Quixant

Quixant plc
Annual Report and Financial Statements
31 December 2016

Quixant

Welcome to the Quixant Annual Report 2016

Quixant plc is a public company listed on the Alternative Investment Market (AIM) in London. Established in 2005 and headquartered in Cambridgeshire the core business is the design, development and manufacture of gaming platforms and display solutions for the gaming and slot machine industry.

Following the acquisition of Densitron Technologies plc in 2015, Quixant also supplies electronic display solutions to a wide range of global industrial markets.

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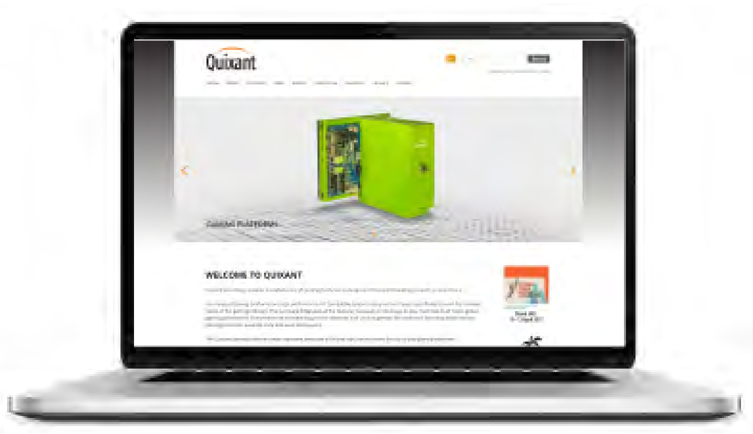


Financial Highlights

Revenue ($m)

Year	Revenue
2016	$90.4 million
2015	$41.8 million
2014	$31.9 million
2013	$24.2 million
2012	$21.6 million

Note: 2016 includes a full year for the Densitron division

Adjusted EBITDA[1] ($m)

Year	Adjusted EBITDA
2016	$15.6 million
2015	$10.1 million
2014	$7.9 million
2013	$6.4 million
2012	$5.1 million

EBITDA ($m)

Year	EBITDA
2016	$14.7 million
2015	$8.7 million
2014	$7.7 million
2013	$6.4 million
2012	$5.1 million

Adjusted profit before tax[2] ($m)

Year	Adjusted profit before tax
2016	$13.8 million
2015	$9.2 million
2014	$7.2 million
2013	$6.0 million
2012	$5.0 million

Profit before tax ($m)

Year	Profit before tax
2016	$11.7 million
2015	$7.8 million
2014	$7.1 million
2013	$6.0 million
2012	$5.0 million

Adjusted fully diluted EPS[3] ($)

Year	Adjusted fully diluted EPS
2016	$0.166
2015	$0.113
2014	$0.094
2013	$0.076
2012	$0.068

Fully diluted EPS ($)

Year	Fully diluted EPS
2016	$0.140
2015	$0.097
2014	$0.092
2013	$0.076
2012	$0.069

Proposed full year dividend pence/share

Year	Dividend
2016	2.0p
2015	1.5p
2014	1.2p
2013	1.0p
2012	0.0p

Net cash from operating activities ($m)

Year	Net cash from operating activities
2016	$10.1 million
2015	$6.3 million
2014	$2.1 million
2013	$2.5 million
2012	$1.9 million

1. Adjusted by adding back share based payments and one off non-recurring items of income and expense totalling $0.9 million (2015: share based payments and acquisition costs of $1.4 million).
2. Adjusted by adding back amortisation of intangibles arising from acquisitions, share based payments and one off non-recurring items of income and expense. In 2016 these amounted to $2.2 million (2015: share based payments and non-recurring costs $1.4 million).
3. Adjusted by adding back amortisation of intangibles arising from acquisitions, share based payments, one off non-recurring items of income and expense and subtracting the associated tax effect. In 2016 these amounted to $1.7 million (2015: share based payments and non-recurring costs $1.4 million).

Operational Highlights

- Strong demand from major gaming customers across both gaming board and gaming monitor solutions
- Increased diversification of revenue base and reduced customer concentration
- Completed gaming board design-in for a project with a new Tier 1 customer and received first volume orders in 2017
- Densitron Division performed ahead of expectations

Chairman's Statement

"I am pleased to report that Quixant has had another successful year with the Group delivering strong growth in both revenue and profit. This has been the first full year contribution from the acquisitions made in 2015 and it is pleasing to see these businesses performing ahead of expectations, augmenting strong organic growth from Quixant's core gaming platform business."

Michael Peagram,
Chairman

I am pleased to report that Quixant has had another successful year with the Group delivering strong growth in both revenue and profit. This has been the first full year contribution from the acquisitions made in 2015 and it is pleasing to see these businesses performing ahead of expectations, augmenting strong organic growth from Quixant's core gaming platform business.

The Gaming Division performed well as Quixant continues to consolidate its position as the premier supplier of computer platforms to the gaming industry. We continued to broaden our customer base in 2016, winning several new projects with customers across a spectrum of sizes. We expect volume shipments under several of these to commence in 2017. In addition to the growth in new customers, it is pleasing to see robust performance from Quixant's well-established customers.

In 2015 we took the decision to invest in our gaming monitor business and enhanced our product offerings and sales resource in this product line. This decision has proved successful with good growth in 2016 and a strong pipeline of orders for delivery in 2017 giving us confidence in our ability to deliver substantial growth in the future. Our belief that gaming platform customers would value the ability to purchase monitors from Quixant as a trusted vendor has proven to be correct.

The Densitron Division has performed ahead of expectations during the year. After a period of assessment of the division following our acquisition in November 2015, several initiatives have been implemented aimed at rationalising and enhancing the business' product and market strategy. We are also injecting a higher degree of intellectual property into the product range and improving operational efficiency which will improve future profitability. We would expect to start to see the benefit of these initiatives resulting in improvements in sales and margins towards the end of 2017.

The decision for the UK to leave the European Union resulted in a significant volatility in exchange rates and uncertainty in the way future business will be conducted between the UK and countries within the European Union. The highly global nature of Quixant's business and operations, combined with the fact that both reporting and the majority of transactions are conducted in US Dollars mitigates the impact that Brexit will have on Quixant. However, the Board will continue to monitor the potential impact as developments unfold.

A dividend of 1.5p per share was paid in May 2016 representing a growth of 25% on the prior period. The Board is pleased to propose a 2017 full year dividend of 2.0p per share, representing an increase of 33% over the previous year. This remains consistent with our progressive dividend policy and the continued strength of the Company's balance sheet and financial performance.

The Group has significant opportunities to continue to grow in all areas of its business. The market for the core gaming platform business remains robust and together with potential new geographical market opportunities provides us with confidence for continued future growth. The introduction of gaming monitors to our product portfolio has successfully uncovered significant opportunity for selling multiple products into each gaming machine and we are confident that the Group's share of this business will continue to grow. We consider that the opportunities for the Densitron division are promising and we expect to see the benefits from the initiatives implemented as 2017 progresses. The Group has had a strong start to 2017 and is well positioned to achieve its growth targets for the year.

Michael Peagram,
Chairman

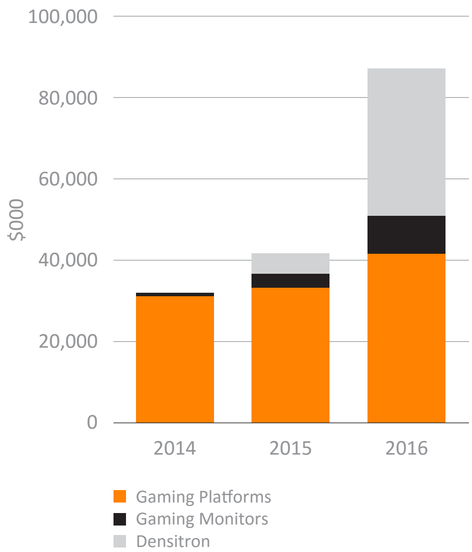
Pictured: **QMax-1**

Chief Executive's Report

"I am delighted to report that the Group has delivered excellent financial and operational performance over the year. Both the Gaming and Densitron business divisions performed ahead of expectations, delivering record Group revenue and adjusted profit before tax of $90.4 million (2015: $41.8 million) and $13.8 million (2015: $9.2 million) respectively."

Nicholas Jarmany,
Chief Executive

Revenue by product type



Pictured: **QXi-4000**

I am delighted to report that the Group has delivered excellent financial and operational performance over the year. Both the Gaming and Densitron business divisions performed ahead of expectations, delivering record Group revenue and adjusted profit before tax of $90.4 million (2015: $41.8 million) and $13.8 million (2015: $9.2 million) respectively. The unadjusted profit before tax was $11.7 million (2015: $7.8 million).

The chart shows the growth in revenue from the different elements of the business over the last three years. The growth in the core gaming platform business has underpinned the growth in the organisation as a whole and enabled the introduction of the gaming monitor business in 2014 and the acquisition of Densitron in November 2015.

Gaming Division

The Gaming Division revenue grew by 45%, from $36.7 million in 2015 to $53.0 million in 2016 principally as a result of a growth in sales to several existing customers, commencement of volume shipments to a number of new accounts and substantial growth in the gaming monitor business.

The cornerstone of our gaming proposition is Quixant's Gaming Ecosystem®, which encompasses several aspects of the hardware, software and support of our gaming platforms and monitors. Quixant has developed a library of intellectual property aimed at providing customers with a platform which combines compliance with the strict requirements imposed by global gaming regulators with an off-the-shelf solution which accelerates their time to market with new games, provides portability across different markets and supports a simple upgrade path for their next generation of machines. This Gaming Ecosystem® is a central part of Quixant's value proposition and differentiates us from the multitude of industrial PC manufacturers operating principally in Asia. It is gratifying to find that even the largest customers in the gaming industry recognise and embrace the value of Quixant's Gaming Ecosystem® and are willing to adapt their games to be compatible with it.

We continue to see new market opportunities evolving as governments globally vote to legalise gaming in a regulated environment. Whilst we adopt a cautious stance to the timing or potential value of such market openings, we believe this represents a major opportunity for our customers to supply new machines which in turn provides Quixant with the potential for new business.

Brazil is the most recent of such new market opportunities. Quixant has several customers who are well-positioned to address this market with machines and games which have been developed around Quixant gaming platforms.

Gaming Platforms – We shipped over 43,000 gaming platforms in 2016, up from 34,000 shipped in 2015. We continue to occupy a small market share of around 9% of the estimated 475,000 unit annual new/replacement machines deployed globally (based on the 2015 industry survey conducted by G3 Magazine). We continue to have good confidence that we have the ability to considerably increase our market share over time as more customers look to outsource the design and manufacture of their computer gaming platforms and focus their R&D effort on their core competencies.

Our highest volumes continue to be dominated by our higher performance range of products, and in particular the QX-40. We have several customers now transitioning from this onto the next generation QX-50 and newer platforms but we expect to continue to see strong sales of the QX-40 in 2017.

Gaming Monitors – We commenced our business in gaming monitors in 2014 as a means of providing customers with a gaming-optimised product that complements our gaming platforms. The strict regulatory requirement of maintaining a consistent bill-of-materials, something which has been a key criteria in the design of our gaming platforms, is also a requirement for gaming monitors. Quixant has built up years of credibility as a supplier that understands these strict requirements and this has enabled us to be successful in cross-selling monitor products to a number of our existing computer platform customers.

In 2016 we shipped over 25,000 gaming monitors, a marked increase on the previous year. Several existing well-established customers have moved to Quixant for their monitor requirements. Touchscreen button decks have also proven to be a strong product line as manufacturers seek to replace traditional mechanical buttons with more interactive input methods on their latest machines. Whilst gaming monitors operate on a structurally lower margin compared to gaming platforms, the design-in period is typically considerably shorter and the intensity of R&D required is lower.

Densitron Division

Following our acquisition of Densitron in November 2015 our expectation was that the performance during 2016 would be relatively flat compared to its performance for the full year 2015. However, the business has performed ahead of expectations, delivering increased revenues at marginally better gross margin.

During the year we implemented a range of initiatives designed to strengthen the business, making it more streamlined and increasing its product and market focus. We have also invested during the year in headcount, products and marketing. We have recruited additional people in Taiwan to enable better management of quality, improvements in the procurement process and standardising the operational process across divisions. This is expected to continue into 2017.

We have embarked on a rationalisation of the product portfolio which we believe was previously unwieldy and lacked a globally unified strategy. As a result, several product lines were discontinued towards the end of the year and a new team of Global Product Managers has been established. We believe that increasing the intellectual property contained within Densitron's products will improve competitiveness and provide greater opportunity for Densitron into the future. For this reason, in 2017 we have introduced a new team which is responsible for developing Densitron's own low power embedded ARM computing solutions which will be marketed in combination and integrated with its display products.

In the past, Densitron has sold into a large number of different markets, each having their own specific requirements. Leveraging on the experience gained in Quixant, we are in the process of identifying markets in which Densitron's range of products and capabilities offer particular competitive advantages.

Due to product development timescales we do not expect to see an immediate impact resulting from these initiatives but we would anticipate to see progress towards the end of 2017.

Group Infrastructure Enhancements

Given the Group's rapid rate of growth, we believe it is essential that the infrastructure is put in place to not only manage this growth but also to enhance it. During 2016 we have continued to invest in people, by strengthening management resource, and products but also recognised the need to restructure the way in which the Group is managed overall. To do this we have created a divisional structure with several shared service areas which are leveraged across divisions.

We also believe that common systems and processes across the Group are vital to be able to support the business into the future. As such, the Board approved a project at the end of 2016 to implement a common enterprise resource planning (ERP) system across the whole Group which will involve a harmonisation of business and operational processes and creation of a global financial and business analysis infrastructure. This is a substantial project that will involve input from all parts of the business but is essential to ensure efficient management reporting and enable us to leverage our resources as we grow.

The Group has also strengthened the business' management resources, promoting Jon Jayal to Chief Operating Officer of the Group, stepping up responsibilities for several other members of senior management and making a number of senior hires in Taiwan.

Outlook

The outlook for the Group remains extremely positive. The Gaming division continues to offer considerable growth opportunities both from the expansion of its market share in the core gaming platform business and through the new opportunity created in the gaming monitor market. The Densitron division is healthy and profitable and offers potential for growth in several important vertical markets through a more focused and co-ordinated global approach. I am therefore confident in the Group's ability to continue to deliver strong growth in 2017 and beyond.

Nicholas Jarmany,
Chief Executive

Financial Review

"The Quixant Group achieved revenues of $90.4 million in the year, an increase of 116% on 2015 ($41.8 million). The results for 2016 include a full year of the Densitron division while the results for 2015 include the six week period following completion of the acquisition in November 2015. However, excluding the Densitron division, the Gaming division achieved revenue of $53.0 million in the year, an increase of 45% on 2015 ($36.6 million)."

Cresten Preddy,
Finance Director

Revenue

The Quixant Group achieved revenues of $90.4 million in the year, an increase of 116% on 2015 ($41.8 million). The results for 2016 include a full year of the Densitron division while the results for 2015 include the six week period following completion of the acquisition in November 2015. However, excluding the Densitron division, the Gaming division achieved revenue of $53.0 million in the year, an increase of 45% on 2015 ($36.6 million).

The growth in the Gaming division has been driven primarily by continued development of relationships with existing customers, and substantial growth in the gaming monitor sales. We have continued to broaden the customer base and now have 180 customers (2015: 126). The Densitron displays division has performed ahead of expectations in the year, achieving revenues of $37.4 million.

Profit

Our gross profit for the year was $32.1 million, representing a gross margin of 36%. This compares to a gross profit achieved in 2015 of $17.3 million at a gross margin of 41%. The decrease in gross margin percentage reflects the lower margins achieved in both gaming monitors and the Densitron division.

Adjusted EDITDA on continuing operations increased 54% to $15.6 million (2015: $10.1 million) and adjusted profit before tax increased 50% to $13.8 million (2015: $9.2 million). EBITDA on continuing operations increased by 69% to $14.7 million (2015: $8.7 million) and profit before tax increased by 50% to $11.7 million (2015: $7.8 million). Adjustments to EBITDA are to add back share based payments and one off non-recurring items of income and expense, in 2016 these totalled $0.9 million (2015: share based payments and non-recurring costs of $1.4 million). Adjustments to profit before tax are to add back amortisation of intangibles arising from acquisitions, share based payments and one off non-recurring items of income and expense. In 2016 these amounted to $2.2 million (2015: share based payments and non-recurring costs $1.4 million).

The share based payment charge has been added back because it is not a cash expense to the Company. It is a benefit to our employees which we a required to expense through the profit and loss account in accordance with IFRS2.

In order to maintain our market leading position, it is vital that the business continues to invest in product development. During the year, the Group expenditure on research and development was $3.5 million (2015: $2.3 million), representing 11% of gross profit (2015: 14%). These costs relate to investment activities principally undertaken in Taiwan and Italy. $0.7 million of these costs were capitalised (2015: $1.1 million) with amortisation for the year on total capitalised development costs of $0.9 million (2015: $0.4 million).

Managing overheads while ensuring sufficient investment is made to support the business is key, and as such we have strengthened the business across all areas in the year, increasing our headcount to 160 people (2015: 138). Staff costs being the largest contributor to overheads resulted in an overall spend in the year of $11.3 million (2015: $4.6 million).

Taxation

The tax charge in the year amounted to $2.4 million (2015: $1.4 million). This constitutes a corporation tax charge of approximately 20.3% on pre-tax profits (2015: 17.6%). The Group continues to benefit from enhanced tax reliefs available in respect of qualifying research and development expenditure.

Earnings per share

- Basic earnings per share increased 44% to $0.1430 (2015: $0.0993).
- Fully diluted earnings per share increased 44% to $0.1395 (2015: $0.0967).
- Adjusted fully diluted earnings per share increased 47% to $0.166 (2015: $0.113).
- The calculations of earnings per share are included in Note 10.

Pictured: **QXi-200**

Balance Sheet

The Group maintains a strong Balance Sheet with net assets totalling $34.3 million (2015: $25.7 million).

Non-current assets have reduced in the year to $20.9 million (2015: $22.8 million). This is primarily due to the amortisation of intangible assets relating to customer relationships and order backlog following the acquisition of Densitron in 2015.

Current assets principally comprise inventory and trade receivables. Inventory increased to $12.9 million (2015: $9.3 million). This is a significant increase but is in line with the Group's inventory strategy of ensuring that it has sufficient inventory to meet near term production, and a buffer stock of key product lines is maintained. This enables Quixant to react quickly to customer requirements and gives the Group a competitive advantage. Trade and other receivables and trade and other creditors reflect the increase in business in the year, and in the case of trade and other creditors, the growth in inventory. Trade and other receivables are $21.0 million (2015: $19.5 million) and trade and other payables are $17.2 million (2015: $15.3 million).

Cash Flow

The Group continued to generate high levels of cash during the year. The cash generated from operating activities in the year amounted to $10.1 million (2015: $6.3 million).

The Group continued to invest in the business, spending $1.4 million (2015: $12.8 million) on investing activities including $0.7 million (2015: $1.1 million) on capitalised product development. In 2015 $10.6 million was spent on acquisitions, this expenditure has not recurred in 2016.

In the year $2.8 million has been used to repay borrowings including the elimination of more expensive lines of financing. We continue to review banking facilities and treasury arrangements around the Group to ensure that the level and cost of finance is appropriate to the business.

Dividend

The Board intends to maintain its progressive dividend policy whilst continuing to invest in and to develop the Group's businesses. As such, the Board proposes a dividend in respect of the year of 2.00p per share (2015: 1.5p per share) payable on 18 May 2017 to all shareholders on the register at the close of business on 12 May 2017. The corresponding ex-dividend date is 11 May 2017.

Outlook

During 2017 we will continue to invest in the business by strengthening those areas that need it to enable future growth. We shall also be embarking on a project to enhance the structure of the Group going forward by introducing a common enterprise resource planning (ERP) system. This will be a major project which will have an impact on all areas of the business but will ultimately be vital in putting the Group in the position of having a harmonised accounting, reporting and procurement platform which can scale efficiently with the organisation.

The 2017 financial year has started well, giving us confidence that the year will be one of strong growth.

Cresten Preddy,
Finance Director

Financial Statements

Quixant plc Annual Report & Accounts for the year ended December 2016

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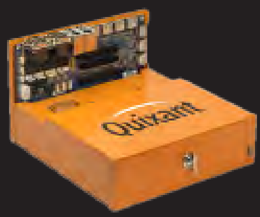
Quixant Gaming Platforms

QMax-1



QX-50

QX-40

QXi-4000

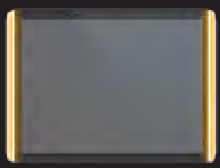
QXi-6000

QXi-300

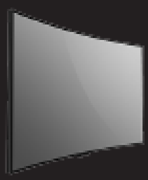
QXi-307

QXi-306

Quixant Gaming Monitors



Ultra High Definition Monitor

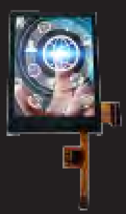


Curved Monitor

Button Deck Monitor

Standard Gaming Monitor

Densitron products



2.4inc TFT High Res

OLED 1

TFT 12inch

TFT Monitor

Corporate Governance

The Directors recognise the value and importance of high standards of corporate governance.

Since admission to AIM in May 2013, the Board has been designed to voluntarily comply, where applicable, with selected key provisions of the UK Corporate Governance Code. The Company does not currently claim full compliance with the requirements of the code.

The Company also follows the recommendations on corporate governance from the Quoted Companies Alliance for companies with shares traded on AIM.

Given the size of the Company and the constitution of the Board, the following is a brief summary of the main aspects of corporate governance currently in place.

With effect from the admission to the AIM market, the Board has established an Audit Committee and a Remuneration Committee with formally delegated responsibilities.

The Remuneration Committee is chaired by Michael Peagram. Its other member is Guy van Zwanenberg. This committee reviews the performance of the Executive Directors and makes recommendations to the Board on matters relating to their remuneration and terms of employment.

The Audit Committee is chaired by Guy van Zwanenberg. Its other member is Michael Peagram. The Committee determines the terms of engagement of the Group's auditors and, in consultation with them, the scope of the audit. It receives and reviews reports from management and the Group's auditors relating to the interim and annual financial statements and the accounting and internal control systems in use by the Group. The Audit Committee has unrestricted access to the Group's auditors. Under its terms of reference, the Audit Committee monitors, amongst other matters, the integrity of the Group's financial statements. The Committee is responsible for monitoring the effectiveness of the external audit process and making recommendations to the Board in relation to the re-appointment of the external auditors. It is responsible for ensuring that an appropriate business relationship is maintained between the Group and the external auditors, including reviewing non-audit services and fees. The Committee meets with Executive Directors and management as well as meeting privately with the external auditors.

As the Board is small, there is not a separate Nominations Committee and the Board as a whole considers recommendations for appointments to the Board.

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.

Going concern

Under Company Law, the Company's Directors are required to consider whether it is appropriate to prepare financial statements on the basis that the Group and Company are a going concern. The Directors have prepared trading and cash flow forecasts for the Group covering the period to 31 December 2018. After making enquiries and considering the impact of risks and opportunities on expected cash flows, the Directors have a reasonable expectation that the Group has adequate cash to continue in operational existence for the foreseeable future. For this reason they have adopted the going concern basis in preparing the financial statements.

Strategic Report

The Directors present their Annual Report and accounts for the year ended 31 December 2016.

Principal activities and results

The principal activities of the Group are:

- the development and supply of computer systems;
- the design, development and delivery of electronic displays into the industrial marketplace; and
- the distribution and delivery of monitors.

The profits for the year after taxation amounted to $9.3 million (2015: $6.4 million) and the Directors continue to be satisfied with the overall performance of the Group.

Further comments on the development of the business are included in the Chairman's Statement, Chief Executive's Report and Financial Review on pages 2-7.

Key Performance Indicators

Annual budgets are set at the beginning of each year which are reviewed against monthly management accounts. Additionally, the Directors review several performance indicators to assess the performance of the business and assist in decision-making.

Operational

KPI	Objective	Comment
Adjusted earnings before interest, tax, depreciation and amortisation – EBITDA (Note 1)	To ensure that the Group's profit is growing in line with market expectations	The level of adjusted EBITDA has increased year on year ahead of market expectations
Profit before tax	To ensure that the Group is providing a sufficient return to its shareholders	The level of profit before tax has increased in the year by 50% which is ahead of market expectations

Financial

KPI	Objective	Comment
Inventory	To ensure that sufficient inventory levels are maintained to meet near term demand while guarding against inventory obsolescence	The Board is provided with a monthly manufacturing report detailing the current inventory level and the future product requirement
Debtors	To ensure that customers settle debts in an orderly fashion in line with agreed terms	The Board is provided with a monthly report on aged debts for each part of the business
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 the current level of cash balances within the Group along with the current level of borrowings and available facilities

Principal risks relating to the business of the Group

The Group faces competitive and strategic risks that are inherent in rapidly growing and changing markets. The Board of the Company and its management review future strategy and risks to the business regularly. Where possible, processes are in place to monitor and mitigate the identified risks. The Board has considered the risks that Brexit might pose on the Group, and has concluded that it does not consider that the impact will be significant.

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

Strategic Report continued

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

Risk	Description	Mitigation	Comment
Commercial	The marketplace for the Group's display products is highly competitive. Gaming customers may decide to design their computer platforms and/or monitors in-house or source from another supplier.	The Group continues to work on identifying areas in which it can add value and differentiate its products. Quixant works closely with its customers to ensure its product roadmap is robust, technologically advanced and ahead of the competition.	The Group has the capabilities and skills to create highly engineered, optimised products.
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 regulation which may impact its business.	The Group is a member of professional bodies where applicable.
Technological	The Group's business is dependent upon technology which could be superceded 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 our customers and works with them to provide the products they need for their business.
Key customer dependency	The Group generates a significant but declining portion of its revenue from a key customer.	As the Group continues to grow, the portion of revenue from key customers has declined.	The Board expects the Group's continued organic growth to further reduce the dependency on key customers.
Key persons	The Group recognises the importance of its personnel. Its' executive officers have been fundamental in the creation and development of the organisation. In addition, 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 and the Board is developing a succession plan. The Directors have put in place contractual arrangements designed to develop and incentivise key staff.	Staff turnover of key personnel continues to be low.
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.

By order of the Board on 21 March 2017.

Miss A C Preddy,
Director

Directors' Report

Statutory information

Quixant plc ('The Company') is a Public Limited Company incorporated in the United Kingdom (Registration number: 04316977). On 15 May 2013, the Company issued an admission document and from 21 May 2013 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 including shares issued during the year are set out in Note 23 of the consolidated financial statements.

Annual General Meeting

The date and other details of the next Annual General Meeting of the Company are contained within the notice of this meeting, which accompanies this report.

The Directors propose a dividend of 2.00p per share (2015: 1.5p), to be approved at the Annual General Meeting. During the year the Company paid a dividend of 1.5p per share amounting to $1,400,233.

Substantial shareholdings

On 21 March 2017 the Company had been notified of the following significant interests in its share capital:

	Shares held Ordinary shares of £0.001 each	**% of issued share capital**
N C L Jarmany and his wife	12,579,940	19.25%
Schroders Plc	7,187,490	11.00%
Hargreave Hale	6,867,789	10.51%
Mr J and Mrs S Mullins	3,858,920	5.90%
Octopus Investments Nominees Limited	3,855,888	5.90%
Liontrust Asset Management	3,747,346	5.73%
C-T Lin and his wife	3,446,559	5.27%
G P Mullins and his wife	2,829,243	4.33%
River and Mercantile Asset Management LLP	2,283,450	3.49%
Alexander Taylor	2,058,958	3.15%
Amati Global Investors	2,044,248	3.13%

Directors

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

	Shares held Ordinary shares of £0.001 each		**Options granted £0.001 each**		**Exercise price**
	2016	**2015**	**2016**	**2015**	
N C L Jarmany	**12,579,940**	16,752,923		–	–
J F Jayal (appointed 20 June 2016)	**–**	–	**110,200**	110,200*	£0.49
			400,000**	400,000**	£nil
C-T Lin	**3,446,559**	4,589,842		–	–
G P Mullins	**2,829,243**	4,058,641		–	–
A C Preddy	**10,000**	–	**69,000**	79,000	£0.49
M J Peagram	**202,174**	152,174		–	–
G van Zwanenberg	**26,087**	26,087		–	–

*date of appointment

** These figures represent a nil cost option granted by NCL Jarmany to J F Jayal over 400,000 ordinary shares owned by him (as outlined in the admission document).

There has been no change in the interests set out above between 31 December 2016 and 21 March 2017.

Directors' Report continued

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 $3.6 million (2015: $2.3 million) in its R&D and customer support programmes in the year, of which $0.7 million (2015: $1.1 million) was capitalised. The Group undertakes R&D to develop and enhance its products and the Group will continue to commit a significant level of resource and expenditure as appropriate to R&D.

Use of financial instruments

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

Political contributions

Neither the Company nor any of its subsidiaries made any political donations or incurred any political expenditure during the year.

Disclosure of information to 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 reappointment of KPMG LLP as Auditor of the Company is to be proposed at the forthcoming Annual General Meeting.

By order of the Board on 21 March 2017.

Miss A C Preddy,
Director

Statement of Directors' Responsibilities

In Respect of the Directors' 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. As required by the AIM Rules of the London Stock Exchange they are required to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and applicable law and 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 their profit or loss for that period. In preparing each of the Group and parent Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the parent Company will continue in business.

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 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.

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

We have audited the financial statements of Quixant Plc for the year ended 31 December 2016 as set out on pages 17 to 48. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU, and as regards the parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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.

Respective responsibilities of Directors and Auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 15, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at **www.frc.org.uk/auditscopeukprivate**.

Opinion on financial statements

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 2016 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- the parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and applied in accordance with the provisions of the Companies Act 2006;
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic report and the Directors' report:

- we have not identified material misstatements in those reports; and
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us 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.

Charles le Strange Meakin (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
Botanic House 100 Hills Road Cambridge CB2 1AR

21 March 2017

Consolidated Statement of Profit and Loss and Other Comprehensive Income

For the years ended 31 December 2016 and 2015

	Note	**2016 Total** $000	**2015 Total** $000
Revenue	3,4	**90,365**	41,829
Cost of sales		**(58,267)**	(24,503)
Gross profit	5	**32,098**	17,326
Administrative expenses		**(6,853)**	(3,995)
Other operating expenses	5	**(13,211)**	(5,469)
Operating profit		**12,034**	7,862
Financial expenses	8	**(371)**	(74)
Profit before tax		**11,663**	7,788
Taxation	9	**(2,370)**	(1,368)
Profit for the year		**9,293**	6,420
Other comprehensive income for the year, net of income tax			
Items that are or may be reclassified subsequently to profit and loss			
Minority interests		**1**	–
Foreign currency translation differences		**(47)**	(268)
Total comprehensive income for the year		**9,247**	6,152
Basic earnings per share	10	**$0.1430**	$0.0993
Fully diluted earnings per share	10	**$0.1395**	$0.0967

Notes on pages 22 to 48 form part of the financial statements.

Balance Sheets

As at 31 December 2016

	Note	Group 2016 $000	Group 2015 $000	Company 2016 $000	Company 2015 $000
Non-current assets					
Property, plant and equipment	11	**5,977**	5,996	**3,570**	3,580
Intangible assets	12	**14,045**	15,395	**2,383**	2,905
Investment property	13	**617**	740	**–**	–
Investments in Group companies and associated undertakings	14	**–**	–	**11,948**	11,875
Deferred tax assets	15	**257**	620	**100**	70
		20,896	22,751	**18,001**	18,430
Current assets					
Inventories	16	**12,900**	9,285	**7,455**	5,495
Tax receivable		**–**	–	**–**	325
Trade and other receivables	17	**21,003**	19,484	**12,034**	10,002
Cash and cash equivalents	18	**8,853**	3,861	**1,375**	1,401
		42,756	32,630	**20,864**	17,223
Total assets		**63,652**	55,381	**38,865**	35,653
Current liabilities					
Other interest-bearing loans and borrowings	19	**(2,774)**	(2,994)	**(911)**	(605)
Trade and other payables	20	**(17,199)**	(15,274)	**(13,190)**	(10,881)
Tax payable		**(1,033)**	(301)	**(794)**	–
		(21,006)	(18,569)	**(14,895)**	(11,486)
Non-current liabilities					
Other interest-bearing loans and borrowings	19	**(6,148)**	(8,744)	**(6,251)**	(8,448)
Provisions	22	**(750)**	(750)	**–**	–
Deferred tax liabilities	15	**(1,442)**	(1,667)	**(450)**	(671)
		(8,340)	(11,161)	**(6,701)**	(9,119)
Total liabilities		**(29,346)**	(29,730)	**(21,596)**	(20,605)
Net assets		**34,306**	25,651	**17,269**	15,048
Equity attributable to equity holders of the parent					
Share capital	23	**105**	104	**105**	104
Share premium	23	**5,676**	5,181	**5,676**	5,181
Share based payments reserve		**782**	470	**782**	470
Retained earnings		**28,192**	20,299	**10,893**	9,613
Translation reserve	23	**(455)**	(408)	**(187)**	(320)
		34,300	25,646	**17,269**	15,048
Non-controlling interest		**6**	5	**–**	–
Total equity		**34,306**	25,651	**17,269**	15,048

These financial statements were approved and authorised for issue by the Board of Directors on 21 March 2017 and were signed on behalf of the Board by:

Miss A C Preddy,
Director

Notes on pages 22 to 48 form part of the financial statements.

Statement of Changes in Equity

GROUP

	Share Capital $000	Share Premium $000	Translation Reserve $000	Share Based Payments $000	Retained Earnings $000	Total Parent Equity $000	Non-controlling Interest $000	Total Equity $000
Balance at 1 January 2015	104	5,181	(140)	273	15,061	20,479	–	20,479
Total comprehensive income for the period								
Profit	–	–	–	–	6,420	6,420	–	6,420
Other comprehensive loss	–	–	(268)	–	–	(268)	–	(268)
Total comprehensive income for the period	–	–	(268)	–	6,420	6,152	–	6,152
Transactions with owners, recorded directly in equity								
Share based payments	–	–	–	197	–	197	–	197
Dividend paid	–	–	–	–	(1,182)	(1,182)	–	(1,182)
Total contributions by and distributions to owners	–	–	–	197	(1,182)	(985)	–	(985)
Transactions with owners								
Acquisition of subsidiary with a non-controlling interest	–	–	–	–	–	–	5	5
Total transactions with owners	–	–	–	–	–	–	5	5
Balance at 31 December 2015	104	5,181	(408)	470	20,299	25,646	5	25,651

	Share Capital $000	Share Premium $000	Translation Reserve $000	Share Based Payments $000	Retained Earnings $000	Total Parent Equity $000	Non-controlling Interest $000	Total Equity $000
Balance at 1 January 2016	104	5,181	(408)	470	20,299	25,646	5	25,651
Total comprehensive income for the period								
Profit	–	–	–	–	9,293	9,293	1	9,294
Other comprehensive loss	–	–	(47)	–	–	(47)	–	(47)
Total comprehensive income for the period	–	–	(47)	–	9,293	9,246	1	9,247
Transactions with owners, recorded directly in equity								
Share based payments	–	–	–	312	–	312	–	312
Dividend paid	–	–	–	–	(1,400)	(1,400)	–	(1,400)
Exercise of options	1	495	–	–	–	496	–	496
Total contributions by and distributions to owners	1	495	–	312	(1,400)	(592)	–	(592)
Balance at 31 December 2016	**105**	**5,676**	**(455)**	**782**	**28,192**	**34,300**	**6**	**34,306**

Notes on pages 22 to 48 form part of the financial statements.

Statement of Changes in Equity

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 2015	104	5,181	(137)	273	8,432	13,853
Total comprehensive income for the period						
Profit	–	–	–	–	2,363	2,363
Other comprehensive loss	–	–	(183)	–	–	(183)
Total comprehensive income for the period	–	–	(183)	–	2,363	2,180
Transactions with owners, recorded directly in equity						
Share based payments	–	–	–	197	–	197
Dividend paid	–	–	–	–	(1,182)	(1,182)
Total contributions by and distributions to owners	–	–	–	197	(1,182)	(985)
Balance at 31 December 2015	104	5,181	(320)	470	9,613	15,048

	Share Capital $000	Share Premium $000	Translation Reserve $000	Share Based Payments $000	Retained Earnings $000	Total Parent Equity $000
Balance at 1 January 2016	104	5,181	(320)	470	9,613	15,048
Total comprehensive income for the period						
Profit	–	–	–	–	2,680	2,680
Other comprehensive profit	–	–	133	–	–	133
Total comprehensive income for the period	–	–	133	–	2,680	2,813
Transactions with owners, recorded directly in equity						
Share based payments	–	–	–	312	–	312
Dividend paid	–	–	–	–	(1,400)	(1,400)
Exercise of share options	1	495	–	–	–	496
Total contributions by and distributions to owners	1	495	–	312	(1,400)	(592)
Balance at 31 December 2016	**105**	**5,676**	**(187)**	**782**	**10,893**	**17,269**

Notes on pages 22 to 48 form part of the financial statements.

Cash Flow Statements

For the years ended 31 December 2016 and 2015

	Note	Group 2016 $000	Group 2015 $000	Company 2016 $000	Company 2015 $000
Cash flows from operating activities					
Profit for the year		**9,293**	6,420	**2,680**	2,363
Adjustments for:					
Depreciation, amortisation and impairment		**2,694**	871	**1,107**	684
Taxation expense		**2,370**	1,368	**454**	412
Financial expense		**371**	74	**276**	53
Equity settled share based payment expenses		**312**	197	**239**	118
		15,040	8,930	**4,756**	3,630
(Increase) in trade and other receivables		**(1,292)**	(2,140)	**(2,032)**	(1,406)
(Increase) in inventories		**(3,436)**	(1,490)	**(1,960)**	(1,487)
Increase in trade and other payables		**1,644**	2,166	**2,373**	6,202
		11,956	7,466	**3,137**	6,939
Interest paid		**(371)**	(74)	**(276)**	(53)
Tax paid/received		**(1,489)**	(1,112)	**414**	(155)
Net cash from operating activities		**10,096**	6,280	**3,275**	6,731
Cash flows from investing activities					
Acquisition of subsidiary, net of cash acquired	2	**58**	(10,593)	**–**	(11,600)
Acquisition of property, plant and equipment	11	**(425)**	(1,101)	**(185)**	(230)
Acquisition of intangible assets	12	**(1,017)**	(1,151)	**(321)**	(1,142)
Net cash from investing activities		**(1,384)**	(12,845)	**(506)**	(12,972)
Cash flows from financing activities					
Proceeds from new loan		**–**	7,754	**–**	7,754
Repayment of borrowings		**(2,816)**	(868)	**(1,891)**	–
Dividends paid		**(1,400)**	(1,182)	**(1,400)**	(1,182)
Exercise of options		**496**	–	**496**	–
Net cash from financing activities		**(3,720)**	5,704	**(2,795)**	6,572
Net (decrease)/increase in cash and cash equivalents		**4,992**	(861)	**(26)**	331
Cash and cash equivalents at 1 January		**3,861**	4,722	**1,401**	1,070
Cash and cash equivalents at 31 December	18	**8,853**	3,861	**1,375**	1,401

Notes on pages 22 to 48 form part of the financial statements.

Notes to the Financial Statements

1. Principal accounting policies

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

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

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

Basis of preparation

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

This financial information has been prepared under the historical cost convention, except that a subsidiary company owns a plot of land in Blackheath, London, which is held at a valuation. The land was valued by a professional firm of property consultants in 2013. Subsequently, the Directors have estimated its value based on current market conditions.

The presentation currency adopted by the Quixant Group is US dollars as this is the trading currency of the Group.

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 Quixant Group accounting policies. The areas involving a higher degree of judgement and estimation relate to determining the point at which the criteria for development cost capitalisation have been met and inventory and bad debt provisions respectively. In addition, management consider the recoverable amount of goodwill and the assessment of the contingent consideration payable to be judgemental areas. As noted below, goodwill is reviewed for impairment at each reporting date or when indicators of impairment arise. See Note 12 for further consideration. Contingent consideration, as explained in Note 2, is payable in three years' time (see Note 2 for explanation of the assumptions considered).

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. Densitron Nordic Oy is 80% owned by the Group. The equity attributable to the non-controlling interest in this subsidiary is accounted for as a minority interest. The income attributable to this subsidiary is immaterial.

Separate parent company financial statements

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

Going concern

The Directors have prepared trading and cash flow forecasts for the Group covering the period to 31 December 2018. After making enquiries and considering the impact of risks and opportunities on expected cash flows, the Directors have a reasonable expectation that the Group has adequate cash to continue in operational existence for the foreseeable future. For this reason they have adopted the going concern basis in preparing the financial statements.

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

The International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) have issued the following standards and interpretations with an effective date after the date of these accounts:

Adopted for use in the EU:

IFRS 9 Financial instruments
IFRS 15 Revenue from contracts with customers

Not yet adopted for use in the EU:

Amendments to IAS 7
Amendments to IAS 12
Amendments to IFRS 2
IFRS 16 Leases

The directors consider that the adoption of these standards on the Group's financial statements will not be material.

Revenue recognition

Revenue represents amounts chargeable, net of value added tax, in respect of the sale of goods to customers. Revenue is recognised at the point that risk is transferred to the customer as determined by the terms agreed in the contract.

Where invoicing takes place in advance of revenue recognition, the amounts invoiced, net of value added tax, are recorded as deferred revenue.

Goodwill

Goodwill arising on consolidation represents the excess of 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 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 generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash generating units ("CGU"). Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

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

Notes to the Financial Statements continued

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 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 and order back log

In accordance with IFRS 3, on the acquisition of subsidiary companies the Group assess 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.

Intangible assets – development costs

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

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

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

Intangible assets – computer software

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

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

Computer software	between 3 and 5 years

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

Inventories

Inventories, which comprise goods held for resale, are stated at the lower of cost and net realisable value. Cost includes all costs in acquiring the inventories and bringing each product to its present location and condition. Net realisable value represents the estimated selling price and costs to be incurred in marketing, selling and distribution.

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.

Leased Assets

Assets leased under operating leases are not recorded in the statement of financial position. Rental payments are charged directly to the income statement in the period in which they are incurred. Lease incentives, primarily up-front cash payments or rent free periods, are spread over the period of the lease term. Payments made to acquire operating leases are treated as prepaid lease expenses and amortised over the life of the lease.

The land and buildings element of property leases are considered separately for the purposes of the lease classification.

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.

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

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

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

Financial assets

The Group's financial assets fall into the categories set out below, with the allocation depending to an extent on the purpose for which the asset was acquired. Unless otherwise indicated, the carrying amounts of the Group's financial assets are a reasonable approximation of their fair values.

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

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

Notes to the Financial Statements continued

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 nominal value.

Bank borrowings, which are initially, recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the consolidated Statement of Financial Position. Interest expense in this context includes initial transaction costs and premiums payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

Pension

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

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.

Reconciliation of earnings before interest, tax, depreciation and amortisation (EBITDA) and profit before tax (PBT)

EBITDA, adjusted EBITDA, PBT and adjusted PBT for the current and prior year have been derived as follows:

	EBITDA		PBT	
	2016 $000	**2015** $000	**2016** $000	**2015** $000
Profit for the year	**9,293**	6,420	**9,293**	6,420
Adding back:				
Taxation expense	**2,370**	1,368	**2,370**	1,368
Financial expenses	**371**	74	**–**	–
Depreciation	**465**	312	**–**	–
Amortisation of intangible assets	**1,001**	559	**–**	–
Amortisation of customer relationships and order backlog	**1,228**	–	**–**	–
EBITDA/PBT	**14,728**	8,733	**11,663**	7,788
Amortisation of customer relationship and order backlog	**–**	–	**1,228**	–
Share based payments expense	**312**	197	**312**	197
Costs arising on the acquisition of subsidiaries	**–**	1,168	**–**	1,168
Settlement of claim (note 5)	**(377)**	–	**(377)**	–
Termination payment and discontinued products (note 5)	**987**	–	**987**	–
Adjusted EBITDA/PBT	**15,650**	10,098	**13,813**	9,153

2. Acquisitions of subsidiaries

Acquisitions in the previous period

On 10 November 2015, the Company acquired all of the ordinary shares in Densitron Technologies plc for £7,663,601.66 ($11,600,971) being 11p per share, satisfied in cash.

On 9 December 2015, the Company acquired all of the ordinary shares in Alpha Display Europe GmbH (subsequently renamed Quixant Deutschland GmbH) for $750,000 and contingent consideration estimated as $750,000 to be satisfied in cash. The accounting for the acquisition was based on estimated results in the 2015 accounts as 2015 financial statements of Quixant Deutschland were outstanding. These accounts have now been completed and the appropriate amendments have been undertaken in these accounts. There have been no material changes to the acquisition accounting.

Effect of acquisitions

The 2015 financial statements for Quixant Deutschland GmbH were not available at the time of completion of the 2015 Group financial statements, these accounts have now been completed giving rise to the following effect on the Group's assets and liabilities.

	Estimated values at acquisition $000	Adjustments to previous estimates $000	Adjusted recognised values on acquisition $000
Acquiree's net assets at the acquisition date:			
Inventories	–	179	179
Trade and other receivables	55	183	238
Cash and cash equivalents	–	85	85
Trade and other payables	(28)	(337)	(365)
	27	110	137
Consideration paid:			
Initial cash price paid	750	–	750
Contingent consideration at fair value	750	–	750
Total consideration	1,500	–	1,500
Goodwill on acquisition	**1,473**	**(110)**	**1,363**

Goodwill has arisen on the acquisition because the consideration paid is in excess of the net identifiable assets and liabilities. This represents the value of the underlying business including its workforce. No intangible assets have been recognised on the acquisition because the consideration for the acquisition was primarily to acquire the workforce and their expertise. Although Quixant Deutschland owned some underlying contracts, these were not significant.

Contingent consideration

The Group has agreed to pay additional consideration to the vendors of Quixant Deutschland GmbH based on the profit earned over the three years following acquisition. The range of the additional consideration payment is between $nil and $3,375,000. The Group has included $750,000 as contingent consideration related to the additional consideration, which represented its fair value at the acquisition date. The calculation of the deferred consideration has been reassessed at 31 December 2016 and it is considered that this remains the fair value of the deferred consideration. The key assumptions in assessing the fair value are the growth rate and gross profit margin as applied to future profits of Quixant Deutschland GmbH.

Acquisition related costs

The group incurred acquisition costs of $1,168,000 relating to professional fees in respect of due diligence and advice. These costs have been included as a cost in administrative expenses in the group's consolidated profit and loss account for 2015.

Notes to the Financial Statements continued

3. Business and geographical segments

The chief operating decision maker in the organisation is an executive management committee comprising the Board of Directors. They have determined the operating segments detailed within this report and, on which, the business is managed. The Group assesses the performance of the segments based on a measure of revenue and EBITDA. The operating segments applicable to the Group are as follows:

- Quixant
  A single customer accounted for 21.9% of reported revenues for the year ended 31 December 2016 (2015: 43%).
- Densitron Europe
- Densitron America
- Densitron France
- Densitron Japan

Together, Densitron Europe, Densitron America, Densitron France and Densitron Japan comprise the Densitron division.

	Quixant Gaming $000	Densitron Europe $000	Densitron America $000	Densitron France $000	Densitron Japan $000	Total $000
2016						
Revenue	**53,003**	**11,174**	**15,212**	**5,429**	**5,547**	**90,365**
Profit/(loss) before tax	**9,594**	**(601)**	**1,272**	**984**	**414**	**11,663**
Balance Sheet						
Assets	**49,692**	**4,576**	**4,419**	**2,944**	**2,021**	**63,652**
Liabilities	**18,655**	**6,252**	**2,014**	**1,853**	**572**	**29,346**
Net assets/(liabilities)	**31,037**	**(1,676)**	**2,405**	**1,091**	**1,449**	**34,306**
EBITDA	12,353	(393)	1,312	1,019	437	14,728
Capital Expenditure	1,344	62	16	11	9	1,442
Depreciation/amortisation	2,485	133	33	24	19	2,694

	Quixant Gaming $000	Densitron Europe $000	Densitron America $000	Densitron France $000	Densitron Japan $000	Total $000
2015						
Revenue	36,650	1,977	2,106	411	685	41,829
Profit/(loss) before tax	7,607	104	189	(87)	(25)	7,788
Balance Sheet						
Assets	42,215	5,265	4,572	1,676	1,653	55,381
Liabilities	18,642	6,835	2,629	1,154	470	29,730
Net assets/(liabilities)	23,573	(1,570)	1,943	522	1,183	25,651
EBITDA	8,414	164	234	(70)	(9)	8,733
Capital Expenditure	2,183	28	24	8	9	2,252
Depreciation/amortisation	762	43	38	14	14	871

The results included for the Densitron segments include a full year for 2016 but for the period from acquisition on 10 November 2015 until 31 December 2015 for 2015.

4. Analysis of turnover

	2016 $000	2015 $000
By geographical market		
Asia	**12,719**	3,958
Australia	**11,400**	14,479
Europe	**27,536**	7,274
North America	**37,581**	15,976
Other	**1,129**	142
	90,365	41,829

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

	2016 $000	2015 $000
Australia	**11,400**	14,479
USA	**36,453**	15,976

There were no such individual countries in Asia, Europe or other.

5. Expenses and auditor's remuneration

Included in profit/loss are the following:

	2016 $000	2015 $000
Included in gross profit:		
Settlement of a claim	**(377)**	–
Included in operating profit:		
Costs associated with discontinued product lines and payments in respect of termination of employment contracts	**987**	–
Gain/(loss) on foreign exchange transactions	**(59)**	1
Costs arising on the acquisition of subsidiary companies	**–**	1,168
Research and development expenditure	**3,557**	2,305
Of which capitalised	**(742)**	(1,071)
Depreciation of owned assets	**465**	312
Amortisation of intangible assets	**2,229**	559

Auditor's remuneration:

	2016 $000	2015 $000
Audit of these financial statements		
Amounts receivable by the Company's auditor and its associates in respect of:		
Audit of financial statements the company and its subsidiaries	**144**	107
Taxation and other services	**284**	–
Corporate finance services	**–**	126

Notes to the Financial Statements continued

6. Staff numbers and costs

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

	2016 $000	2015 $000
Production and manufacturing	**35**	25
Research and customer service	**53**	45
Sales and marketing	**29**	26
Administrative	**43**	42
	160	138

The aggregate payroll costs of these persons was as follows:

	2016 $000	2015 $000
Wages and salaries	**9,690**	4,028
Share based payments (See Note 21)	**312**	197
Social security costs	**934**	278
Contributions to defined contribution plans	**374**	95
	11,310	4,598

7. Directors' remuneration

	Salary/Fee 2016 $000	Share Based Payments 2016 $000	Pension Contributions 2016 $000	Total 2016 $000	Total 2015 $000
EXECUTIVE DIRECTORS					
N C L Jarmany	**280**	**–**	**–**	**280**	**258**
G P Mullins	**280**	**–**	**2**	**282**	**258**
C-T Lin	**315**	**–**	**–**	**315**	**237**
A C Preddy	**189**	**3**	**1**	**193**	**176**
J F Jayal (from 20 June 2016)	**128**	**2**	**1**	**131**	**–**
	1,192	**5**	**4**	**1,201**	**929**
NON-EXECUTIVE DIRECTORS					
M J Peagram	**94**	**–**	**–**	**94**	**98**
G van Zwanenberg	**60**	**–**	**–**	**60**	**63**
	1,346	**5**	**4**	**1,355**	**1,090**

During the year, A C Preddy exercised options over 10,000 shares and J F Jayal exercised options over 21,800 non-approved share options prior to his appointment. (2015: none).

There were no directors' advances, credits or guarantees outstanding at 31 December 2016 or 2015.

8. Finance income and expense

	2016 $000	2015 $000
Total interest expense on financial liabilities measured at amortised cost	**371**	74
Total finance expense	**371**	74

9. Taxation

Recognised in the profit and loss account

	2016 $000	2015 $000
Current tax expense		
UK corporation tax	**1,401**	764
Foreign tax	**1,012**	550
Adjustments for prior years	**(175)**	(121)
Current tax expense	**2,238**	1,193
Deferred tax (credit)/expense		
Origination and reversal of temporary differences	**132**	175
Deferred tax (credit)/expense	**132**	175
Total tax expense	**2,370**	1,368

Reconciliation of effective tax rate

	2016 $000	2015 $000
Profit for the year	**9,293**	6,420
Total taxation expense	**2,370**	1,368
Profit excluding taxation	**11,663**	7,788
Tax using the UK corporation tax rate of 20% (2015: 20.25%)	**2,333**	1,577
Non-deductible expenses	**78**	30
Enhanced research and development claim	**(436)**	(356)
Patent box tax relief	**(104)**	–
Reduction in deferred tax rate to 18% (2015: 18%)	**(28)**	(2)
Overseas tax in excess of standard UK rate	**715**	276
Unrelieved losses	**(13)**	(36)
Over provided in prior years		
Enhanced research and development claim	**–**	(121)
Other	**(175)**	–
Total taxation expense	**2,370**	1,368

Factors that may affect future tax charges

Reductions in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015 and an additional reduction to 17% (effective 2020) was substantively enacted on 6 September 2016. This will reduce the Company's future current tax charge accordingly. The deferred tax liability at 31 December 2016 has been calculated based on these rates.

Notes to the Financial Statements continued

10. Earnings per ordinary share (EPS)

	2016 $000	2015 $000
Earnings		
Earnings for the purposes of basic and diluted EPS being net profit attributable to equity shareholders	**9,293**	6,420
Number of shares	**Number**	**Number**
Weighted average number of ordinary shares for the purpose of basic EPS	**65,004,414**	64,634,782
Effect of dilutive potential ordinary shares:		
Share options	**1,614,766**	1,810,578
Weighted number of ordinary shares for the purpose of diluted EPS	**66,619,180**	66,445,360
Basic earnings per share	**$0.1430**	$0.0993
Fully diluted earnings per share	**$0.1395**	$0.0967

11. Property, plant and equipment – Group

	Land And Buildings $000	Plant And Equipment $000	Total $000
Cost			
Balance at 1 January 2015	4,776	1,321	6,097
Acquisitions through business combinations	24	190	214
Other additions	690	411	1,101
Disposals	–	(10)	(10)
Effect of movements in foreign exchange	(195)	(81)	(276)
Balance at 31 December 2015	5,295	1,831	7,126
Balance at 1 January 2016	**5,295**	**1,831**	**7,126**
Additions	93	332	425
Effect of movements in foreign exchange	(1)	14	13
Balance at 31 December 2016	**5,387**	**2,177**	**7,564**
Depreciation			
Balance at 1 January 2015	152	727	879
Depreciation charge for the year	96	216	312
Disposals	–	(10)	(10)
Effect of movements in foreign exchange	(4)	(47)	(51)
Balance at 31 December 2015	244	886	1,130
Balance at 1 January 2016	**244**	**886**	**1,130**
Depreciation charge for the year	107	358	465
Effect of movements in foreign exchange	2	(10)	(8)
Balance at 31 December 2016	**353**	**1,234**	**1,587**
Net book value			
At 1 January 2015	4,624	594	5,218
At 31 December 2015 and 1 January 2016	5,051	945	5,996
At 31 December 2016	**5,034**	**943**	**5,977**

11. Property, plant and equipment – Company

	Land And Buildings $000	Plant And Equipment $000	Total $000
Cost			
Balance at 1 January 2015	3,369	1,079	4,448
Additions	8	222	230
Effect of movements in foreign exchange	(97)	(18)	(115)
Balance at 31 December 2015	3,280	1,283	4,563
Balance at 1 January 2016	**3,280**	**1,283**	**4,563**
Additions	85	100	185
Effect of movements in foreign exchange	57	12	69
Balance at 31 December 2016	**3,422**	**1,395**	**4,817**
Depreciation			
Balance at 1 January 2015	141	623	764
Depreciation charge for the year	64	165	229
Effect of movements in foreign exchange	(4)	(6)	(10)
Balance at 31 December 2015	201	782	983
Balance at 1 January 2016	**201**	**782**	**983**
Depreciation charge for the year	65	191	256
Effect of movements in foreign exchange	4	4	8
Balance at 31 December 2016	**270**	**977**	**1,247**
Net book value			
At 1 January 2015	3,228	456	3,684
At 31 December 2015 and 1 January 2016	3,079	501	3,580
At 31 December 2016	**3,152**	**418**	**3,570**

Notes to the Financial Statements continued

12. Intangible assets – Group

	Goodwill $000	Customer Relationships And Order Backlog $000	Computer Software $000	Internally Generated Capitalised Development costs $000	Total $000
Cost					
Balance at 1 January 2015	–	–	459	2,417	2,876
Additions through business combinations	–	–	–	225	225
Additions – internally developed	–	–	–	1,071	1,071
Additions – externally purchased	7,079	5,201	80	–	12,360
Effect of movements in foreign exchange	–	–	(17)	79	62
Balance at 31 December 2015	7,079	5,201	522	3,792	16,594
Balance at 1 January 2016	**7,079**	**5,201**	**522**	**3,792**	**16,594**
Additions – internally developed	–	–	–	742	742
Additions – externally purchased	–	–	275	–	275
Adjustments to prior year (note 2)	(110)	–	–	–	(110)
Effect of movements in foreign exchange	(35)	–	12	–	(23)
Balance at 31 December 2016	**6,934**	**5,201**	**809**	**4,534**	**17,478**
Amortisation and impairment					
Balance at 1 January 2015	–	–	136	509	645
Amortisation for the year	–	–	82	477	559
Effect of movements in foreign exchange	–	–	(5)	–	(5)
Balance at 31 December 2015	–	–	213	986	1,199
Balance at 1 January 2016	**–**	**–**	**213**	**986**	**1,199**
Amortisation for the year	–	1,228	103	898	2,229
Effect of movements in foreign exchange	–	–	4	1	5
Balance at 31 December 2016	**–**	**1,228**	**320**	**1,885**	**3,433**
Net book value					
At 1 January 2015	–	–	323	1,908	2,231
At 31 December 2015 and 1 January 2016	7,079	5,201	309	2,806	15,395
At 31 December 2016	**6,934**	**3,973**	**489**	**2,649**	**14,045**

Impairment testing

Goodwill has been allocated to cash generating units (CGUs) as follows:

	Goodwill 2016 $000	2015 $000
Quixant	**1,363**	1,473
Densitron Europe	**2,868**	2,903
Densitron America	**2,076**	2,076
Densitron France	**485**	485
Densitron Japan	**142**	142
	6,934	7,079

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired. The recoverable amounts of the CGUs are determined from the higher or the fair value less costs to sell and the calculations of value in use. The impairment review carried out in March 2017 and March 2016 indicated that no impairment of goodwill is necessary at 31 December 2016 or 31 December 2015.

The recoverable amounts of the CGUs listed above have been determined from value in use calculations based on cash flow projections from formally approved budgets covering the year to 31 December 2017. The following assumptions have been adopted:

- Cash flows were based on the internal budgets for 2017 with reference to a three year forecast to 2019. Cash flows for a further two years were extrapolated using a constant growth rate of 2.5% and a terminal value calculated on the basis of revenues declining at a rate of 10% per annum;
- The forecasts were put together taking into account any specific market condition in which each CGU operates; and
- The estimated market participant weighted average cost of capital of the CGUs has been calculated to be approximately 15% and this is the discount rate that has been applied; (although the actual risk rates in each CGU may differ from 15%, the effect of any difference is immaterial, and is considered within managements sensitivity analysis)

A sensitivity analysis was carried out for each of the CGUs. The growth rates were reduced to zero and the discount rate for each CGU was increased to 20%. In all cases, the value in use exceeded the carrying value, a table showing the headroom following the sensitivity analysis is shown below. Following the sensitivity analysis that has been carried out there were no areas that were identified as being particularly sensitive for either 2016 or 2015.

	Headroom 2016 $000
Quixant	**212**
Densitron Europe	**1,580**
Densitron America	**1,573**
Densitron France	**351**
Densitron Japan	**436**

Notes to the Financial Statements continued

12. Intangible assets – Company

	Computer Software $000	Internally Generated Capitalised Development Costs $000	Total $000
Cost			
Balance at 1 January 2015	459	2,417	2,876
Additions – internally developed	–	1,071	1,071
Additions – externally purchased	70	–	70
Effect of movements in foreign exchange	(17)	–	(17)
Balance at 31 December 2015	512	3,488	4,000
Balance at 1 January 2016	**512**	**3,488**	**4,000**
Additions – internally developed	–	39	39
Additions – externally purchased	282	–	282
Effect of movements in foreign exchange	12	–	12
Balance at 31 December 2016	**806**	**3,527**	**4,333**
Amortisation			
Balance at 1 January 2015	136	509	645
Amortisation for the year	81	374	455
Effect of movements in foreign exchange	(5)	–	(5)
Balance at 31 December 2015	212	883	1,095
Balance at 1 January 2016	**212**	**883**	**1,095**
Amortisation for the year	103	748	851
Effect of movements in foreign exchange	4	–	4
Balance at 31 December 2016	**319**	**1,631**	**1,950**
Net book value			
At 1 January 2015	323	1,908	2,231
At 31 December 2015 and 1 January 2016	300	2,605	2,905
At 31 December 2016	**487**	**1,896**	**2,383**

13. Investment property

	Group		Company	
	2016 $000	**2015** $000	**2016** $000	**2015** $000
Balance at 1 January 2016	**740**	–	**–**	–
Acquisitions through business combinations		754	**–**	–
Effect of movements in foreign exchange	**(123)**	(14)	**–**	–
Balance at 31 December 2016	**617**	740	**–**	–

Investment property relates to an area of land owned by the Group at Blackheath in South East London. The fair value of the investment property was determined by external, independent property valuers, having appropriate professional qualifications and recent experience in the location and category of the property being valued. The last valuation was carried out on 10 May 2013. The Directors have reviewed the valuation put on the land on an annual basis and consider that the fair value of the land does not differ from its current carrying amount and as such they do not consider that a revaluation is required in the current year.

14. Investments in group companies and associated undertakings

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

Company name	Registered office of business	Principal activities	Class Of Shares Held	Ownership 2016 and 2015
Quixant USA Inc	1	Distribution company	Ordinary	100%
Quixant UK Limited	2	Sales of specialist computer systems	Ordinary	100%
Quixant Italia srl	3	Software development	Ordinary	99%
Densitron Technologies Limited	2	Holding company	Ordinary	100%
Densitron Europe Limited *	2	Sales of electronic display products and parent of European subsidiary undertakings	Ordinary	100%
Densitron Corporation of Japan *	4	Sales of electronic display products	Ordinary	100%
Densitron Corporation *	5	Sales of electronic display products	Ordinary	100%
Densitron France **	6	Sales of electronic display products	Ordinary	100%
Densitron Nordic Oy **	7	Sales of electronic display products	Ordinary	80%
Densitron Deutschland GmbH **	8	Sales of electronic display products	Ordinary	100%
Densitron Land Ltd *	2	Property development	Ordinary	100%
Densitron Display Taiwan Limited *	9	Procurement and sale of electronic display products	Ordinary	100%
Quixant Deutschland GmbH	10	Sales of electronic display products	Ordinary	100%

* Subsidiary of Densitron Technologies Limited
** Subsidiary of Densitron Europe Limited

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3 Contrada Case Bruciate, 1, Torrita Tiberina (RM), 00060, Italy

4 Aichiya Building 2F, 1-26-2 Omorikita, Ota-ku, Tokyo

5 2330 Pomona Rincon Road, Corona, CA 92880

6 3 Rue de Tasmanie, 441115, Basse-Goulaine

7 FMyllypuronitie 1, 00920, Helsinki

8 Airport Business Centre, AM Solnermoos 17, Halbergmoos, 85399, Germany

9 12F., No. 150, Jianyi Road, Zhonghe Dist., New Taipei City 23511, Taiwan

10 Römerstraße 7, D-85661 Forstinning, Germany

Fixed asset investments	Company 2016 $000	2015 $000
Balance at 1 January 2016	**11,875**	196
Acquisitions – Group settled share based payments	**73**	79
Acquisitions – External	**–**	11,600
Balance at 31 December 2016	**11,948**	11,875

Notes to the Financial Statements continued

15. Deferred tax assets and liabilities – Group

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities	
	2016	2015	2016	2015
	$000	$000	$000	$000
Property, plant and equipment	–	–	115	164
Intangible assets – capitalised development costs	–	–	463	521
Intangible assets – acquired in business combinations	–	–	715	936
Share based payments	(109)	(70)	–	–
Receivables	(32)	(32)	–	–
Inventory provisions	(25)	(312)	–	–
Tax value of loss carry-forwards	–	(175)	–	–
Other	(91)	(31)	149	46
Net tax (assets)/liabilities	(257)	(620)	1,442	1,667

Movement in deferred tax during the year

	1 January 2016	Recognised In Income	Acquired In Business Combination	Movements In Exchange	31 December 2016
	$000	$000	$000	$000	$000
Property, plant and equipment	164	(49)	–	–	115
Intangible assets – capitalised development costs	521	(58)	–	–	463
Intangible assets – acquired in business combinations	936	(221)	–	–	715
Share based payments	(70)	(39)	–	–	(109)
Receivables	(32)	–	–	–	(32)
Inventory provisions	(312)	287	–	–	(25)
Tax value of loss carry-forwards	(175)	175	–	–	–
Other	15	37	–	6	58
	1,047	132	–	6	1,185

Movement in deferred tax during the prior year

	1 January 2015	Recognised In Income	Acquired In Business Combination	Movements In Exchange	31 December 2015
	$000	$000	$000	$000	$000
Property, plant and equipment	6	124	34	–	164
Intangible assets – capitalised development costs	382	139	–	–	521
Intangible assets – acquired in business combinations	–	–	936	–	936
Share based payments	(40)	(30)	–	–	(70)
Receivables	–	–	(32)	–	(32)
Inventory provisions	(23)	(82)	(207)	–	(312)
Tax value of loss carry-forwards	–	–	(175)	–	(175)
Other	–	24	(9)	–	15
	325	175	547	–	1,047

15. Deferred tax assets and liabilities – Company

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities	
	2016	**2015**	**2016**	**2015**
	$000	$000	$000	$000
Property, plant and equipment	**–**	–	**97**	131
Intangible assets – capitalised development costs	**–**	–	**340**	520
Inventories	**(12)**	(20)	**–**	–
Share based payments	**(88)**	(50)	**–**	–
Exchange	**–**	–	**13**	20
Tax (assets)/liabilities	**(100)**	(70)	**450**	671

Movement in deferred tax during the year

	1 January 2016 $000	Recognised In Income $000	31 December 2016 $000
Property, plant and equipment	**131**	(34)	**97**
Intangible assets – capitalised development costs	**520**	(180)	**340**
Share based payments	**(50)**	(38)	**(88)**
Inventories	**(20)**	8	**(12)**
Exchange	**20**	(7)	**13**
	601	(251)	**350**

Movement in deferred tax during the prior year

	1 January 2015 $000	Recognised In Income $000	31 December 2015 $000
Property, plant and equipment	6	125	131
Intangible assets – capitalised development costs	382	138	520
Share based payments	(26)	(24)	(50)
Inventories	(21)	1	(20)
Exchange	–	20	20
	341	260	601

Notes to the Financial Statements continued

16. Inventories

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$000	$000	$000	$000
Raw materials and consumables	**3,307**	1,386	**3,307**	1,386
Work in progress	**2,638**	1,920	**2,638**	1,920
Finished goods	**6,955**	5,979	**1,510**	2,189
	12,900	9,285	**7,455**	5,495

Raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales in the year amounted to $61,882,000 (2015: $25,991,000).

The cost of inventories recognised as an expense includes $196,000 (2015: $nil) in respect of write downs of inventory to net realisable value.

17. Trade and other receivables

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$000	$000	$000	$000
Trade receivables	**18,328**	16,754	**–**	–
Amounts receivable from subsidiary undertakings	**–**	–	**11,007**	9,408
Other receivables	**2,675**	2,730	**1,027**	594
	21,003	19,484	**12,034**	10,002

All debtors are receivable within one year and are included as current assets.

A provision of $226,156 has been provided in respect of potential doubtful debts as at 31 December 2016 (31 December 2015: $429,086).

As at 31 December 2016 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	
	2016	**2015**	**2016**	**2015**
	$000	$000	$000	$000
30 – 60 days	**2,648**	2,747	**–**	–
61 – 90 days	**578**	371	**–**	–
Over 90 days	**63**	1,805	**–**	–

18. Cash and cash equivalents/bank overdrafts

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$000	$000	$000	$000
Cash and cash equivalents per balance sheet	**8,853**	3,861	**1,375**	1,401
Cash and cash equivalents per cash flow statements	**8,853**	3,861	**1,375**	1,401

19. Other interest-bearing loans and borrowings

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

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$000	$000	$000	$000
Non-current liabilities				
Secured bank loans	**6,148**	8,744	**6,251**	8,448
	6,148	8,744	**6,251**	8,448
Current liabilities				
Current portion of secured bank loans	**2,774**	2,994	**911**	605
	2,774	2,994	**911**	605

Terms and debt repayment schedule

	Currency	Nominal Interest Rate	Year of Maturity	Face Value 2016	Carrying Amount 2016	Face Value 2015	Carrying Amount 2015
				$000	$000	$000	$000
Loan 1 – secured on the Group's freehold property in Taiwan	NTD	1.80%	2029	**1,076**	**1,076**	1,146	1,146
Loan 2 – secured on the Group assets	USD	2.75% over LIBOR	2018	**5,175**	**5,175**	7,400	7,400
Loan 3 – secured on UK subsidiary assets	GBP	3.5% over base	2017	**247**	**247**	744	744
Loan 4 – Secured loan on subsidiary assets	USD	2% over LIBOR	2017	**–**	**–**	235	235
Letters of credit	NTD	2.6% to 2.68%	2017	**911**	**911**	507	507
Letters of credit	USD	2% over LIBOR	2017	**–**	**–**	493	493
Invoicing discounting facility	GBP	2.75% over base	2017	**241**	**241**	187	187
	USD			**594**	**594**	1,013	1,013
	Euro			**56**	**56**	13	13
Factoring	Euro	1.3% over Euribor	2017	**622**	**622**	–	–
				8,922	**8,922**	11,738	11,738

20. Trade and other payables

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$000	$000	$000	$000
Current				
Trade payables	**13,029**	13,325	**8,202**	6,689
Other tax and social security payables	**367**	82	**–**	–
Other payables and accrued expenses	**3,803**	1,867	**1,512**	800
Amounts payable to subsidiary undertakings	**–**	–	**3,476**	3,392
	17,199	15,274	**13,190**	10,881

Notes to the Financial Statements continued

21. Employee benefits

Defined contribution plans

The Group operates a number of defined contribution pension plans.

The total expense relating to these plans in the current year was $374,000 (2015: $95,000).

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.

Options have been issued over 2,052,064 (2015: 1,895,370) shares. The initial options issued were exercisable in 2016 and employees exercised their options over 730,000 shares. A further 67,666 (2015: 76,230) options lapsed during the year, leaving 1,254,398 (2015: 1,895,370) outstanding at the year end. Exercise prices are set out below. Options issued under the scheme expire 10 years from grant date.

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

	2016 Issue 4	2016 Issue 3	2016 Issue 2	2016 Issue 1
Fair value at grant date	**£2.09**	**£1.63**	**£0.61**	**£0.19**
Weighted average share price	**£2.09**	**£1.63**	**£1.37**	**£0.46**
Exercise price	**£2.09**	**£1.63**	**£1.40**	**£0.49**
Expected volatility	**44%**	**44%**	**50%**	**50%**
Option life	**5 years**	**5 years**	**5 years**	**5 years**
Risk-free interest rate	**0.9%**	**0.9%**	**0.9%**	**0.9%**

The fair values at grant date were converted at the exchange rate on the grant date to give fair values of $2.93, $2.43, $0.98 and $0.29 per option. The total expense recognised in the period in respect of share options is $312,000 (2015: $197,000).

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

	Weighted Average Exercise Price 2016	Number Of Options 2016	Weighted Average Exercise Price 2015	Number Of Options 2015
Outstanding at the beginning of the year	**0.59p**	**1,895,370**	0.49p	1,710,200
Granted during the year	**2.09p**	**156,694**	1.40p	261,400
Lapsed during the year	**1.60p**	**(67,666)**	0.99p	(76,230)
Exercised during the year	**0.49p**	**(730,000)**	–	–
Outstanding at the end of the year	**0.78p**	**1,254,398**	0.59p	1,895,370

22. Provisions

Group	2016 $000	2015 $000
Balance at 1 January	**750**	–
Provisions made during the year	**–**	750
Balance at 31 December 2016	**750**	750
Non-current	**750**	750
Current	**–**	–
	750	750

The provision is in respect of contingent consideration payable in cash on the acquisition of Alpha Display Europe GmbH (since renamed Quixant Deutschland GmbH).

The Company has no provisions.

23. Capital and reserves

Share capital

Fully paid ordinary shares of 0.1p per share

	Ordinary shares Number	**Share Capital** $000	**Share premium** $000
Balance at 1 January 2015 and 31 December 2015	64,634,782	104	5,181
Balance at 1 January 2016	**64,634,782**	**104**	**5,181**
Exercise of share options (see note 21)	730,000	1	495
Balance at 31 December 2016	**65,364,782**	**105**	**5,676**

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.

730,000 ordinary shares were issued following the exercise of vested options arising from issue 1 in 2013 (2015: nil) (see note 21). Options were exercised at an average price of £0.49 per share.

Translation reserve

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

Dividends

The following dividends were recognised during the period:

	2016 $000	2015 $000
1.5p (2015: 1.2p) per qualifying ordinary share	**1,400**	1,182
Total dividends recognised in the year	**1,400**	1,182

After the Balance Sheet date dividends of 2.0p per qualifying ordinary share (2015: 1.5p) were proposed by the Directors. This dividend has not been provided for.

Notes to the Financial Statements continued

24. Financial instruments – Group and Company

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

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

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

Financial risks

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

Credit risk

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

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

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

Cash flow risk

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

Exchange rate risk

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

Liquidity risk

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

Capital management

Group and Company

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

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

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

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

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$000	$000	$000	$000
Total equity	**34,306**	25,651	**17,269**	15,048
Cash and cash equivalents	**(8,853)**	(3,861)	**(1,375)**	(1,401)
Capital	**25,453**	21,790	**15,894**	13,647

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$000	$000	$000	$000
Total equity	**34,306**	25,651	**17,269**	15,048
Other financial liabilities	**8,922**	11,738	**7,162**	9,053
Total financing	**43,228**	37,389	**24,431**	24,101

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	
	2016	**2015**	**2016**	**2015**
	$000	$000	$000	$000
Cash and cash equivalents	**8,853**	3,861	**1,375**	1,401
Trade and other receivables excluding prepayments	**18,328**	16,754	**11,007**	9,408
	27,181	20,615	**12,382**	10,809

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

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$000	$000	$000	$000
Australia	**2,279**	3,464	**–**	–
USA	**9,982**	7,432	**–**	–
Europe	**5,235**	4,789	**–**	–
Asia	**828**	1,068	**–**	–
Rest of world	**4**	1	**–**	–
	18,328	16,754	**–**	–

Notes to the Financial Statements continued

24. Financial instruments – Group and Company continued

Liquidity risk

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

Group	Trade and Other Payables $000	Other Financial Liabilities $000	Total $000
31 December 2016			
Carrying amount	17,199	8,922	26,121
Contractual cash flows			
6 months or less	17,199	2,731	19,930
6 to 12 months	–	60	60
More than 12 months	–	6,230	6,230
	17,199	9,021	26,220

Group	$000	$000	$000
31 December 2015			
Carrying amount	15,274	11,738	27,012
Contractual cash flows			
6 months or less	15,274	2,577	17,851
6 to 12 months	–	453	453
More than 12 months	–	9,646	9,646
	15,274	12,676	27,950

Company	$000	$000	$000
31 December 2016			
Carrying amount	13,190	7,162	20,352
Contractual cash flows			
6 months or less	13,190	972	14,162
6 to 12 months	–	60	60
More than 12 months	–	6,230	6,230
	13,190	7,262	20,452

Company	$000	$000	$000
31 December 2015			
Carrying amount	10,881	9,053	19,934
Contractual cash flows			
6 months or less	10,881	553	11,434
6 to 12 months	–	47	47
More than 12 months	–	9,343	9,343
	10,881	9,943	20,824

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

	Group		Company	
	2016	2015	2016	2015
	$000	$000	$000	$000
Current assets				
Cash and cash equivalents	**8,853**	3,861	**1,375**	1,401
Trade and other receivables excluding prepayments	**18,328**	16,754	**11,007**	9,408
	27,181	20,615	**12,382**	10,809

All of the above relate to the IAS 39 category 'loans and receivables' and are measured at amortised cost.

	Group 2016	Group 2015	Company 2016	Company 2015
Current liabilities				
Trade and other payables	**(17,199)**	(15,274)	**(13,190)**	(10,881)
Other financial liabilities	**(2,774)**	(2,994)	**(911)**	(605)
	(19,973)	(18,268)	**(14,101)**	(11,486)
Non-current liabilities				
Other financial liabilities	**(6,148)**	(8,744)	**(6,251)**	(8,448)
	(26,121)	(27,012)	**(20,352)**	(19,934)

All of the above relate to the IAS 39 category 'other financial liabilities' and are measured at amortised cost.

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

Currency risk

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

Interest rate and currency profile

The Group's financial assets comprise cash at bank. At 31 December 2016 the average interest rate earned on the temporary closing balances was 0.54% (2015: 0.50%).

Sensitivity analysis

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

Fair values versus carrying amounts

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

Notes to the Financial Statements continued

25. Operating leases

Non-cancellable operating lease rentals are payable as follows:

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$000	$000	$000	$000
Less than 1 year	**311**	291	**154**	154
Between 1 and 5 years	**202**	426	**–**	–
	513	717	**154**	154

Group

During the year $378,000 was recognised as an expense in the Profit and Loss account in respect of operating leases (2015: $180,000).

Company

During the year $182,000 was recognised as an expense in the Profit and Loss Account in respect of operating leases (2015: $126,000).

26. Commitments

Neither the Group nor Company had any capital commitments entered into at 31 December 2016 (2015: none).

27. Contingencies

Neither the Group nor Company had any contingencies existing at 31 December 2016 (2015: none).

28. Related parties

Group

In June 2016 two Directors entered into a related party transaction. The wife of G P Mullins rented a house to a subsidiary company at a rent of £2,500 per calendar month. The rent payable is determined on an arm's length basis. The subsidiary company provides the house rent free to J F Jayal.

There were no other related party transactions other than transactions with key management personnel, who are the Directors disclosed in Note 7 above.

Other related party transactions

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

29. Subsequent events

There have been no significant events affecting the Company or Group since the end of the year.

Notice of Meeting

QUIXANT PLC

Registered in England No. 04316977

NOTICE IS HEREBY GIVEN THAT

The Annual General Meeting of the Ordinary Shareholders of the Company will be held at the offices of finnCap Limited, 60 New Broad Street, London EC2M 1JJ, on Tuesday 25 April 2017 at 10:00 a.m. to transact the following business:

Ordinary Business

1. To receive and, if thought fit, adopt the audited Annual Accounts of the Company for the year ended 31 December 2016, together with the reports of the Directors and the Auditors thereon.
2. Upon the recommendation of the Directors, to declare a final dividend of 2.0 pence on each of the Ordinary Shares of £0.001 each.
3. To appoint KPMG LLP as auditors of the Company from the conclusion of this Annual General Meeting until the conclusion of the next general meeting of the Company at which accounts are laid.
4. To authorise the Directors to determine the remuneration of the Auditors.
5. To elect Jonathan Jayal as a Director who retires in accordance with the provisions of Article 66 of the Company's Articles of Association.
6. To elect Gaye Hudson as a Director who retires in accordance with the provisions of Article 66 of the Articles of Association.
7. To re-elect Nicholas Jarmany as a Director who retires in accordance with the provisions of Article 69 of the Company's Articles of Association.
8. To re-elect Gary Mullins as a Director who retires in accordance with the provisions of Article 69 of the Company's Articles of Association.

Special Business: Ordinary Resolution

9. That the Directors of the Company be generally and unconditionally authorised for the purposes of Section 551 of the Companies Act 2006 ("the Act") to exercise all powers of the Company to allot shares in the Company or to grant rights to subscribe for or to convert any security into shares of the Company up to an aggregate number of 21,544,927 Ordinary Shares of £0.001 each provided that this authority shall expire at the conclusion of the next Annual General Meeting of the Company or on 30 June 2018, whichever is the earlier, save that the Company shall be entitled to make, prior to the expiry of such authority, any offer or agreement which would or might require equity securities (as defined in Section 560 of the Act) to be allotted after the expiry of such authority, and the Directors may allot any such securities pursuant to such offer or agreement as if such authority had not expired; and all prior authorities to allot securities (to the extent unutilised) be revoked, but without prejudice to the allotment of any shares or securities already made or to be made pursuant to such prior authorities.

Special Business: Special Resolution

10. That the Directors of the Company be granted power pursuant to Section 571 of the Companies Act 2006 ("the Act") to allot equity securities (as defined in Section 560 of the Act) for cash pursuant to the authority conferred on them by resolution 9 and to allot equity securities (as defined in section 560(3) of the Act (sale of treasury shares)) for cash in each case as if Section 561 of the Act did not apply to any such allotment provided that this power shall be limited to:

    (i) the allotment of equity securities in connection with a rights issue, open offer or other offer of securities in favour of the holders of ordinary shares in the Company on the register of members at such record dates as the Directors of the Company may determine and other persons entitled to participate therein where the equity securities respectively attributable to the interests of the ordinary shareholders are proportionate (as nearly as may be) to the respective numbers of ordinary shares in the Company held or deemed to be held by them on any such record dates, subject to such exclusions or other arrangements or practical problems arising under the laws of any overseas territory or the requirements of any other regulatory body or stock exchange or by virtue of shares being represented by depositary receipts or any other matter whatever; and

    (ii) the allotment (otherwise than pursuant to paragraph (i) above) to any person or persons of equity securities up to an aggregate number of 6,536,478 Ordinary Shares of £0.001 each, provided that this authority shall expire at the conclusion of the next Annual General Meeting of the Company or on 30 June 2018, whichever is the earlier.

    This power shall expire at the conclusion of the next Annual General Meeting of the Company or on 30 June 2018, whichever is the earlier, unless previously varied, revoked or renewed by the Company in general meeting provided that the Company may, before such expiry, make any offer or agreement which would or might require securities to be allotted, or treasury shares sold, after such expiry and the Directors may allot such securities or sell treasury shares pursuant to any such offer or agreement as if the power had not expired; and all prior powers granted under Section 571 of the Act shall be revoked provided that such revocation shall not have retrospective effect.

Notice of Meeting continued

Special Business: Special Resolution

11. That the Directors shall be authorised to make market purchases (within the meaning of Section 693(4) of the Companies Act 2006) of Ordinary Shares of £0.001 each in the Company on such terms and in such manner as the Directors shall determine, provided that:

    (i) the maximum number of shares hereby authorised to be acquired shall be 6,536,478 Ordinary Shares of £0.001 each;

    (ii) the minimum price which shall be paid for each share will be its nominal value and the maximum price shall be an amount equal to 105 per cent of the average middle market quotations for the ordinary shares of the Company (derived from the AIM appendix to the London Stock Exchange's Daily Official List) for the five business days prior to the date of purchase; and

    (iii) the authority hereby given shall expire at the conclusion of the next Annual General Meeting of the Company or on 30 June 2018, whichever is the earlier, save that the Company may make a purchase of Ordinary Shares under such authority after the expiry of this authority if the contract of purchase for the same was concluded before such date and will or may be executed wholly or partly after such expiry.

Special Business: Ordinary Resolution

12. To approve that:

    (a) the Company may send or supply any document or information that is:

    (i) required or authorised to be sent or supplied by the Company under the Companies Acts (as defined in section 2 of the Companies Act 2006 (the "2006 Act")); or

    (ii) pursuant to the Company's Articles; or

    (iii) pursuant to any other rules or regulations to which the Company may be subject;

    by making it available on a website;

    (b) the relevant provisions of the 2006 Act, which apply when documents sent under the Companies Acts are made available on a website, shall also apply, with any necessary changes, when any document or information is sent or supplied under the Company's Articles or other rules or regulations to which the Company may be subject; and

    (c) this Resolution 11 shall supersede any provision of the Company's Articles to the extent that they are inconsistent with this resolution.

By order of the Board.

L E Park
Secretary
Registered Office:
Aisle Barn, 100 High Street, Balsham, Cambridge CB21 4EP

Date: 21 March 2017

NOTES:

1. Resolutions 1 to 9 and 12 above are Ordinary Resolutions. Resolutions 10 and 11 are Special Resolutions.

   A member entitled to attend and vote at this meeting is entitled to appoint another person as his or her proxy to exercise all or any of his or her rights to attend, to speak and, both on a show of hands and on a poll, to vote in his or her stead at the meeting. A proxy need not be a member of the Company but must attend the meeting in person. The appointment of a proxy does not preclude a member from attending and voting in person at the meeting should he or she subsequently decide to do so. A form of proxy which may be used is enclosed.

2. A member may appoint more than one proxy in relation to a meeting, provided that each proxy is appointed to exercise the rights attached to a different share or shares held by him or her.

3. To be valid, a form of proxy together with, if applicable, the power of attorney or other authority under which it is signed, or a certified copy thereof, must be received by Neville Registrars Limited, Neville House, 18 Laurel Lane, Halesowen B63 3DA no later than 10:00 a.m. on 23 April 2017.

4. The Company, pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, specifies that only those shareholders registered in the register of members of the Company as at 6:00 p.m. on 21 April 2017 shall be entitled to attend or vote (whether on a show of hands or on a poll) at the meeting in respect of the number of shares registered in their name at the time. Changes to entries on the register after 6:00 p.m. on 21 April 2017 (or after 6:00 p.m. on the day which is two days before any adjourned meeting) shall be disregarded in determining the rights of any person to attend or vote at the meeting.

5. As at 20 March 2017 (being the last business day prior to the date of this notice) the Company's issued capital consisted of 65,364,782 ordinary shares each carrying one vote per share. Accordingly, the total number of voting rights in the Company as at 20 March 2017 was 65,364,782.

6. CREST members who wish to appoint a proxy or proxies for the meeting or any adjournment thereof by utilising the CREST electronic proxy appointment service may do so by following the procedures described in the CREST Manual (www.euroclear.com/CREST). CREST personal members or other CREST sponsored members and those CREST members who have appointed a voting service provider(s) should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

   In order for a proxy appointment or instruction made by means of CREST to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's (EUI) specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent 7RA11 by the latest time(s) for receipt of proxy appointments specified in this notice. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Application Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

   CREST members and, where applicable, their CREST sponsors or voting service providers should note that EUI does not make available special procedures in CREST special procedures in CREST for any particular message. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed (a) voting service provider(s), to procure that his CREST sponsor or voting service provider(s)) takes(s) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service provider(s) are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

   The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

7. Any member attending the meeting has the right to ask questions.

8. If a shareholder has a general query about the Annual General Meeting or wishes to give the Company prior notification of any question he wishes to ask at the Annual General Meeting he should call our financial PR advisors, Alma PR (John Coles or Hilary Buchanan) on +44 (0)20 8004 4218. Their lines are open from 8:30 a.m. to 5:30 p.m. on Monday to Friday (except public holidays). Calls may be recorded and monitored for security and training purposes.

Shareholder Notes

Company Information

Directors	N C L Jarmany G P Mullins C-T Lin Miss A C Preddy FCA J F Jayal M J Peagram G van Zwanenberg FCA
Company secretary	L E Park
Registered office	Aisle Barn 100 High Street Balsham Cambridge CB21 4EP
Auditor	KPMG LLP Botanic House 100 Hills Road Cambridge CB2 1AR
Nominated advisor and Broker	finnCap 60 New Broad Street London EC2M 1JJ
Financial PR	Alma PR 37 Demster Road London SW18 1AS
Principal Bankers	Barclays Bank PLC
Legal advisors	Freeths LLP Jones Day
Registered number	04316977
Website	www.quixant.com
Ticker	London: QXT

Quixant plc

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Registered Number: 04316977
Registered in England and Wales