTS

Our Densitron 2.0 control surface product sales efforts are focussed in the broadcast vertical. Of the 100 blue-chip broadcast equipment manufacturers in this space we chose to focus on when we launched this strategy, we are now actively engaged in sales conversations with the majority. The pipeline of new business in this vertical stands at over $12m and continues to grow, as we now move to focus on the next 100 priority target customers. In 2020 we forecast c. $0.5-1.0m of this pipeline will convert into in-year revenue, the point in the range dependent on how quickly our customers are able to move into mass production after telling us we have won the deal – something we are unable to control.

In addition, our One Densitron culture and operating structure change plan is yielding tangible results because we are now structured internally to allow us to deal globally with large customers such as Panasonic and Grass Valley.

ACQUISITION OF (IDS) LAUNCHING OUR DENSITRON 3.0 PRODUCT SET

In July 2019, we completed the acquisition of a small UK-based technology business called IDS. This took our product strategy one step further by adding market leading software to the base of our expertise in control surfaces. We call this addition of software to our control surface products Densitron 3.0. The IDS technology is already in use extensively in the most prestigious broadcasters including the BBC, CNN and Channel 4. The product enables content distribution, such as world time clocks or programme schedule data to be displayed across a network of end-points driven by a GUI based server. The real power of IDS however comes from its support to automate and control a wide range of third-party hardware and software products. IDS can save broadcast systems integrators and equipment manufacturers development time through adoption of a scalable, flexible off the shelf solution.



IDS is already contributing to revenue in the business and we are investing in the technology which we purchased to launch an enhanced solution which will additionally be offered under as SaaS model.

NEW SENIOR GAMING BUSINESS HIRES

We made two key hires to the business in 2019.

Abhinay Bhagavatula joined us in September 2019 as Gaming Product Director. With overall responsibility for our gaming business product strategy and innovation, this is a key role to ensure our products align well with the market requirements and are driving technology change in the gaming industry. Abhinay joins us from the leading gaming manufacturer, Aristocrat where he was Director, Product & Commercial Strategy. His deep knowledge from 10 years working in game manufacturers positions him uniquely in Quixant with a knowledge of computer technology, game design and commercial value creation in our customers.

We also introduced Duncan Faithfull as the new Global Sales Director in January 2020. Duncan is responsible for leading our gaming sales team. His focus will firstly be on retention and growth in our existing customer base, ensuring predictability and reliability in our revenue, and secondly, through redefining our proposition to the top tier accounts, boosting our new business pipeline for revenue delivery in 2021 and beyond. He comes from a background as Sales & Marketing Director at Cardtronics and prior to that G4S with experience in strategic outsource selling to some of the largest global financial institutions.

Given the strengthened senior management team we have in place, the founders of the business will also be changing their roles as we look to streamline operations. Effective 31 May 2020, Nick Jarmany will become non-executive deputy chairman and Gary Mullins will move to a non-executive director role. C-T Lin will be stepping down from the board.

GLOBAL SAP AND SALESFORCE DEPLOYMENT

We successfully completed the implementation of our global SAP Business One ERP system in December 2019, with just one or two smaller parts of the business to begin using it in 2020. This two-year project has been undoubtedly the most complex technology project the group has undertaken but now gives us a strong, global infrastructure to run the business. In 2020 we will continue to build out the reporting functionality and automation in the business to maximise its benefit.

During H2 2019 we brought Salesforce.com to the gaming division, having already used the product in the Densitron business. We continue to refine the usage and integration of the system with SAP and other Quixant technology systems, but already are running our sales pipeline and activity tracking from it. We believe this, alongside enhanced SAP reporting and improved sales process and discipline will lead to improvements in our revenue visibility going forward.

SUMMARY AND OUTLOOK

While the challenges of 2019 in the Gaming division have been painful to endure, the actions to enhance our sales discipline to improve revenue visibility and forecasting accuracy were already being addressed during the year and are now complete.

We have an undiminished opportunity with the land-based gaming business to grow, despite the short-term headwinds from major customer slowdowns and an uncertain negative impact across the global economy from COVID-19. Allied with the new growth sources in sports betting and Densitron this leads to the desired diversification to de-risk this growth. We constantly monitor the risks to the business as a result of the COVID-19 outbreak and while it will certainly have a profound impact on our business in both Gaming and Densitron divisions in 2020, at this point the magnitude of this impact remains uncertain and hence we believe it necessary to withdraw our guidance for 2020 and thereafter. We are necessarily cautious and tracking the situation daily but believe our strong balance sheet provides a high degree of resilience. Nonetheless, our severe downside modelling case indicates scenarios in which there may be a requirement to access additional funding in Q4 2020 and we continue to closely monitor this position.

Over the medium to long term we are confident in our ability for Quixant to grow materially. We have made many of the adjustments necessary to position the business for this growth from a sales, product and operational perspective as the challenges presented by COVID-19 subside.

The Board remains confident in the long-term future of the Group and our ability to weather the current crisis.

Jon Jayal CHIEF EXECUTIVE OFFICER

FINANCIAL REVIEW

Guy Millward **CHIEF FINANCIAL OFFICER**

GROUP REVENUE DECLINE OF 20% (on 2018)

GAMING DIVISION REVENUES DOWN 28% (on 2018)

DENSITRON REVENUE DECLINE OF 3% (on 2018)

The Quixant Group achieved revenues of $92.3 million in the year, a decrease of 20% on 2018 ($115.2 million).

REVENUE

Gaming division revenues were $56.2 million, a decrease of 28% on 2018 (2018: $77.6 million). This was split between Gaming platform revenue of $46.6 million, a 25% decrease on 2018 (2018: $62.5 million), and Gaming monitor revenue of $9.6 million, a 36% decrease on 2018 (2018: $15.1 million). Densitron division revenues, including the IDS acquisition in 2019, were $36.2 million, a decrease of 3% on 2018 (2018: $37.5 million).

The decline in the Gaming division has largely been driven by reduction in demand from larger customers who have in turn seen sales of their gaming machines go down in the face of competition from other industry suppliers who currently have more popular games. Densitron revenues declined marginally as sales of new products are yet to ramp up to replace declining older product revenue.

GROSS PROFIT AND GROSS PROFIT MARGIN

Our gross profit for the year was $34.3 million representing a gross margin of 37%. This compares with a gross profit achieved in 2018 of $39.8 million and a gross margin of 35%. The underlying gross margin for each part of the business has been improved in the year with the improvement in Gaming coming from the move away from low margin gaming monitor sales and in Densitron because of the move to sell higher margin Broadcast products.

PROFIT BEFORE TAX (PBT)

PBT decreased by 34% to $9.4 million (2018: $14.3 million). Adjusted PBT decreased 41% to $10.7 million (2018: $18.2 million). Adjustments to profit before tax amounted to $1.3 million in 2019 (2018: $3.9 million) and comprise share-based payments and amortization and impairment of acquired intangibles that are not cash expenses ($0.9m in both 2019 and 2018) and a loss on the disposal of the Densitron business in Finland, acquisition costs for IDS and restructuring costs, which are not comparable with the prior year, as we closed a warehouse in the UK and sold the loss-making Finnish business – see note 1. The Company profit for the year includes an impairment charge on the investment in Densitron which has arisen from the cash flow forecasts used for the Group goodwill impairment testing.

EXPENSES

During the year the Group expenditure on research and development increased by 2% to $6.6 million (2018: $6.4 million) representing 19% of gross profit (2018: 16%). These costs relate to investment activities principally undertaken in Taiwan, Italy and Slovenia. $2.2 million of these costs were capitalised (2018: $2.6 million) with amortisation for the year on total capitalised development costs of $1.4 million (2018: $1.3 million).

We have continued to strengthen the business across all areas in the year, including increasing our headcount to 227 people (2018: 203 people). Staff costs, being the largest contributor to overheads, remained flat in the year at $16.3 million (2018: $16.3 million).

TAXATION

The tax charge for the year increased to $1.1 million (2018: $0.2 million), representing a corporation tax charge of 11.7% on pre-tax profits (2018: 1.2%), due to higher overseas profits as a proportion of total profits. The Group continues to benefit from enhanced tax reliefs available in respect of qualifying research and development expenditure and has also benefited from patent box relief, tax relief on the exercise of employee share options and the use of brought forward losses in Densitron.

EARNINGS PER SHARE

Basic earnings per share decreased by 41% to $0.1252 per share (2018: $0.2137 per share). Diluted earnings per share decreased 41% to $0.1243 per share (2018: $0.2125 per share). Adjusted fully diluted earnings per share as set out in note 10 to the financial statements decreased by 47% to $0.1396 per share (2018: $0.260 per share).

BALANCE SHEET AND CASH FLOW

Non-current assets have increased in the year to $25.6 million (2018: $22.5 million) due to the acquisition of IDS. Inventory has remained relatively flat at $20.2 million (2018: $19.4 million), with the small increase due to the acquired IDS inventory. Raw material inventory has increased as we have made purchases to counter long lead times and to ensure we have sufficient components that are no longer sold by suppliers to continue to deliver our product set. Finished goods have increased owing to planned sales in the fourth quarter not coming through, the reduced trading had corresponding impacts on trade receivables.

The cash generated from operating activities in the year amounted to $14.9 million (2018: $11.3 million). The increase in cash generated is largely due to stronger control of receivables in the year. The Group has continued to invest in the business, spending $5.3 million (2018: $4.1 million) on investing activities including capitalised product development.

DIVIDEND

The Board will review whether an interim dividend can be paid in 2020 when the Covid-19 situation becomes clearer.

Guy Millward **CHIEF FINANCIAL OFFICER**

BUSINESS MODEL AND STRATEGY

OUR BUSINESS MODEL IS DIFFERENT FOR EACH DIVISION.

In Gaming, we invest in research and development to design and produce computer platforms and electronic display solutions. We then manage the outsourced manufacture of these products and then sell them to customers in the gaming and slot machine industry, holding stock of the raw materials, work-in-progress and finished goods so we can control the whole process. The customers take our products and use them to manufacture gaming machines which are then sold to various outlets where the games can be played, primarily in casinos. Our gaming customers include many of the world's leading manufacturers of gaming machines.

In Densitron, we design and develop electronic display products for various industrial sectors as well as re-selling other display products. Once a design is agreed with a customer we outsource the manufacture and deliver the finished products to the customer.

Our strategy for the Group and each specific division is covered in the Chief Executive's report on pages 8 - 15.

Financially, the Group sets an annual budget detailing the revenues and expenses, balance sheet and cash flows that it expects to achieve each month during the ensuing year. This budget is approved by the Board and reviewed against the actual results achieved each month with explanations of significant variances provided. A forecast of expected results for the remainder of the year is also provided as part of the management accounts pack to demonstrate that the Group remains on track to meet market expectations.

To measure the success or otherwise of the strategy, the Directors also review the ongoing trend of several indicators that they consider are key to the performance of the Group and to assist them in their strategic decision-making (opposite).

KEY PERFORMANCE INDICATORS

OPERATIONAL

KPI and objective	Procedure	Comment
Revenues		
Revenues are reviewed to ensure that the Group's business continues to grow in line with expectations.	The Board reviews revenues against budget as part of its management reporting review each month.	Revenues have declined as major Gaming customers lost out to competitors with more popular games. Densitron revenues also declined as new broadcast revenues lagged the drop in legacy business.
Gross profit margin		
To ensure that the Group maintains appropriate returns for the products that it is selling.	A report of the margin achieved in each part of the business is included as part of the management accounts pack and reviewed by the Board.	Margins are being maintained in all areas of the Group.
Inventory levels and inventory days		
The objective in monitoring inventory is: • to ensure that working capital is not unduly tied up; • to guard against inventory obsolescence leading to potential write offs; and • to ensure sufficient inventory levels are maintained to meet near-term demand (usually 3 months revenues).	The Board monitors the number of days held in stock at the end of each month and is provided with a trend graph plotted against budget during the year. Additionally, it is provided with a monthly manufacturing report detailing the current inventory levels and the future product requirement.	For the year ended 31 December 2019 the Board is satisfied that the level of inventory obsolescence is being controlled and that levels of raw material inventory at year end were required to offset long lead times (9 months or more) for key components.

FINANCIAL

KPI and objective	Procedure	Comment
Adjusted Profit before tax and Profit before Tax (PBT)		
To ensure that the Group is providing a sufficient return to its shareholders and that the Group's profit is growing in line with market expectations.	The Board reviews PBT and adjusted PBT monthly as part of its review of management information.	The level of adjusted PBT and PBT decreased year-on-year and was behind expectations.
Debtor days		
To ensure that customers settle debts in an orderly fashion in line with agreed terms and that the Group is not exposed to bad debts.	The Board monitors the average number of days customers take to pay each month together with a trend graph plotted against budget. Additionally, it is provided with a monthly analysis of the profile of aged debts for each part of the business.	The Board is satisfied with the procedures that are in place to qualify customers to mitigate the Group's exposure to credit losses. In both the current year and previous year the Group has incurred minimal levels of credit losses.
Cash and borrowings balances		
To ensure that the business has sufficient headroom to meet its future obligations.	The Board is provided with a report showing cash generated in the year and the current level of cash balances within the Group along with the current level of borrowings and available facilities.	At 31 December 2019 the Group had net cash (cash less borrowings) of $16.1m compared with $9.7m at 31 December 2018. The only remaining debt is a small mortgage in Taiwan.

PRINCIPAL RISKS RELATING TO THE BUSINESS OF THE GROUP

The Group faces competitive and strategic risks that are inherent in rapidly growing and changing markets. The Board of the Company and its management review future strategy and risks to the business regularly. Where possible, processes are in place to monitor and mitigate the identified risks.

Financial and trading risks are discussed in note 24 of the consolidated financial statements.

The key business risks set out below are not an exhaustive list of the risks faced by the Group and are not intended to be presented in any order of priority.

Risk	Description	Mitigation	Comment
Commercial	The marketplace for the Group's display products is highly competitive.	The Group has identified certain areas of the displays business where it considers that it can develop a competitive advantage and is investing in these areas.	The Group has the capabilities and skills to create highly engineered, optimised products targeted at specific markets.
	Gaming customers may decide to design their computer platforms and/ or monitors in-house or source from another supplier.	The Group works closely with its customers to ensure its product roadmap is robust, technologically advanced and ahead of the competition.	The Group maintains an ongoing dialogue with its customers to maintain the relationships that it has developed and foster new ones.
Geographical and environmental	The Group operates across a range of countries, all of which carry a degree of risk, whether it is political risk or environmental issues.	The majority of the Group's operations are in OECD countries and the majority of revenue is generated from customers operating in OECD countries. Despite not being an OECD member, Taiwan has a highly developed legal and political system.	The Group will continue to focus its operations in those countries that provide the best opportunity for growth and avoid those countries that pose significant country risk.
Regulation	Additional laws and regulations may be enacted covering issues such as law enforcement, pricing, taxation and quality of products and services.	The Group monitors prospective changes in local laws and regulations which may impact its business.	The Group is a member of professional bodies, where applicable, in the regions in which it operates to ensure that it stays informed of any legal or regulatory changes.
Technological	The Group's business is dependent upon technology which could be superseded by superior technology, more competitively priced technology or a shift in working practices, which could affect both potential profitability and saleability of the Group's products.	The Group works closely with its technology partners to provide products which incorporate the most advanced technology available to our market. The Group also develops its own innovations to incorporate into new products.	The Group recognises the technology requirements of its customers and works with them to provide the products that they need in their business.
Key customer dependency	The Group generates a significant but declining portion of its revenue from a key customer.	As the Group continues to grow, the portion of revenue from key customers has declined.	The Board expects the Group's continued organic growth to further reduce the dependency on key customers.
Key persons	The Group recognises the importance of its personnel but also that graveyards are full of indispensable people. The Board recognises the importance of its key employees and the risk of losing the expertise and knowledge that they possess.	The executive officers are subject to long-term contracts. Key staff have contractual arrangements designed to develop and incentivise. Everybody can be replaced.	Staff turnover of key personnel continues to be low.

TABLE CONTINUED

Risk	Description	Mitigation	Comment
Intellectual property protection	The Group may be unable to successfully establish and protect its intellectual property. The intellectual property rights may or may not have priority over other parties' claims to the same intellectual property.	The Group seeks to establish and protect its intellectual property rights by patents and other protection mechanisms.	The Group works with professional external patent attorneys to protect its intellectual property rights.
Cyber risks	Cyber risk causes disruption to the business or loss of IP following a cyber-attack. This could cause interruption of internal or external facing systems, including interruption to the business caused by a loss of data and reputational damage from a loss of personal or confidential data. The cost or effort to reconstitute data that has been stolen or corrupted and commercial loss from the theft of commercially sensitive data, including IP.	Deploying the latest generation of firewall protection. Ongoing improvement in the rigour of authentication processes including wider use of single sign on. Improved protection of confidential data on portable computers. Improved process of system patching to close security loopholes. Use of third party audits.	No issues were reported in 2019 but we maintain on-going vigilance.
Pandemic	Outbreaks of diseases could cause supply chain disruptions and shortages of staff if they become ill or die. Component production is concentrated in certain countries and the Group only currently manufactures product in one country.	Alternative sources of supply are available for many goods, as are alternative manufacturing countries, albeit with increased cost implications.	It is too early to measure the impact of the 2020 outbreak of Covid-19 but the Group is monitoring the issue on a daily basis and taking action to mitigate issues that arise.

BREXIT

In 2019 the Board decided that in the light of the on-going uncertainty about how the UK would trade with the EU after the end of 2020, the business of the Group would best be served by removing the impact. The Group has therefore re-arranged the logistics flow of goods to customers to ensure that whatever the outcome of the UK's exit deal with the EU, the Group's sales and delivery of goods to customers will not be affected. The Board expects that this will reduce overall costs – a warehouse in the UK has already been closed – and goods are now shipped direct to customers from their point of manufacture in Asia avoiding some duplication of shipping costs. The Group no longer ships goods from the UK to the EU or from the EU to the UK. The Board notes that in the event of a no-deal Brexit, WTO tariffs on the Group's products are currently zero for goods exported to the EU from a non-EU country.

This Strategic report has been prepared solely to provide additional information to shareholders to assess the Group's strategies and the potential for those strategies to succeed. The Directors, in preparing this Strategic report, have complied with section 414c of the Companies Act 2006.

The Strategic report contains certain forward-looking statements. These statements are made by the Directors in good faith based on the information available to them up to the time of their approval of this report and such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying any such forward looking information. This Strategic report has been prepared for the Group as a whole and therefore gives greater emphasis to those matters which are significant to Quixant plc and its subsidiary undertakings when viewed as a whole.

This report was approved by the Board of Directors on 6 April 2020 and signed on its behalf by:

Guy Millward DIRECTOR

CORPORATE SOCIAL RESPONSIBILITY

Quixant has carried out CSR activities on an informal basis for many years, including supporting our local village fete in Cambridgeshire, carrying out charity days in Taiwan and utilising solar powered energy in our Italian office.

From 2020 Quixant will be implementing a formal CSR plan encompassing our staff's desire to do more for our local communities and a wider commitment to the environment in which we work and operate.

As a product manufacturer we recognise that our activities impact on the world around us and we will be introducing goals for achievement in the longer term to address the potential to reduce that impact. For the immediate to medium term Quixant has adopted the United Nation's Sustainable Development Goals as these mirror our desire to help protect the environment, engage our employees and support our local communities.

To kick start our CSR programme we asked our staff to vote in a company-wide poll for one of three global charities to be the company's charity of the year. For 2020 the World Wildlife Fund (WWF) was nominated. Our staff will be raising money for WWF throughout the year in a series of events which are agreed by a committee of "CSR Ambassadors" who are volunteers from each office location, overseen by a CSR Steering Committee comprised of senior management. In addition, throughout the year we will be holding an event in each of our global offices which is linked to one of our values and purpose:

We Are Pioneers,
We Put Customers First,
We Play to Win,
We Do the Right Thing,
We are Entrepreneurial.

> "...a committee of "CSR Ambassadors" who are volunteers from each office location..."

Our staff are passionate about the environment and we have already implemented several changes to our offices to ensure that we are doing our bit to care for the environment in a way in which our staff want us to, including:

Adding recycling units to all possible locations;

Providing reusable crockery, glasses and cutlery to reduce disposable plastic waste which we are rolling out across our offices;

Replacing plastic bottled water with cans and reusable filter water jugs;

Encourage reduced business travel by utilising web and phone based conferencing systems;

Reduced our paper usage by encouraging digitalisation wherever possible.

(including at our trade shows where we hand out memory sticks with product information instead of paper data sheets).

Quixant actively encourages and supports our staff to raise money for charities which are personal to them.

During 2019 staff undertook a variety of events with donations from Quixant including volunteering for the Ellen Macarthur Cancer Trust and sponsorship of the Shelford & Stapleford Strikers under 15s football club's annual presentation day and kit.

WWF

Governance

BOARD OF DIRECTORS

Michael Peagram

NON-EXECUTIVE CHAIRMAN

Appointed: 1 February 2013

Committees:

Chairman of the remuneration and member of the audit committees

Skills and experience:

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). The Board considers Michael to be an independent director.

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.

Nicholas Jarmany

DEPUTY CHAIRMAN

Appointed: 16 March 2005

Skills and experience:

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 will become a non-executive director on 31 May 2020.

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

Jon Jayal

CHIEF EXECUTIVE OFFICER

Appointed: 20 June 2016

Skills and experience:

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 (COO) and is based at the Company's UK headquarters in Cambridge.

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

Gary Mullins

GROUP STRATEGIC SALES DIRECTOR

Appointed: 11 January 2006

Skills and experience:

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 will become a non-executive director on 31 May 2020.

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

C-T Lin

MANUFACTURING DIRECTOR

Appointed: 12 July 2007

Skills and experience:

C-T is a founding Director of Quixant and has 23 years' experience in computer hardware manufacturing. C-T'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. C-T 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. C-T will leave the Board on May 31 2020.

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

Guy van Zwanenberg

NON-EXECUTIVE DIRECTOR

Appointed: 1 March 2013

Committees:

Chairman of the audit and member of the remuneration committees

Skills and experience:

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. In November 2019, he was asked to join the board of Plant Health Care plc, a leading provider of novel patent-protected biological products to global agriculture markets, which it designs and develops to sell around the world. He joined the board as both the Chairman of the Audit Committee and the Senior Independent Director (SID).

Guy is both a Fellow of the Institute of Chartered Accountants in England and Wales and a Chartered Director. He attends regular courses and updates both with professional bodies and industry organisations. The Board considers Guy to be an independant director.

Guy Millward

CHIEF FINANCIAL OFFICER

Appointed: 1 October 2018

Skills and experience:

Guy qualified as a Chartered Accountant at Ernst and Young in 1989. He has extensive experience as Finance Director of several public and privately held companies in the electronics, software and IT sectors. Prior to taking up his role with Quixant, Guy was a director and the Chief Financial Officer of Imagination Technologies Group plc, which he joined as CFO in 2015. His previous roles include that of CFO at Advanced Computer Software Group plc, Metapack Limited and Bighand Limited, Group Finance Director at Alterian plc, Morse plc and Kewill plc. Guy is currently a non-executive director at Eckoh plc.

Guy has an honours degree in Economics from the University of Sheffield and is a Fellow of the Institute of Chartered Accountants in England and Wales.

CHAIRMAN'S INTRODUCTION TO GOVERNANCE

Michael Peagram **CHAIRMAN** 6 April 2020

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") chose to apply the corporate governance code of the Quoted Companies Alliance (QCA).

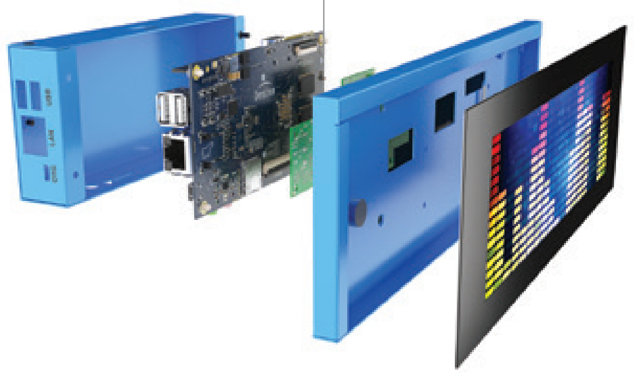
The QCA Code follows 10 basic principles that requires companies to provide an explanation of how they consider that they are meeting those principles through a set of disclosures on their website and in their Annual Report.

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 except for principle 7.

A board evaluation process has not been run in the past but will be run in 2020. All the information required for remuneration reporting is included within this Annual Report.

In the statements within this section we outline the Company's approach to corporate governance. 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** 6 April 2020

GOVERNANCE REPORT

QUOTED COMPANIES ALLIANCE CODE COMPLIANCE

The following paragraphs set out the 10 QCA Code principles and either how Quixant has complied with those principles or where a more detailed discussion can be found on the Group's website following the disclosure guidance in the QCA Corporate Governance Code:

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 business model and strategy are discussed earlier in this report in the Chief Executive's report and subsequent sections.

2. Seek to understand and meet shareholder needs and expectations

The CEO and CFO meet regularly with major investors and the Chairman also meets investors once a year.

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

Details of the Group's compliance with these principles can be found on the Group's website at https://www.quixant.com/investors/ corporate-governance.

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.

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 responsibility for 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, 11 Board meetings and an annual strategy meeting are held each year and directors in principle attend all meetings either in person or by video or telephone conference arrangements and visit some of the major locations.

Meetings held between January 2019 and December 2019 and the attendance of directors is summarised below:

	Board Meetings	Audit Committee Meetings	Remuneration Committee Meetings
Number of meetings:	**11**	**3**	**3**
M J Peagram	11	3	3
G Van Zwanenberg	11	3	3
G A Y Hudson	10		3
N C L Jarmany	10		
G P Mullins	11		
J F Jayal	11		
C-T Lin	9		
G L Millward	11		

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. The board considers that the three non-executive directors, including the Chairman, are independent.

For biographies of each of the directors see pages 24-26.

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

A Board evaluation process will be carried out annually going forward as part of a wider strategy review and future planning discussion. The process will be led by the Chairman and every three years with the help of an external facilitator, the Board will be challenged to review its performance and effectiveness objectively. During this process the Board will consider:

- 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.

The Group has policies in the following areas to help promote ethical values and behaviour: whistleblowing, anti-bribery, anti-slavery, fraud, equal opportunities, disciplinary and grievance procedures, health and safety.

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

Details of the Group's compliance with this principle can be found on the Group's website at: https://www.quixant.com/investors/ corporate-governance.

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

See items 2, 3 and 9 on the Group's website at: https://www.quixant.com/investors/corporate-governance and in this annual report.

**Section 172(1) Statement –
Board engagement with our stakeholders**

Section 172 of the Companies Act 2006 requires a Director of a company to act in the way he or she considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole. In doing this, section 172 requires a Director to have regard, among other matters, to: the likely consequences of any decision in the long term; the interests of the company's employees; the need to foster the company's business relationships with suppliers, customers and others; the impact of the Company's operations on the community and the environment; the desirability of the company maintaining a reputation for high standards of business conduct; and the need to act fairly with members of the company. The Directors give careful consideration to the factors set out above in discharging their duties under section 172. The stakeholders we consider in this regard are the people who work for us, buy from us, supply to us, own us, regulate us, and live in the societies we serve and the planet we all inhabit. The Board recognises that building strong relationships with our stakeholders will help us to deliver our strategy in line with our long-term values, and operate the business in a sustainable way. The Board is committed to effective engagement with all of its stakeholders.

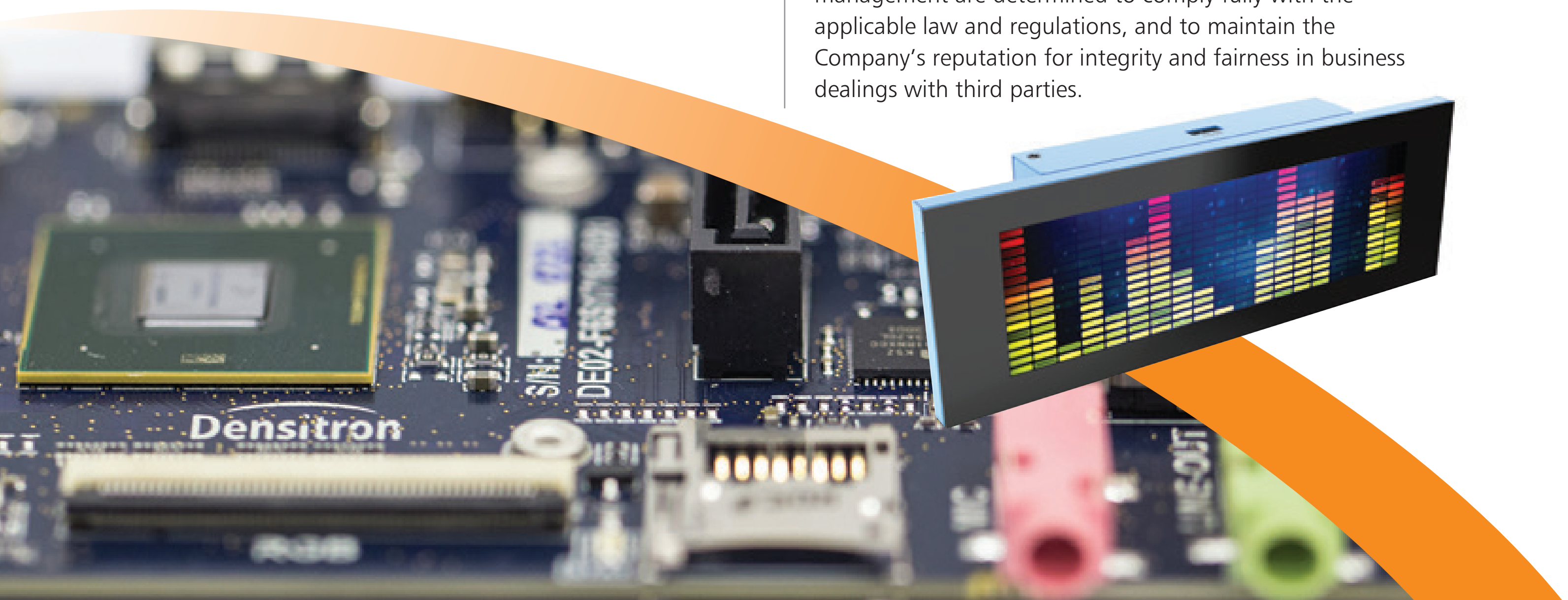
For further details of how the Board operates and the way in which it makes decisions, including key activities during 2019 and Board governance, see pages 28 to 29 and the Board committee reports thereafter. The Board regularly receives reports from management on issues concerning customers, the environment, communities, suppliers, employees, regulators, governments and investors, which it takes into account in its discussions and in its decision-making process under section 172. In addition to this, the Board seeks to understand the interests and views of the Group's stakeholders by engaging with them directly as appropriate. The Board receiving updates from senior management on various metrics and feedback tools in relation to employees, including an annual employee survey. Engagement with employees is two-way to ensure that employees are kept well-informed about the business and valuable feedback is received to ensure continuation of being a trusted employer.

The Board regularly receives updates on feedback from investors from senior management. In addition, various members of the Board, including the Chairman, CEO and CFO meet frequently with institutional investors to discuss and provide updates about – and seek feedback on – the business, strategy, long-term financial performance, Directors' remuneration policy and dividend policy to the extent appropriate. Members of the Board also met shareholders immediately prior to the 2019 AGM and at the AGM itself. Considering the capital growth aims of shareholders, the directors are focussed on growing the revenue and product portfolio to ensure that the Group continues to grow, whilst remaining profitable. This is done by development of new products over the previous years and by strategic acquisitions such as IDS, as mentioned in the CEO's review. Products are developed based on an identified market demand.

Acquisitions are evaluated not only for their financial merits, but on the basis that they fit within the strategy and culture of the Group and that synergies and further opportunities can be developed through integration.

Relationships with customers and key suppliers are fostered through a collaborative approach through the use of technical services, evaluation software and products and customer-specific product development where appropriate.

It is the Group's policy to manage and operate worldwide business activities in conformity with applicable laws and regulations as well as with the highest ethical standards. Both the Group's Board of Directors and executive management are determined to comply fully with the applicable law and regulations, and to maintain the Company's reputation for integrity and fairness in business dealings with third parties.



REMUNERATION COMMITTEE REPORT

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. The Remuneration committee comprises Michael Peagram (Chairman), Guy van Zwanenberg and Gaye Hudson, it invites executive directors to attend as it considers necessary.

The Committee considers the remuneration packages of executive directors and senior management and discusses policy on annual reviews with the Board. It subsequently, reviews and approves 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 and ensure executive directors' remuneration is aligned with the interests of shareholders and taking into account available professional market data.

The committee met three times in 2019: in January to approve 2018 bonuses, 2019 salary reviews, the targets for the 2019 bonus schemes, proposed share option awards and the set-up of an employee SAYE option scheme. In March the committee met to approve some changes to the January proposals and in July met to approve the package for two new senior employees. Executive directors' salaries were increased in 2019 as follows: Nick Jarmany 2.9%, Gary Mullins 3%, Jon Jayal 2.1%, Guy Millward 0%. In addition, Jon Jayal had part of, and Guy Millward had their whole, pension contributions included in base salary. No directors' bonuses were earned under the 2018 scheme. The 2019 scheme target was set at $22.1m of adjusted profit before tax but as this was not achieved no bonuses will be paid for 2019. Non-executive directors' salaries are considered by the executive directors on the Board.

Executive directors are paid base salaries, annual bonuses, share options and pension contributions. Nick Jarmany and Gary Mullins are paid pension contributions of 10% of base salary, Jon Jayal is paid £10,000 a year in pension contributions with the rest of his pension contribution included as base salary. Annual bonuses are paid in cash up to 100% of base salary with targets based on adjusted profit before tax as above. Directors' remuneration is shown in note 7 to the financial statements.

An employee share option scheme was established in 2013 to provide a long-term performance and retention incentive for the executive directors and employees and the committee grants new options to employees and executive directors. At 31 December 2019, options had been granted over a total of 2,525,294 shares (only 3.8% of the shares in issue) of which options over 429,068 shares were outstanding. The options are exercisable subject to the growth of the diluted earnings per Ordinary Share as set out in each of the audited accounts for the three years ending after the date of grant (for instance for options granted during 2018, the years ending 31 December 2018, 2019 and 2020) being equal to or greater than 10 per cent in each financial year. The Directors follow the guidance set out by Rule 21 of the AIM Rules relating to dealings by Directors in the Company's securities and, to this end, the Company has adopted an appropriate share dealing code. Directors' shareholdings are shown in the Directors' Report on pages 34 - 36. No options were issued to directors in 2019.

The directors' service contracts incorporate notice periods of not less than six months' notice from the executive to the company and not less than 12 months' notice from the company to the executive, except for C-T Lin where the notice from the company to the executive is six months'. Non-executive directors' service contracts incorporate notice periods of not less than three months' notice from the non-executive to the company and vice-versa.

AUDIT COMMITTEE REPORT

The audit committee 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. The Audit Committee comprises Guy van Zwanenberg (Chairman) and Michael Peagram. The board considers that Guy van Zwanenberg has recent and relevant financial experience in accordance with the QCA code.

The committee has met three times during the year inviting the external auditors to two of these meetings and the Chief financial Officer to each meeting (at the meetings where the auditors were present, time was taken to meet with the auditors without the Chief Financial Officer being present).

ROLE OF THE AUDIT COMMITTEE:

1. **Risk management -** on behalf of the Board, review and give supervision to the processes by which risks are managed;
2. **Financial reporting**

- Oversee the reporting against various accounting policies, including compliance with accounting standards;
- Ensure that financial statements have integrity and comply with all applicable UK legislation and regulation as appropriate;
- Ensure that the Annual Report and Accounts is fair, balanced and understandable, to be able to recommend approval to the Board;
- Oversee financial results and trading announcements with the market.

3. **Internal controls**

- Monitor compliance with the UK Corporate Governance Code and other applicable regulations;
- Test and monitor effectiveness and robustness of all internal controls including internal financial controls and processes and whether an internal audit function is required.

4. **External audit**

- Make recommendations to the Board for the appointment or reappointment of the external auditor;
- Lead the process of and make recommendations of any successful party to an audit tender process;
- Manage the overall relationship with the external auditor;
- Review the independence and evaluate the effectiveness of the external auditor;
- Monitor the policy on any non-audit services carried out by the external auditor;
- Review and approve the external auditor's fee, scope of the audit and terms of their engagement.

5. **Fraud and whistleblowing**

- Oversee the processes in place to prevent and detect fraud and which enable employees to raise concerns without fear of recriminations;
- Digest reports of fraud, bribery or whistleblowing that occur in the Group and to oversee any remedial action.

The following specific business was dealt with at each meeting held in 2019:

MARCH

Annual results for 31 December 2018, including:

- Accounting issues report from the CFO
- Full year report from the external auditor including Auditor's Report to be included in the 2018 Annual Report
- Consolidated financial statements for the year ended 31 December 2018
- Principal risks and uncertainties
- Consideration of the going concern basis for preparation of the financial statements
- Performance, effectiveness and independence of the external auditor
- Fees for non-audit services and professional fees – KPMG LLP

Recommendations to the Board on:

- Consolidated financial statements
- Going concern statement
- Independence and objectivity of KPMG
- Management's representation letter to KPMG

Private meeting between the Committee and external auditor without executive management present

SEPTEMBER

Half year results for 30 June 2019, including reviews of:

- Accounting issues report from the CFO, including IFRS 16
- Results for the half year ended 30 June 2019

Recommendations to the Board on the half year results

NOVEMBER

Reviewed scope for the external audit for 31 December 2019, agreed increased fees for the 2019 audit as part of an increased scope of the audit.

Considered the outcome of 2019 objectives and agreed 2020 objectives

Reviewed committee terms of reference

Significant accounting issues considered by the committee in relation to the 2019 financial statements, and how they were addressed, were:

Goodwill and intangible assets impairment – the Group has goodwill and intangible assets as a result of the acquisitions of Densitron and Alpha Displays in 2015 and of IDS in 2019 and as a result of capitalizing R&D carried out in both Gaming and Densitron as part of its on-going business. The Alpha Displays earn-out ended in 2018 and was paid in 2019. The IDS acquisition was integrated into the Group's UK business immediately following acquisition on 1 July 2019. On an annual basis, the Group undertakes an impairment review of goodwill and intangible assets for each cash generating unit (CGU) using cash flow projections. IDS is measured as a standalone CGU, Densitron is measured using CGUs for the individual countries operated in and Alpha Displays is measured as part of the Gaming CGU. The board noted in the 2016 annual report that the Alpha Displays acquisition brought significant knowledge to the Group of the global gaming monitors market, while the individuals who joined the group as part of that acquisition have since left the group, the Gaming monitors business established continues to trade profitably. Densitron's history of declining legacy revenue has caused the board to consider impairing the goodwill of the business it bought in 2015 but forecasts of future revenue growth from Broadcast products recently developed currently show that overall the revenue will grow and that the goodwill is not impaired. The impairment testing did indicate, however, that based on the conservative assumptions made that the Densitron investment in Quixant plc's books was impaired.

Valuation of inventory – Group inventories have grown along with the business and the Board review inventory on a monthly basis along with the level of provisions against the inventory value.

Other area of focus:

Management override of controls – we are satisfied that adequate controls are in place and use the monthly management reporting and the results of the external audit to assess this on an on-going basis.

Impact of IFRS 16: Leases – The group has adopted IFRS 16 using the modified retrospective approach from 1 January 2019 and has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in retained earnings at 1 January 2019. In adopting IFRS 16, the Group has taken advantage of practical expedients permitted by the standard, namely the use of a single discount rate to a portfolio of leases with reasonably similar characteristics and the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases. On adoption of IFRS 16, the group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019.

EXTERNAL AUDIT

The external audit is scoped following an assessment by KPMG of the level of materiality and the specific audit risks. In 2019 the most significant risks identified were the recoverability of goodwill in the Densitron CGUs, revenue recognition, valuation of inventory and management override of controls. The audit committee reviewed and challenged KPMG on these matters and reviewed their reporting and feedback from management on the effectiveness of the audit process. The quality of the process was assessed to be good and no significant issues were identified with the process for the 2019 year end.

NON-AUDIT SERVICES

The Committee approves all non-audit services provided by the auditors before they are undertaken and reviews the level of these services to ensure KPMG's independence is not compromised. KPMG provided tax advice to the group in the UK but no other non-audit services in 2019. In 2020 the audit committee will review whether KPMG is able to continue to provide these services under the new auditor independence rules coming in.

INTERNAL CONTROLS

The review of risks facing the group is shown on pages 20 and 21. The group has clearly defined lines of accountability and delegation of authority which are closely adhered to, policies and procedures that cover financial planning and reporting, accounts preparation, information security and operational management. The reporting and review processes provide regular assurance to the board as to the adequacy and effectiveness on internal controls. The Committee has determined that an internal audit function is not currently required by the Group and that there are other monitoring processes applied to provide assurance that internal controls are functioning satisfactorily.

DIRECTORS' REPORT

Guy Millward DIRECTOR

The Directors present their Annual Report and accounts for the year ended 31 December 2019.

PRINCIPAL ACTIVITIES, RESULTS AND LIKELY FUTURE DEVELOPMENTS

The principal activities of the Group are:

- **the design, development and manufacture of gaming platforms and display solutions for the gaming and slot machine industry; and**
- **the design, development and delivery of electronic displays into the industrial marketplace.**

The profits for the year after taxation amounted to $8.3 million (2018: $14.2 million). Further comments on the development of the business are included in the Chairman's Statement, Chief Executive's Report and Financial Review on pages 7 - 17.

STATUTORY INFORMATION

Quixant plc (The Company) is a Public Limited Company incorporated in the United Kingdom (Registration number: 04316977). The Company's ordinary shares are traded on the Alternative Investment Market of the London Stock Exchange (AIM).

The Company has a branch, located in Taiwan, whose operations and results are included in the standalone financial statements of the Company.

Details of the share capital of the Company are set out in note 23 of the consolidated financial statements.

ANNUAL GENERAL MEETING

The date and other details of the next Annual General Meeting of the Company are contained within the notice of this meeting. The Directors will review whether an interim dividend can be paid later in the year when the Covid-19 situation is clearer. During the year the Company paid a dividend of 3.10p per share amounting to $2.8m.

SUBSTANTIAL SHAREHOLDINGS

On 6 April 2020 the Company had been notified of the following significant interests in its share capital:

	Shares held Ordinary shares of £0.001 each	% of issued share capital
N C L Jarmany and his wife	11,201,163	16.86%
Liontrust Asset Management	6,044,824	9.10%
Amati Global Investors	4,234,889	6.37%
Mr J and Mrs S Mullins	3,858,920	5.81%
M&G Investment Management	3,735,073	5.65%
Jupiter Asset Management	3,657,378	5.50%
Axa Framlington Investment Managers	3,493,736	5.26%
C-T Lin and his wife	3,484,059	5.24%
Tellworth Investments	3,346,799	5.04%
Schroders Plc	3,152,110	4.74%
G P Mullins and his wife	2,215,653	3.34%
Octopus Investments Nominees Limited	2,122,975	3.20%
Alexander Taylor	2,058,958	3.10%

DIRECTORS

The Directors who served during the year and their interests in the share capital of the Company were as follows:

	Shares held Ordinary shares of £0.001 each		Options granted £0.001 each		Exercise price
	2019	2018	**2019**	2018	
G A Y Hudson (resigned 23 March 2020)	**7,350**	2,350	—	—	—
N C L Jarmany	**11,201,163**	10,870,763	—	—	—
J F Jayal	**375,200**	360,200	—	65,000	£4.08
C-T Lin	**3,484,059**	3,446,559	—	—	—
G L Millward	—	—	—	100,000	£4.30
G P Mullins	**2,215,653**	2,199,395	—	—	—
M J Peagram	**253,674**	227,174	—	—	—
G van Zwanenberg	**27,837**	26,087	—	—	—

There has been no change in the interests set out above between 31 December 2019 and 6 April 2020.

DIRECTORS' INDEMNITY ARRANGEMENTS

The Group has made qualifying third-party indemnity provisions for the benefit of its Directors which were made during the year and remain in force at the date of this report. The Group has purchased and maintained throughout the year Directors' and Officers' liability insurance in respect of itself and its Directors.

RESEARCH AND DEVELOPMENT (R&D)

The Group continues to invest in R&D, spending $6.5 million (2018: $6.4 million) in its R&D and customer support programmes in the year, of which $2.2 million (2018: $2.6 million) was capitalised. The Group undertakes R&D to develop and enhance its products and the Group will continue to commit a significant level of resource and expenditure as appropriate to R&D.

USE OF FINANCIAL INSTRUMENTS

Information on both the Group's financial risk management objectives and the Group's policies on exposure to relevant risks in respect of financial instruments are set out in note 24 of the consolidated financial statements.

POLITICAL CONTRIBUTIONS

Neither the Company nor any of its subsidiaries made any political donations or incurred any political expenditure during the year (2018: nil).

GOING CONCERN

In determining the appropriate basis of preparation of the financial statements, the Directors are required to consider whether the Group can continue in operational existence for the foreseeable future.

In the early months of 2020, a global pandemic has broken out causing governments around the world to impose various restrictions on economies and human populations.

The Board has carried out a going concern review and concluded that apart from the uncertainties in the impact of the pandemic noted below, the Group has adequate cash to continue in operational existence for the foreseeable future.

The Directors have prepared cash flow forecasts for a period in excess of 12 months from the date of signing the financial statements. The main effects the pandemic could have on the forecasts include delays in recovering debts from customers who may be facing financial difficulties, drop in customer demand in the coming months and the timing of sales recovering to levels prior to the pandemic.

The Board's severe downside forecasts are based on a scenario where customers stop paying entirely for new orders delivered from April 2020 onwards and do not begin buying any further goods until December 2020. Orders delivered and invoiced up to the end of Q1 2020 are assumed to be paid for. Cost reductions can be made to offset this reduction in cash receipts by a 25% reduction in staff costs and a reasonable reduction in other controllable costs. The Group have a $3.0m loan facility in Taiwan that is currently undrawn and is part of the mortgage on the Group's property in Taiwan. In this scenario, the Group have sufficient cash until March 2021 without drawing on its bank facilities.

A less severe scenario was based on the existing debts being recovered, irrevocable sales orders already received from customers and their related costs of sales being fulfilled, and an assumption that we will only recover 50% of debts from these new fulfilments. This would provide us with enough cash to pay existing overheads without reducing them until the second half of 2021, well beyond the period the Board is required to look at to assess going concern.

The analyses depend greatly on the amount of orders assumed to be collectable in cash, and major changes to this could significantly change the result. In all scenarios considered, the Board assumed that the Group's medical sector revenues, including revenues from displays sold as components for ventilators, continued at forecasted levels prior to the pandemic. The analysis assumes that there are no issues in recovering these debts, considering the increasing demand in this sector as a result of the pandemic and the nature of the customers.

While the Directors' have no reason to believe that customer revenues and receipts will decline to the point that the Group no longer has sufficient resources to fund its operations, should this occur, the group may need to seek additional funding beyond the facilities that are currently available to it, as well as making further significant reductions in controllable costs. There would be an opportunity to sell certain property and inventory assets to accelerate cash generation and/or mitigate risk, but in the economic environment that would see customer revenues and receipts decline severely, such sales would be likely to be difficult to achieve.

The potential impact of changes in assumptions arising from matters outside the Group's control, or the unlikely event of a culmination of events, may result in the group requiring additional working capital beyond the group's existing facilities.

Based on the above, these circumstances represent a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern such that the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

Nevertheless, at the time of writing, the Directors' believe that the Group will continue to have acceptable financial resources to meet obligations as they fall due and accordingly have formed a judgement that it is appropriate to prepare the financial statements on a going concern basis. These financial statements do not include any adjustments that would result if the going concern basis of preparation is inappropriate.

SUBSEQUENT EVENTS

As discussed in the Going Concern notes in the Directors' Report and in note 1 to the financial statements, the Covid-19 pandemic may result in severe reductions in future revenues, profits and cash flows. As described in the Going Concern notes there are short-term actions, as well as the Group's existing cash reserves, that are already being taken to ensure the Group survives over the next 12 months. At present levels of uncertainty it is not practical to conclude on an appropriate valuation basis for all assets on the balance sheet except cash but we continue to monitor the situation closely.

DISCLOSURE OF INFORMATION TO THE AUDITOR

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

AUDITOR

In accordance with Section 489 of the Companies Act 2006, a resolution for the re-appointment of KPMG LLP as auditor of the Company is to be proposed at the forthcoming Annual General Meeting.

By order of the Board on 6 April 2020.

Guy Millward DIRECTOR

Aisle Barn, 100 High Street, Balsham CB21 4EP

STATEMENT OF DIRECTORS' RESPONSIBILITIES

IN RESPECT OF THE ANNUAL REPORT, STRATEGIC REPORT, THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Annual Report, Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and applicable law.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent Company and of their profit or loss for that period. In preparing each of the Group and parent Company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- assess the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a Strategic Report and a Directors' Report that comply with that law and those regulations.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITOR'S REPORT

To the Members of Quixant Plc

Financial Statements

1. OUR OPINION IS UNMODIFIED

We have audited the financial statements of Quixant plc ("the Company") for the year ended 31 December 2019 which comprise the Consolidated Statement of Profit and Loss and Other Comprehensive Income, Consolidated and Company Balance Sheets, Consolidated and Company Statement of Changes in Equity, Consolidated and Company Cash Flow Statements and the related notes, including the accounting policies in note 1.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 December 2019 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU);
- the parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

KPMG

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed entities. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Overview		
Materiality: Group financial statements as a whole	$450k (2018:$700k) 4.8% (2018: 4.9%) of Group profit before tax	
Coverage	100% (2018: 97%) of Group profit before tax	
Key audit matters		**vs 2018**
Recurring risks	Recoverability of Group goodwill in the Densitron CGU and recoverability of parent Company's investment in Densitron Technologies Limited	▲
	The Impact of uncertainties consequent upon the UK's departure from the European Union on our audit	◀▶
New risks	Going concern	▲
	Valuation of inventory (Work in progress and finished goods) in the Quixant CGU and the parent Company	▲

KPMG

2. MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

	The Risk	Our Response
Going concern We draw attention to note 1 in the financial statements which outlines the uncertainties arising from the recent COVID-19 outbreak. Trading for the Group and Parent Company for at least the next 12 months is expected to be impacted and this is mainly due to the restrictions on movement of people imposed by the majority of international governments and the closure of casinos across the world. The Group and the parent Company ability to continue as a going concern is dependent on the timing of the settlement and recoverability of the Group's current debtors and the timing of future sales. These events and conditions, along with the other matters explained in note 1, constitute a material uncertainty that may cast significant doubt on the group's and the parent company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.	**Disclosure quality** There is little judgement involved in the directors' conclusion that risks and circumstances described in note 1 to the financial statements represent a material uncertainty over the ability of the group and company to continue as a going concern for a period of at least a year from the date of approval of the financial statements. However, clear and full disclosure of the reasonable possible scenarios and the directors' rationale for the use of the going concern basis of preparation, including that there is a related material uncertainty, is a key financial statement disclosure. The focus of our audit was that all of those reasonably possible scenarios have been adequately disclosed. Auditing standards require that to be reported as a key audit matter.	**Our procedures included:** • **Our COVID-19 Understanding:** We considered the Directors' assessment of the risks and impact of COVID-19 and compared these to our own understanding of the risks. • **Sensitivity analysis:** We considered the sensitivities relating to the timing of settlement and recoverability of current debtors, the timing of future sales and sensitivities relating to other key assumptions in the prospective financial information taking account of reasonably possible scenarios (but not unrealistic) resulting from COVID-19 uncertainty and evaluating the underlying assumptions and the reasonableness of these. • **Assessing transparency:** Assessing the completeness and accuracy of the matters covered in the going concern disclosure; by comparing them to the outcome of our procedures detailed above.

3. OTHER KEY AUDIT MATTERS: OUR ASSESSMENT OF RISKS OF MATERIAL MISSTATEMENT

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These other matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Going concern is a significant key audit matter and is described in section 2 of our audit report. In arriving at our audit opinion above, the other key audit matters were as follows:

	The Risk	Our Response
The impact of uncertainties consequent upon the UK's departure from the European Union on our audit Refer to page 21 (principal risks)	**Forecast based valuation** The UK left the European Union (EU) on 31 January 2020 and entered an implementation period which is due to operate until 31 December 2020. At that point current trade agreements with the European Union terminate. The UK is entering negotiations over future trading relationships with the EU and a number of other countries. Where new trade agreements are not in place World Trade Organisation (WTO) arrangements will be in force, meaning among other things import and export tariffs, quotas and border inspections, which may cause delivery delays. Different potential outcomes of these trade negotiations could have wide ranging impacts on the Group's operations and the future economic environment in the UK and EU. All audits assess and challenge the reasonableness of estimates, in particular, the recoverability of Group goodwill in the Densitron CGU and recoverability of parent Company's investment in Densitron Technologies Limited, and the valuation of inventory (Work in progress and finished goods) in the Quixant CGU and the parent Company, as described below, and related disclosures; and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the Group's future prospects and performance. The uncertainty over the UK's future trading relationships with the rest of the world and related economic effects give rise to extreme levels of uncertainty, with the full range of possible effects currently unknown.	We developed a standardised firm-wide approach to the consideration of the uncertainties arising from the UK's departure from the EU in planning and performing our audits. Our procedures included: • **Our Brexit knowledge:** We considered the directors' assessment of risks to the trade negotiations for the Group's business and financial resources compared with our own understanding of the risks. We considered the directors' plans to take action to mitigate the risks. • **Sensitivity analysis:** When addressing recoverability of Group goodwill in the Densitron CGU and the recoverability of parent Company investment in Densitron Technologies Limited and other areas that depend on forecasts, we compared the directors' analysis to our assessment and, where forecast cash flows are required to be discounted, considered adjustments to discount rates for the level of remaining uncertainty. • **Assessing transparency:** As well as assessing individual disclosures as part of our procedures on recoverability of Group goodwill in the Densitron CGU and recoverability of parent Company's investment in Densitron Technologies Limited we considered all of the disclosures concerning uncertainties related to the UK's future trading relationships together, including those in the strategic report, comparing the overall picture against our understanding of the risks. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to the impact of the UK's departure from the EU.

KPMG

	The Risk	Our Response
Recoverability of Group goodwill in the Densitron CGU and recoverability of parent Company's investment in Densitron Technologies Limited **Goodwill in the Densitron CGUs** $5,576k (2018: $5,576k) **Parent Company investment in Densitron Technologies Limited** $8,955k (2018: $11,601k) See page 53 (accounting policy) and page 66 (financial disclosures)	**Forecast based valuation** The estimated recoverable amount of these balances is subjective due to the inherent uncertainty involved in forecasting and discounting future cash flows. The size of the balance, and in the case of goodwill, the requirement to test for impairment on an annual basis, makes this a core area on which our audit focused. The effect of these matters is that, we determined that the value in use of the Densitron CGUs has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole. The financial statements (note 12) disclose the sensitivity estimated by the Group.	**Our procedures included:** • **Benchmarking assumptions:** Comparing the Group's assumptions to externally derived data (for example competitor discount rates and IMF growth forecast data) in relation to key inputs such as projected economic growth and discount rates; • **Historical comparisons:** We assessed the reasonableness of the forecasts used by considering the historical accuracy of previous budgets; • **Sensitivity analysis:** Performing our own breakeven analysis on the assumptions noted above; • **Comparing valuations:** Comparing the sum of the discounted cash flows to the Group's market capitalisation to assess the reasonableness of those cash flows; and • **Assessing transparency:** Assessing whether the Group's disclosures about the sensitivity of the outcome of the impairment assessment to changes in key assumptions reflected the risks inherent in the valuation of goodwill and the parent company's investment in Densitron Technologies Limited.
Valuation of inventory (Work in progress and finished goods) in the Quixant CGU and the parent Company See page 55 (accounting policy) and page 74 (financial disclosures)	**Forecast based valuation** The estimated recoverable amount of the inventory balance in the Quixant CGU is subjective due to the inherent uncertainty involved in forecasting of future sales. The risk is higher for this year as the Quixant plc share price has fallen after the announcement of the half year results and the sales forecasted in the Quixant CGU have been downgraded. Also the Inventory days within the Quixant CGU have increased from 120 days in 2018 to 186 days in 2019. The Quixant CGU also holds significant customer specific variants of products. If the orders from these customers were to fall, these may be at risk of impairment. The effect of these matters is that, as part of our risk assessment, we determined that the valuation of inventory has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole.	**Our procedures included:** • **Review of policy:** We inspected the inventory provision recorded by directors for consistency with the Group policy and accounting standards. • **Test of detail:** We assessed the key assumptions underlying the sales forecasts prepared by the directors for reasonableness, and compared the recorded inventory provisions to the component usage in the year. • **Test of detail:** We tested a sample of items to purchase and sales invoices to check that stock is held at the lower of cost and net realisable value. • **Sensitivity analysis:** We performed sensitivity analysis over the forecasts that support the valuation of inventory, as part of our work over goodwill.

4. OUR APPLICATION OF MATERIALITY AND AN OVERVIEW OF THE SCOPE OF OUR AUDIT

Materiality for the Group financial statements as a whole was set at $450k, determined with reference to a benchmark of Group profit before tax of $9,418k, of which it represents 4.8% (2018: 4.9%).

Materiality for the parent Company financial statements as a whole was set at $135k (2018: $177k), determined with reference to a benchmark of Company revenue, of which it represents 0.3% (2018: 5% of Company profit before tax).

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding $22.5k, in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the Group's 15 (2018: 15) reporting components, we subjected 8 (2018: 8) to full scope audits for Group purposes and 2 (2018: 1) to specified risk-focused audit procedures. The latter were not individually financially significant enough to require a full scope audit for Group purposes, but did present specific individual risks that needed to be addressed. We conducted reviews of financial information (including enquiry) at a further 5 (2018: 6) non-significant components and we performed analysis at an aggregated Group level to re-examine our assessment that there were no significant risks of material misstatement with these.

The remaining 4% of total Group assets is represented by 5 reporting components, none of which individually represented more than 5% of any of total Group revenue, Group profit before tax or total Group assets. For these residual components, we performed analysis at an aggregated Group level to re-examine our assessment that there were no significant risks of material misstatement within these.

The Group team instructed component auditors as to the significant areas to be covered, including the relevant risks detailed above and the information to be reported back. The Group team approved the component materialities, which ranged from $70k to $330k, having regard to the mix of size and risk profile of the Group across the components.

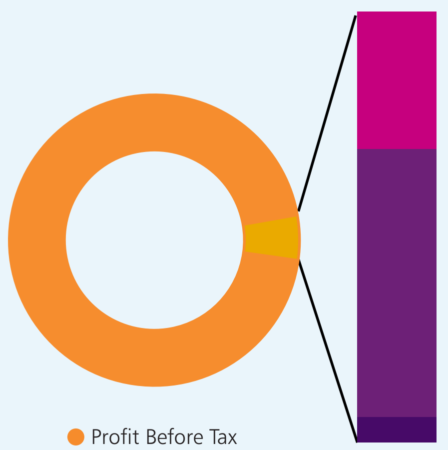
The work on 2 of the 15 components (2018: 2 of the 15 components) was performed by component auditors and the rest, including the audit of the parent Company, was performed by the Group team.

In relation to these 2 components video and telephone conference meetings were held with these component auditors to assess audit risk and strategy. At these meetings, the findings reported to the Group team were discussed in more detail, and any further work required by the Group team was then performed by the component auditor.

The components within the scope of our work accounted for the percentages illustrated below.

Profit before tax
$9,418k (2018: $14,333k)

Group Materiality
$450k (2018: $700k)



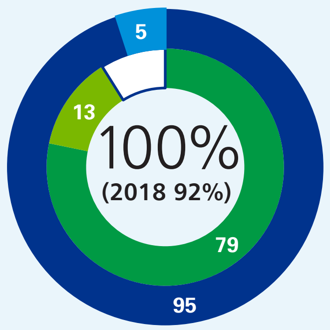
$450k
Whole financial statements materiality (2018: $700k)

$337k
Range of materiality at 15 components $70k to $330k (2018: $63k to $560k)

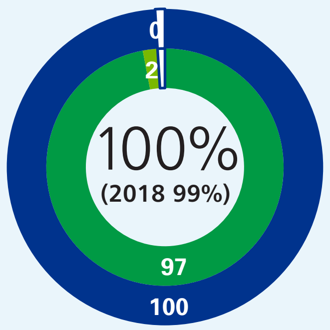
$22.5k
Misstatements reported to the audit committee (2018: $35k)

- Profit Before Tax
- Group materiality

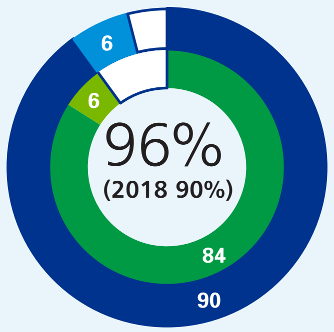
Group revenue



Group profit before tax



Group total assets



Key:

- Full scope for Group audit purposes 2019
- Specified risk-focused audit procedures 2019
- Full scope for Group audit purposes 2018
- Specified risk-focused audit procedures 2018
- Residual components

5. WE HAVE NOTHING TO REPORT ON THE OTHER INFORMATION IN THE ANNUAL REPORT

The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic Report and Directors' Report

Based solely on our work on the other information:

- we have not identified material misstatements in the Strategic Report and the Directors' Report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

6. WE HAVE NOTHING TO REPORT ON THE OTHER MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

7. RESPECTIVE RESPONSIBILITIES

Directors' responsibilities

As explained more fully in their statement set out on page 37, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

8. THE PURPOSE OF OUR AUDIT WORK AND TO WHOM WE OWE OUR RESPONSIBILITIES

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

A fuller description of our responsibilities is provided on the FRC's website at: www.frc.org.uk/auditorsresponsibilities.

Kelly Dunn (SENIOR STATUTORY AUDITOR)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
Botanic House
100 Hills Road
Cambridge
CB2 1AR

6 April 2020

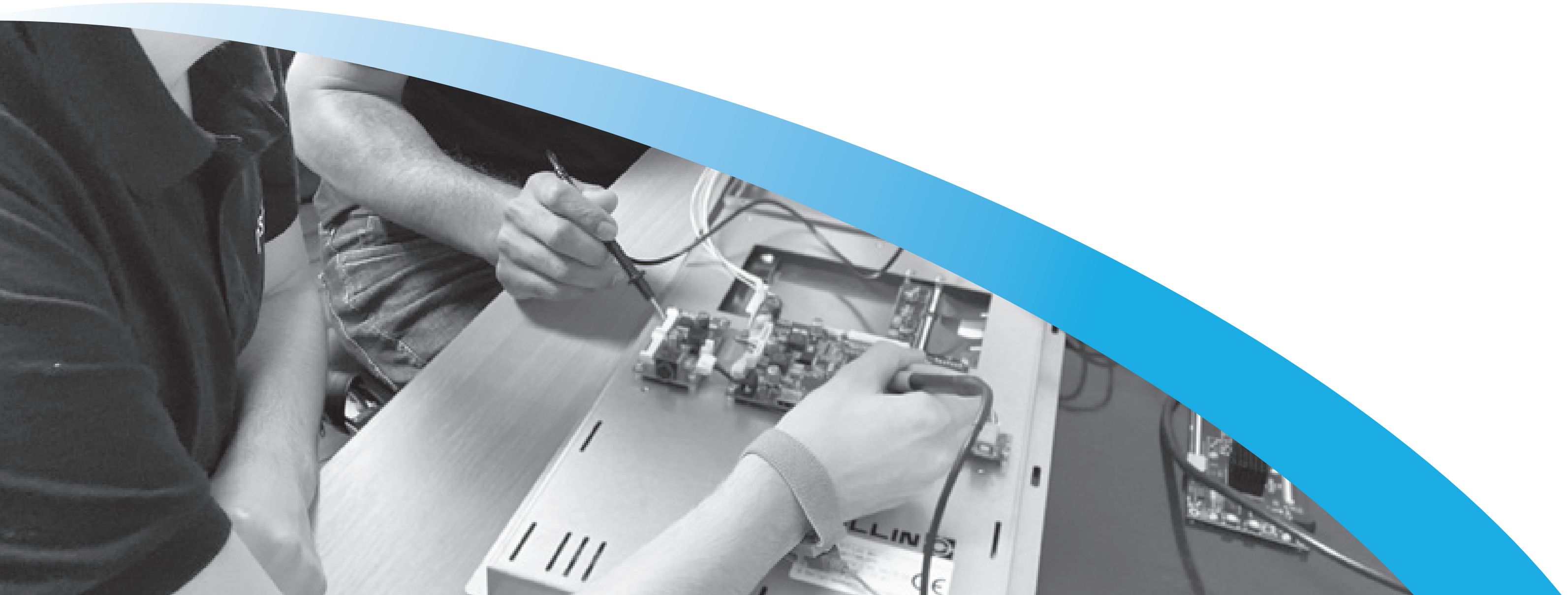
CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

For the years ended 31 December 2019 and 2018

	Note	2019 Total $000	2018 Total $000
Revenue	3,4	**92,320**	115,150
Cost of sales		**(58,033)**	(75,392)
Gross profit		**34,287**	39,758
Operating expenses	5	**(24,733)**	(25,174)
Operating profit		**9,554**	14,584
Financial expenses	8	**(136)**	(251)
Profit before tax		**9,418**	14,333
Taxation	9	**(1,102)**	(177)
Profit for the year		**8,316**	14,156
Other comprehensive income for the year, net of income tax			
Foreign currency translation differences		**(144)**	(176)
Total comprehensive income for the year		**8,172**	13,980
Basic earnings per share	10	**$0.1252**	$ 0.2137
Diluted earnings per share	10	**$0.1243**	$ 0.2125

The consolidated statement of profit and loss and other comprehensive income has been prepared on the basis that all operations are continuing operations.

Notes on pages 51 - 82 form part of the financial statements.



CONSOLIDATED AND COMPANY BALANCE SHEETS

As at 31 December 2019 and 2018

		GROUP		COMPANY	
	Note	2019 $000	2018 $000	2019 $000	2018 $000
Non-current assets					
Property, plant and equipment	11	**5,926**	6,104	**3,695**	3,751
Intangible assets	12	**18,449**	15,538	**1,888**	2,085
Right-of-use leased assets	25	**894**	—	**252**	—
Investment property	13	—	631	—	—
Investments in group companies and associated undertakings	14	—	—	**9,346**	11,992
Deferred tax assets	15	**340**	236	**44**	101
		25,609	22,509	**15,225**	17,929
Current assets					
Inventories	16	**20,180**	19,439	**13,735**	13,763
Trade and other receivables	17	**23,902**	31,087	**37,535**	9,955
Cash and cash equivalents	18	**16,954**	11,082	**1,219**	2,456
		61,036	61,608	**52,489**	26,174
Total assets		**86,645**	84,117	**67,714**	44,103
Current liabilities					
Other interest-bearing loans and borrowings	19	**(82)**	(530)	**(81)**	(263)
Trade and other payables	20	**(17,756)**	(21,052)	**(12,184)**	(19,157)
Tax payable		—	(759)	**(51)**	(631)
Lease liabilities	25	**(406)**	—	**(252)**	—
		(18,244)	(22,341)	**(12,568)**	(20,051)
Non-current liabilities					
Other interest-bearing loans and borrowings	19	**(738)**	(823)	**(738)**	(823)
Provisions	22	**(343)**	(306)	—	—
Deferred tax liabilities	15	**(1,469)**	(1,214)	—	(181)
Lease liabilities	25	**(564)**	—	—	—
		(3,114)	(2,343)	**(738)**	(1,004)
Total liabilities		**(21,358)**	(24,684)	**(13,306)**	(21,055)
Net assets		**65,287**	59,433	**54,408**	23,048
Equity attributable to equity holders of the parent					
Share capital	23	**106**	106	**106**	106
Share premium	23	**6,698**	6,499	**6,698**	6,499
Share-based payments reserve		**1,345**	1,102	**1,345**	1,102
Retained earnings		**57,044**	51,488	**45,915**	15,364
Translation reserve		**94**	238	**344**	(23)
Total equity		**65,287**	59,433	**54,408**	23,048

These financial statements were approved and authorised for issue by the Board of Directors on 6 April 2020 and were signed on behalf of the Board by:

Guy Millward DIRECTOR

Company registered number: 04316977

Notes on pages 51 - 82 form part of the financial statements.

CONSOLIDATED AND COMPANY STATEMENT OF CHANGES IN EQUITY

For the years ended December 2019 and 2018

GROUP	Share Capital $000	Share Premium $000	Translation Reserve $000	Share-Based Payments $000	Retained Earnings $000	Total Equity $000
Balance at 1 January 2018	106	6,102	414	991	39,647	47,260
Total comprehensive income for the period						
Profit	—	—	—	—	14,156	14,156
Other comprehensive loss	—	—	(176)	—	—	(176)
Total comprehensive income for the period	—	—	(176)	—	14,156	13,980
Transactions with owners, recorded directly in equity						
Share-based payments	—	—	—	111	—	111
Dividend paid	—	—	—	—	(2,315)	(2,315)
Exercise of share options	—	397	—	—	—	397
Total contributions by and distributions to owners	—	397	—	111	(2,315)	(1,807)
Balance at 31 December 2018	106	6,499	238	1,102	51,488	59,433

Balance at 1 January 2019	**106**	**6,499**	**238**	**1,102**	**51,488**	**59,433**
Total comprehensive income for the period						
Profit	—	—	—	—	**8,316**	**8,316**
Other comprehensive loss	—	—	**(144)**	—	—	**(144)**
Total comprehensive income for the period	—	—	**(144)**	—	**8,316**	**8,172**
Transactions with owners, recorded directly in equity						
Share-based payments	—	—	—	**243**	—	**243**
Dividend paid	—	—	—	—	**(2,760)**	**(2,760)**
Exercise of share options	—	**199**	—	—	—	**199**
Total contributions by and distributions to owners	—	**199**	—	**243**	**(2,760)**	**(2,318)**
Balance at 31 December 2019	**106**	**6,698**	**94**	**1,345**	**57,044**	**65,287**

CONSOLIDATED AND COMPANY STATEMENT OF CHANGES IN EQUITY

For the years ended December 2019 and 2018

COMPANY	Share Capital $000	Share Premium $000	Translation Reserve $000	Share-Based Payments $000	Retained Earnings $000	Total Parent Equity $000
Balance at 1 January 2018	106	6,102	253	991	13,752	21,204
Total comprehensive income for the period						
Profit	—	—	—	—	3,927	3,927
Other comprehensive loss	—	—	(276)	—	—	(276)
Total comprehensive income for the period	—	—	(276)	—	3,927	3,651
Transactions with owners, recorded directly in equity						
Share-based payments	—	—	—	111	—	111
Dividend paid	—	—	—	—	(2,315)	(2,315)
Exercise of share options	—	397	—	—	—	397
Total contributions by and distributions to owners	—	397	—	111	(2,315)	(1,807)
Balance at 31 December 2018	106	6,499	(23)	1,102	15,364	23,048

Balance at 1 January 2019	**106**	**6,499**	**(23)**	**1,102**	**15,364**	**23,048**
Total comprehensive income for the period						
Profit	—	—	—	—	**33,311**	**33,311**
Other comprehensive loss	—	—	**367**	—	—	**367**
Total comprehensive income for the period	—	—	**367**	—	**33,311**	**33,678**
Transactions with owners, recorded directly in equity						
Share-based payments	—	—	—	**243**	—	**243**
Dividend paid	—	—	—	—	**(2,760)**	**(2,760)**
Exercise of share options	—	**199**	—	—	—	**199**
Total contributions by and distributions to owners	—	**199**	—	**243**	**(2,760)**	**(2,318)**
Balance at 31 December 2019	**106**	**6,698**	**344**	**1,345**	**45,915**	**54,408**

Notes on pages 51 - 82 form part of the financial statements.

CONSOLIDATED AND COMPANY CASH FLOW STATEMENTS

For the years ended December 2019 and 2018

		GROUP		COMPANY	
	Note	**2019 $000**	2018 $000	**2019 $000**	2018 $000
Cash flows from operating activities					
Profit for the year		8,316	14,156	33,311	3,927
Adjustments for:					
Depreciation, amortisation and impairment		2,853	2,745	3,562	1,167
Depreciation of leased assets		680	—	402	—
Change in fair value of investment property		631	—	—	—
Movement in provisions		36	—	—	—
Taxation expense		1,102	177	266	483
Lease liability interest expense		120	—	52	—
Financial expense		16	251	13	221
Equity-settled share-based payment expenses		243	111	243	111
		13,997	17,440	37,849	5,909
Decrease/(increase) in trade and other receivables		7,491	(10,992)	(27,580)	444
(Increase)/decrease in inventories		(488)	1,807	496	161
(Decrease)/increase in trade and other payables		(3,636)	3,751	(7,140)	3,718
		17,364	12,006	3,625	10,232
Interest paid		(16)	(251)	(13)	(232)
Lease liability interest expense		(120)	—	(52)	—
Tax paid		(2,282)	(481)	(971)	(1,194)
Net cash from operating activities		14,946	11,274	2,589	8,806
Cash flows from investing activities					
Acquisition of subsidiary, net of cash acquired		(2,392)	—	—	—
Acquisition of property, plant and equipment	11	(316)	(632)	(165)	(431)
Acquisition of intangible assets	12	(2,598)	(3,457)	(432)	(889)
Net cash from investing activities		(5,306)	(4,089)	(597)	(1,320)
Cash flows from financing activities					
Repayment of borrowings		(534)	(5,382)	(267)	(5,317)
Payment of lease liabilities		(674)	—	(402)	—
Dividends paid		(2,760)	(2,315)	(2,760)	(2,315)
Proceeds from issue of shares		200	397	200	397
Net cash from financing activities		(3,768)	(7,300)	(3,229)	(7,235)
Net increase/(decrease) in cash and cash equivalents		5,872	(112)	(1,237)	251
Cash and cash equivalents at 1 January		11,082	11,194	2,456	2,205
Cash and cash equivalents at 31 December	18	16,954	11,082	1,219	2,456

Notes on pages 51 - 82 form part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. PRINCIPAL ACCOUNTING POLICIES

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these consolidated financial statements.

Quixant plc (the "Company") develops and supplies specialist computer systems. The Company is incorporated and domiciled in the UK. The address of the Company's registered office is Aisle Barn, 100 High Street, Balsham, Cambridge, CB21 4EP.

The Group financial statements consolidate those of the Company, its branch in Taiwan and its subsidiaries (together referred to as the "Group"). The parent Company financial statements present information about the Company as a separate entity and not about its Group.

Basis of preparation

Both the parent Company financial statements and the Group financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"). On publishing the parent Company financial statements here together with the Group financial statements, the Company is taking advantage of the exemption in s408 of the Companies Act 2006 not to present its individual Profit and Loss Account and related notes that form a part of these approved financial statements.

This financial information has been prepared under the historical cost convention.

The presentation currency adopted by the Group is US Dollars as the majority of the Group's transactions are undertaken in US dollars.

The preparation of financial information in conformity with Adopted IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group accounting policies. The areas involving a higher degree of judgement and estimation relate to the recoverable amount of goodwill, the valuation of inventory and the determination of the point at which the criteria for development cost capitalisation have been met.

The recoverable amounts of cash generating units and individual assets have been determined based on the higher of the value-in-use calculations and fair value less costs to sell. These calculations require the use of estimates and assumptions that have a significant estimation uncertainty in the current year. See note 12 for further details.

Reasonably possible changes to the assumptions in the future may lead to material adjustments to the carrying value of intangible and tangible assets. Provisions against slow-moving and obsolete inventory are reviewed on a monthly basis and require the use of judgement to gauge its value. The impact on the financial statements of a change in judgement with respect to the development cost criteria, such as the commercial viability of a product, could affect the value capitalised in respect of intangible assets and the corresponding profit and loss effect. If the criteria had not been met in the current year, the impact would have been to expense $2.2m (2018: $2.6m) of development costs.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent Company, using consistent accounting policies. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

The Italian subsidiary, Quixant Italia srl, is 99% owned by the Group. The comprehensive income and equity attributable to the non-controlling interests in this subsidiary are not material.

Separate parent company financial statements

In the parent Company financial statements, all investments in subsidiaries, joint ventures, and associates are carried at cost less impairment.

Going concern

In determining the appropriate basis of preparation of the financial statements, the Directors are required to consider whether the Group can continue in operational existence for the foreseeable future.

In the early months of 2020, a global pandemic has broken out causing governments around the world to impose various restrictions on economies and human populations.

The Board has carried out a going concern review and concluded that apart from the uncertainties in the impact of the pandemic noted below, the Group has adequate cash to continue in operational existence for the foreseeable future.

The Directors have prepared cash flow forecasts for a period in excess of 12 months from the date of signing the financial statements. The main effects the pandemic could have on the forecasts include delays in recovering debts from customers who may be facing financial difficulties, drop in customer demand in the coming months and the timing of sales recovering to levels prior to the pandemic.

The Board's severe downside forecasts are based on a scenario where customers stop paying entirely for new orders delivered from April 2020 onwards and do not begin buying any further goods until December 2020. Orders delivered and invoiced up to the end of Q1 2020 are assumed to be paid for. Cost reductions can be made to offset this reduction in cash receipts by a 25% reduction in staff costs and a reasonable reduction in other controllable costs. The Group have a $3.0m loan facility in Taiwan that is currently undrawn and is part of the mortgage on the Group's property in Taiwan. In this scenario, the Group have sufficient cash until March 2021 without drawing on its bank facilities.

A less severe scenario was based on the existing debts being recovered, irrevocable sales orders already received from customers and their related costs of sales being fulfilled, and an assumption that we will only recover 50% of debts from these new fulfilments. This would provide us with enough cash to pay existing overheads without reducing them until the second half of 2021, well beyond the period the Board is required to look at to assess going concern.

The analyses depend greatly on the amount of orders assumed to be collectable in cash, and major changes to this could significantly change the result. In all scenarios considered, the Board assumed that the Group's medical sector revenues, including revenues from displays sold as components for ventilators, continued at forecasted levels prior to the pandemic. The analysis assumes that there are no issues in recovering these debts, considering the increasing demand in this sector as a result of the pandemic and the nature of the customers.

While the Directors' have no reason to believe that customer revenues and receipts will decline to the point that the Group no longer has sufficient resources to fund its operations, should this occur, the group may need to seek additional funding beyond the facilities that are currently available to it, as well as making further significant reductions in controllable costs. There would be an opportunity to sell certain property and inventory assets to accelerate cash generation and/or mitigate risk, but in the economic environment that would see customer revenues and receipts decline severely, such sales would be likely to be difficult to achieve.

The potential impact of changes in assumptions arising from matters outside the Group's control, or the unlikely event of a culmination of events, may result in the group requiring additional working capital beyond the group's existing facilities.

Based on the above, these circumstances represent a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern such that the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

Nevertheless, at the time of writing, the Directors' believe that the Group will continue to have acceptable financial resources to meet obligations as they fall due and accordingly have formed a judgement that it is appropriate to prepare the financial statements on a going concern basis. These financial statements do not include any adjustments that would result if the going concern basis of preparation is inappropriate.

Effective for the Group and Company in these financial statements:

IFRS 16 changes the way in which operating leases are treated within the financial statements. Right of use assets and related liabilities are recognised for all material leases from 1 January 2019. The effects of IFRS 16 are included in note 25 to these financial statements.

The Group has considered the following amendments to published standards that are effective for the Group for the financial year beginning 1 January 2019 and concluded that they are either not relevant to the Group or that they do not have a significant impact on the Group's financial statements, other than in disclosure. These standards and interpretations have been endorsed by the European Union.

- IFRIC 23 Uncertainty over income tax treatments
- Amendments to IAS 19 Plan Amendment, Curtailment or Settlement
- Prepayment Features with Negative Compensation (Amendments to IFRS 9)
- Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)
- Annual Improvements to IFRS Standards 2015–2017 Cycle

Changes in accounting policies: new standards, interpretations and amendments not yet effective

The International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) have issued the following standards and interpretations with an effective date after the date of these accounts which are not expected to have a significant impact on the Group's consolidated financial statements:

Adopted for use in the EU:

- Amendments to References to Conceptual Framework in IFRS Standards
- Definition of a Business (Amendments to IFRS 3)
- Definition of Material (Amendments to IAS 1 and IAS 8)
- IFRS 17 Insurance Contracts

Revenue recognition

The Group adopted IFRS 15 from 1 January 2018 which had no material impact on revenue recognition. All performance obligations under customer contracts, where they exist, were reviewed and we concluded that this did not change the way revenue had been recognised in the past. Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business by subsidiary companies to external customers, net of discounts, Value Added Tax (VAT) and other sales-related taxes. Revenue is reduced for customer returns, rebates and other similar allowances. Revenue from the sale of goods namely gaming boards or platforms, gaming monitors and display products, which represent the significant majority of the Group revenue, is recognised in the income statement when:

- The performance obligation of transferring control over a product to the buyer in accordance with the contracted terms of sale has occurred. This usually occurs when the delivery terms of the terms of sale have been met,
- The Group does not retain effective control over the goods.

Consideration is payable based on contractual payment terms which are usually 30 days after the performance obligation has been met. Transaction prices are set up front for each contract. The group has not identified any contracts which include either variable consideration or significant financing components.

Cost of Sales

Cost of goods sold includes excess and obsolete inventory, as well as any other costs associated with the direct manufacturing and shipping of the Group's products.

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of the subsidiary or associated undertaking at the date of acquisition. Goodwill is recognised as an asset and is reviewed for impairment at least annually. Any impairment is recognised immediately through the income statement and is not subsequently reversed. Impairment losses recognised are allocated first to reduce the carrying value of the goodwill the business relates to, and then to reduce the carrying value of the other assets of that business on a pro rata basis.

Impairment excluding inventories, investment properties and deferred tax assets

Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories, investment property and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash generating units ("CGU"). Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Contingent consideration

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability are recognised in accordance with IFRS3, in profit and loss.

Property, plant and equipment

Property, plant and equipment are stated at cost, net of depreciation and any provision for impairment.

Depreciation is provided on all property, plant and equipment at rates calculated to write off the cost less estimated residual value of each asset on a straight-line basis over its expected useful economic life, as follows:

Freehold buildings	**20 – 50 years**
Plant and machinery	**Between 3 and 6 years**

No depreciation is provided on freehold land.

The carrying value of property, plant and equipment is reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable.

Investment property

Investment properties are properties or land which are held either to earn rental income or for capital appreciation or for both. Investment properties are stated at fair value and are reviewed on an annual basis with any revision to the valuation taken to the profit and loss account.

Intangible assets – customer relationships, order backlog, technology.

In accordance with IFRS 3, on the acquisition of subsidiary companies the Group assesses the identification of intangible assets acquired which are either separate or arise from contractual or other legal rights. These assets are recognised as intangible assets and are amortised over the period of future benefit to the Group. The estimated useful economic lives of these assets from the date of acquisition are:

Customer relationships	**Between 4 and 10 years**
Order backlog	**Between 1 and 4 years**
Technology	**5 years**

Intangible assets – development costs

The Quixant Group incurs significant expenditure on the research and development of new computer products and enhancements. The internally generated intangible asset arising from the Company's development is recognised only if the Company can demonstrate all of the following conditions:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- The intention to complete the intangible asset and use or sell it;
- The ability to use or sell the intangible asset;
- The probability that the asset created will generate future economic benefits;
- The availability of adequate technical, financial and other resources to complete the development; and
- The ability to measure reliably the expenditure attributable to the intangible asset during its development.

Development costs not meeting these criteria and all research costs are expensed in the Consolidated Income Statement as incurred. Capitalised development costs are amortised on a straight-line basis over their expected useful economic lives of five years once the related software product or enhancement is available for use.

Intangible assets – computer software

Computer software is stated at cost, net of amortisation and any provision for impairment.

Amortisation is provided on all computer software at rates calculated to write off the cost less estimated residual value of each asset on a straight-line basis over its expected useful economic life, as follows:

Computer software	**Between 3 and 5 years**

The carrying value of computer software is reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable.

Inventories

Inventories, which comprise goods held for resale, are stated at the lower of cost and net realisable value. Cost includes all costs in acquiring the inventories and bringing each product to its present location and condition. Net realisable value represents the estimated selling price and costs to be incurred in marketing, selling and distribution. Inventory provisions are made where there is doubt as to the recoverability of the value of specific stock items.

Foreign currencies

Transactions denominated in foreign currencies are translated into the functional currency of the relevant operation at the rates ruling at the dates of transactions. Monetary assets and liabilities denominated in foreign currencies at the Balance Sheet date are translated at the rates ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

On consolidation, results of overseas subsidiaries are translated using the average exchange rate for the period, unless exchange rates fluctuate significantly. The Balance Sheets of overseas subsidiaries are translated to the Group's presentational currency, US Dollars, using the closing period-end rate. Exchange differences arising, if any, are taken to a translation reserve. Such translation differences would be reclassified to profit and loss in the period in which the operation is disposed of.

Provisions

Provisions are recognised when there is a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of economic benefit will be required to settle the obligation, and where the amount of the obligation can be reliably measured. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessment of the time value of money and the risks specific to the liability.

Share capital and share premium

Share issue costs are incremental costs directly attributable to the issue of new shares or options and are shown as a deduction, net of tax, from the proceeds. Any excess of the net proceeds over the nominal value of any shares issued is credited to the share premium account. Where any Group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

Leased assets

In prior years, assets leased under operating leases are not recorded in the statement of financial position. Rental payments are charged directly to the income statement in the period in which they are incurred. Lease incentives, primarily up-front cash payments or rent-free periods, are spread over the period of the lease term. Payments made to acquire operating leases are treated as prepaid lease expenses and amortised over the life of the lease. The land and buildings element of property leases are considered separately for the purposes of the lease classification.

The Group has adopted IFRS 16 using the modified retrospective approach from 1 January 2019 and has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in retained earnings at 1 January 2019. In adopting IFRS 16, the Group has taken advantage of practical expedients permitted by the standard, namely the use of a single discount rate to a portfolio of leases with reasonably similar characteristics and the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases.

On adoption of IFRS 16, the group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 5%. The right-of-use assets are initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the asset or to restore the site on which it is located less any lease incentives received. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. The impact of adopting IFRS 16 at 1 January 2019 was to recognize a right of use asset of $1.6 million and a lease liability of $1.6 million.

Income tax

The charge for current income tax is based on the results for the year as adjusted for items which are not taxed or disallowed. It is calculated using tax rates that have been enacted or substantively enacted by the reporting date. Research and Development Expenditure Credit (RDEC) and Patent Box claims have been available to UK companies on qualifying expenditure incurred since 2013 (RDEC) and 2016 (Patent Box). Where UK companies expect to elect for RDEC or qualify for Patent Box relief, the amount receivable reduces the tax payable and is credited to the tax charge in profit and loss.

Deferred income tax is accounted for using the liability method in respect of temporary differences arising from differences between the tax bases of certain assets and liabilities and their carrying amounts in the financial statements.

In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference is due to goodwill arising on a business combination or from an asset or liability, the initial recognition of which does not affect either taxable or accounting income.

Deferred tax is charged or credited in the Profit and Loss account or in Other Comprehensive Income, except when it relates to items credited or charged directly to Shareholders' Equity, in which case the deferred tax is also dealt with in Shareholders' Equity.

Financial assets

The Group considers a financial asset to be in default when the debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or the financial asset is more than 90 days past due. The Group's financial assets fall into the categories set out below, with the allocation depending to an extent on the purpose for which the asset was acquired. Unless otherwise indicated, the carrying amounts of the Group's financial assets are a reasonable approximation of their fair values.

- Trade receivables: Trade receivables do not carry interest and are stated at their fair value as reduced by allowances for estimated irrecoverable amounts.
- Cash and cash equivalents: Cash and cash equivalents in the Statement of Financial Position comprise cash at bank and in hand, short-term deposits and other short-term liquid investments.

In the Cash Flow Statement, cash and cash equivalents comprise cash and cash equivalents as defined above, net of bank overdrafts.

Financial liabilities

All of the Group's financial liabilities are classified as financial liabilities carried at amortised cost. The Group does not use derivative financial instruments or hedge account for any transactions.

Unless otherwise indicated, the carrying amounts of the Group's financial liabilities are a reasonable approximation of their fair values. Financial liabilities include the following items:

- Trade payables and other short-term monetary liabilities, which are recognised at their fair value, are subsequently measured at amortised cost, using the effective interest method. Trade payables and accrued liabilities with a short duration are not discounted, as the carrying amount is a reasonable approximation of fair value.
- Bank borrowings, which are initially, recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest-bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the consolidated Statement of Financial Position. Interest expense in this context includes initial transaction costs and premiums payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

Pension

The Group operates a defined contribution scheme to the benefit of its employees. Contributions payable are charged to income in the year they are payable.

Earnings per share

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the reporting period. Diluted EPS is determined by adjusting the weighted average number of ordinary shares outstanding for the effects of all potential dilutive ordinary shares.

Dividends

Dividends are recorded in the financial statements in the period in which they are approved by the Company's shareholders. Interim dividends are recorded in the financial statements in the period in which they are approved and paid.

Determination and presentation of operating segments

The Quixant Group determines and presents operating segments based on the information that internally is provided to the executive management team, the body which is considered to be the Quixant Group's Chief Operating Decision Maker ("CODM").

An operating segment is a component of the Quixant Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Quixant Group's other components. The operating segment's operating results are reviewed regularly by the CODM to make decisions about resources to be allocated to the segment to assess its performance, and for which discrete financial information is available.

Share-based payments

The grant date fair value of share-based payments awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period in which employees become unconditionally entitled to the awards. The fair value of the awards granted is measured using an option valuation model, taking into account the terms and conditions upon which the awards were granted. The amount recognised as an expense is adjusted to reflect the actual number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date for fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Alternative performance measures

The Directors consider that disclosing alternative performance measures enhances shareholders' ability to evaluate and analyse the underlying financial performance of the Group. They have identified adjusted profit before tax (adjusted PBT) as a measure that enables the assessment of the performance of the Group and assists in financial, operational and commercial decision-making. In adjusting for this measure the directors have sought to eliminate those items of income and expenditure that do not specifically relate to the normal operational performance of the Group in a specific year. The table below reconciles PBT to adjusted PBT identifying those reconciling items of income and expense.

PBT reconciliation

PBT capital and Adjusted PBT for the current and prior year have been derived as follows:

	PBT 2019 $000	2018 $000
Profit for the year	**8,316**	14,156
Adding back:		
Taxation expense	**1,102**	177
PBT	**9,418**	14,333
Adjustments:		
Amortisation of customer relationships and order backlog[1]	**663**	757
Share-based payments expense[2]	**243**	111
Loss on disposal of subsidiary[3]	**124**	—
IDS acquisition costs[3]	**63**	—
Restructuring cost[3]	**169**	3,036
Adjusted PBT	**10,680**	18,237

1. The amortisation of customer relationships and order backlog has been excluded as it is not a cash expense to the Group.
2. Share-based payments expense has been excluded as they are not a cash-based expense.
3. Other items of income and expense – where other items of income and expense occur in a particular year and their inclusion in PBT means that a year on year comparison of year on year results is not on a consistent basis the directors will exclude them from the adjusted numbers. During the years under review the directors have excluded the costs arising from restructuring costs from the closure of the UK warehouse, the loss on disposing of Densitron Nordic and the acquisition costs of buying IDS due to their incomparability with the previous year.

2. ACQUISITIONS OF SUBSIDIARY

IDS Control Solutions Limited

On 1 July 2019, the Group acquired the entire share capital of IDS Control Solutions Limited for £2,392k in cash, using funds from internal resources. IDS Control Solutions Limited is a provider of products to the broadcast industry and the products will be used to further Densitron's growth in the broadcast sector. The business is growing and profitable. Acquisition costs, mainly legal expenses, of $63,000 are shown in the profit and loss account for 2019. The intangible assets acquired have been valued by an external valuer and the goodwill is attributable to the skills of the workforce and the synergies with the existing Densitron business. Assets acquired, consideration paid and goodwill on acquisition are shown below.

For the six months ended 31 December 2019, IDS contributed revenue of $885,000 and profit before tax and amortisation of acquired intangibles of $242,000 to the Group's results. If the acquisition had occurred on 1 January 2019, management estimates that consolidated revenue would have been $93.2m, and consolidated profit before tax for the year would have been $9.5m, after amortisation of acquired intangibles of $492,000.
In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2019.

The identifiable assets acquired and liabilities assumed were:

	$000
Acquiree's net assets at the acquisition date:	
Property, Plant and Equipment	**12**
Inventories	**253**
Other receivables – prepayments	**13**
Other payables – deferred income	**(202)**
	76
Intangible assets acquired:	
Customer relationships	**1,011**
Intellectual Property	**883**
Deferred tax on intangible assets acquired	**(332)**
Total net assets acquired	**1,648**
Consideration paid in cash	**2,392**
Goodwill on acquisition	**744**

3. BUSINESS AND GEOGRAPHICAL SEGMENTS

The chief operating decision maker in the organisation is an executive management committee comprising the Board of Directors. The segmental information is presented in a consistent format with management information.
The Group assesses the performance of the segments based on a measure of revenue and PBT. The operating segments applicable to the Group are as follows:

- **Quixant** - Two customers each accounted for over 10% of revenues in 2019, one accounted for 18.2% (2018: 15.2%) and another accounted for 16.9% (2018: 20.3%).
- **Densitron** - the acquisition of IDS has been assessed and it has been determined that it should be included in the Densitron segment because the nature of the business, the products that are sold and the market that the business operates in are all consistent with that segment.

	Quixant $000	Densitron $000	Total $000
2019			
Revenue from products	**56,169[1]**	**36,151**	**92,320**
Profit before tax	**7,980**	**1,449**	**9,429**
Balance Sheet			
Assets	**72,424**	**14,221**	**86,645**
Liabilities	**11,560**	**9,798**	**21,358**
Net assets	**60,864**	**4,423**	**65,287**
Capital expenditure	**5,147**	**637**	**5,784**
Depreciation/amortisation	**2,627**	**225**	**2,852**
2018			
Revenue from products	77,623[1]	37,527	115,150
Profit before tax	12,941	2,104	15,045
Balance Sheet			
Assets	68,963	15,154	84,117
Liabilities	14,636	10,048	24,684
Net assets	54,327	5,106	59,433
Capital expenditure	3,607	482	4,089
Depreciation/amortisation	2,546	199	2,745

1 2019 Quixant revenue from products splits into Gaming Platforms $46,568,000 (2018: $62,549,000) and Gaming Monitors $9,601,000 (2018: $15,074,000). Gaming Monitors also splits into Buttondecks $5,429,000 (2018: $6,404,000) and Monitors $4,172,000 (2018: $8,676,000).

4. ANALYSIS OF TURNOVER

	2019 $000	2018 $000
By primary geographical market		
Asia	**15,517**	16,255
Australia	**5,452**	8,790
UK	**5,297**	8,275
Europe excl. UK	**18,533**	26,273
North America	**46,693**	54,089
Other	**828**	1,468
	92,320	115,150

The above analysis includes sales to individual countries in excess of 10% of total turnover of:

	2019 $000	2018 $000
USA	**44,148**	51,306

5. EXPENSES AND AUDITOR'S REMUNERATION

Included in profit/loss are the following:

	2019 $000	2018 $000
Included in operating profit:		
Restructuring cost	**169**	3,036
Gain on foreign exchange transactions	**4**	196
Research and development expenditure	**6,568**	6,432
Of which capitalised	**(2,165)**	(2,558)
Depreciation of owned assets	**527**	548
Amortisation of intangible assets	**2,325**	2,190

Auditor's remuneration:

	2019 $000	2018 $000
Audit of these financial statements		
Amounts receivable by the Company's auditor and its associates in respect of:		
Audit of financial statements of subsidiaries of the company	**293**	191
Taxation and other services	**107**	64
Other services	**—**	26

6. STAFF NUMBERS AND COSTS

The average number of persons employed by the Group (including Directors) during the year, analysed by category, was as follows:

	2019 Number	2018 Number
Production and manufacturing	**33**	36
Research and customer service	**94**	84
Sales and marketing	**39**	37
Administrative	**57**	46
	223	203

The aggregate payroll costs of these persons was as follows:

	2019 $000	2018 $000
Wages and salaries	**14,502**	13,922
Share-based payments (See note 21)	**243**	111
Social security costs	**986**	1,582
Contributions to defined contribution plans	**534**	689
	16,265	16,304

7. DIRECTOR'S REMUNERATION

	Salary/Fee 2019 $000	Share-based payment 2019 $000	Pension contributions 2019 $000	Total 2019 $000	Total 2018 $000
EXECUTIVE DIRECTORS					
N C L Jarmany	**138**	**—**	**14**	**152**	164
G P Mullins	**132**	**—**	**13**	**145**	159
C-T Lin	**218**	**—**	**4**	**222**	264
J F Jayal	**387**	**32**	**13**	**432**	420
G L Millward	**305**	**21**	**—**	**326**	121
	1,180	**53**	**44**	**1,277**	1,128
NON-EXECUTIVE DIRECTORS					
M J Peagram	**114**	**—**	**—**	**114**	113
G van Zwanenberg	**59**	**—**	**1**	**60**	61
G A Y Hudson	**53**	**—**	**1**	**54**	54
	1,406	**53**	**46**	**1,505**	1,356

In 2018, A C Preddy exercised options over 39,000 shares realising a theoretical gain of $199,000, she has not sold the shares. J F Jayal was granted options over 65,000 shares in 2018 at an exercise price of 408.5p, G L Millward was granted options over 100,000 shares in 2018 at an exercise price of 430p. The options are exercisable subject to the growth of the diluted earnings per Ordinary Share (as set out in each of the audited accounts for the years ending 31 December 2018, 2019 and 2020) being equal to or greater than 10 per cent in each financial year.

Pension contributions are paid to executive directors at 10% of salary, except for Jon Jayal who has elected to only be paid £10,000 a year as pension contribution from the company and the rest of the pension contribution to be added to his base salary, and Guy Millward who has elected to have all his company pension contribution added to his salary. In both cases the pension contribution has been reduced by the employers' national insurance that is payable by the company for the amount added to base salary for each individual. Pension contributions are paid to non-executive directors, except M J Peagram, at 5%. No other benefits are paid. Bonuses are paid when profit targets have been met, no performance bonuses were paid in 2019 for 2018 performance and none are payable for 2019's financial performance.

There were no directors' advances, credits or guarantees outstanding at 31 December 2019 or 2018.

8. FINANCE EXPENSE

	2019 $000	2018 $000
Total interest expense on financial liabilities measured at amortised cost	**136**	251
Total finance expense	**136**	251

9. TAXATION

Recognised in the profit and loss account

	2019 $000	2018 $000
Current tax expense		
UK corporation tax	**211**	187
Foreign tax	**1,160**	1,158
Adjustments for prior years	**(142)**	(1,037)
Current tax expense	**1,229**	308
Deferred tax (credit)		
Origination and reversal of temporary differences	**(92)**	(131)
Adjustments for prior years	**(35)**	—
Deferred tax (credit)	**(127)**	(131)
Total tax expense	**1,102**	177

Reconciliation of effective tax rate

	2019 $000	2018 $000
Profit for the year	**8,316**	14,156
Total taxation expense	**1,102**	177
Profit excluding taxation	**9,418**	14,333
Tax using the UK corporation tax rate of 19% (2018: 19%)	**1,789**	2,723
Non-deductible expenses	**18**	69
Enhanced research and development claim	**(496)**	(944)
Patent box tax relief	**(340)**	(372)
Change in deferred tax rate to 17% (2018: 18%)	**(4)**	(53)
Overseas tax in excess of standard UK rate	**419**	56
Exercise of share options	**(2)**	(135)
Unrelieved losses	**(58)**	(61)
Other	**(47)**	(69)
Over provided in prior years	**(177)**	(1,037)
Total taxation expense	**1,102**	177

Adjustments for prior years mainly reflect the deductions allowed for share option exercises by Taiwan branch employees and double taxation relief for Taiwan taxes which had not been previously claimed.

Factors that may affect future tax charges

A reduction in the UK corporation tax rate from 21% to 20% (effective from 1 April 2015) was substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was enacted on 15 September 2016. This reduction was then reversed and a rate of 19% maintained from 1 April 2020, this was substantively enacted on 17 March 2020.

This does not result in any significant change to these figures. The deferred tax liability at 31 December 2019 has been calculated based on these rates.

The Group has tax losses carried forward in certain UK Companies of $2.9m. The tax effect of these losses has not been included as an asset in the group financial statements because their recovery is uncertain as other tax allowances can be used before losses.

10. EARNINGS PER ORDINARY SHARE (EPS)

	2019 $000	2018 $000
Earnings		
Earnings for the purposes of basic and diluted EPS being net profit attributable to equity shareholders	**8,316**	14,156

Number of shares	**Number**	Number
Weighted average number of ordinary shares for the purpose of basic EPS	**66,404,468**	66,239,967
Effect of dilutive potential ordinary shares:		
Share options	**499,053**	380,383
Weighted number of ordinary shares for the purpose of diluted EPS	**66,903,521**	66,620,350
Basic earnings per share	**$0.1252**	$0.2137
Diluted earnings per share	**$0.1243**	$0.2125

Calculation of adjusted diluted earnings per share:	**$000**	$000
Earnings		
Earnings for the purposes of basic and diluted EPS being net profit attributable to equity shareholders	**8,316**	14,156
Adjustments		
Share-based payment expense	**243**	111
Amortisation of customer relationships and order backlog	**663**	757
Loss on disposal of Densitron Nordic	**124**	—
IDS acquisition costs	**63**	—
Restructuring costs	**169**	3,036
	9,578	18,060
Tax effect of adjustments	**(239)**	(764)
Adjusted earnings	**9,339**	17,296
Adjusted diluted earnings per share	**$ 0.1396**	$ 0.2596

11. PROPERTY, PLANT AND EQUIPMENT – GROUP

	Land and Buildings $000	Plant and Equipment $000	Total $000
Cost			
Balance at 1 January 2018	5,628	2,608	8,236
Additions	90	542	632
Disposals	(35)	(42)	(77)
Effect of movements in foreign exchange	(112)	(37)	(149)
Balance at 31 December 2018	5,571	3,071	8,642
Balance at 1 January 2019	**5,571**	**3,071**	**8,642**
Additions	**58**	**258**	**316**
Disposals	—	**(285)**	**(285)**
Effect of movements in foreign exchange	**(24)**	**55**	**31**
Balance at 31 December 2019	**5,605**	**3,099**	**8,704**
Depreciation			
Balance at 1 January 2018	424	1,659	2,083
Depreciation charge for the year	125	423	548
Disposals	(35)	(37)	(72)
Effect of movements in foreign exchange	(8)	(12)	(21)
Balance at 31 December 2018	506	2,033	2,538
Balance at 1 January 2019	**506**	**2,033**	**2,538**
Depreciation charge for the year	**123**	**404**	**527**
Disposals	—	**(280)**	**(280)**
Effect of movements in foreign exchange	**(2)**	**(6)**	**(8)**
Balance at 31 December 2019	627	**2,151**	**2,778**
Net book value			
At 1 January 2018	5,204	949	6,153
At 31 December 2018 and 1 January 2019	5,066	1,038	6,104
At 31 December 2019	**4,978**	**948**	**5,926**

11. PROPERTY, PLANT AND EQUIPMENT – COMPANY

	Land and Buildings $000	Plant and Equipment $000	Total $000
Cost			
Balance at 1 January 2018	3,530	1,653	5,183
Additions	74	357	431
Disposals	(35)	(34)	(69)
Effect of movements in foreign exchange	(64)	(19)	(83)
Balance at 31 December 2018	3,505	1,957	5,462
Balance at 1 January 2019	**3,505**	**1,957**	**5,462**
Additions	**44**	**121**	**165**
Effect of movements in foreign exchange	—	**66**	**66**
Balance at 31 December 2019	**3,549**	**2,144**	**5,693**
Depreciation			
Balance at 1 January 2018	293	1,191	1,484
Depreciation charge for the year	81	230	311
Disposals	(35)	(33)	(68)
Effect of movements in foreign exchange	(6)	(10)	(16)
Balance at 31 December 2018	333	1,378	1,711
Balance at 1 January 2019	**333**	**1,378**	**1,711**
Depreciation charge for the year	**78**	**209**	287
Balance at 31 December 2019	**411**	**1,587**	**1,988**
Net book value			
At 1 January 2018	3,237	462	3,699
At 31 December 2018 and 1 January 2019	**3,172**	**579**	**3,751**
At 31 December 2019	**3,138**	**557**	**3,695**

12. INTANGIBLE ASSETS – GROUP

	Goodwill $000	Customer Relationships Technology and Order Backlog $000	Computer Software $000	Internally Generated Capitalised Development costs $000	Total $000
Cost					
Balance at 1 January 2018	6,950	5,201	1,072	6,059	19,282
Additions – internally developed	—	—	—	2,558	2,558
Additions – externally purchased	—	—	899	—	899
Disposals	—	—	—	(166)	(166)
Effect of movements in foreign exchange	(11)	—	(17)	—	(28)
Balance at 31 December 2018	6,939	5,201	1,954	8,451	22,545
Balance at 1 January 2019	**6,939**	**5,201**	**1,954**	**8,451**	**22,545**
Additions – internally developed	**—**	**—**	**—**	**2,165**	**2,165**
Additions – externally purchased	**744**	**1,895**	**432**	**—**	**3,071**
Balance at 31 December 2019	**7,683**	**7,096**	**2,386**	**10,616**	**27,781**
Amortisation and impairment					
Balance at 1 January 2018	—	2,050	429	2,525	5,004
Amortisation for the year	—	757	112	1,321	2,190
Disposals	—	—	—	(166)	(166)
Effect of movements in foreign exchange	—	—	(9)	(12)	(21)
Balance at 31 December 2018	—	2,807	532	3,668	7,007
Balance at 1 January 2019	**—**	**2,807**	**532**	**3,668**	**7,007**
Amortisation for the year	**—**	**663**	**311**	**1,351**	**2,325**
Balance at 31 December 2019	**—**	**3,470**	**843**	**5,019**	**9,332**
Net book value					
At 1 January 2018	6,950	3,151	643	3,534	14,278
At 31 December 2018 and 1 January 2019	6,939	2,394	1,422	4,783	15,538
At 31 December 2019	**7,683**	**3,626**	**1,543**	**5,597**	**18,449**

Impairment testing

Goodwill has been allocated to Cash Generating Units (CGUs) as follows:

	Goodwill	
	2019 $000	2018 $000
Quixant Gaming	**1,363**	1,363
IDS	**744**	-
Densitron Europe	**2,873**	2,873
Densitron US	**2,076**	2,076
Densitron France	**485**	485
Densitron Japan	**142**	142
	7,683	6,939

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired. The recoverable amounts of the CGUs are determined from the higher or the fair value less costs to sell and the calculations of value in use.

Value-in-use calculations have been prepared for each CGU by discounting the cash flow projections included in the financial budgets prepared by management and approved by the Board for 2020, together with a four-year forecast to 2024. The budgets were put together taking into account the planned roadmaps for the business and any specific market condition in which the cash generating unit operates. The growth rates used do not exceed the long-term average growth rates for the regions in which the CGUs operate. The cash flows have been discounted using discount rates appropriate for each CGU, and these are reviewed annually.

We have changed the methodology for assessing impairment this year for the CGUs in the Densitron division. We have assessed the individual CGUs (the individual sub-divisions of Densitron) separately, rather than assessing them as a Group of CGUs because for certain CGUs, we have noted that any reasonably possible changes in key assumptions could result in an impairment.

The annual impairment review indicated that no impairment of goodwill is necessary at 31 December 2019 or 31 December 2018.

Key assumptions

The following key assumptions have been adopted in the calculations:

Quixant Gaming CGU

- The revenue growth rates and increase in operating costs adopted for the years 2020-2024 were 0% (2018: 1%) and 2% (2018: 1%) respectively in order to take a conservative valuation approach;
- The terminal growth rate was estimated to be 0% (2018: 0%) for the same reason;
- The estimated pre-tax market participant weighted average cost of capital of the cash generating unit was calculated with reference to its risk profile and calculated to be 13.22% (2018: 7.44%). This is the discount rate that has been applied in determining the value in use.

IDS CGU

- The revenue growth rate adopted for the years 2020-24 were 10% reflecting higher recent growth and expected future growth from using Densitron's global sales capability. The increase in operating costs for the years 2020-24 have been estimated to be 2% to allow for inflation;
- The terminal growth rate was estimated to be 0%, to take a conservative approach;
- The estimated pre-tax market participant weighted average cost of capital of the cash generating unit was calculated with reference to its risk profile and calculated to be 15%. This is the discount rate that has been applied in determining the value in use.

Densitron Europe CGU

- The revenue growth rate adopted for the years 2020-24 were 1% (2018: 1%), with broadcast revenue growth expected to offset legacy revenue decline. The increase in operating costs for the years 2020-24 have been estimated to be 2% (2018: 2%) to allow for inflation;
- The terminal growth rate was estimated to be 1% in order to take a conservative valuation approach;
- Trading gross margins were assumed to be in line with 2019 operating performance, disclosure of the actual margin is commercially sensitive so is omitted here;
- The estimated pre-tax market participant weighted average cost of capital of the cash generating unit was calculated with reference to its risk profile and calculated to be 12.86%. This is the discount rate that has been applied in determining the value in use.

Densitron US CGU

- The revenue growth rate adopted for the years 2020-24 were 1% (2018: 1%), with broadcast revenue growth expected to offset legacy revenue decline. The increase in operating costs for the years 2020-24 have been estimated to be 2% (2018: 2%) to allow for inflation;
- The terminal growth rate was estimated to be 1% in order to take a conservative valuation approach;
- Trading gross margins were assumed to be in line with 2019 operating performance, disclosure of the actual margin is commercially sensitive so is omitted here;
- The estimated pre-tax market participant weighted average cost of capital of the cash generating unit was calculated with reference to its risk profile and calculated to be 12.76%. This is the discount rate that has been applied in determining the value in use.

Densitron France CGU

- The revenue growth rate adopted for the years 2020-24 were 0% (2018: 1%), with broadcast revenue growth equalling legacy revenue decline. The increase in operating costs for the years 2020-24 have been estimated to be 2% (2018: 2%) to allow for inflation;
- The terminal growth rate was estimated to be 0% in order to take a conservative valuation approach;
- Trading gross margins were assumed to be in line with 2019 operating performance, disclosure of the actual margin is commercially sensitive so is omitted here;
- The estimated pre-tax market participant weighted average cost of capital of the cash generating unit was calculated with reference to its risk profile and calculated to be 12.88%. This is the discount rate that has been applied in determining the value in use.

Densitron Japan CGU

- The revenue growth rate adopted for the years 2020-24 were 1% (2018: 1%), with broadcast revenue growth expected to offset legacy revenue decline. The increase in operating costs for the years 2020-24 have been estimated to be 1% (2018: 2%) to allow for inflation;
- The terminal growth rate was estimated to be 1% in order to take a conservative valuation approach;
- Trading gross margins were assumed to be in line with 2019 operating performance, disclosure of the actual margin is commercially sensitive so is omitted here;
- The estimated pre-tax market participant weighted average cost of capital of the cash generating unit was calculated with reference to its risk profile and calculated to be 12.85%. This is the discount rate that has been applied in determining the value in use.

SENSITIVITY TO CHANGES IN ASSUMPTIONS

Quixant Gaming and IDS CGUs

Sensitivity analysis was carried out for Quixant Gaming and IDS CGUs. The anticipated growth rates for each CGU were reduced, terminal values were halved and the discount rate for each cash generating unit was increased. In all cases, the value in use exceeded the carrying value. Following the sensitivity analysis that has been carried out for these CGUs, there were no areas that were identified as being particularly sensitive for either 2019 or 2018.

Densitron Europe CGU

The headroom on the Densitron Europe CGU on the assumptions above was $0. A sensitivity analysis has been performed assuming a 1% reduction in growth rate and long-term growth rate, a 1% increase in the discount rate and a 1% reduction in margins, in order to assess the impact of reasonable possible changes to the assumptions used in the impairment review. A 1% reduction in growth rate and long-term growth rate would result in an impairment of $500,000, a 1% increase in the discount rate would result in an impairment of $348,000, and a 1% reduction in margins would result in an impairment of $794,000. If the forecast assumed for 2020 and future periods did not materialise then an impairment could result.

Densitron US CGU

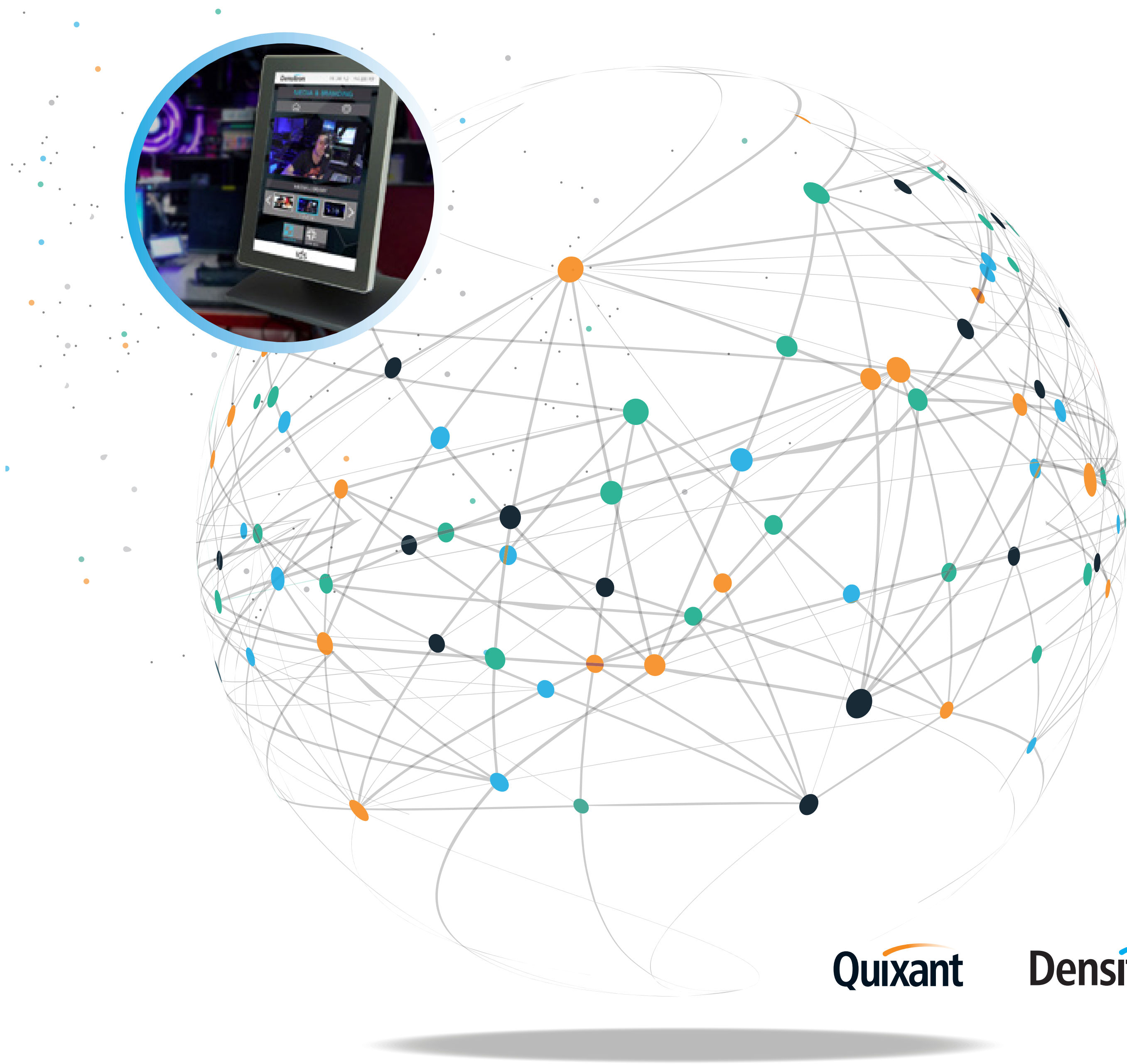
The headroom on the Densitron US CGU on the assumptions above was $697,000. A sensitivity analysis has been performed assuming a 1% reduction in growth rate and long-term growth rate, a 1% increase in the discount rate and a 1% reduction in margins, in order to assess the impact of reasonable possible changes to the assumptions used in the impairment review. A 1% reduction in growth rate and long-term growth rate would not result in an impairment, a 1% increase in the discount rate would not result in an impairment, and a 1% reduction in margins would result in an impairment of $137,000. If the forecast assumed for 2020 and future periods did not materialise then an impairment could result.

Densitron France CGU

The headroom on the Densitron France CGU on the assumptions above was $71,000. A sensitivity analysis has been performed assuming a 1% reduction in growth rate and long-term growth rate, a 1% increase in the discount rate and a 1% reduction in margins, in order to assess the impact of reasonable possible changes to the assumptions used in the impairment review. A 1% reduction in growth rate and long-term growth rate would result in an impairment of $83,000, a 1% increase in the discount rate would not result in an impairment, and a 1% reduction in margins would result in an impairment of $120,000.
If the forecast assumed for 2020 and future periods did not materialise then an impairment could result.

Densitron Japan CGU

The headroom on the Densitron Japan CGU on the assumptions above was $385,000. A sensitivity analysis has been performed assuming a 1% reduction in growth rate and long-term growth rate, a 1% increase in the discount rate and a 1% reduction in margins, in order to assess the impact of reasonable possible changes to the assumptions used in the impairment review. A 1% reduction in growth rate and long-term growth rate would not result in an impairment, a 1% increase in the discount rate would not result in an impairment, and a 1% reduction in margins would not result in an impairment. If the forecast assumed for 2020 and future periods did not materialise then an impairment could result.



12. INTANGIBLE ASSETS – COMPANY

	Computer Software $000	Internally Generated Capitalised Development costs $000	Total $000
Cost			
Balance at 1 January 2018	1,060	3,763	4,823
Additions– externally purchased	889	—	889
Effect of movements in foreign exchange	(17)	—	(17)
Balance at 31 December 2018	1,932	3,763	5,695
Balance at 1 January 2019	**1,932**	**3,763**	**5,695**
Additions– externally purchased	**432**	**—**	432
Balance at 31 December 2019	**2,364**	**3,763**	**6,127**
Amortisation			
Balance at 1 January 2018	426	2,338	2,764
Amortisation for the year	107	748	855
Effect of movements in foreign exchange	(9)	—	(9)
Balance at 31 December 2018	524	3,086	3,610
Balance at 1 January 2019	**524**	**3,086**	**3,610**
Amortisation for the year	**306**	**323**	**629**
Balance at 31 December 2019	**830**	**3,409**	**4,239**
Net book value			
At 1 January 2018	634	1,425	2,059
At 31 December 2018 and 1 January 2019	**1,409**	**677**	**2,085**
At 31 December 2019	**1,534**	**354**	**1,888**

13. INVESTMENT PROPERTY

	GROUP		COMPANY	
	2019 $000	2018 $000	**2019 $000**	2018 $000
Balance at 1 January	631	674	—	—
Impairment	(631)			
Effect of movements in foreign exchange	—	(43)	—	—
Balance at 31 December	—	631	—	—

Investment property relates to an area of land owned by the Group at Blackheath in London. The Group has written off the previously-booked value of the land as it has failed to sell the land and failed more than once to get planning permission to build on the land. Previous valuations were based on the ability to build on the land which is subject to a Metropolitan Land Order which restricts this. The land has on-going costs attached to it which, as it cannot currently be sold or built on, make it a liability rather than an asset. The fair value of the investment property was previously determined by external, independent property valuers, having appropriate professional qualifications and recent experience in the location and category of the property being valued. The previous carrying value is based on a valuation carried out on 10 May 2013 – an updated valuation was carried out in 2017 but not used as it relied on residential planning permission that had failed to be achieved. In years where an external valuation wasn't undertaken directors performed a desktop review to ascertain the fair value of the investment property.

14. INVESTMENTS IN GROUP COMPANIES AND ASSOCIATED UNDERTAKINGS

The principal subsidiary undertakings in which the Company had an interest in the year were:

Company name	Registered office of business	Principal activities	Class of Shares Held	Ownership 2019 and 2018
Quixant USA Inc	1	Distribution company	Ordinary	100%
Quixant Gaming Limited	2	Sales of specialist computer systems	Ordinary	100%
Quixant Italia srl	3	Software development	Ordinary	99%
Densitron Technologies Limited	2	Holding company	Ordinary	100%
Quixant UK Limited*	2	Sales of electronic displays products	Ordinary	100%
Densitron Corporation of Japan*	4	Sales of electronic displays products	Ordinary	100%
Densitron Corporation*	5	Sales of electronic display products	Ordinary	100%
Densitron France**	6	Sales of electronic display products	Ordinary	100%
Densitron Deutschland GmbH**	7	Sales of electronic display products	Ordinary	100%
Densitron Land Ltd*	2	Property development	Ordinary	100%
IDS Control Solutions Limited***	2	Dormant	Ordinary	100%/0%
Densitron Nordic Oy**	10	Sales of electronic displays products	Ordinary	0%/80%
Quixant Deutschland GmbH	8	Sales of electronic displays products	Ordinary	100%
Densitron Embedded D.O.O.*	9	Design of electronic displays	Ordinary	100%

* Subsidiary of Densitron Technologies Limited
** Subsidiary of Densitron UK Limited
*** Subsidiary of Quixant Gaming Limited

1. 2147 Pama Lane Bldg 6 Las Vegas NV 89119 USA
2. Aisle Barn, 100 High Street, Balsham, Cambridge CB21 4EP
3. Contrada Case Bruciate, 1, Torrita Tiberina (RM), 00060, Italy
4. Aichiya Building 2F, 1-26-2 Omorikita, Ota-ku, Tokyo
5. 2330 Pomona Rincon Road, Corona, CA 92880
6. 3 Rue de Tasmanie, 441115, Basse-Goulaine
7. Airport Business Centre, AM Solnermoos 17, Halbergmoos, 85399, Germany
8. Römerstraße 7, D-85661 Forstinning, Germany
9. Brnčičeva ulica 13, 1231 Ljubljana-Črnuče, Slovenia
10. FMyllypuronitie 1, 00920 Helsinki, Finland

Fixed asset investments

	COMPANY	
	2019 $000	2018 $000
Balance at 1 January	**11,992**	11,982
Impairment	**(2,646)**	—
Acquisitions – Group-settled share-based payments	—	10
Balance at 31 December	**9,346**	11,992

Following the impairment loss recognized, the recoverable amount was equal to the carrying amount. Therefore any adverse movement in a key assumption would lead to a further impairment. The key assumptions are the same as those shown in the Densitron CGUs in note 12.

15. DEFERRED TAX ASSETS AND LIABILITIES – GROUP

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	ASSETS 2019 $000	ASSETS 2018 $000	LIABILITIES 2019 $000	LIABILITIES 2018 $000
Property, plant and equipment	—	—	77	100
Intangible assets – capitalised development costs	—	—	762	686
Intangible assets – acquired in business combinations	—	—	630	431
Share-based payments	(121)	(93)	—	—
Receivables	(7)	(18)	—	—
Inventory provisions	(67)	(25)	—	—
Other	(145)	(100)	—	(3)
Net deferred tax (assets)/liabilities	(340)	(236)	1,469	1,214

Movement in deferred tax during the year

	1 January 2019 $000	Recognised in Profit & Loss $000	31 December 2019 $000
Property, plant and equipment	100	(23)	77
Intangible assets – capitalised development costs	686	76	762
Intangible assets – acquired in business combinations	431	199	630
Share-based payments	(93)	(28)	(121)
Receivables	(18)	11	(7)
Inventory provisions	(25)	(42)	(67)
Other	(103)	(42)	(145)
	978	151	1,129

Movement in deferred tax during the prior year

	1 January 2018 $000	Recognised in Profit & Loss $000	31 December 2018 $000
Property, plant and equipment	158	(58)	100
Intangible assets – capitalised development costs	582	104	686
Intangible assets – acquired in business combinations	565	(134)	431
Share-based payments	(84)	(9)	(93)
Receivables	(18)	—	(18)
Inventory provisions	(25)	—	(25)
Other	(68)	(35)	(103)
	1,110	(132)	978

DEFERRED TAX ASSETS AND LIABILITIES – COMPANY

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	ASSETS 2019 $000	ASSETS 2018 $000	LIABILITIES 2019 $000	LIABILITIES 2018 $000
Property, plant and equipment	—	—	59	72
Intangible assets – capitalised development costs	—	—	54	97
Inventories	(12)	(12)	—	—
Share-based payments	(118)	(89)	—	—
Foreign exchange	(27)	—	—	12
Deferred tax (assets)/liabilities	(157)	(101)	113	181

Movement in deferred tax during the year

	1 January 2019 $000	Recognised in Profit & Loss $000	31 December 2019 $000
Property, plant and equipment	72	(13)	59
Intangible assets – capitalised development costs	97	(43)	54
Share-based payments	(89)	(29)	(118)
Inventories	(12)	—	(12)
Foreign exchange	12	(39)	(27)
	80	(124)	(44)

Movement in deferred tax during the prior year

	1 January 2018 $000	Recognised in Profit & Loss $000	31 December 2018 $000
Property, plant and equipment	131	(59)	72
Intangible assets – capitalised development costs	255	(158)	97
Share-based payments	(79)	(10)	(89)
Inventories	(12)	—	(12)
Foreign exchange	13	(1)	12
	308	(228)	80

16. INVENTORIES

	GROUP		COMPANY	
	2019 $000	2018 $000	**2019 $000**	2018 $000
Raw materials and consumables	**10,793**	9,792	**10,715**	**10,715**
Work in progress	**63**	2,425	**63**	**2,158**
Finished goods	**9,324**	7,222	**2,957**	**1,814**
	20,180	19,439	**13,735**	**13,735**

Raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales in the year amounted to $57,759,000 (2018: $77,200,000).

The cost of inventories recognised as an expense includes $340,000 (2018: $750,000) in respect of write downs of inventory to net realisable value.

17. TRADE AND OTHER RECEIVABLES

	GROUP		COMPANY	
	2019 $000	2018 $000	**2019 $000**	2018 $000
Trade receivables	**19,994**	25,912	**—**	—
Amounts receivable from subsidiary undertakings	**—**	—	**36,281**	8,023
Other receivables	**3,908**	5,175	**1,254**	1,932
	23,902	31,087	**37,535**	9,955

All trade and other receivables are receivable within one year and are included as current assets.

A provision of $300,861 has been provided in respect of potential doubtful debts (expected credit losses) as at 31 December 2019 (31 December 2018: $234,437). The directors have considered the nature of the customers, the historic levels of bad debts and the payment profile of customer contracts in reaching the value of the expected credit losses above. See note 24 for further disclosure regarding the credit quality of the Group's trade debtors.

Management have also considered the expected credit losses in relation to amounts owed from subsidiary undertakings and has considered it to be immaterial.

As at 31 December 2019 the following sets out the trade receivables that were past due but not impaired. These relate to customers where there is no evidence of unwillingness or of an inability to settle the debt.

The ageing of these receivables is as follows:

	GROUP		COMPANY	
	2019 $000	2018 $000	**2019 $000**	2018 $000
30 – 60 days	**5,455**	1,331	—	—
61 – 90 days	**1,180**	422	—	—
Over 90 days	**154**	110	—	—
	6,790	1,864	—	—

18. CASH AND CASH EQUIVALENTS/ BANK OVERDRAFTS

	GROUP		COMPANY	
	2019 $000	2018 $000	**2019 $000**	2018 $000
Cash and cash equivalents per balance sheet	**16,954**	11,082	**1,219**	2,456
Cash and cash equivalents per cash flow statements	**16,954**	11,082	**1,219**	2,456

19. OTHER INTEREST-BEARING LOANS AND BORROWINGS

This note provides information about the contractual terms of the Group and Company's interest-bearing loans and borrowings, which are measured at cost. For more information about the Group and Company's exposure to interest rate and foreign currency risk, see note 24.

	GROUP		COMPANY	
	2019 $000	2018 $000	**2019 $000**	2018 $000
Non-current liabilities				
Secured bank loans	**738**	823	**738**	823
	738	823	**738**	823
Current liabilities				
Current portion of secured bank loans	**82**	530	**81**	263
	82	530	**81**	263

Terms and debt repayment schedule

	Currency	Nominal Interest Rate	Year of Maturity	Face Value 2019 $000	Carrying Amount 2019 $000	Face Value 2018 $000	Carrying Amount 2018 $000
Loan secured on the Group's freehold property in Taiwan	NTD	1.45%	2028	820	820	908	908
Letters of credit	NTD	2.6% to 2.68%	2019	—	—	178	178
Factoring	Euro	1.3% over Euribor	2018	—	—	267	267
				820	820	1,353	1,353

Reconciliation of liabilities arising from financing activities

	CASH FLOWS		RECLASSIFICATION	
	2018 $000	**$000**	**$000**	**2019 $000**
Non-current liabilities	**823**	**(3)**	**(82)**	738
Current liabilities	**530**	**(530)**	**82**	82
	1,353	**(533)**	**—**	820
	2017 $000			**2018 $000**
Non-current liabilities	924	(16)	(85)	823
Current liabilities	5,811	(5,366)	85	530
	6,735	(5,382)	—	1,353

20. TRADE AND OTHER PAYABLES

	GROUP		COMPANY	
	2019 $000	2018 $000	**2019 $000**	2018 $000
Current				
Trade payables	**12,678**	16,744	**10,426**	11,883
Other tax and social security payables	**209**	421	**—**	5
Other payables and accrued expenses	**4,869**	3,887	**1,729**	1,752
Amounts payable to subsidiary undertakings	**—**	—	**29**	5,517
	17,756	21,052	**12,184**	19,157

21. EMPLOYEE BENEFITS

Defined contribution plans

The Group operates a number of defined contribution pension plans.

The total expense relating to these plans in the current year was $534,000 (2018: $689,000).

Share-based payments – Group and Company

In 2013 the Company issued share options to employees. To be able to exercise these options, employees are required to be employed by the Company for a period of three years from the grant date. In addition exercise is conditional on the Company achieving a minimum level of EPS growth over the vesting period.

Exercise prices are set out below. Options issued under the scheme expire 10 years from grant date.

The fair value of employee share options is measured using a Black Scholes model. Measurement inputs and assumptions are as follows:

	Issue 7a	Issue 7	Issue 6b	Issue 6	Issue 5	Issue 4	Issue 3	Issue 2	Issue 1
Fair value at grant date	£0.885	£1.016	£1.48	£1.402	£1.51	£2.09	£1.63	£0.61	£0.19
Weighted average share price	£2.58	£2.96	£4.30	£4.085	£3.90	£2.09	£1.63	£1.37	£0.46
Exercise price	£2.58	£2.96	£4.30	£4.085	£3.90	£2.09	£1.63	£1.40	£0.49
Expected volatility	40%	40%	40%	40%	44%	44%	44%	50%	50%
Option life	5 years	5 years	5 years	5 years	5 years	5 years	5 years	5 years	5 years
Risk-free interest rate	0.90%	0.90%	0.90%	0.90%	0.90%	0.90%	0.90%	0.90%	0.90%

The fair values at grant date were converted at the exchange rate on the grant date to give fair values of $1.15, $1.32, $2.07, $1.96, $5.01, $2.93, $2.43, $0.98 and $0.29 per option. The total expense recognised in the period in respect of share options is $243,000 (2018: $111,000).

The number and weighted average exercise prices of share options are as follows:

	Weighted Average Exercise Price 2019	**Number Of Options 2019**	Weighted Average Exercise Price 2018	Number Of Options 2018
Outstanding at the beginning of the year	**£2.63**	**429,068**	£1.31	631,198
Granted during the year	**£2.89**	**144,500**	£4.22	165,000
Lapsed during the year	**£3.57**	**(22,000)**	£2.76	(45,830)
Exercised during the year	**£1.97**	**(78,778)**	£0.91	(321,300)
Outstanding at the end of the year	**£2.78**	**472,790**	£2.63	429,068

22. PROVISIONS

Group

	2019 $000	2018 $000
Balance at 1 January	**306**	—
Provisions made during the year	**37**	306
Balance at 31 December	**343**	306

The provision is in respect of long-term employment liabilities in Italy and Japan and is non-current.

The Company has no provisions.

23. CAPITAL AND RESERVES

Share capital

Fully paid ordinary shares of 0.1p per share	**Ordinary shares Number**	**Share Capital $000**	**Share Premium $000**
Balance at 1 January 2019	**66,356,282**	**106**	**6,499**
Exercise of share options (see note 21)	**78,778**	**—**	**199**
Balance at 31 December 2019	**66,435,060**	**106**	**6,698**
Balance at 1 January 2018	**66,034,982**	**106**	**6,102**
Exercise of share options (see note 21)	**321,300**	**—**	**397**
Balance at 31 December 2018	**66,356,282**	**106**	**6,499**

The holders of fully paid ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.

Dividends

The following dividends were recognised during the period:

	2019 $000	2018 $000
3.1p (2018: 2.6p) per qualifying ordinary share	**2,760**	2,315
Total dividends recognised in the year	**2,760**	2,315

24. FINANCIAL INSTRUMENTS – GROUP AND COMPANY

This note presents information about the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Financial risks

The Group's activities expose it to a number of financial risks including credit risk, cash flow risk and exchange rate risk:

Credit risk

The Group's principal financial assets are bank balances and cash, trade and other receivables. The Group's credit risk is primarily attributable to its trade receivables, which were concentrated in a small number of high-value customer accounts, but following the acquisition of the Densitron Group of companies this risk has been reduced. In addition, operations in emerging or new markets may have a higher than average risk of political or economic instability and may carry increased credit risk. In each case the risk to the Group is the recoverability of the cash flows.

Credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies. The credit risk on trade and other receivables is managed by agreeing appropriate payment terms with customers, obtaining credit agency ratings of all potential customers, by requiring wherever possible payment for goods in advance or upon delivery, and by closely monitoring customers balances due, to ensure they do not become overdue. In addition careful consideration is given to operations in emerging or new markets before the Group enters that market.

The aging of trade receivables at the Balance Sheet date is set out in note 17.

Cash flow risk

Group cash balances and expected cash flow are monitored on a daily basis to ensure the Group has sufficient available funds to meet its needs.

Exchange rate risk

Group exposure to exchange rate risk includes the measurement of overseas operations at the relevant exchange rate and changes in trade payables and receivables as a result of exchange rate movements. Daily exchange rate movements are monitored and any losses or gains incurred are taken to the Profit and Loss account and reported in the Group's internal management information. Before agreeing any overseas transactions consideration is given to utilising financial instruments such as hedging and forward purchase contracts.

Liquidity risk

Group policy is to maintain a strong capital base so as to enhance investor, creditor and market confidence. Surplus funds are placed on deposits with cash balances available for immediate withdrawal if required.

CAPITAL MANAGEMENT

Group and Company

The capital management policy is to maintain a strong capital base so as to enhance investor, creditor and market confidence. The Board's objective is to safeguard the Group's ability to continue as a going concern, to sustain the future development of the business and to provide returns for shareholders, whilst controlling the cost of capital.

The Group monitors capital on the basis of the carrying amount of equity, less cash and cash equivalents as presented on the face of the Balance Sheet.

In order to maintain or adjust the capital structure the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets.

There were no changes in the Group's approach to capital management during the period. Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

	GROUP		COMPANY	
	2019 $000	2018 $000	**2019 $000**	2018 $000
Total equity	**65,288**	59,433	**54,408**	23,048
Cash and cash equivalents	**(16,954)**	(11,082)	**(1,219)**	(2,456)
Capital	**48,334**	48,351	**53,189**	20,592

	GROUP		COMPANY	
	2019 $000	2018 $000	**2019 $000**	2018 $000
Total equity	**65,288**	59,433	**54,408**	23,048
Other financial liabilities	**820**	1,353	**819**	1,086
Total financing	**66,108**	60,786	**55,227**	24,134

Financial assets and liabilities

The Group's activities are financed by cash at bank and bank borrowings.

CREDIT RISK

Exposure to credit

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	GROUP		COMPANY	
	2019 $000	2018 $000	**2019 $000**	2018 $000
Cash and cash equivalents	**16,954**	11,082	1,219	2,456
Trade and other receivables excluding prepayments	**19,994**	25,912	36,287	8,065
	36,948	36,994	37,506	10,521

The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was:

	GROUP		COMPANY	
	2019 $000	2018 $000	**2019 $000**	2018 $000
Australia	**2,200**	856	—	—
USA	**8,254**	9,450	—	—
Europe	**8,119**	14,193	—	—
Asia	**1,421**	1,413	—	—
	19,994	25,912	—	—

Liquidity Risk

The following are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting agreements.

Group	Trade and Other Payables $000	Other Financial Liabilities $000	Total $000
31 December 2019			
Carrying amount	**17,754**	**820**	**18,574**
Contractual cash flows			
6 months or less	**17,754**	**41**	**17,795**
6 to 12 months	**—**	**41**	**41**
More than 12 months	**—**	**738**	**738**
	17,754	**820**	**18,574**

Group	$000	$000	$000
31 December 2018			
Carrying amount	21,052	1,353	22,405
Contractual cash flows			
6 months or less	21,052	537	21,589
6 to 12 months	—	7	7
More than 12 months	—	940	940
	21,052	1,484	22,536

Company	$000	$000	$000
31 December 2019			
Carrying amount	**12,184**	**819**	**13,003**
Contractual cash flows			
6 months or less	**12,184**	**41**	**12,225**
6 to 12 months	**—**	**41**	**41**
More than 12 months	**—**	**737**	**737**
	12,184	**819**	**13,003**

Company	$000	$000	$000
31 December 2018			
Carrying amount	19,157	1,086	20,243
Contractual cash flows			
6 months or less	19,157	270	19,427
6 to 12 months	—	7	7
More than 12 months	—	940	940
	19,157	1,217	20,374

The carrying amounts of the Group's financial assets and liabilities may also be categorised as follows:

	GROUP		COMPANY	
	2019 $000	2018 $000	**2019 $000**	2018 $000
Current assets				
Cash and cash equivalents	**16,954**	11,082	1,219	2,456
Trade and other receivables excluding prepayments	**19,994**	25,912	36,287	8,065
	36,948	36,994	37,506	10,521

All of the above relate to the IFRS9 category 'loans and receivables' and are measured at amortised cost.

	GROUP		COMPANY	
	2019 $000	2018 $000	**2019 $000**	2018 $000
Current liabilities				
Trade and other payables	**(17,754)**	(21,052)	**(12,184)**	(19,157)
Other financial liabilities	**(82)**	(530)	**(81)**	(263)
	(17,836)	(21,582)	**(12,265)**	(19,420)
Non-current liabilities				
Other financial liabilities	**(738)**	(823)	**(738)**	(823)
	(18,574)	(22,405)	**(13,003)**	(20,243)

All of the above relate to the IFRS9 category 'other financial liabilities' and are measured at amortised cost.

Liquidity needs are managed by regular review of the timing of expected receivables and the maintenance of cash on deposit.

Currency risk

Whilst the Group experiences some revenue, cost of sales and overheads in other currencies, the majority of revenue and cost of sales is denominated in US Dollars which is the Group's reporting currency and therefore foreign currency risk is considered to be limited.

Interest rate and currency profile

The Group's financial assets comprise trade and other receivables and cash at bank. At 31 December 2019 the average interest rates earned on the daily closing balances were 1.69% and 1.64% (2018: 1.69% and 1.64%).

Sensitivity analysis

For the above reasons, the Group's sensitivity to interest rates and currency exchange rates are considered immaterial.

Fair values versus carrying amounts

The Directors consider that there is no material difference between fair values and carrying amounts of financial assets and liabilities.

25. LEASES

The Group and Company do not have material operating leases that have not been capitalised under IFRS 16 in 2019.

The 2018 operating leases disclosures are as follows:

	GROUP	COMPANY
	2018 $000	**2018 $000**
Less than one year	**452**	**199**
Between one and five years	**608**	**191**
More than five years	**167**	**—**
	1,227	**390**

Group

In 2018 $471,000 was recognised as an expense in the Profit and Loss Account in respect of operating leases.

Company

In 2018 $203,000 was recognised as an expense in the Profit and Loss Account in respect of operating leases.

IFRS 16

The Group and Company leases office and the Group a small number of cars of immaterial value where employment practice demands company cars be available. Office leases typically run from 5 to 10 years with options to renew. Lease payments are negotiated every five years to reflect market rentals. Sub-leasing arrangements are not always available. Car leases are typically three years long. Group expenses of $32,000 were incurred in 2019 on leases excluded because they are short-term (less than one year) or low value (asset is less than $5,000). Group interest expense on IFRS 16 lease liabilities in 2019 was $120,000. Group right of use assets total $894,000 at 31 December 2019, $1,574,000 at 1 January 2019 and depreciation was $680,000 in the year. For the Company, interest expense on IFRS 16 lease liabilities in 2019 was $52,000. The Company right of use assets total $252,000 at 31 December 2019, $653,000 at 1 January 2019 and depreciation was $402,000 in the year. Expenses of $24,000 were incurred in 2019 on leases excluded because they are short-term (less than one year) or low value (asset is less than $5,000).

26. COMMITMENTS

The Group and Company were committed to the implementation of a group accounting system which was in progress at 31 December 2018. The amount committed, not spent, at that date was $320,000. The system has been fully paid for in 2019 and no further commitments are outstanding at 31 December 2019.

27. CONTINGENCIES

Neither the Group nor Company had any contingencies existing at 31 December 2019 (2018: none).

28. RELATED PARTIES

Group

In June 2016 two Directors entered into a related party transaction. The wife of G P Mullins rented a house to a subsidiary company at a rent of £2,500 per calendar month. The rent payable is determined on an arm's length basis. The subsidiary company provided the house rent-free to J F Jayal. It was agreed between Mrs Mullins and Mr Jayal to terminate the agreement in March 2018. Two months of rent of £5,000 was paid by the subsidiary company to Mrs Mullins in 2018, so are disclosed here as they relate to the prior period.

During the year the Group paid €31,200 (2018: €31,200) for administration services to Francesca Marzilli, the wife of Nick Jarmany, and NTD 644,397 (2018: NTD 424,853) for HR services to Jenny Lin, the daughter of C-T Lin.

There were no other related party transactions other than transactions with Key Management Personnel, who are the Directors disclosed in Note 7 above.

Other related party transactions

There are no other transactions and balances with key management not included within the Directors' remuneration.

29. SUBSEQUENT EVENTS

As discussed in the Going Concern notes in the Directors' Report and in note 1 to the financial statements, the Covid-19 pandemic may result in severe reductions in future revenues, profits and cash flows. As described in the Going Concern notes there are short-term actions, as well as the Group's existing cash reserves, that are already being taken to ensure the Group survives over the next 12 months. At present levels of uncertainty it is not practical to conclude on an appropriate valuation basis for all assets on the balance sheet except cash but we continue to monitor the situation closely.

COMPANY INFORMATION

Directors	M J Peagram N C L Jarmany C-T Lin G P Mullins J F Jayal G L Millward G van Zwanenberg
Company secretary	L E Park
Registered office	Aisle Barn 100 High Street Balsham Cambridge CB21 4EP
Auditor	KPMG LLP Botanic House 100 Hills Road Cambridge CB2 1AR
Nominated advisor and Broker	finnCap 60 New Broad Street London EC2M 1JJ
Financial PR	Alma PR 71-73 Carter Lane London EC4V 5EQ
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