A PLATFORM FOR SUCCESS

Quixant plc

Annual Report and Accounts

For the year ended 31 December 2020

Quixant plc

We are pioneering technology outsource partners delivering highly-specialised products focussed on the needs of specific global industries with particular focus on the casino gaming and slot machine market.

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Strategic Report

Quixant is a critical supply chain and technology partner for major global industrial equipment manufacturers.

OUR QUIXANT GAMING BUSINESS designs, develops and manufactures gaming platforms and display solutions for the casino gaming and slot machine industry. Through Quixant, major gaming machine manufacturers have the ability to outsource non-differentiating aspects of their machine, including the computer platform and low-level software. This enables them to focus their R&D resource on game design which is the most critical component to improve player enjoyment.

OUR DENSITRON BUSINESS is a global specialist in Human Machine Interaction bringing innovative displays, control surfaces and control systems to a wide range of global industrial markets with particular focus on the Broadcast sector. Densitron enables manufacturers of industrial equipment to revolutionise the control of their devices with tactile touchscreen displays and user-friendly graphical user interfaces driven by flexible embedded computer options.

HIGHLIGHTS

FINANCIAL HIGHLIGHTS

DIVIDEND of
2.0p
PER SHARE RECOMMENDED
(2019: Nil)

GROUP REVENUE of
$63.8m
(FY 2019: $92.3m)

NET CASH AT 31 DECEMBER 2020
$17.4m
(FY 2019: $16.1m)

QUIXANT GAMING DIVISION REVENUE of
$30.3m
(FY 2019: $56.2m)

Revenue Split Between:

GAMING PLATFORMS REVENUE of **$27.5m**
(FY 2019: $46.6m)

GAMING MONITORS REVENUE of **$2.8m**
(FY 2019: $9.6m)

NET CASH FROM OPERATING ACTIVITIES of
$4.0m
(FY 2019: $14.9m)

DENSITRON DIVISION REVENUE of
$33.5m
(FY 2019: $36.2m)

FULLY DILUTED EPS of
($0.0445)/share
(FY 2019: $0.1243/share)

GROUP ADJUSTED PRE-TAX PROFIT of
$1.3m
(FY 2019: $10.7m profit)[1]

ADJUSTED FULLY DILUTED EPS of
($0.0040)/share
(FY 2019: $0.1396/share)[2]

GROUP REPORTED PRE-TAX LOSS of
$2.0m
(FY 2019: $9.4m profit)

1. Adjusted by adding back items included in the adjusted PBT reconciliation in note 1 to the financial statements totalling $3.3m (2019: $1.3m).
2. Adjusted by adding back the items included in note 1 above and subtracting the associated tax effect as set out in note 9 to the financial statements. In 2020 these amounted to $2.7m (2019: $1.0m).

OPERATIONAL HIGHLIGHTS

Return to profitability in the second half of 2020 driven by improved performance in Gaming business and continued resilient Densitron trading.

Close customer engagement through the crisis leading to positive net cash generation through the year. improved relationships and increased new business potential.

New gaming business models arising from market disruption due to COVID-19 bringing about opportunities with a pilot customer due to commence a lease programme of Quixant technology in the second half of 2021.

New gaming business wins in 2020 expected to contribute in excess of $5m of revenue in 2021.

Densitron sales supported by conversion of pipeline in broadcast and medical sectors which both showed year-on year double digit growth to, partially offset declines in other sectors.

106% order coverage of Group internal budget for first six months of the year.

Jon Jayal,
CHIEF EXECUTIVE OFFICER OF QUIXANT, commented:

"Considering that our key global gaming market was so materially impacted in 2020 due to the pandemic. I believe that to report an adjusted profit before tax and an improvement in our net cash position from FY 2019 is a remarkable achievement. It reflects the resilience in our Densitron business, the strength of the relationship we have with our customers and a robust balance sheet entering the year.

2021 has started strongly, with healthy order intake such that we now have 106% coverage of internal budget for the first half of the year. As the gaming industry evolves out the crisis, we are bringing pioneering new offerings to market which we believe will support customers in their recovery. It is also pleasing to see double digit growth in our Densitron broadcast business despite the headwinds caused by the pandemic. The electronic component shortages present us with short-term supply chain risks, but we continue to utilise our strong cash position to mitigate the impact of these on 2021 trading.

The Board is confident in the future prospects of the Group which is reflected in our decision to recommend payment of a dividend."

CHAIRMAN'S STATEMENT

Michael Peagram CHAIRMAN

Resilient trading through unprecedented gaming market disruption.

When we reported on our 2019 annual results, many of the countries in which the Group operates had moved into government mandated lockdown measures and we were entering into a second quarter in which we saw an unprecedented closure of almost all global land-based gaming markets. This had a profound impact on our gaming business, which saw an 87% year on year decline in revenues in the second quarter of 2020. During this time Densitron continued to trade resiliently, supported by its highly diversified industrial sector exposure.

Thanks to our preceding years of strong profitability, we entered this period of uncertainty with a healthy cash balance. This allowed us to make a measured and creative response during the tumultuous period that followed, as well as positioning us strongly for expected future growth as normal trading resumes.

We provided extraordinary support to our gaming customers, who faced significant financial and operational challenges, some of which continue today. These times of crisis have confirmed our position as a close outsource technology partner for them which in the long run positions us well for new business. It has also provided us with the opportunity to re-evaluate and refresh our gaming market propositions and align them with the challenges the market is facing in the recovery.

We undertook some streamlining of our overheads during the year, but importantly avoiding cost reductions which would inhibit our ability to take advantage of the re-emergence of normal demand across our end markets.

We made progress in strengthening the senior management team, executing our succession plan for the business founders and implementing a new corporate governance framework. Having successfully hired senior management in the Gaming and Densitron businesses over the last 18 months, we have established an Executive Committee. As part of this transition, two of the founders, Nick Jarmany and Gary Mullins, moved to non-executive roles on the board in May 2020 and JJ (C-T) Lin stepped down from the board.

In January 2021 we welcomed Francis Small to the board as senior independent non-executive director. He has had a distinguished business and professional career and I am delighted with the contribution he has already made.

I believe the business is in a good position with high quality leadership, a robust balance sheet and strong growth opportunities.

I joined Quixant some months before the AIM flotation in 2013 and after nine years of service, now is an appropriate time for me to retire. I shall therefore step down from the Board at the AGM and I am delighted that Francis Small will take over as Chairman.

While we remain necessarily cautious about the outlook, we are confident in the resilience of our business and its continued cash generation. We are therefore recommending payment of a dividend of 2.0p per share for 2020 (2019: no dividend paid).

Michael Peagram CHAIRMAN

CHIEF EXECUTIVE'S REPORT

Jon Jayal CHIEF EXECUTIVE OFFICER

Profitable second half and growth in net cash balance

I am pleased to report that a return to profitable trading during the second half of the year enabled the Group to post an adjusted profit before tax for the year ending 31 December 2020 of $1.3m (2019: $10.7m) corresponding to a full year reported pre-tax loss of $2.0m (2019: profit of $9.4m). Full year Group revenue of $63.8m was down 31% on prior (2019: $92.3m) due to the impact of COVID-19 weighing heavily on demand in the gaming business, which ended the year with revenue of $30.3m (2019: $56.2m). Densitron traded resiliently through the period and, despite supply chain challenges and weak demand across certain sectors, posted revenue of $33.5m (2019: $36.2m).

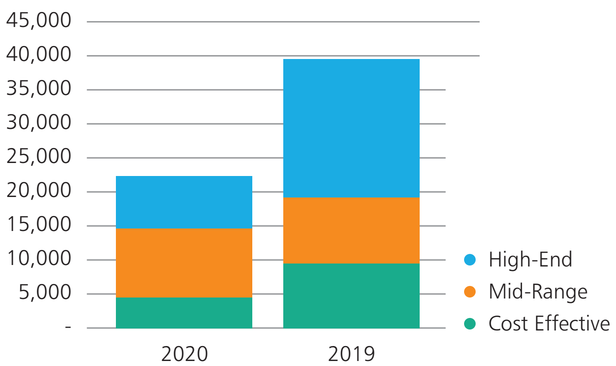
Careful cash management, recovery in the gaming business and stable Densitron trading enabled us to grow our net cash position from $16.1m at the start of the year to $17.4m by December 2020.

Gaming Business Review

After a strong first quarter in which revenue was up 54% year-on-year, the gaming business experienced a sharp decline in demand in the second quarter (down 87% on prior year) as almost all global gaming venues closed their doors due to the pandemic.

We shipped 22,000 gaming platforms during 2020 compared to just over 40,000 in 2019, with a higher concentration of revenue from mid-range product than in the previous year. This was driven by sustained demand through the year from European customers for our QXi-6000 and new business wins in the year using its successor – the QXi-7000. Conversely high-end product sales from the casino markets were down year-on-year due to COVID-19 related weakness in customer demand.

Quantity platform sales (quantity) by product family



Despite having retained all our customers through the year, gaming monitor shipments were weak due to the pandemic and contributed $2.8m of revenue (2019: $9.6m). We nonetheless continue to see opportunities ahead for our monitor propositions and, in particular, our more niche button deck products.

CAREFUL MANAGEMENT THROUGH SECOND QUARTER SHUTDOWN

Our gaming customers saw an immediate cessation of both machine sales and revenue share income in March 2020 which, put many under significant financial pressure. During this extremely challenging period, our primary objectives were to:

1. Maintain close dialogue with the senior management of our customers to understand their position, evaluate market sentiment and plan for the recovery;
2. Establish payment schemes to ensure outstanding debts owed to us were settled while being sympathetic to customers' cashflow challenges; and
3. Protect our cashflow through working with our suppliers to defer our orders with them where possible.

I am proud of the team's performance through this period. Our customers faced difficult business decisions in some cases in order to survive the second quarter with the sharp decline in revenue driving widespread salary cuts, furloughs and redundancies, payment deferrals and debt raises to supplement liquidity.

EVERI SHOWCASE

Our largest customer, Everi saw an 89% decline in its share price through March, furloughed an undisclosed number of employees and implemented salary cuts across the executives and employees remaining. In addition, Everi raised a further $125m to supplement its liquidity position. We remained in weekly contact with senior leadership at Everi, provided extended payment terms for the outstanding debt and agreed deferral of their order commitments.

"2020 was a challenging and uncertain time for Everi and the entire gaming community, as our end markets were severely impacted by pandemic-related restrictions. As a result, our revenues and cash flow were severely limited in the short-term, and Quixant was responsive to our situation. Together, we were able to collaboratively work to manage the challenges, enabling us to maintain an eye to the horizon and the growth prospects beyond. Our partnership with Quixant is an important relationship to us, and together we look to a successful future."

Dean Ehrlich
EXECUTIVE VICE PRESIDENT AND GAMES BUSINESS LEADER
Everi

As North American gaming venues, led by the tribal properties, started reopening from late May 2020, Everi saw a rapid increase in activity and have since continued to show excellent game performance with some of the highest performing games in the charts. Everi is well-poised to grow its market share over the coming year.

The result of the actions by our team has been to secure settlement of outstanding debts and demonstrate our commitment and partnership to our customers, all of whom we continue to supply. I believe this has significantly strengthened customer relationships and led to new business opportunities as the recovery continues.

IMPROVEMENT IN SECOND HALF AND STRONG BUSINESS POTENTIAL GENERATED

The third quarter saw a significant improvement in business activity with a recommencement of order intake and even new business wins with a number of European customers, including one which entered mass production during the fourth quarter. This improvement in activity was such that second half gaming revenues were 55% higher than first half revenues. The gaming business has a strong order book in 2021 with coverage of 105% of budget to June.

The pandemic has certainly provided a catalyst for change in the gaming market. While gaming revenues continue to build, the replacement market remains muted as working capital challenges both the casinos and the game manufacturers. In September, we announced our intention to investigate new business models with our customers including lease programs for our computer boards and monitors and fully populated turnkey hardware cabinet solutions. I am pleased to report that substantial progress was made during the second half of 2020 with our first pilot customer for a lease model which we expect to commence shipments in the second half of 2021. These new business models set a precedent for a new way of manufacturers bringing their gaming offerings to market and increase their ability to focus resources on game design.

AINSWORTH SHOWCASE

"Quixant has been a partner of Ainsworth for many years, but 2020 showed the true meaning, and value, of our partnership. At a time when our customers' venues were closed and everyone was working to manage cash flow through the pandemic, Quixant presented us with a payment solution which allowed us to concentrate on running our business, and to focus on growth post-pandemic, benefiting both organizations through 2021 and beyond. While undoubtedly a challenging year, 2020 further strengthened our relationship with Quixant, as their forward thinking and innovative attitude demonstrated the true value of effective partnership."

Ryan Comstock
CHIEF OPERATING OFFICER
Ainsworth Game Technology

While new business generation was challenging in a year when game manufacturers were mainly concerned with survival, nonetheless we converted new business during the second half which we expect to deliver in excess of $5m of revenue in 2021.

SUPPLY CHAIN CHALLENGES PERSIST

The disruption to the gaming business in 2020 was not isolated to customer demand – throughout the year we saw volatile input stocks due to the lockdown and subsequent reduced production capacity across mainland China and Taiwan. Our strategic inventory holding through the year enabled us to meet our delivery commitments to customers.

In December 2020, we started to see more acute shortages in the semiconductor market impacting our supply chain and took action to bolster our strategic inventory. Since the start of 2021, the semiconductor shortages have worsened as booming demand for electronic products has outstripped semiconductor component production capacity. We are experiencing manufacturers' unexpectedly issuing end-of-life notices on parts, more than a doubling of their normal leadtimes and serving price increases on the components. We are utilising our strategic inventory holdings to enable uninterrupted customer deliveries through Q1 but expect to see some impact from Q2.

In mid-January the Board took decisive action to allocate up to a further $5m of our cash reserves towards further strategic stock purchases to support anticipated demand over the next 6-9 months of the year and mitigate the short-term supply chain risks.

SPORTS BETTING PROGRESS DELAYED

We demonstrated our QSBT-1000 sports betting terminal at the ICE Show at ExCel in February 2020. With the expectation of an explosion in sports betting around the industry, this was well positioned for new business.

Unfortunately, the second quarter shutdown in most retail sports betting outlets delayed sports betting progress through 2020. We remain optimistic about the opportunities in the market and have live prospects with several vendors as part of our full cabinet offering.

PRODUCT DEVELOPMENT

We launched a new gaming platform at the low end of the range in March 2021 – IQ-1. This is the first of our revised, streamlined roadmap of products. During the second quarter, we learned of a major change in strategy from one of our key suppliers, AMD, who supply microprocessors and graphics accelerators which are used in all our products. AMD, despite being very popular in the gaming industry because of their attractive pricing and high-performance graphics processors, have decided to

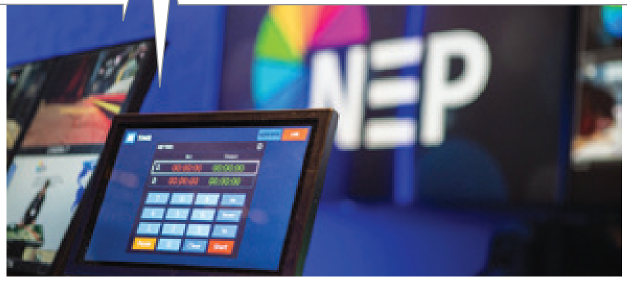
defocus on the casino gaming market, as well as several other industrial sectors. Instead, their future strategy is to focus on data centre and networking devices alongside their client business.

We have therefore committed to a roadmap using Intel processors with some of our higher end products using NVIDIA graphics accelerators. We already have QMax-2i which uses Intel technology but will gradually be rolling out further gaming platforms using Intel, the first of which will be sampled during May 2021.

While we do not expect to undertake any new product designs using AMD, we expect to offer gaming platforms already in production until the end of the decade.

The consequence of this one-off repositioning of our product portfolio was a derecognition off of $1.5m of capitalised R&D in the year.

"With a 55% improvement in second half trading compared to the first half, we enter 2021 with positive momentum towards full year growth."



Densitron Business Review

The Densitron business celebrated its 50th anniversary in 2020, with the origins of the firm tracing back to 1970 in Japan. There have been countless economic and financial shocks during this period which the business has weathered, and it is therefore unsurprising that, through the pandemic in 2020, Densitron continued to trade resiliently. Revenues in 2020 were $33.5m, down 7% on prior year primarily due to a weak first quarter (2019: $36.2m). While the Gaming business suffered more critically from demand weakness, Densitron was immediately affected by the Chinese manufacturing shutdown in February which caused delays to shipments. Consequentially the first quarter was down 31% year on year, with the second and third quarters up 7% and 8% respectively.

From a Group perspective, the resilience of the Densitron business was essential in the maintenance of our strong cash position and ability to take a more measured approach to streamlining cost. During the gaming shutdown in the second quarter of 2020, we redeployed some of the Group's product development and operational resource to Densitron which enabled accelerated progress on development of the new Densitron 2.0 and 3.0 product lines.

DOUBLE DIGIT BROADCAST BUSINESS GROWTH

Our strategy of market focus and elevation of the value proposition from pure display products towards integrated Human Machine Interface (HMI) solutions is showing early signs of success despite the headwinds caused by the pandemic. Excluding IDS, our broadcast sector revenue grew 13% to $3.8m. Many of the pipeline opportunities due to enter mass production during 2020 were delayed but we expect these to contribute to Densitron revenue in 2021.

IDS, the broadcast hardware and software solution which we acquired in 2019, had a difficult year because the current revenue generation model relies on our field technicians installing equipment into broadcast venues which was generally prohibited during the year due to the pandemic. The future release of the IDS software allows for virtualised deployments on a licensed basis, and we are starting to introduce this service to potential customers.

BRIDGE TECHNOLOGIES SPOTLIGHT

Bridge Technology are a customer and technology partner with whom Densitron have been working for two years. While 2020 saw significant challenges for their business, we quietly continued to work and innovate together through the external market turmoil – this effort has resulted in the launch of the 4U product and the Multiviewer+ solution in early 2021 which opens up a new market for IDS as a control system with the added value of probe data on broadcast streams provided by the Bridge Technology hardware.

"2020 was a challenging and uncertain time all of us in the Broadcast space – some areas of sales were accelerating, as broadcasters moved to remote production – but other areas went backwards as studios moved to skeleton staff and the filming and release of new content was delayed. We value the partnership with Densitron during this time as their business continued to operate on a largely 'business as usual' basis and therefore progress was able to continue on our products – firstly through the installation of IDS at our headquarters and secondly through the development of the joint Multiviewer+ product which we are very excited to be launching with them in the first quarter of 2021. Our team love using the IDS control system and our sales team are very excited about the sales opportunity the collaboration will give them as we emerge from COVID-19 hopefully in the second half of 2021."

Simen Frostad
CEO - Bridge Technology

DOUBLE DIGIT MEDICAL SECTOR GROWTH

Densitron medical exposure, the single largest sector exposure in the business, grew 17% in 2020 to $8.2m. We agreed a corporate policy to support medical market customers over other business to help with their rollout of solutions to tackle the pressure being created by the pandemic. We were involved in several high-profile projects including supplying displays to manufacturers of COVID-19 test equipment and ventilators.

We believe there are long term opportunities to build on our status as a trusted supplier of displays into medical equipment. Many of the innovative HMI and control solutions we have developed for broadcast can be applied to the medical sector and we are starting to explore their usage for a range of medical equipment, leveraging the strong customer relationships already established.

One example of such an application is use of our IDS technology to enable simple control of cameras used in operating theatres to record surgical procedures. Beyond this, there is scope for greater integration into, for example, other non-life-critical operating theatre systems such as those used for lighting and entertainment.

COMPONENT SHORTAGES & PRICE INFLATION

Densitron has seen evidence of material future price inflation from many of our Chinese display suppliers. Combined with the US trade tariffs on goods imported from China, this will put pressure on our gross margin. We have engaged with our customers to pass on the tariffs, enforce price increases across many of our product lines and also extend customer order visibility to enable us to increase our purchasing power. In aggregate these initiatives have so far proven positive with no degradation to gross margin experienced and no net loss of business and have also led to us having 107% order coverage of the revenue budget in the first half of this year.

MANAGEMENT TEAM CHANGES

Over the last two years, we have welcomed several leaders to the business in key roles. After Simon Jones joined in April 2019 to lead the Densitron business, Abhinay Bhagavatula joined in September 2019 as Gaming CTO and Duncan Faithfull joined in January 2020 as Gaming CCO. We have since promoted them to the Executive Committee.

After Guy Millward, CFO, left the business in August 2020, we brought Andrew Jarvis in as interim CFO. Andrew has since made considerable improvements in our management information and reporting, leveraging the benefits of our global SAP system. We will be evaluating our options for installing a permanent CFO in the second quarter.

As he retires from the board, I would like to thank Michael Peagram for his nine years of service to the business. His commitment, experience and professionalism have been invaluable to the business. We are delighted to have Francis Small onboard and I am looking forward to working closely with him as he assumes his role as Chairman.

OUTLOOK

With a 55% improvement in second half trading compared to the first half, we enter 2021 with positive momentum towards full year growth. Trading during the first three months of this year has been strong and ahead of last year and our Group order coverage for the first half of 2021 is already 106% of internal budgets. In the context of the supply chain issues previously flagged, importantly we have secured sufficient parts to fulfil most of the orders. With 95% of US casinos currently open and with positive sentiment they will remain open, the signs for the gaming market are positive.

We are crucially aware that the future remains uncertain and any exponential spread of the pandemic in the US could materially impact the gaming industry although we believe the experience since the second quarter of 2020 puts a lower probability on that scenario. We are working through the unprecedented electronic component shortages and recognise the risk of delays to shipments and inflation in prices over the coming months. We are working through contingency plans with customers and suppliers to mitigate this risk.

Our strong balance sheet and strengthened customer relationships, combined with the new business propositions targeted towards changes in our end markets give the Board confidence in tremendous opportunities for the Group ahead.

Jon Jayal

CHIEF EXECUTIVE OFFICER

FINANCIAL REVIEW

Andrew Jarvis **INTERIM CHIEF FINANCIAL OFFICER**

GROUP REVENUE DOWN BY 31% **(on 2019)**

GAMING DIVISION REVENUES DOWN BY 46% **(on 2019)**

DENSITRON REVENUE DOWN BY 7% **(on 2019)**

The Quixant Group achieved revenues of $63.8m in the year, down by 31% on 2019 revenues of $92.3m due to the significant impact of COVID-19.

REVENUE

Gaming business revenues were $30.3m, a decrease of 46% on prior year (2019: $56.2m). This was split between Gaming platform revenue of $27.5m, a 41% decrease on prior year (2019: $46.6m), and Gaming monitor revenue of $2.8 million, a 71% decrease on prior year (2019: $9.6m). Densitron division, which includes IDS, revenues were $33.5m, a decrease of 7% on prior year (2019: $36.2m).

The decline in Gaming revenues was due to the closures across the gaming market caused by government response to the COVID-19 pandemic negatively impacting demand for our products. This resulted in very weak second quarter trading in the Gaming business, with some recovery in demand seen during the second half of the year. Densitron, which has sector exposure across a broad range of industrial markets, was less heavily impacted by the pandemic and despite some delays due to supply chain challenges, continued to trade well through the year..

GROSS PROFIT AND GROSS PROFIT MARGIN

We generated gross profit during the year of $20.1m (2019 restated: $32.1m) representing a gross margin of 31% (2019 restated: 35%). The decline in margin is due to an increased proportion of our Group revenue being generated by Densitron, which operates at lower gross margin than Gaming. Underlying Gaming and Densitron gross margins were consistent with previous years. We have seen price inflation in our supply chain since the second half of 2020 primarily due to component shortages and the imposition of import tariffs for Densitron goods entering the US from mainland China. We have acted to increase our prices to customers to protect our gross margin from this price inflation.

PROFIT BEFORE TAX (PBT)

Adjusted pre-tax profit decreased by 88% to $1.3m (2019: $10.7m). Adjustments to pre-tax profit were $3.3m in 2020 (2019: $1.3m) and comprise share-based payments of $0.2m, the write off of $1.5m of capitalised research and development expenditure due to unexpected early end-of-life of certain third party components, restructuring costs of $0.7m and an amortisation charge of acquired intangibles of $0.9m. Reported pre-tax profit declined to a loss of $2.0m
(2019: Profit before tax of $9.4m).

EXPENSES

During the year the Group expenditure on research and development reduced to $4.3m (2019: $6.6m). These costs relate to investment activities principally undertaken in Taiwan, Italy, UK and Slovenia. $1.7m of these costs were capitalised (2019: $2.2m) with amortisation for the year on total capitalised development costs of $2.4m (2019: $1.4m).

To mitigate the effect of the decline in revenue on profitability, we took action to streamline full year operating costs by 34% to $21.9m (2019 restated: $22.5m) – which includes $3.3m of adjustments to the reported PBT. This Group has seen a reduction in headcount from an average of 223 people in 2019 to 209 in 2020.

TAXATION

The tax charge for the year was $1.0m (2019: $1.1m). There has been limited reduction in the tax charge when compared to 2019, as a result of taxable positions in overseas entities.

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.

EARNINGS PER SHARE

Basic earnings per share decreased by 136% to -$0.0445 per share (2019: $0.1252 per share). Adjusted fully diluted earnings per share as set out in note 9 to the financial statements decreased by 103% to -$0.0040 per share (2019: $0.1396 per share).

BALANCE SHEET AND CASH FLOW

Non-current assets have decreased in the year to $24.7m (2019: $25.6m) mainly due to the derecognition of R&D discussed above. Inventory has increased to $21.6m (2019: $20.2m). Raw material inventory has remained in line with 2019, and work-in-progress and finished goods have increased as we await to ship committed products to customers who have requested later delivery dates.

The cash generated from operating activities in the ear amounted to $4.0m (2019: $14.9m). The reduction in cash generated is largely due to the losses incurred in the year due to the pandemic. The Group has reduced its investments in the business, spending $2.2m (2019: $5.3m) on investing activities, in line with trading conditions.

GOVERNMENT COVID-19 SUPPORT

The Group has received government grants to support payroll costs during the COVID-19 pandemic. This includes $217k for Quixant Taiwan and $32k for Quixant Italia. These grants and helped the business to maintain employment during the pandemic. A government-backed, revolving credit facility of £7.5m granted in the UK – however, this has substantively not been used in 2020, with only £25k drawn down to maintain the facility. The business seeks to close this facility before the AGM. In the year, we have also received cash from COVID-19 support loans in France and the USA, totaling $0.9m, of which $0.3m has been forgiven in the USA. $0.5m in France will be repaid in 2021, and we expect the other $0.1m loan in the USA to also be forgiven in 2021.

DIVIDEND

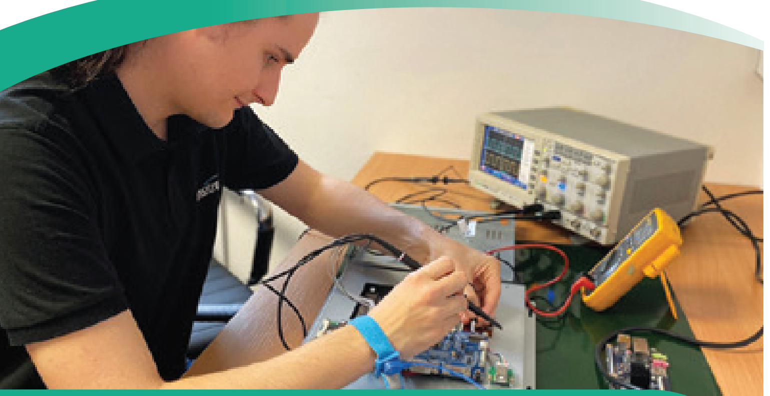
While we suspended payment of a dividend in 2020 due to the risks facing the business in relation to COVID-19, we maintained a strong cash position through the year and saw profitable trading in the second half of the year. The Board therefore proposes reinstatement of a dividend for the year ended 31 December 2020 of 2.0p per share (2019: nil) payable on 14 May 2021 to all shareholders on the register on 23 April 2021 The corresponding ex-dividend date is 22 April 2021.

Andrew Jarvis **INTERIM CHIEF FINANCIAL OFFICER**

BUSINESS MODEL AND STRATEGY

QUIXANT IS AN OUTSOURCE PROVIDER OF TECHNOLOGY PRODUCTS AND SOLUTIONS TARGETED AT SPECIFIC INDUSTRIAL MARKETS.

The Gaming business designs and manufactures computer hardware, software and electronic display solutions for the casino gaming and slot machine industry. Our customers are the manufacturers of electronic gaming machines which are located worldwide. By outsourcing several aspects of underlying technology to Quixant, this enables our gaming customers to focus their research and development efforts on differentiating elements of their electronic gaming machines and most critically in game development. Our customers, which are generally subject to heavy levels of regulatory scrutiny in most global gaming jurisdictions, then hold the licenses and the distribution channels to place their machines in casinos, bars, clubs, public houses and other gaming venues. We supply many of the world's leading manufacturers of gaming machines.



"...developed bespoke tactile Human Machine Interface solutions to enable broadcast equipment manufacturers to revolutionise the control of their products."

To ensure we supply products which have a consistent bill of materials – something which is a prerequisite in most regulated gaming markets – we procure our own parts in Taiwan and outsource assembly of our products to Tier 1 third-party electronic sub-contract manufacturers. All the intellectual property associated with the design of these products however remains Quixant's property and is developed in-house.

The Densitron business is an expert in human machine interface and display solutions for a wide variety of industrial sectors. Within Densitron we have developed a specific focus business operating in the broadcast sector which has developed bespoke tactile Human Machine Interface solutions to enable broadcast equipment manufacturers to revolutionise the control of their products. Once a design is agreed with the customer, we outsource the manufacture of the finished goods to third-party manufacturers.

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 with a visual representation of the risk associated with that forecast 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 declined in 2020 as a result of the COVID-19 pandemic as major Gaming customers reacted to the unprecedented situation. Densitron revenues reduced, but to a lesser extent, which supported the Group overall.
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. There was a one-off charge in 2020 for Densitron USA for China import tariffs not passed to customers.
Inventory levels		
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 stock held at the end of each month and is provided with a trend graph 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 2020 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
Profit before Tax (PBT) and Adjusted Profit before tax		
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 PBT and adjusted PBT decreased year-on-year and was behind Budget expectations, but ahead of estimates at the beginning of the COVID-19 pandemic.
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 little to no 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 2020, the Group had net cash (cash less borrowings) of $17.4m compared with $16.1m at 31 December 2019. Group borrowings at 31 December 2020 was low and amounted to short-term COVID-19 support loans in Quixant USA and Densitron France, to be cleared in 2021, and a small mortgage in Taiwan. The business also has access to a $7.5m Coronavirus Large Business Interruption Loan Scheme, revolving credit facility in the UK where required. A small drawdown was processed in December 2020 to keep the facility open.

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 and Executive Committee 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 23 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 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 profes-sional 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.
Component supply & price inflation	The Group relies on a steady supply of components used in the manufacture of its products. There is currently a global shortage of components, which may impact production, or cause prices to rise.	The Group is proactively sourcing additional stocks to act as a safety net. Order coverage of stock is being monitored closely.	The Board expects this issue to continue to be relevant in 2021 and is regularly briefed.
Key persons	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. Key roles can be replaced.	Key persons recruited and remain with the business.

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 2020 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.	The Group continues to monitor the latest updates on the COVID-19 pandemic, and is cautiously optimistic regarding the vaccine progress.
Brexit	The impact on the business of the United Kingdom leaving the European Union.	In 2019 the Board decided that in the light of the 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 by re-arranging the logistics flow of goods direct to customers from their point of manufacture in Asia.	A trade deal with the EU was agreed in December 2020. As the Group no longer ships goods from the UK to the EU or from the EU to the UK, there is little impact on business operations. Other areas of the EU trade deal will be monitored and assessed for its business implications.

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 and signed on its behalf by:

Jon Jayal DIRECTOR

Governance

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Quixant has always endeavoured to conduct business in a considerate and responsible manner, placing our key stakeholders, the environment and communities in which we operate and our customers at the core of everything we do.

The Board have adopted an ESG strategy which is aligned with the business objectives and aims to support and, in areas, accelerate our business growth. Progress against this ESG strategy is assessed as a standing agenda item in our monthly Board meetings.

The key pillars of the Board's ESG strategy are to:

1. Raise awareness of the environmental impact of the Group's activities across the business and encourage employees to bring ideas for improvements.
2. Foster a collaborative, inspiring working environment which allows employees to develop their careers.
3. Support charitable causes connected with the business through donation of a proportion of profits.
4. Continually review the Group's governance framework to improve organisational oversight.

A critical aspect to successful execution of our ESG strategy is employee engagement. With this in mind, we established a CSR Committee at the end of 2019 which consists of representatives from employees in several locations around the business.

Environmental Matters

Quixant is committed to a programme to more accurately assess and reduce its environmental impact.

We manufacture electronics product in facilities which are geographically adjacent to the manufacturing plants of the raw materials to reduce energy footprint in our supply chain. We also seek to utilise sea freight wherever possible over air freight in shipping finished goods to customers. Our global operations comply with the Waste Electrical and Electronic Equipment (WEEE) Directive to ensure safe reuse or disposal of depreciated product.

We drove several initiatives during the year towards improving our environmental footprint, including:

- Implementation in mid-2020 of a Supplier Code of Conduct which incorporates the Responsible Business Alliance (RBA) (formerly the Electronic Industry Citizenship Coalition (EICC)) Code of Conduct. This requires our suppliers to conform to minimum standards around pollution, hazardous substances, waste, greenhouse gas emissions and use of certain materials, amongst other things.
- Replaced both domestic and international travel with usage of video conferencing using Microsoft Teams for both internal and external meetings through COVID-19. It is our intention to permanently reduce our travel frequency through the use of video conferencing, particularly for meetings requiring long-haul flights.
- Implemented a paper-free policy including implementation of a software solution to facilitate use of electronic board papers and replacement of hardcopy product datasheets with online versions at trade shows.
- Reduction in the number of company cars offered in the group.
- Replacement of dated Sevenoaks office with a new refurbished office in Crawley which holds a SKA Gold environmental rating and provision for charging electric vehicles.

The environmental footprint of the UK business over the last two years is as follows. 2020 energy usage and emissions saw a significant reduction, particularly in transport due to COVID-19 limiting employee travel for business.

	UK 2020	UK 2019	Change
Energy use (kwh)			
Electricity	44,960	46,836	-4%
Fuel Oil	41,598	49,890	-17%
Transport	32,727	55,642	-41%
Total energy use	119,285	152,368	-22%
GHG emissions (kg CO2e)			
Electricity	10,482	11,971	-12%
Fuel Oil	10,261	12,311	-17%
Transport	8,114	14,255	-43%
Total gross CO2e emissions	28,857	38,537	-25%
Intensity ratio			
Average number of employees	50	51	-2%
Total GHG emission per employee (kg CO2e / employee)	577	756	-24%

The methodology used in the UK energy usage and GHG emissions uses actual usage calculations of electricity and fuel oil use and mileage claimed for passenger vehicle transportation with conversions as necessary taken from *the Government Conversion Factors for Company Reporting of Greenhouse Gas Emissions* 2019 and 2020.

Social Matters

2020 has been an extremely challenging year for people worldwide. We believe the Company had a role to play, both as an employer and as a good corporate citizen to help our stakeholders through the period.

We understand the challenge caused by lack of social contact for many our employees and ensured frequent contact with all staff via video conferencing, including regular social events. Many also faced challenges with childcare which we enabled flexibility with working hours to accommodate. Some staff struggled with home working and wished to attend offices once they were able to under the local restrictions and we facilitated this through maintaining a COVID-19 safe environment and continuing a regular enhanced cleaning regime throughout the year. We also operate an Employee Assistance Programme through Health Assured to provide employees with access to legal advice, financial advice and counselling services.

As noted in the Chief Executive's report, our Gaming customers in particularly faced significant challenges during the year, and we offered financial support with extending payment terms and deferral of order commitments. Despite this, we honoured all supplier commitments in accordance with agreed terms.

The Board has an approved charity budget intended to support causes local to the business' operations and/or closely related to its employees. After surveying our staff, our CSR Committee selected the World Wildlife Fund as our corporate charity and while many events were unable to proceed as planned during the year, we raised money through the sale of old office furniture and equipment for the charity. We also made donations to the Cambridge City and the Crawley Town food banks and The Royal Marsden Cancer Charity.

The Group does not discriminate on the grounds of age, race, sex, sexual orientation or disability and operates a transparent and open recruitment process in which we aim to provide all interviewed candidates with feedback. All staff throughout the business have annual performance development reviews and a mid-year check up against their written objectives.

Governance Matters

CHAIRMAN'S INTRODUCTION TO GOVERNANCE

The Group has adopted 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 which it was unable to effectively fulfil in 2020 due to COVID-19.

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 OF THE BOARD

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 the Chief Executive's report and subsequent sections. In August 2020 the Group established an Executive Management Committee ("ExCo") consisting of the Chief Executive, Chief Financial Officer and the senior leaders from both operating divisions. The ExCo meetings take place monthly, prior to the Board meetings and are attended by the Chairman on a quarterly basis. The divisional leaders from the ExCo also attend the Board meetings on a quarterly basis.

This governance model ensures the Board and ExCo are well-appraised of operational and strategic matters to enhance value creation from the business.

2. Seek to understand and meet shareholder needs and expectations

The CEO and CFO meet at least bi-annually with major investors or more often as required and the Chairman also typically meets major institutional shareholders once a year. Since February 2020 most of these meetings have been conducted by conference call or video conference due to the COVID-19 restrictions.

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. The Board has also adopted an ESG strategy which seeks to consider our approach to continual improvement of our social responsibilities.

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 four non-executives and one executive and has devolved responsibility for certain matters to two committees. Andrew Jarvis is currently serving in an interim role as Chief Financial Officer after Guy Millward's departure in August 2020. 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. During the 2020 COVID-19 pandemic the Board held mid-monthly meetings from June to September in addition to the monthly main board meeting. In total, 14 meetings were held during the year plus a strategy day. Meetings held between January 2020 and December 2020 and the attendance of directors is summarised overleaf:

	Board Meetings	Audit Committee Meetings	Remuneration Committee Meetings
Number of meetings	**14**	**2**	**5**
M J Peagram	14	2	5
G Van Zwanenberg	14	2	4
G A Y Hudson (resigned 2020)	3		2
N C L Jarmany	12		1
C T Lin (resigned 2020)	4		
G P Mullins	14		
J F Jayal	14	1	5
G L Millward (resigned 2020)	10		
N Payne (resigned 2020)	3		1
A Jarvis (by invitation, joined 2020)	5	1	

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.

Typically, directors would visit the Group's major locations over the year but due to COVID-19 many of these visits have not been possible in person and instead local management challenge has been conducted via frequent video conference calls.

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 26 - 27.

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. 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. These policies form part of a globally applicable Group Policy Handbook and Code of Conduct.

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.quixantplc.com/results-driven/#Governance

10. Communicate how the company is governed going forward as part of a wider strategy review and future planning discussion

See items 2, 3 and 9 on the Group's website at: https://www.quixantplc.com/results-driven/#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 2020 and Board governance, see pages 20 to 23 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 receives 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 and 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. Considering the capital growth aims of shareholders, the directors are focused 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 when appropriate. 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.

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

NON-EXECUTIVE 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

NON-EXECUTIVE 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 become a non-executive director on 31 May 2020.

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

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. Guy is Chairman of the Audit Committee and a member of the Remuneration Committee. The Board considers Guy to be an independent director.

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.

Francis Small

SENIOR NON-EXECUTIVE DIRECTOR

Appointed: 15 January 2021

Committees: Member of the audit and remuneration committees

Skills and experience:

Before commencing his non-executive career in 2015, Francis had a highly successful 36 year executive career at Ernst & Young in which he undertook a variety of international roles including serving on the E&Y Global Board, leading the UK Corporate Finance business and operating as Managing Partner of European Transaction Advisory Services.

Francis currently serves as a non-executive director on the board of AIM-listed software business 1Spatial plc, as Chair of government-backed investment company British Business Investments, and as Chair of the Board of Governors of Kingston University.

Francis serves on the Audit and Remuneration Committees and is the Senior Independent Director (SID). The Board considers Francis to be an independent director.

Francis has a degree in Law from Cambridge University is a Fellow of the Institute of Chartered Accountants in England and Wales.

REMUNERATION COMMITTEE REPORT

Michael Peagram

CHAIRMAN OF THE REMUNERATION COMMITTEE

The Remuneration Committee is comprised of not less than two independent 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 Francis Small, 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. The Remuneration Committee considers a number of factors in setting remuneration policy including:

- Salary and benefits packages awarded to executives of comparable companies;
- Our ability to attract and retain executives with the necessary skills and capabilities to enable the Group to operate successfully;
- Encouraging executives to deliver long-term sustainable growth through the use of share-based incentives.

EXECUTIVE DIRECTOR REMUNERATION

Consistent with this policy, benefit packages awarded to executive directors comprise a mixture of basic salary and pension contributions combined with performance-related bonus and share option based compensation. We consider external market data on both the levels of and trends in executive remuneration.

- **Basic salaries:** benchmarked against salaries of executives in comparable companies with equivalent skills and experience.
- **Pension contributions:** we contribute a maximum of 10% of employees base salary to a defined contribution pension scheme.
- **Performance-related bonus:** the Committee defines bonus targets which are principally linked to relevant profitability measures and are aligned with corporate growth targets. The maximum annual bonus for executive directors is at 100% of basic salary.
- **Share options:** the Committee considers both fair value and nominal value conditional share option grants with multi-year vesting periods as a means of both aligning executive compensation with shareholder interests and retaining talent.

Details of the individual executive directors' remuneration is provided in note 6 to the financial statements.

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 who prior to his departure from the Board on 31 May 2020 operated on a six-month notice period.

NON-EXECUTIVE DIRECTOR REMUNERATION

The non-executive directors are payed a salary through payroll and Guy van Zwanenberg, Nick Jarmany and Gary Mullins also receive pension contributions. The level of salary paid to the non-executive directors is determined by the Board. The non-executive directors do not receive any other forms of benefits.

Details of the individual non-executive directors' remuneration is provided in note 6 to the financial statements.

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.

SHARE INCENTIVE SCHEME

An employee share option scheme was established in 2013 to provide a long-term performance and retention incentive for the executive directors and employees. At 31 December 2020, options had been granted over a total of 3,037,294 shares (4.6% of the shares in issue) of which options over 687,290 shares were outstanding (1.0% of the shares in issue). 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 page 33. Jon Jayal was issued with 65,000 fair value share options on 6 October 2020 at an exercise price of 112.5p with a three-year vesting period subject to the performance conditions detailed above.

KEY REMUNERATION COMMITTEE DECISIONS

The committee met five times in 2020:

- January 2020 to review and discuss executive bonuses for 2019 and executive compensation and bonus targets for 2020. No bonuses were payable for 2019 performance as the profit before tax did not exceed the zero point of $20.0m. It was further agreed there would be no increment in directors' salaries in 2020.
- February 2020 to approve compensation and bonus schemes for 2020 and discuss share option grants.
- April 2020 to agree a 25% reduction in pay of Michael Peagram, Guy van Zwanenberg, Jon Jayal and Guy Millward. Guy Millward's reduction was subsequently reversed in his payment in lieu of notice.
- August 2020 to review the pay reduction implemented in the context of business recovery and agree restoration to normal levels.
- September 2020 to approve issuance of share options to employees.

Michael Peagram

CHAIRMAN OF THE REMUNERATION COMMITTEE

AUDIT COMMITTEE REPORT

Guy van Zwanenberg

CHAIRMAN OF THE AUDIT COMMITTEE

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 Quoted Companies Alliance (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.

The following specific business was dealt with at each meeting held in 2020:

MARCH

Annual results for 31 December 2019, including:

- Accounting issues report from the CFO
- Full year report from the external auditor including Auditor's Report to be included in the 2019 Annual Report
- Consolidated financial statements for the year ended 31 December 2019
- Principal risks and uncertainties
- Consideration of the going concern basis for preparation of the financial statements, including COVID-19 impact

Recommendations to the Board on:

- Consolidated financial statements
- Going concern statement

SEPTEMBER

Half year results for 30 June 2020, including reviews of:

- Accounting issues report from the CFO
- Results for the half year ended 30 June 2020

Recommendations to the Board on the half year results

NOVEMBER

Reviewed scope for the external audit for 31 December 2020, agreed fees for the 2020 audit, including an increased scope of the audit for Densitron Japan.

3. **Internal controls**

- Monitor compliance with the QCA 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.

Significant accounting issues considered by the committee in relation to the 2020 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 and Medical products recently developed currently show that overall the revenue will grow and that the goodwill is not impaired.

Valuation of inventory – in dealing with the effects of COVID-19 throughout the supply chain, the business has handled inventory and working capital well. The Group policy on inventory was sufficiently robust to ensure that the carrying values were suitable and inventory was not over-valued, but flexible enough for management to make appropriate decisions on the realisable value of stock based on contractual commitments from customers. Inventory levels are understandably higher as orders for customers were pushed out, and whilst there are component shortages in the global market, this leaves the Group in a strong position going into 2021.

As at 31 December 2020, the total inventory in the Quixant CGU is $19.1m (2019: $17.1m) and in the parent company is $13.8m (2019: $13.7m).

Going concern – the Directors have prepared cash flow forecasts for a period of at least 12 months from the date of signing the financial statements and are confident that the Group will have sufficient funds to continue to meet its liabilities beyond the 12-month period analysed, and therefore have prepared the financial statements on a going concern basis.

Other area of focus

Management override of controls – despite the observations raised by KPMG, 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.

EXTERNAL AUDIT

The external audit is scoped following an assessment by KPMG of the level of materiality and the specific audit risks. In 2020 the most significant risks identified were the recoverability of goodwill and acquired intangibles in the Densitron Europe CGU, Densitron US CGU and IDS CGU, revenue recognition, valuation of inventory in the Quixant CGU and the parent company, and going concern assessment. 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.

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 2020. In 2021 the audit committee will review whether KPMG is able to continue to provide these services under the new auditor independence rules.

INTERNAL CONTROLS

The review of risks facing the group is shown on pages 18 and19. 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.

Guy van Zwanenberg

CHAIRMAN OF THE AUDIT COMMITTEE

DIRECTORS' REPORT

Jon Jayal

DIRECTOR

The Directors present their Annual Report and accounts for the year ended 31 December 2020.

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 loss for the year after taxation amounted to $3.0m (2019 profit for the year: $8.3m). Further comments on the development of the business are included in the Chairman's Statement, Chief Executive's Report and Financial Review on pages 7-15.

The Group has adopted the corporate governance code of the Quoted Companies Alliance (QCA). Further comments are included in the Chairman's Introduction to Governance on page 22. Engagement with suppliers, customers and others in a business relationship with the company are also disclosed in the Governance Report.

The Group have made disclosures in the Environmental, Social and Governance Report on pages 20-25 regarding Greenhouse gas emissions, energy consumption and energy efficiency of the business.

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 22 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 Board proposes reinstatement of a dividend for the year ended 31 December 2020 of 2.0p per share. No dividend was paid during 2020.

SUBSTANTIAL SHAREHOLDINGS

On 14 April 2021 the Company had been notified of the following significant interests in its share capital over 3%:

	Shares held Ordinary shares of £0.001 each	% of issued share capital
N C L Jarmany and his wife	11,506,163	17.32%
Liontrust Asset Management	7,666,224	11.54%
Mr J and Mrs S Mullins	3,858,920	5.81%
Jupiter Asset Management	3,677,378	5.54%
AXA Framlington Investment Managers	3,493,736	5.26%
C-T Lin and his wife	3,484,059	5.24%
Amati Global Investors	3,246,517	4.88%
Schroders Plc	2,866,799	4.32%
Tellworth Investments	2,302,442	3.47%
Chelverton Asset Management	2,297,411	3.46%
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:

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 $4.3m (2019: $6.6m) in its R&D and customer support programmes in the year, of which $1.7m (2019: $2.2m) 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. $1.5m of capitalised research & development was derecognised in the year due to extraordinary notifications by key suppliers to end-of-life key components utilised in our gaming products; citing changing market demands and supply chain issues brought about by the COVID-19 pandemic.

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 23 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 (2019: nil).

	Shares held Ordinary shares of £0.001 each		Options granted £0.001 each		Exercise price
	2020	2019	**2020**	2019	
G A Y Hudson (resigned 23 March 2020)	**7,350**	7,350	**—**	—	—
N C L Jarmany	**11,506,163**	11,201,163	**—**	—	—
J F Jayal	**383,547**	375,200	**65,000**	—	£1.125
C-T Lin (resigned 31 May 2020)	**3,484,059**	3,484,059	**—**	—	—
G L Millward (resigned 21 August 2020)	**—**	—	**—**	—	—
G P Mullins	**2,215,653**	2,215,653	**—**	—	—
N T Payne (appointed 1 July 2020, resigned 31 August 2020)	**14,000**	—	**—**	—	—
M J Peagram	**263,674**	253,674	**—**	—	—
G van Zwanenberg	**27,837**	27,837	**—**	—	—

There have been no other change in the interests set out above between 31 December 2020 and 14 April 2021.

GOING CONCERN

In determining the appropriate basis of preparation of the financial statements, the Directors are required to consider whether the Group and Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of these financial statements.

Following the global pandemic in 2020, the world continues to recover as economies begin to re-open following the rollout of COVID-19 vaccines. Governments around the world continue to impose various restrictions on economic activity, the movement of people, and various other initiatives to minimise the opportunity for the disease to spread.

The Directors have prepared cash flow forecasts for a period of at least 12 months from the date of signing the financial statements. Ongoing effects of the pandemic on the forecasts include delays in recovering debts from customers who may be facing financial difficulties, further drops in customer demand in the coming months despite the recovery seen in H2 2020, and the uncertain timing of sales recovering to levels prior to the pandemic.

The Board considered their reasonably plausible but severe downside scenario where 2021 reported revenues were halved compared to forecast, and the performance expected in the 2021 Budget being achieved in 2022 instead. The total revenues modelled in 2021 were lower than the extrapolated annual revenue based on Q2 2020 performance, when the impact of COVID-19 was most significant. In this scenario, the Group will have sufficient cash reserves and working capital to continue operating as a going concern beyond the 12-month period analysed.

The Board's other reasonably plausible but severe downside scenario can be viewed as similar to trading conditions that were experienced in 2020. In Q2 2020, due to the global pandemic and a significant lockdown in the USA, Gaming revenues dropped off in Q2 2020, and but then recovered through H2 2020. However, rather than the ongoing trading conditions due to the pandemic, the challenge in 2021 might be related to stock and component availability. Therefore, the Board has considered a scenario where orders are not completed, and revenues are not received, in Q3 2021, and resume in Q4 2021. This situation would also not cause the Group any difficulty with cashflow as per the analysis.

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 would look to take out additional funding facilities, as well as making reductions in controllable costs. There would also be an opportunity to sell certain property and inventory assets to accelerate cash generation and/or mitigate risk.

Consequently, the directors are confident that the Group and Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of these financial statements and therefore have prepared these financial statements on a going concern basis.

SUBSEQUENT EVENTS

The Group continues to monitor and assess the impact of COVID-19 on the performance of the business in 2021. The Directors are confident in the Group's ability to react to any further economic uncertainties that may occur in 2021 and will continue to utilise its experiences from 2020. The net cash of the Group has improved since the end of 2020, and the government-backed, revolving credit facility remains available. The global component shortage is likely to have an impact on procurement. The Board has approved a plan to purchase additional buffer stock to support the 2021 order book and protect the business from ongoing global shortages, which will be managed within our current working capital structure.

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 14 April 2021.

Jon Jayal DIRECTOR

Aisle Barn, 100 High Street, Balsham CB21 4EP

STATEMENT OF DIRECTORS' RESPONSIBILITIES

IN RESPECT OF THE ANNUAL REPORT AND THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Annual Report and the Group and parent Company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare Group and parent Company financial statements for each financial year. Under the AIM Rules of the London Stock Exchange they are required to prepare the Group financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and applicable law and they have elected to prepare the parent Company financial statements on the same basis.

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 the Group's 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 international accounting standards in conformity with the requirements of the Companies Act 2006;
- 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 parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the parent 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 complies 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 2020 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 and 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 2020 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- the parent Company financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of, 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.

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:	$370k (2019:$450k)	
Group financial statements as a whole	3.8% of Group profit before tax normalised by averaging over the last four years (2019: 4.8% of Group profit before tax)	
Coverage	99% (2019:100%) of total profits and losses that made up group loss before tax	
Key audit matters		**vs 2019**
Recurring risks	Going concern	▲
	Recoverability of Group goodwill and acquisition related intangibles in the Densitron Europe, Densitron US and IDS CGUs	◀▶
	Valuation of inventory in the Quixant CGU and the parent Company	▲

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2. KEY AUDIT MATTERS: OUR ASSESSMENT OF RISKS OF MATERIAL MISSTATEMENT

Key audit matters are those matters that, in our professional judgement, 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 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. In arriving at our audit opinion above, the key audit matters, in decreasing order of audit significance, were as follows:

	The Risk	Our Response
Going concern *Refer to page 30 (Audit Committee Report) and note 1 of the financial statements.*	**Disclosure quality** The financial statements explain how the Board has formed a judgement that it is appropriate to adopt the going concern basis of preparation for the Group and parent Company. That judgement is based on an evaluation of the inherent risks to the Group's and Company's business model and how those risks might affect the Group's and Company's financial resources or ability to continue operations over a period of at least a year from the date of approval of the financial statements. The risk most likely to adversely affect the Group's and Company's available financial resources over this period was the recovery in customer demand in the Gaming CGU that was predominantly impacted by the closures of casinos around the world as a result of COVID-19 and the resulting lockdowns. We also considered less predictable but realistic second order impacts, such as the issues in the supply of raw materials which could result in a rapid reduction of sales achievable. The risk for our audit was whether or not those risks were such that they amounted to a material uncertainty that may have cast significant doubt about the ability to continue as a going concern. Had they been such, then that fact would have been required to have been disclosed.	We considered whether these risks could plausibly affect the liquidity in the going concern period by assessing the directors' sensitivities over the level of available financial resources indicated by the Group's financial forecasts taking account of severe, but plausible, adverse effects that could arise from these risks individually and collectively. **Our procedures also included:** • **Our sector experience:** Challenging the Directors' assessment of the risks and impact of COVID-19 on the Group by benchmarking them to our knowledge of the industry. • **Benchmarking assumptions:** Assessing the reasonableness of the group's assumptions in relation to key inputs such as projected growth rates with our knowledge of the industry, externally derived data and the actual performance during the pandemic. • **Historical comparisons:** Comparing the cash flows forecasted for the year to date to actual results. • **Sensitivity analysis:** Considering sensitivities over the level of available financial resources indicated by the Group's financial forecasts taking account of plausible (but not unrealistic) adverse effects that could arise from these risks individually and collectively. • **Assessing transparency:** Considering whether the going concern disclosure in note 1 to the financial statements gives a full and accurate description of the Directors' assessment of going concern, including the related sensitivities.

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2. Key audit matters: our assessment of risks of material misstatement (cont'd)

	The Risk	Our Response
Recoverability of Group goodwill and acquisition related intangibles in the Densitron Europe, Densitron US and IDS CGUs Goodwill: Densitron Europe: $2.9m (2019:$2.9m) Densitron US: $2.1m (2019:$2.1m) IDS: $0.7m (2019:$0.7m) Acquisition related intangibles: Densitron Europe: $0.5m (2019:$0.7m) Densitron US: $0.9m (2019:$1.1m) IDS: $1.1m (2019:$1.6m) *Refer to page 30 (Audit Committee Report), note 1 and note 11 of the financial statements.*	**Forecast based assessment:** 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, as part of our risk assessment, we determined that the value in use of the above mentioned CGUs had a high degree of estimation uncertainty due to the uncertainty in the Group's performance as a result of COVID-19, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole. The financial statements (note 11) disclose the sensitivity estimated by the Group for these CGUs.	**Our procedures also included:** • **Benchmarking assumptions:** Comparing the Group's assumptions to externally derived data (for example competitor discount rates, inflation and OECD growth forecast data) in relation to key inputs such as projected economic growth and discount rates. • **Historical comparisons:** Assessing the reasonableness of the forecasts used by considering the historical accuracy of previous budgets. • **Sensitivity analysis:** Performing our own sensitivity analysis on assumptions such as revenue growth rate, margins and discount rates, in addition to those performed by the Directors, and critically assessing the extent to which a change in these assumptions, both individually or in aggregate, would result in an impairment and considered the likelihood of such events occurring. • **Comparing valuations:** Comparing the sum of the discounted cash flows to the Group's market capitalisation to assess the reasonableness of those cash flows. • **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 acquisition related intangibles.

KPMG

KPMG

2. Key audit matters: our assessment of risks of material misstatement (cont'd)

	The Risk	Our Response
Valuation of inventory in the Quixant CGU and the parent Company Parent company inventory: $13.8m (2019:$13.7m) Quixant CGU inventory: $19.1m (2019: $17.1m) *Refer to page 30 (Audit Committee Report), note 1 and note 15 of the financial statements.*	**Subjective estimate:** The estimated recoverable amount of the inventory balance in the Quixant CGU and the parent Company is subjective due to the inherent uncertainty involved in forecasting of future sales. The risk is higher for this year as the Group and parent company's gaming revenue was predominantly impacted by the closures of casinos around the world as a result of COVID-19 and the resulting lockdowns. Also, the inventory days within the Quixant CGU have increased from 186 days in 2019 to 278 days in 2020. The inventory days within the parent company have increased from 116 days in 2019 to 140 days in 2020. The effect of these matters is that, as part of our risk assessment for audit planning purposes, we determined that the valuation of inventory in the Quixant CGU and the parent company 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. In conducting our final audit work, we reassessed the degree of estimation uncertainty to be less than that materiality.	**Our procedures included:** • **Review of policy:** Inspecting the inventory provision recorded by directors for consistency with the Group's policy and accounting standards and recalculating the provision recognised by the Group. • **Test of detail:** Assessing the key assumptions underlying the sales forecasts prepared by the directors for reasonableness by inspecting the committed orders in the pipeline. • **Test of detail:** Comparing the levels of inventory held at year end, in comparison to the consumption during the year. • **Test of detail:** Testing a sample of items to purchase and sales invoices to ensure that stock is held at the lower of cost and net realisable value. • **Test of detail:** Performing our own calculation of the expected provision and compared this with the Group's provision calculation and followed up on differences. • **Assessing transparency:** Assessing whether the Group's disclosures about the key estimates and judgements gives a full and accurate description of the risks in the estimation uncertainty.

Following a Group re-organization, Densitron Technologies Limited is in liquidation and its trade and assets have been transferred to other group companies. Accordingly, the parent company no longer holds an investment in Densitron Technologies Limited. We continue to perform procedures over the recoverability of the parent company's investments in other subsidiaries. However, following a review of the headroom in the client model to support the investment carrying values, we have not assessed this as one of the most significant risks in our current year audit and, therefore, it is not separately identified in our report this year.

3. 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 $370k (2019: $450k), determined with reference to a benchmark of Group profit before tax, of which it represents 3.8% (2019: 4.8%).

In 2020, we normalised Group profit before tax by averaging over the last four years due to the impact of the COVID-19 pandemic on the Group's financial results.

Materiality for the parent Company financial statements as a whole was set at $180k (2019: $135k), determined with reference to a benchmark of Company revenue, of which it represents 0.4% (2019: 0.3%).

In line with our audit methodology, our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, so as to reduce to an acceptable level the risk that individually immaterial misstatements in individual account balances add up to a material amount across the financial statements as a whole.

Performance materiality was set at 65% (2019: 75%) of materiality for the financial statements as a whole, which equates to $241k (2019: $337k) for the Group and $117k (2019: $101k) for the parent Company. We applied this percentage in our determination of performance materiality based on the level of identified misstatements and control deficiencies during the prior period.

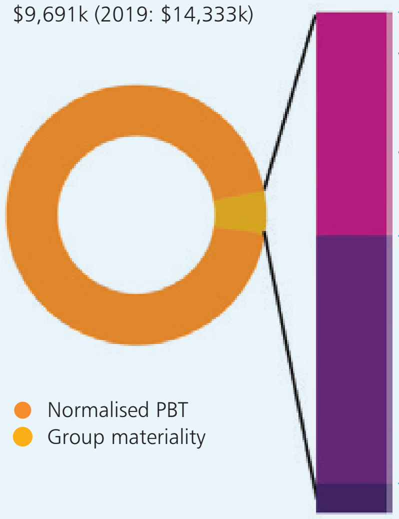
We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding $19k (2019: $22.5k), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the Group's 10 (2019: 15) reporting components, we subjected 7 (2019: 8) to full scope audits for Group purposes and 0 (2019: 2) to specified risk-focused audit procedures.

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

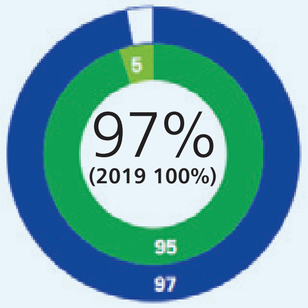
Normalised Group profit before tax
$9,691k (2019: $14,333k)

Group Materiality
$370k (2019: $450k)

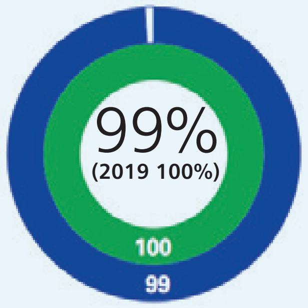


- Normalised PBT
- Group materiality

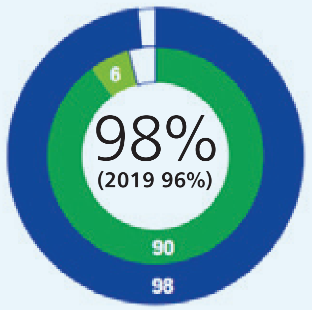
Group revenue



Total profits and losses that made up group loss before tax



Group total assets



Key:

- Full scope for Group audit purposes 2020
- Specified risk-focused audit procedures 2020
- Full scope for Group audit purposes 2019
- Specified risk-focused audit procedures 2019
- Residual components

The remaining 3% (2019: 0%) of total Group revenue, 1% (2019: 0%) of total profits and losses that made up group loss before tax and 2% (2019: 4%) of total Group assets is represented by 3 (2019: 5) reporting components, none of which individually represented more than 5% (2019: 5%) of any of total Group revenue, total profits and losses that made up group loss before tax or total Group assets. For these 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 $90k to $275k (2019: $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 10 components (2019: 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 regards 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.

4. GOING CONCERN

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the Company or to cease their operations, and as they have concluded that the Group and the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

An explanation of how we evaluated management's assessment of going concern is set out in the related key audit matter in section 2 of this report.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group's or Company's ability to continue as a going concern for the going concern period; and
- we found the going concern disclosure in note 1 of the financial statements to be acceptable
- However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Group or the Company will continue in operation.

5. FRAUD AND BREACHES OF LAWS AND REGULATIONS – ABILITY TO DETECT

Identifying and responding to risks of material misstatement due to fraud.

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud.

Our risk assessment procedures included:

- Enquiring of directors, the audit committee and inspection of policy documentation as to the Group's high-level policies and procedures to prevent and detect fraud, and the Group's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading board and audit committee meeting minutes.
- Considering remuneration incentive schemes and performance targets for management, directors and sales staff.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit. This included communication from the Group to component audit teams of relevant fraud risks identified at the Group level and request to component audit teams to report to the Group audit team any instances of fraud that could give rise to a material misstatement at the Group level.

As required by auditing standards, and taking into account possible pressures to meet profit targets, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular the risk that product sales revenue is recorded in the wrong period and the risk that Group and component management may be in a position to make inappropriate accounting entries, and the risk of bias in accounting estimates and judgements such as valuation of inventory.

Further detail in respect of valuation of inventory in the Quixant CGU and the parent Company is set out in the key audit matter disclosures in section 2 of this report.

We did not identify any additional fraud risks.

We also performed procedures including:

- Identifying journal entries to test for all full scope components based on risk criteria and comparing the identified entries to supporting documentation. These included those posted to unusual accounts.
- Assessing significant accounting estimates for bias.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations.

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors (as required by auditing standards), and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. This included communication from the Group to component audit teams of relevant laws and regulations identified at the Group level, and a request for component auditors to report to the Group team any instances of non-compliance with laws and regulations that could give rise to a material misstatement at the Group level.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: GDPR, health and safety, anti-bribery, employment law and certain aspects of Company legislation recognising the nature of the Group's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

6. 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.

7. 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.

8. RESPECTIVE RESPONSIBILITIES

Director's responsibilities

As explained more fully in their statement set out on page 35, 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.

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

9. 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.

Kelly Dunn (SENIOR STATUTORY AUDITOR)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
Botanic House
100 Hills Road
Cambridge
CB2 1AR

14 April 2021

CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

For the years ended 31 December 2020 and 2019

	Note	2020 Total $000	2019 Total (Restated*) $000
Revenue	2,3	**63,794**	92,320
Cost of sales		**(43,742)**	(60,259)
Gross profit		**20,052**	32,061
Operating expenses	4	**(21,904)**	(22,507)
Operating (loss) / profit		**(1,852)**	9,554
Financial expenses	7	**(151)**	(136)
(Loss) / Profit before tax		**(2,003)**	9,418
Taxation	8	**(955)**	(1,102)
(Loss) / Profit for the year		**(2,958)**	8,316
Other comprehensive income for the year, net of income tax			
Items that are or may be reclassified subsequently to profit or loss:			
Foreign currency translation differences		**788**	(144)
Total comprehensive (expense) / income for the year		**(2,170)**	8,172
Basic earnings per share	9	**($ 0.0445)**	$ 0.1252
Diluted earnings per share	9	**($ 0.0445)**	$ 0.1243

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.

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

* See prior year adjustment note, (note 29).

Notes on pages 51 to 80 form part of the financial statements.

CONSOLIDATED AND COMPANY BALANCE SHEETS

As at 31 December 2020 and 2019

		GROUP		COMPANY	
	Note	2020 $000	2019 $000	2020 $000	2019 $000
Non-current assets					
Property, plant and equipment	10	**6,004**	5,926	**3,975**	3,695
Intangible assets	11	**16,189**	18,449	**1,280**	1,888
Right-of-use assets	24	**1,276**	894	**200**	252
Investment property	12	—	—	—	—
Investments in group companies and associated undertakings	13	—	—	**9,376**	9,346
Deferred tax assets	14	**1,267**	340	**314**	44
Trade and other receivables	16	—	—	**25,393**	—
		24,736	25,609	**40,538**	15,225
Current assets					
Inventories	15	**21,601**	20,180	**13,779**	13,735
Trade and other receivables	16	**16,517**	23,902	**6,282**	37,535
Cash and cash equivalents	17	**18,804**	16,954	**3,080**	1,219
		56,922	61,036	**23,141**	52,489
Total assets		**81,658**	86,645	**63,679**	67,714
Current liabilities					
Other interest-bearing loans and borrowings	18	**(695)**	(82)	**(96)**	(81)
Trade and other payables	19	**(12,913)**	(17,756)	**(10,723)**	(12,184)
Tax payable		**(1,022)**	—	**(83)**	(51)
Lease liabilities	24	**(386)**	(406)	**(200)**	(252)
		(15,016)	(18,244)	**(11,102)**	(12,568)
Non-current liabilities					
Other interest-bearing loans and borrowings	18	**(712)**	(738)	**(712)**	(738)
Provisions	21	**(354)**	(343)	—	—
Deferred tax liabilities	14	**(1,322)**	(1,469)	**(76)**	—
Lease liabilities	24	**(901)**	(564)	—	—
		(3,289)	(3,114)	**(788)**	(738)
Total liabilities		**(18,305)**	(21,358)	**(11,890)**	(13,306)
Net assets		**63,353**	65,287	**51,789**	54,408
Equity attributable to equity holders of the parent					
Share capital	22	**106**	106	**106**	106
Share premium	22	**6,708**	6,698	**6,708**	6,698
Share-based payments reserve		**1,571**	1,345	**1,571**	1,345
Retained earnings		**54,086**	57,044	**42,040**	45,915
Translation reserve		**882**	94	**1,364**	344
Total equity		**63,353**	65,287	**51,789**	54,408

These financial statements were approved and authorised for issue by the Board of Directors on 14 April 2021 and were signed on behalf of the Board by:

Jon Jayal DIRECTOR

Company registered number: 04316977

Notes on pages 51 to 80 form part of the financial statements.

CONSOLIDATED AND COMPANY STATEMENT OF CHANGES IN EQUITY

For the years ended 31 December 2020 and 2019

GROUP

	Share Capital $000	Share Premium $000	Translation Reserve $000	Share-Based Payments $000	Retained Earnings $000	Total Equity $000
Balance at 1 January 2019	106	6,499	238	1,102	51,488	59,433
Total comprehensive income for the period						
Profit for the year	—	—	—	—	8,316	8,316
Other comprehensive loss	—	—	(144)	—	—	(144)
Total comprehensive (expense) / 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**

	Share Capital $000	Share Premium $000	Translation Reserve $000	Share-Based Payments $000	Retained Earnings $000	Total Equity $000
Balance at 1 January 2020	106	6,698	94	1,345	57,044	65,287
Total comprehensive income for the period						
Loss for the year	—	—	—	—	(2,958)	(2,958)
Other comprehensive income	—	—	788	—	—	788
Total comprehensive income / (expense) for the period	—	—	788	—	(2,958)	(2,170)
Transactions with owners, recorded directly in equity						
Share-based payments	—	—	—	226	—	226
Dividend paid	—	—	—	—	—	—
Exercise of share options	—	10	—	—	—	10
Total contributions by and distributions to owners	—	10	—	226	—	236
Balance at 31 December 2020	**106**	**6,708**	**882**	**1,571**	**54,086**	**63,353**

CONSOLIDATED AND COMPANY STATEMENT OF CHANGES IN EQUITY

For the years ended December 2020 and 2019

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 2019	106	6,499	(23)	1,102	15,364	23,048
Total comprehensive income for the period						
Profit for the year	—	—	—	—	33,311	33,311
Other comprehensive income	—	—	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**

	Share Capital $000	Share Premium $000	Translation Reserve $000	Share-Based Payments $000	Retained Earnings $000	Total Parent Equity $000
Balance at 1 January 2020	106	6,698	344	1,345	45,915	54,408
Total comprehensive income for the period						
Loss for the year	—	—	—	—	(3,875)	(3,875)
Other comprehensive income	—	—	1,020	—	—	1,020
Total comprehensive income / (expense) for the period	—	—	1,020	—	(3,875)	(2,855)
Transactions with owners, recorded directly in equity						
Share-based payments	—	—	—	226	—	226
Dividend paid	—	—	—	—	—	—
Exercise of share options	—	10	—	—	—	10
Total contributions by and distributions to owners	—	10	—	226	—	236
Balance at 31 December 2020	**106**	**6,708**	**1,364**	**1,571**	**42,040**	**51,789**

Notes on pages 51 to 80 form part of the financial statements.

CONSOLIDATED AND COMPANY CASH FLOW STATEMENTS

For the years ended 31 December 2020 and 2019

		GROUP		COMPANY	
	Note	**2020 $000**	2019 $000	**2020 $000**	2019 $000
Cash flows from operating activities					
(Loss) / Profit for the year		**(2,958)**	8,316	**(3,875)**	33,311
Adjustments for:					
Depreciation, amortisation and impairment		**3,084**	2,853	**970**	3,562
Impairment losses on intangible assets		**1,503**	—	**—**	—
Depreciation of leased assets		**473**	680	**230**	402
Change in fair value of investment property		**—**	631	**—**	—
Movement in provisions		**(1,061)**	36	**(194)**	—
Taxation expense		**955**	1,102	**105**	266
Dividends received		**—**	—	**(391)**	—
Financial expense		**96**	16	**12**	13
Lease liability interest expense		**55**	120	**13**	52
Equity-settled share-based payment expenses		**226**	243	**166**	243
		2,373	13,997	**(2,964)**	37,849
Decrease / (increase) in trade and other receivables		**7,026**	7,459	**5,734**	(27,600)
Decrease / (increase) in inventories		**14**	(488)	**923**	496
(Decrease) in trade and other payables		**(4,625)**	(3,636)	**(1,523)**	(7,140)
		4,788	17,332	**2,170**	3,605
Interest paid		**(96)**	(16)	**(12)**	(13)
Lease liability interest paid		**(55)**	(120)	**(13)**	(52)
Tax paid		**(663)**	(2,282)	**(73)**	(971)
Net cash from operating activities		**3,974**	14,914	**2,072**	2,569
Cash flows from investing activities					
Acquisition of subsidiary, net of cash acquired		**—**	(2,392)	**—**	—
Capitalised development expenditure		**(1,738)**	(2,165)	**—**	—
Acquisition of property, plant and equipment	10	**(431)**	(316)	**(383)**	(165)
Acquisition of intangible assets	11	**(71)**	(433)	**(71)**	(432)
Dividends received		**—**	—	**391**	—
Net cash from investing activities		**(2,240)**	(5,306)	**(63)**	(597)
Cash flows from financing activities					
Reduction / repayment of borrowings	18	**(19)**	(534)	**(11)**	(267)
Proceeds from new government loans (net of waiver of $297k)	18	**606**	—	**—**	—
Payment of lease liabilities	18	**(526)**	(674)	**(191)**	(402)
Dividends paid		**—**	(2,760)	**—**	(2,760)
Proceeds from issue of shares		**10**	200	**10**	200
Net cash from financing activities		**71**	(3,768)	**(192)**	(3,229)
Net increase / (decrease) in cash and cash equivalents		**1,805**	5,840	**1,817**	(1,257)
Cash and cash equivalents at 1 January		**16,954**	11,082	**1,219**	2,456
Foreign exchange rate movements		**45**	32	**44**	20
Cash and cash equivalents at 31 December	17	**18,804**	16,954	**3,080**	1,219

Notes on pages 51 to 80 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 a public company that is incorporated and domiciled in the UK. The registered number is 04316977. 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 inclusive of its branch in Taiwan, and not about this 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 accounting standards in conformity with the requirements of the Companies Act 2006 ("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 and the valuation of inventory.

Significant estimates

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 11 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.

Other estimates

Provisions against slow-moving and obsolete inventory are reviewed on a monthly basis and require the use of judgement to estimate its value.

The estimated recoverable amount of the inventory balance in the Quixant CGU and the parent Company is subjective due to the inherent uncertainty involved in forecasting of future sales. As at 31 December 2020, the total inventory in the Quixant CGU is $19.1m (2019: $17.1m) and in the parent company is $13.8m (2019: $13.7m).

Significant judgement

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 $1.7m (2019: $2.2m) 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. The functional and presentational currency adopted by the parent Company is US Dollars, and the functional currency of the branch is Taiwan Dollars.

Going concern

In determining the appropriate basis of preparation of the financial statements, the Directors are required to consider whether the Group and Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of these financial statements.

Following the global pandemic in 2020, the world continues to recover as economies begin to re-open following the rollout of COVID-19 vaccines. Governments around the world continue to impose various restrictions on economic activity, the movement of people, and various other initiatives to minimise the opportunity for the disease to spread.

The Directors have prepared cash flow forecasts for a period of at least 12 months from the date of signing the financial statements. Ongoing effects of the pandemic on the forecasts include delays in recovering debts from customers who may be facing financial difficulties, further drops in customer demand in the coming months despite the recovery seen in the second half of 2020, and the uncertain timing of sales recovering to levels prior to the pandemic.

The Board considered their reasonably plausible but severe downside scenario where 2021 reported revenues were halved compared to forecast, and the performance expected in the 2021 Budget being achieved in 2022 instead. The total revenues modelled in 2021 were lower than the extrapolated annual revenue based on Q2 2020 performance, when the impact of COVID-19 was most significant. In this scenario, the Group will have sufficient cash reserves and working capital to continue operating as a going concern beyond the 12-month period analysed.

The Board's other reasonably plausible but severe downside scenario can be viewed as similar to trading conditions that were experienced in 2020. In Q2 2020, due to the global pandemic and a significant lockdown in the USA, Gaming revenues dropped off in Q2 2020, and but then recovered through H2 2020. However, rather than the ongoing trading conditions due to the pandemic, the challenge in 2021 might be related to stock and component availability. Therefore, the Board has considered a scenario where orders are not completed, and revenues are not received, in Q3 2021, and resume in Q4 2021. This situation would also not cause the Group any difficulty with cashflow as per the analysis.

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 would look to take out additional funding facilities, as well as making reductions in controllable costs. There would also be an opportunity to sell certain property and inventory assets to accelerate cash generation and/or mitigate risk.

Consequently, the directors are confident that the Group and Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of these financial statements and therefore have prepared these financial statements on a going concern basis.

Revenue recognition

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 and other 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 at a point in time when the delivery terms of the terms of sale have been met and there is minimal judgement in regards to this;
- The Group no longer retains 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 based on standalone selling prices. The group has not identified any contracts which include either variable consideration or significant financing components. Other revenue streams of the group are immaterial.

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").

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.

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 is accounted for on an average basis, and includes all costs in acquiring the inventories and bringing each product to its present location and condition, as well as an appropriate share of overheads based on normal operating capacity. 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.

Government grants

The Group has elected to present COVID-19 government support grants as a reduction to the related expense line in the Comprehensive Statement of Profit and Loss and Other Comprehensive Income – in this case, Operating Expenses.

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.

Leases, right of use assets and lease liabilities

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- Leases of low value assets; and
- Leases with a duration of 12 months or less.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease. If not available, the Group's incremental borrowing rate on commencement of the lease is used.

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.

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 Consolidated Statement of Profit and Loss and 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

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information. The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. 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 are measured at amortised cost.
- **Cash and cash equivalents:** Cash and cash equivalents in the Consolidated Balance Sheet comprise cash at bank and in hand and short-term deposits. Cash and cash equivalents are measured at amortised cost.

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

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 (unless there is no evidence of unwillingness or of an inability to settle the debt).

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 Consolidated Balance Sheet. 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.

Financing income and expenses

Financing expenses include interest payable, finance charges on shares classified as liabilities and finance charges on lease liabilities recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the income statement (see foreign currencies accounting policy). Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial time to be prepared for use, are capitalised as part of the cost of that asset.

Financing income comprise interest receivable on funds invested, dividend income, interest income on lease receivables and net foreign exchange gains.

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method. Dividend income is recognised in the income statement on the date the entity's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

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 share-holders. Interim dividends are recorded in the financial state-ments 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 (loss) / profit before tax to adjusted PBT identifying those reconciling items of income and expense.

(Loss) / Profit Before Tax reconciliation

(Loss) / Profit Before Tax and adjusted PBT for the current and prior year have been derived as follows:

	PBT	
	2020 $000	2019 $000
(Loss) / Profit for the year	**(2,958)**	8,316
Adding back:		
Taxation expense	**955**	1,102
(Loss) / profit before tax	**(2,003)**	9,418
Adjustments:		
Research & development derecognised[1]	**1,503**	—
Amortisation of customer relationships and order backlog[2]	**920**	663
Share-based payments expense[3]	**226**	243
Loss on disposal of subsidiary	—	124
IDS acquisition costs	—	63
Restructuring cost[4]	**674**	169
Adjusted PBT	**1,320**	10,680

1. To derecognise capitalised research & development due to one-off notifications by key suppliers to end-of-life key components utilised in our gaming products; citing changing market demands and supply chain issues brought about by the COVID-19 pandemic.
2. The amortisation of customer relationships and order backlog has been excluded as it is not a cash expense to the Group.
3. Share-based payments expense has been excluded as they are not a cash-based expense.
4. 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 year under review the directors have excluded restructuring costs in respect of employee departures.

2. BUSINESS AND GEOGRAPHICAL SEGMENTS

The Chief Operating Decision Maker (CODM) 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 segmental split of the balance sheet is not reviewed by the CODM and they do not look at assets/ liabilities of each division separately but combined as a group. Therefore, this split for assets has not been included.

The operating segments applicable to the Group are as follows:

- **Quixant** - Three customers each accounted for over 10% of revenues in 2020. One accounted for 30.9%, another customer 22.6% and the other accounted for 13.6%.
- **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
2020			
Revenue from products	**30,318[1]**	**33,476[2]**	**63,794**
Profit / (Loss) before tax	**151**	**(2,154)**	**(2,003)**
2019			
Revenue from products	56,169	36,151	92,320
Profit before tax	7,980	1,438	9,418

1. 2020 Quixant revenue from products splits into Gaming Platforms $27.5m (2019: $46.6m) and Gaming Monitors $2.8m (2019: $9.6m). Gaming Monitors also splits into Button-decks $2.5m (2019: $5.4m) and Monitors $0.3m (2019: $4.2m).
2. 2020 Densitron revenue from products splits into Densitron $32.5m (2019: $35.3m) and IDS $1.0m (H2 2019: $0.9m)

3. ANALYSIS OF TURNOVER

	2020 $000	2019 $000
By primary geographical market		
Asia	**8,521**	15,517
Australia	**2,793**	5,452
UK	**4,375**	5,297
Europe excl. UK	**16,984**	18,533
North America	**28,857**	46,693
Other	**2,264**	828
	63,794	92,320

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

	2020 $000	2019 $000
USA	**27,786**	44,148

4. EXPENSES AND AUDITOR'S REMUNERATION

Included in profit/loss are the following:

	2020 $000	2019 $000
Included in operating (loss) / profit:		
Restructuring cost	**674**	169
(Gain) / Loss on foreign exchange transactions	**(221)**	4
Research and development expenditure	**4,344**	6,568
Of which capitalised	**(1,738)**	(2,165)
Depreciation of owned assets	**477**	527
Amortisation of intangible assets	**2,607**	2,325
Research & development derecognised[1]	**1,503**	—

1. To derecognise capitalised research & development due to one-off notifications by key suppliers to end-of-life key components utilised in our gaming products; citing changing market demands and supply chain issues brought about by the COVID-19 pandemic.

Auditor's remuneration:	2020 $000	2019 $000
Audit of these financial statements		
Amounts receivable by the Company's auditor and its associates in respect of:		
Audit of financial statements of parent company	**271**	224
Audit of financial statements of subsidiaries of the company	**83**	69
Taxation	**66**	107

5. STAFF NUMBERS AND COSTS

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

	2020 Number	2019 Number
Production and manufacturing	**37**	33
Research and customer service	**89**	94
Sales and marketing	**30**	39
Administrative	**53**	57
	209	223

The aggregate payroll costs of these persons were as follows:

	2020 $000	2019 $000
Wages and salaries	**13,753**	14,502
COVID-19 support[1]	**(546)**	—
Share-based payments (See note 20)	**226**	243
Social security costs	**1,076**	986
Contributions to defined contribution plans	**625**	534
	15,134	16,265

1. The Group has received government grants to support payroll costs during the COVID-19 pandemic. This includes $297k for Densitron USA, $217k for Quixant Taiwan and $32k for Quixant Italia.

6. DIRECTOR'S REMUNERATION

	2020				2019			
	Salary $000	Share-based payment $000	Pension cont. $000	Total $000	Salary $000	Share-based payment $000	Pension cont. $000	Total $000
EXECUTIVE DIRECTORS								
Jon Jayal	366	—	13	379	387	32	13	432
Guy Millward*	501	—	—	501	305	21	—	326
Nick Jarmany	57	—	6	63	138	—	14	152
Gary Mullins	54	—	5	59	132	—	13	145
JJ (C-T) Lin	71	—	—	71	218	—	4	222
Total Executive Directors	**1,049**	**—**	**24**	**1,073**	**1,180**	**53**	**44**	**1,277**
NON-EXECUTIVE DIRECTORS								
Michael Peagram	106	—	—	106	114	—	—	114
Guy van Zwanenberg	56	—	2	58	59	—	1	60
Gaye Hudson	24	—	1	25	53	—	1	54
Nick Jarmany	38	—	4	42	—	—	—	—
Gary Mullins	38	—	4	42	—	—	—	—
Nigel Payne	8	—	—	8	—	—	—	—
Total Non-Executive Directors	**270**	**—**	**11**	**281**	**226**	**—**	**2**	**228**
Total Board	**1,319**	**—**	**35**	**1,354**	**1,406**	**53**	**46**	**1,505**

* Includes additional payment of $284,298 in lieu of notice

Jon Jayal, Michael Peagram and Guy van Zwanenberg elected to take a 25% pay reduction for three months in 2020 while the business was experiencing weak demand from its gaming customers due to COVID-19.

Nick Jarmany and Gary Mullins moved into non-executive director roles and JJ (C-T) Lin retired from the Board on 31 May 2020. Nigel Payne was appointed to the Board on 1 July 2020 and retired from the Board on 31 August 2020. Guy Millward retired from the Board on 21 August 2020 and was paid $284,298 in lieu of notice. Gaye Hudson retired from the Board on 19 May 2020.

Pension contributions are paid at 10% to Nick Jarmany and Gary Mullins and at 5% to Guy van Zwanenberg and Gaye Hudson. Jon Jayal elected to be paid £10,000 a year as pension contribution from the company with the remainder of his 10% pension contribution to be added to his base salary. Guy Millward 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.

Jon Jayal was issued with 65,000 fair value share options on 6 October 2020 at an exercise price of 112.5p with a three year vesting period subject to 10% per annum 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.

No share options have been exercised by the Directors in 2020, and no new Directors' long-term incentive awards vested in 2020.

No performance bonus targets were met in 2019 and therefore no bonuses were paid in 2020 to the executive directors. No bonuses are payable to the executive directors in 2021 for 2020's financial performance.

There were no cash or non-cash benefits received by the directors in 2020. There were no director's advances, credits or guarantees outstanding at 31 December 2020 or 2019.

7. FINANCE EXPENSE

	2020 $000	2019 $000
Total interest expense on financial liabilities measured at amortised cost	151	136
Total finance expense	**151**	136

8. TAXATION

Recognised in the profit and loss account

	2020 $000	2019 $000
Current tax expense		
UK corporation tax	618	211
Foreign tax	1,009	1,160
Adjustments for prior years	400	(142)
Current tax expense	**2,027**	1,229
Deferred tax[1] (note 14)		
Origination and reversal of temporary differences	(1,074)	(92)
Adjustments for prior years	(80)	(35)
Change in deferred tax rate to 19% (2019: 17%)	82	—
Deferred tax	**(1,072)**	(127)
Total tax expense in the income statement	**955**	1,102

Reconciliation of effective tax rate

	2020 $000	2019 $000
(Loss) / Profit for the year	(2,958)	8,316
Total taxation expense	955	1,102
(Loss) / Profit excluding taxation	**(2,003)**	9,418
Tax using the UK corporation tax rate of 19% (2019: 19%)	(381)	1,789
Non-deductible expenses	30	18
Enhanced research and development claim	445	(496)
Patent box tax relief	—	(340)
Change in deferred tax rate to 19% (2019: 17%)	84	(4)
Overseas tax in excess of standard UK rate	323	419
Exercise of share options	8	(2)
Unrelieved / (relieved) losses	200	(58)
Under / (over) provided in prior years	320	(177)
Other	(74)	(47)
Total taxation expense in the income statement	**955**	1,102

1. In the prior year, deferred tax was calculated at 17%, but this year it is calculated at 19%.

Factors that may affect future tax charges

A reduction in the UK corporation tax rate from 19% to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This was reversed and the reinstatement of the 19% rate was substantively enacted on 17 March 2020.

In the 3 March 2021 Budget, it was announced that the UK tax rate will increase to 25% from 1 April 2023. This will have a consequential effect on the Group's and Company's future tax charge. If this rate change had been substantively enacted at the current balance sheet date, the deferred tax liability would have increased by $0.4m. However, this would have been substantially offset by the recognition of tax losses as a deferred tax asset.

9. EARNINGS PER ORDINARY SHARE (EPS)

	2020 $000	2019 $000
Earnings		
Earnings for the purposes of basic and diluted EPS being net (loss) / profit attributable to equity shareholders	**(2,958)**	8,316

Number of shares	**Number**	Number
Weighted average number of ordinary shares for the purpose of basic EPS	**66,437,683**	66,404,468
Effect of dilutive potential ordinary shares:		
Share options	**154,375**	499,053
Weighted number of ordinary shares for the purpose of diluted EPS	**66,592,058**	66,903,521
Basic earnings per share	**($0.0445)**	$0.1252
Diluted earnings per share	**($0.0445)**	$0.1243

Calculation of adjusted diluted earnings per share:	**$000**	$000
Earnings		
Earnings for the purposes of basic and diluted EPS being net (loss) / profit attributable to equity shareholders	**(2,958)**	8,316
Adjustments		
Research & development derecognised	**1,503**	—
Amortisation of customer relationships and order backlog	**920**	663
Share-based payments expense	**226**	243
Loss on disposal of subsidiary	—	124
IDS acquisition costs	—	63
Restructuring cost	**674**	169
	365	9,578
Tax effect of adjustments	**(631)**	(239)
Adjusted earnings	**(266)**	9,339
Adjusted diluted earnings per share	**$0.0040**	$ 0.1396

10. PROPERTY, PLANT AND EQUIPMENT – GROUP

	Land and Buildings $000	Plant and Equipment $000	Total $000
Cost			
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**
Balance at 1 January 2020	5,605	3,099	8,704
Additions	179	252	431
Disposals	—	(17)	(17)
Effect of movements in foreign exchange	186	21	207
Balance at 31 December 2020	**5,970**	**3,355**	**9,325**
Depreciation			
Balance at 1 January 2019	506	2,033	2,539
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**
Balance at 1 January 2020	627	2,151	2,778
Depreciation charge for the year	105	372	477
Disposals	—	(16)	(16)
Effect of movements in foreign exchange	23	59	82
Balance at 31 December 2020	**755**	**2,566**	**3,321**
Net book value			
At 1 January 2019	5,066	1,038	6,104
At 31 December 2019 and 1 January 2020	4,978	948	5,926
At 31 December 2020	**5,215**	**789**	**6,004**

10. PROPERTY, PLANT AND EQUIPMENT – COMPANY

	Land and Buildings $000	Plant and Equipment $000	Total $000
Cost			
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**
Balance at 1 January 2020	3,549	2,144	5,693
Additions	179	204	383
Disposals	—	(17)	(17)
Effect of movements in foreign exchange	215	25	240
Balance at 31 December 2020	**3,943**	**2,356**	**6,299**
Depreciation			
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**	**1,998**
Balance at 1 January 2020	411	1,587	1,998
Depreciation charge for the year	58	196	254
Disposals	—	(16)	(16)
Effect of movements in foreign exchange	27	61	88
Balance at 31 December 2020	**496**	**1,828**	**2,324**
Net book value			
At 1 January 2019	3,172	579	3,751
At 31 December 2019 and 1 January 2020	3,138	557	3,695
At 31 December 2020	**3,447**	**528**	**3,975**

11. 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 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**
Balance at 1 January 2020	7,683	7,096	2,386	10,616	27,781
Additions – internally developed	—	—	—	1,738	1,738
Additions – externally purchased	—	—	71	—	71
Disposals	—	—	(23)	—	(23)
Effect of movements in foreign exchange	—	—	96	4	100
Balance at 31 December 2020	**7,683**	**7,096**	**2,530**	**12,358**	**29,667**
Amortisation and impairment					
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**
Balance at 1 January 2020	—	3,470	843	5,019	9,332
Amortisation for the year	—	920	367	1,320	2,607
Disposals[1]	—	—	(23)	1,503	1,480
Effect of movements in foreign exchange	—	—	59	—	59
Balance at 31 December 2020	—	**4,390**	**1,246**	**7,842**	**13,478**
Net book value					
At 1 January 2019	6,939	2,394	1,422	4,783	15,538
At 31 December 2019 and 1 January 2020	7,683	3,626	1,543	5,597	18,449
At 31 December 2020	**7,683**	**2,706**	**1,284**	**4,516**	**16,189**

1. A number of in-progress and completed development projects have been abandoned in full due to the supplier notifications to end-of-life key components utilised in our gaming products; citing changing market demands and supply chain issues brought about by the COVID-19 pandemic. Therefore, these intangible assets, which had a carrying value of $1.5m, were derecognised as no future economic benefits were expected. This gave rise to a loss on derecognition of $1.5m.

Impairment testing

Goodwill and acquisition related intangibles have been allocated to Cash Generating Units (CGUs) as follows:

	Goodwill		Acquisition related intangibles	
	2020 $000	2019 $000	**2020 $000**	2019 $000
Quixant Gaming	**1,363**	1,363	—	—
IDS	**744**	744	**1,124**	1,637
Densitron Europe	**2,873**	2,873	**543**	724
Densitron US	**2,076**	2,076	**911**	1,094
Densitron France	**485**	485	**128**	171
Densitron Japan	**142**	142	—	—
	7,683	7,683	**2,706**	3,626

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired at the individual CGU level. 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 2021, together with a four-year forecast to 2025. 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 terminal 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 assessed the individual CGUs separately.

The annual impairment review indicated that no impairment of goodwill is necessary at 31 December 2020 or 31 December 2019.

Key assumptions

The following key assumptions have been adopted in the calculations:

Quixant Gaming CGU

- The revenue growth rate adopted for year 1 was 15% (2019: 7%) and for year 2 was 29% (2019: 0%), based on an expectation of recovery in revenues following the COVID-19 pandemic. The increase in operating costs adopted in the same period was 2% (2019: 0%). The revenue growth rates and increase in operating costs adopted for the years 2023-2025 were 5% (2019: 0%) and 2% (2019: 2%) respectively in order to take a realistic valuation approach;
- The terminal growth rate was estimated to be 1% (2019: 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 13.72% (2019: 13.22%). This is the discount rate that has been applied in determining the value in use.
- Trading gross margins were assumed to be slightly ahead of 2020 operating performance, disclosure of the actual margin is commercially sensitive so is omitted here.

IDS CGU

- The revenue growth rate adopted for year 1 was 19% (2019: 29%) and for the years 2022-25 was 15% (2019: 10%) reflecting higher expected future growth from using Densitron's global sales capability. The increase in operating costs for the years 2021-25 have been estimated to be 2% (2019: 2%) to allow for inflation;
- The terminal growth rate was estimated to be 1% (2019: 0%) to take a conservative valuation 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 15.60% (2019: 15%). This is the discount rate that has been applied in determining the value in use.
- Trading gross margins were assumed to be slightly ahead of 2020 operating performance, disclosure of the actual margin is commercially sensitive so is omitted here.

Quixant Densitron

Densitron Europe CGU

- The revenue growth rate adopted for year 1 was 16% (2019: 5%) and for the years 2022-25 were 4% (2019: 1%), with broadcast, medical and revenues from more sophisticated technology to support growth and offset legacy stagnant revenues. The increase in operating costs for the years 2021-25 have been estimated to be 2% (2019: 2%) to allow for inflation;
- The terminal growth rate was estimated to be 1% (2019: 1%) in order to take a conservative valuation approach;
- Trading gross margins were assumed to be slightly ahead of 2020 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 13.43% (2019: 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 year 1 was 5% (2019: 3%) and for the years 2022-25 were 4% (2019: 1%), with broadcast, medical and revenues from more sophisticated technology to support growth and offset legacy stagnant revenues. The increase in operating costs for the years 2021-25 have been estimated to be 2% (2019: 2%) to allow for inflation;
- The terminal growth rate was estimated to be 1% (2019: 1%) in order to take a conservative valuation approach;
- Trading gross margins were assumed to be in line with 2020 underlying 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 16.32% (2019: 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 year 1 was -11% (2019: -29%) and for the years 2022-25 were 4% (2019: 1%), with broadcast, medical and revenues from more sophisticated technology to support growth and offset legacy stagnant revenues. The increase in operating costs for the years 2021-25 have been estimated to be 2% (2019: 2%) to allow for inflation;
- The terminal growth rate was estimated to be 1% (2019: 0%) in order to take a conservative valuation approach;
- Trading gross margins were assumed to be in line with 2020 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 14.75% (2019: 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 year 1 was 1% (2019: 4%) and for the years 2022-25 were 4% (2019: 1%), with broadcast, medical and revenues from more sophisticated technology to support growth and offset legacy stagnant revenues. The increase in operating costs for the years 2021-25 have been estimated to be 2% (2019: 2%) to allow for inflation;
- The terminal growth rate was estimated to be 1% (2019: 1%) in order to take a conservative valuation approach;
- Trading gross margins were assumed to be ahead of 2020 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 15.54% (2019: 12.85%).. This is the discount rate that has been applied in determining the value in use.

SENSITIVITY TO CHANGES IN ASSUMPTIONS

For Densitron Japan CGU, Densitron France CGU and Quixant Gaming CGU, the Directors believe there are no reasonably possible changes in key assumptions that could cause impairment. For the remaining CGUs, below is the sensitivity analysis.

Densitron Europe CGU

The estimated recoverable amount of the CGU exceeded its carrying amount by approximately $2.4m (2019: $0). Management has identified that a reasonably possible change in two key assumptions could cause the carrying amount to exceed the recoverable amount. The following table shows the amount by which these two assumptions would need to change individually for the estimated recoverable amount to be equal to the carrying amount. The Directors believe there were no reasonably possible changes in the other key assumptions that could cause impairment.

	Change required for carrying amount to equal recoverable amount	
In percent	**2020**	2019
Revenue growth rate for the period 2022 to 2025	**-2.80%**	-0.01%
Gross profit margin	**-2.28%**	-0.01%

Densitron US CGU

The estimated recoverable amount of the CGU exceeded its carrying amount by approximately $1.7m (2019: $0.7m). Management has identified that a reasonably possible change in two key assumptions could cause the carrying amount to exceed the recoverable amount. The following table shows the amount by which these two assumptions would need to change individually for the estimated recoverable amount to be equal to the carrying amount. The Directors believe there were no reasonably possible changes in the other key assumptions that could cause impairment.

	Change required for carrying amount to equal recoverable amount	
In percent	**2020**	2019
Revenue growth rate for the period 2022 to 2025	**-2.35%**	-1.30%
Gross profit margin	**-1.70%**	-0.78%

A combined 1.5% decrease in gross profit margin and a 1.5% decrease in revenue growth rate would result in an impairment of $801k.

IDS CGU

The estimated recoverable amount of the CGU exceeded its carrying amount by approximately $0.8m (2019: $1.2m). Management has identified that a reasonably possible change in one key assumption could cause the carrying amount to exceed the recoverable amount. The following table shows the amount by which this assumption would need to change individually for the estimated recoverable amount to be equal to the carrying amount. The Directors believe there were no reasonably possible changes in the other key assumptions that could cause impairment.

	Change required for carrying amount to equal recoverable amount	
In percent	**2020**	2019
Revenue growth rate for the period 2022 to 2025	**-4.08%**	-4.10%

11. INTANGIBLE ASSETS – COMPANY

	Computer Software $000	Internally Generated Capitalised Development costs $000	Total $000
Cost			
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**
Balance at 1 January 2020	2,364	3,763	6,127
Additions– externally purchased	71	—	71
Disposals	(23)	—	(23)
Effect of movements in foreign exchange	96	—	96
Balance at 31 December 2020	**2,508**	**3,763**	**6,271**
Amortisation			
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**
Balance at 1 January 2020	830	3,409	4,239
Amortisation for the year	362	354	716
Disposals	(23)	—	(23)
Effect of movements in foreign exchange	59	—	59
Balance at 31 December 2020	**1,228**	**3,763**	**4,991**
Net book value			
At 1 January 2019	1,409	677	2,085
At 31 December 2019 and 1 January 2020	1,534	354	1,888
At 31 December 2020	**1,280**	**—**	**1,280**

12. INVESTMENT PROPERTY

	GROUP		COMPANY	
	2020 $000	2019 $000	**2020 $000**	2019 $000
Balance at 1 January	—	631	—	—
Impairment	—	(631)	—	—
Balance at 31 December	—	—	—	—

Investment property relates to an area of land owned by the Group at Blackheath in London. In the prior year, 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 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 the years where an external valuation was not undertaken (including as at 31 December 2020), the directors performed a desktop review to ascertain the fair value of the investment property.

13. 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 2020 and 2019
Quixant USA Inc	1	Distribution company	Ordinary	100%
Quixant Gaming Limited[a]	2	In liquidation	Ordinary	100%
Quixant Italia S.r.l.	3	Software development	Ordinary	99%
Densitron Technologies Limited	2	In liquidation	Ordinary	100%
Quixant UK Limited[b]	2	Sales of specialist computer systems and electronic display products	Ordinary	100%
Densitron Corporation of Japan	4	Sales of electronic display products	Ordinary	100%
Densitron Corporation of America	5	Sales of electronic display products	Ordinary	100%
Densitron France SAS*	6	Sales of electronic display products	Ordinary	100%
Densitron Deutschland GmbH*	7	In liquidation	Ordinary	100%
Densitron Land Limited	2	In liquidation	Ordinary	100%
IDS Control Solutions Limited*	2	In liquidation	Ordinary	100%
Quixant Deutschland GmbH	8	Sales of specialist computer systems and electronic display products	Ordinary	100%
Densitron Embedded D.O.O	9	Design of electronic displays	Ordinary	100%
Singularity Games, LLC**	10	Development and distribution of gaming technology solutions	Ordinary	100% / 0%

* Subsidiary of Quixant UK Limited
** Subsidiary of Densitron Corporation of America

1. 2147 Pama Lane, Bldg 6, Las Vegas, NV 89119, USA
2. Aisle Barn, 100 High Street, Balsham, Cambridge, CB21 4EP, UK
3. Contrada Case Bruciate, 1, Torrita Tiberina (RM), 00060, Italy
4. Aichiya Building 2F, 1-26-2, Omori-kita, Ota-ku, Tokyo 143-0016, Japan
5. 2330 Pomona Road, Corona, CA 92880, USA
6. 3 Rue de Tasmanie, 44115 Basse-Goulaine
7. Airport Business Centre, Am Soldnermoos 17, Hallbergmoos 85399, Germany
8. Prinzregentenstrabe 20, 83022 Rosenheim, Germany
9. Brnčičeva ulica 13, 1231 Ljubljana-Črnuče, Slovenia
10. 1209 Orange Street, Wilmington, DE 9801, USA

a) Previously named Quixant UK Limited
b) Previously named Densitron UK Limited

A restructuring exercise has been undertaken to optimise the number of legal entities in the group and simplify the ownership structure. This process will include the liquidation of five companies, as outlined in the table above.

The Group does not intend to proceed with the liquidation of Quixant Gaming Limited, and will take the necessary steps to reverse this in 2021.

Singularity Games, LLC is a newly formed US company, registered in Delaware in 2020, with a focus on development and distribution of gaming technology solutions. It is incorporated into the Group for the first time in this annual report.

Investments in subsidiaries

	COMPANY	
	2020 $000	2019 $000
Balance at 1 January	**9,346**	11,992
Impairment	—	(2,646)
Acquisitions – Group-settled share-based payments	**30**	—
Balance at 31 December	**9,376**	9,346

14. DEFERRED TAX ASSETS AND LIABILITIES – GROUP

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	ASSETS		LIABILITIES	
	2020 $000	2019 $000	**2020 $000**	2019 $000
Property, plant and equipment	**—**	—	**31**	77
Intangible assets – capitalised development costs	**—**	—	**831**	762
Intangible assets – acquired in business combinations	**—**	—	**460**	630
Share-based payments	**(163)**	(121)	**—**	—
Receivables	**(7)**	(7)	**—**	—
Inventory provisions	**(164)**	(67)	**—**	—
Losses	**(841)**	—	**—**	—
Other	**(92)**	(145)	**—**	—
Net deferred tax (assets) / liabilities	**(1,267)**	(340)	**1,322**	1,469

Movement in deferred tax during the year

	1 January 2020 $000	Recognised in Profit & Loss $000	31 December 2020 $000
Property, plant and equipment	77	(46)	**31**
Intangible assets – capitalised development costs	762	69	**831**
Intangible assets – acquired in business combinations	630	(170)	**460**
Share-based payments	(121)	(42)	**(163)**
Receivables	(7)	—	**(7)**
Inventory provisions	(67)	(97)	**(164)**
Losses	—	(841)	**(841)**
Other	(145)	53	**(92)**
	1,129	(1,704)	**55**

Movement in deferred tax during the prior 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

DEFERRED TAX ASSETS AND LIABILITIES – COMPANY

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	ASSETS		LIABILITIES	
	2020 $000	2019 $000	**2020 $000**	2019 $000
Property, plant and equipment	**—**	—	**76**	59
Intangible assets – capitalised development costs	**—**	—	**—**	54
Inventories	**(130)**	(12)	**—**	—
Share-based payments	**(183)**	(118)	**—**	—
Foreign exchange	**(1)**	(27)	**—**	—
Deferred tax (assets) / liabilities	**(314)**	(157)	**76**	113

Movement in deferred tax during the year

	1 January 2020 $000	Recognised in Profit & Loss $000	31 December 2020 $000
Property, plant and equipment	59	17	**76**
Intangible assets – capitalised development costs	54	(54)	**—**
Share-based payments	(118)	(65)	**(183)**
Inventories	(12)	(118)	**(130)**
Foreign exchange	(27)	26	**(1)**
	(44)	(194)	**(238)**

Movement in deferred tax during the prior 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)

15. INVENTORIES

	GROUP		COMPANY	
	2020 $000	2019 $000	**2020 $000**	2019 $000
Raw materials and consumables	**10,954**	10,793	**10,585**	10,715
Work in progress	**2,614**	63	**445**	63
Finished goods	**8,033**	9,324	**2,749**	2,957
	21,601	20,180	**13,779**	13,735

Raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales in the year amounted to $41,179,000 (2019: $57,759,000).

The cost of inventories recognised as an expense includes $615,000 (2019: $340,000) in respect of write downs of inventory to net realisable value.

16. TRADE AND OTHER RECEIVABLES

	GROUP		COMPANY	
Non-current	**2020 $000**	2019 $000	**2020 $000**	2019 $000
Amounts receivable from subsidiary undertakings[1]	**—**	—	**25,393**	—
Current				
Trade receivables	**14,269**	19,994	**26**	—
Amounts receivable from subsidiary undertakings	**—**	—	**5,164**	36,281
Other receivables	**2,248**	3,908	**1,092**	1,254
	16,517	23,902	**6,282**	37,535
	16,517	23,902	**31,675**	37,535

1. The non-current amounts receivable from subsidiary undertakings are repayable on demand.

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

A provision of $146,963 has been provided in respect of expected credit losses as at 31 December 2020 (31 December 2019: $300,861). 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 23 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 2020 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	
	2020 $000	2019 $000	**2020 $000**	2019 $000
30 – 60 days	**954**	5,455	**—**	—
61 – 90 days	**1,045**	1,180	**22**	—
Over 90 days	**1,207**	154	**—**	—
	3,206	6,790	**22**	—

The trade receivables over 90 days are mainly comprised of long-standing customers who are on fixed payment plans to clear the balances owed during the first half of 2021.

17. CASH AND CASH EQUIVALENTS/ BANK OVERDRAFTS

	GROUP		COMPANY	
	2020 $000	2019 $000	**2020 $000**	2019 $000
Cash and cash equivalents per balance sheet	**18,804**	16,954	**3,080**	1,219
Cash and cash equivalents per cash flow statements	**18,804**	16,954	**3,080**	1,219

18. 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 23.

	GROUP		COMPANY	
	2020 $000	2019 $000	**2020 $000**	2019 $000
Non-current liabilities				
Secured bank loans	**712**	738	**712**	738
	712	738	**712**	738
Current liabilities				
Current portion of secured bank loans	**695**	82	**96**	81
	695	82	**96**	81

Terms and debt repayment schedule

	Currency	Nominal Interest Rate	Year of Maturity	Face Value 2020 $000	Carrying Amount 2020 $000	Face Value 2019 $000	Carrying Amount 2019 $000
Loan secured on the Group's freehold property in Taiwan	NTD	1.45%	2028	**808**	**808**	820	820
Revolving Credit Facility[1]	GBP	1.66% to 3.00%	2021	**33**	**33**	—	—
USA COVID-19 support loan[2]	USD	1.00%	2021	**117**	**117**	—	—
France COVID-19 support loan[3]	EUR	0%	2021	**449**	**449**	—	—
				1,407	**1,407**	820	820

1. The existing security for the revolving £7.5m credit facility is a debenture granted by Quixant PLC, a debenture granted by Quixant UK Limited, and a legal charge over 11,000 shares in the name of Quixant USA Inc granted by Quixant PLC – all in favour of Barclays Bank PLC.
2. Payroll Protection Program loan for Quixant USA. Application submitted and under consideration for loan forgiveness.
3. Short term credit guaranteed by the state for COVID-19 support for Densitron France business . Repayment after 12 months in June 2021 will ensure 0% interest applied to loan.

Reconciliation of liabilities arising from financing activities

GROUP

	2019	Additions	Repay-ments	Interest	Foreign Exchange	Release	Reclass-ification	2020
Current liabilities	$000	$000	$000	$000	$000	$000	$000	$000
Other interest-bearing loans and borrowings	82	903	(89)	—	70	(297)	26	695
Lease liabilities	406	1,245	(568)	55	55	(83)	(724)	386
	488	2,148	(657)	55	125	(380)	(698)	1,081
Non-current liabilities	$000	$000	$000	$000	$000	$000	$000	$000
Other interest-bearing loans and borrowings	738	—	—	—	—	—	(26)	712
Lease liabilities	564	—	—	—	—	(387)	724	901
	1,302	—	—	—	—	(387)	698	1,613

Reconciliation of liabilities arising from financing activities

COMPANY	2019	Additions	Repayments	Interest	Foreign Exchange	Release	Reclassification	2020
Current liabilities	$000	$000	$000	$000	$000	$000	$000	$000
Other interest-bearing loans and borrowings	81	—	(89)	—	78	—	26	96
Lease liabilities	252	126	(186)	13	(5)	—	—	200
	333	126	(275)	13	73	—	26	296
Non-current liabilities	$000	$000	$000	$000	$000	$000	$000	$000
Other interest-bearing loans and borrowings	738	—	—	—	—	—	(26)	712

Lease release relates to one lease the Group and the landlord agreed to end at the break clause date.

19. TRADE AND OTHER PAYABLES

	GROUP		COMPANY	
	2020 $000	2019 $000	2020 $000	2019 $000
Current				
Trade payables	9,768	12,678	8,899	10,426
Other tax and social security payables	276	209	5	—
Other payables and accrued expenses	2,869	4,869	1,605	1,729
Amounts payable to subsidiary undertakings[1]	—	—	214	29
	12,913	17,756	10,723	12,184

1. The amounts payable to subsidiary undertakings are repayable on demand.

20. 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 $624,623 (2019: $534,000).

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 for issues in 2019 and 2020 are as follows:

	Issue 8 15 October 2020	Issue 7a 25 April 2019	Issue 7 2 April 2019
Fair value at grant date	£0.56	£0.89	£1.02
Weighted average share price	£1.25	£2.58	£2.96
Exercise price	£1.13	£2.58	£2.96
Expected volatility	47%	40%	40%
Option life	10 yrs	10 yrs	10 yrs
Risk-free interest rate	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 $0.73, $1.15 and $1.32 per option. The total expense recognised in the period in respect of share options is $226,000 (2019: $243,000).

The expected volatility is based on the historic volatility (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility due to publicly available information.

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

	Weighted Average Exercise Price 2020	Number Of Options 2020	Weighted Average Exercise Price 2019	Number Of Options 2019
Outstanding at the beginning of the year	£2.78	472,790	£2.63	429,068
Granted during the year	£1.13	361,500	£2.89	144,500
Lapsed during the year	£3.98	(132,000)	£3.57	(22,000)
Exercised during the year	£0.49	(15,000)	£1.97	(78,778)
Outstanding at the end of the year	£1.73	687,290	£2.78	472,790

The share options exercisable as at the 31 December 2020 were 148,290.

A further 65,000 became exercisable in March 2021.

21. PROVISIONS

Group	2020 $000	2019 $000
Balance at 1 January	343	306
Provisions made during the year	11	37
Balance at 31 December	354	343

The provision is in respect of long-term employment liabilities in Italy, Japan and the UK and is non-current. The Company has no provisions.

22. 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 2020	66,435,060	106	6,698
Exercise of share options (see note 20)	15,000	—	10
Balance at 31 December 2020	66,450,060	106	6,708
Balance at 1 January 2019	66,356,282	106	6,499
Exercise of share options (see note 20)	78,778	—	199
Balance at 31 December 2019	66,435,060	106	6,698

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 Board proposed a dividend for the year ended December 2020 of 2.0p per share which is not recognised as a distribution to equity holders during the period.

The following dividends were recognised during the period:

	2020 $000	2019 $000
Nil per qualifying ordinary share	—	2,760
Total dividends recognised in the year	—	2,760

23. 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.

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. A provision of $146,963 has been provided in respect of expected credit losses as at 31 December 2020 (31 December 2019: $300,861).
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. Management have also considered the expected credit losses in relation to amounts owed from subsidiary undertakings and has considered it to be immaterial.

The aging of trade receivables at the Balance Sheet date is set out in note 16.

The Group is exposed to credit-related loses in the event of non-performance by counterparties to financial instruments but does not currently expect any counterparties to fail to meet their obligations. Credit risk on liquid funds is mitigated because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

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.

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	
	2020 $000	2019 $000	2020 $000	2019 $000
Total equity	63,353	65,287	51,789	54,408
Cash and cash equivalents	(18,804)	(16,954)	(3,080)	(1,219)
Capital	44,549	48,333	48,709	53,189

			COMPANY	
	2020 $000	2019 $000	2020 $000	2019 $000
Total equity	63,353	65,287	51,789	54,408
Other financial liabilities	1,407	820	808	819
Total financing	64,760	66,107	52,597	55,227

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	
	2020 $000	2019 $000	2020 $000	2019 $000
Cash and cash equivalents	18,804	16,954	3,080	1,219
Trade and other receivables excluding prepayments – non-current	—	—	25,393	—
Trade and other receivables excluding prepayments – current	14,269	19,994	5,190	36,287
	33,073	36,948	33,663	37,506

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

	GROUP		COMPANY	
	2020 $000	2019 $000	2020 $000	2019 $000
Australia	1,424	2,200	—	—
USA	6,337	8,254	—	—
Asia	1,538	1,421	26	—
Europe	4,632	8,119	—	—
Rest of World	338	—	—	
	14,269	19,994	26	—

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.

Liquidity needs are managed by regular review of the timing of expected receivables and the maintenance of cash on deposit. This review ensures the Group has sufficient cash balances to meet the contractual financial liabilities and interest payments.

The following show the contractual undiscounted cash flows and 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 2020			
Carrying amount	**12,913**	**1,407**	**14,320**
Contractual cash flows			
6 months or less	**12,913**	**165**	**13,078**
6 to 12 months	**—**	**530**	**530**
More than 12 months	**—**	**712**	**712**
	12,913	**1,407**	**14,320**
Group	$000	$000	$000
31 December 2019			
Carrying amount	17,756	820	18,576
Contractual cash flows			
6 months or less	17,756	41	17,797
6 to 12 months	—	41	41
More than 12 months	—	738	738
	17,756	820	18,576
Company	**$000**	**$000**	**$000**
31 December 2020			
Carrying amount	**10,723**	**808**	**11,531**
Contractual cash flows			
6 months or less	**10,723**	**48**	**10,771**
6 to 12 months	**—**	**48**	**48**
More than 12 months	**—**	**712**	**712**
	10,723	**808**	**11,531**
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	—	40	40
More than 12 months	—	738	738
	12,184	819	13,003

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

	GROUP		COMPANY	
	2020 $000	2019 $000	**2020 $000**	2019 $000
Current assets				
Cash and cash equivalents	**18,804**	16,954	**3,080**	1,219
Trade and other receivables excluding prepayments – non-current	**—**	—	**25,393**	—
Trade and other receivables excluding prepayments – current	**14,269**	19,994	**5,190**	36,287
	33,073	36,948	**33,663**	37,506

All of the above relate to the IFRS 9 category 'loans and receivables' and are measured at amortised cost.

	GROUP		COMPANY	
	2020 $000	2019 $000	**2020 $000**	2019 $000
Current liabilities				
Trade and other payables	**(12,913)**	(17,756)	**(10,723)**	(12,184)
Other financial liabilities	**(695)**	(82)	**(96)**	(81)
	(13,608)	(17,838)	**(10,819)**	(12,265)
Non-current liabilities				
Other financial liabilities	**(712)**	(738)	**(712)**	(738)
	(14,320)	(18,576)	**(11,531)**	(13,003)

All of the above relate to the IFRS 9 category 'other financial liabilities' and are measured at amortised cost.

Currency risk

Transactional currency risk

The Group is exposed to foreign currency risks arising from sales or purchases in currencies other than their functional currencies. Before agreeing any overseas transactions consideration is given to utilising financial instruments such as hedging and forward purchase contracts.

This risk is mitigated by the majority of revenue and cost of sales being denominated in US Dollars which is the Group's reporting currency.

Translational currency risk

The Group has significant investments in overseas operations. As a result, the US Dollar value of the Group's balance sheet can be affected by movements in exchange rates.

Interest rate and currency profile

The Group's financial assets comprise trade and other receivables and cash at bank. At 31 December 2020 the average interest rates earned on the daily closing balances were 1.10% and 1.05% (2019: 1.69% and 1.64%).

Sensitivity analysis

The Group's does not prepare sensitivity analysis for fluctuations in interest rates and currency exchange rates.

Fair values versus carrying amounts

Fair value is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the balance sheet date. The Directors consider that there is no material difference between fair values and carrying amounts of financial assets and liabilities.

24. LEASES

The Group and Company do not have material operating leases that have not been capitalised under IFRS 16 (2019: Nil).

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 $179,000 were incurred in 2020 (2019: $32,000) on leases excluded because they are short-term (less than one year) or low value (asset is less than $5,000).

The following table summarises the IFRS 16 disclosures for the Group and Company:

	GROUP		COMPANY	
Balance Sheet	**2020 $000**	2019 $000	**2020 $000**	2019 $000
Assets				
Right of use assets	**1,276**	894	**200**	252
Lease Liabilities				
Current liabilities	**386**	406	**200**	252
Non-current liabilities	**901**	564	**—**	—
	1,287	970	**200**	252
Profit & Loss Account				
Depreciation	**473**	680	**230**	402
Lease interest expenses	**55**	120	**13**	52
Expenses on excluded leases (short-term or low value)	**179**	32	**171**	24

25. COMMITMENTS

At 31 December 2020, the Group was in discussion with a key supplier, AMD, regarding a last-time-buy commercial agreement, which was concluded and signed in January 2021. This relates to the purchase of components affected by an end-of-life notice from AMD and will ensure that Quixant can satisfy future Gaming customer orders across several products. Payment terms for the last-time-buy are six quarterly instalments, commencing Q4 2021, and totalling $5.7m.

26. CONTINGENCIES

Neither the Group nor Company had any contingencies existing at 31 December 2020 (2019: none).

27. RELATED PARTIES

Group

During the year the Group paid €31,200 (2019: €31,200) for administration services to Francesca Marzilli, the wife of Nick Jarmany, and NTD 719,644 (2019: NTD 644,397) 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 6 above.

Other related party transactions

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

Company

Directors and key management compensation disclosed in Note 6 to the consolidated financial statements.

During the year, the Company entered into transactions in the ordinary course of business with related companies.

These related party transactions with other group companies and the balance outstanding are as follows:

	Profit & Loss Account		Balance outstanding included in Trade & other receivables	
	2020 $000	2019 $000	**2020 $000**	2019 $000
Income				
Sales to other Group Companies	**42,085**	40,583	**5,103**	6,587
Dividend income from other Group companies	**391**	—	**—**	—
Dividend income in respect of legal restructure from other Group companies	**—**	39,750	**21,604**	26,697
Loan interest receivable from Group companies	**—**	62	**—**	62
Audit fees recharged to Group companies	**61**	3	**61**	3
Other loan balance due from Group companies				
The Company has loan balances due from Group companies essentially related to funding to the establishment of overseas offices	**—**	—	**3,575**	2,903
Expenses				
Salary recharges from Group companies	**88**	81	**—**	—

28. SUBSEQUENT EVENTS

The Group continues to monitor and assess the impact of COVID-19 on the performance of the business in 2021. The Directors are confident in the Group's ability to react to any further economic uncertainties that may occur in 2021 and will continue to utilise its experiences from 2020. The global component shortage is likely to have an impact on procurement. The Board has approved a plan to purchase additional buffer stock to support the 2021 order book and protect the business from ongoing global shortages, which will be managed within our current working capital structure.

29. PRIOR YEAR ADJUSTMENT

During the year, Quixant plc identified that a consolidation journal between operating expenses and cost of sales in respect of overheads absorbed in the production of finished goods, was omitted in the prior year.

As a result, the cost of sales previously recognised in 2019 of $58.0m has now increased by $2.2m whilst the operating expenses recognised in 2019 of $24.7m has now decreased by $2.2m. This adjustment has no effect on the profit before tax and profit for the year for 2019.

COMPANY INFORMATION

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