Quixant

ANNUAL REPORT & ACCOUNTS

For The Year Ended 31 December 2017

Welcome to the Quixant Annual Report 2017

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.

Through it's Densitron Division, Quixant also supplies electronic display solutions to a wide range of global industrial markets.

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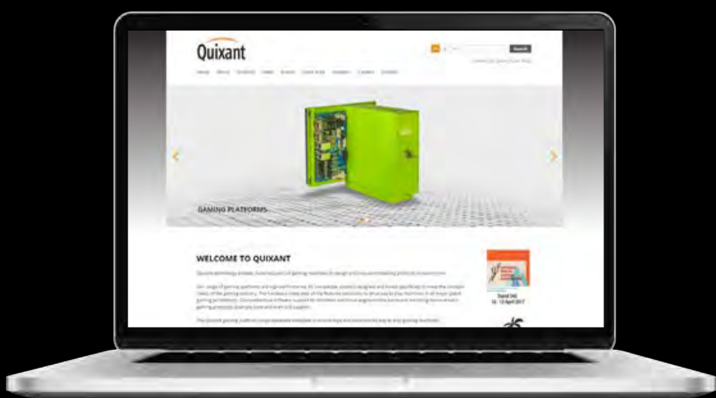
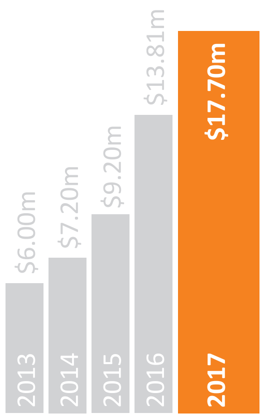
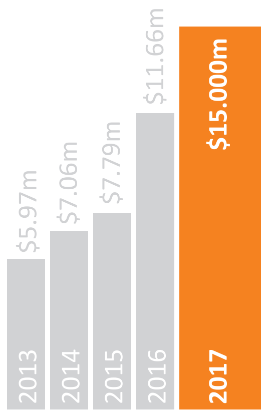


Financial Highlights

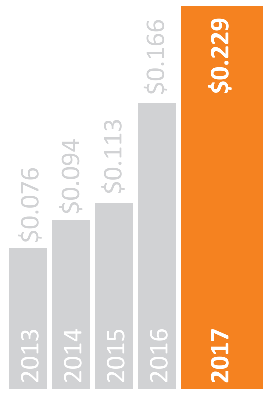
Adjusted PBT ($m)[1]



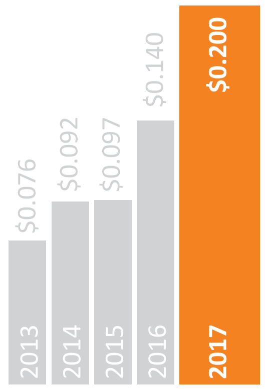
PBT ($m)



Adjusted fully diluted EPS ($)[2]



Fully diluted EPS ($)



1. Adjusted by adding back items included in the adjusted PBT reconciliation in Note 1 to the financial statements totalling $2.7m (2016: $2.2m)
2. Adjusted by adding back the items included in note 1 above and subtracting the associated tax effect as set out in note 10 to the financial statements. In 2017 these amounted to $2.1m (2016: $1.7m)

Operational Highlights

52,000 gaming platforms shipped during the year, up from 41,000 in 2016

Strong performance from Quixant's established customer base, contribution to revenue from new customers and cultivation of long term opportunities

Three patents applied for during the year and four granted

Quixant Gaming Ecosystem® recognised by customers as a key differentiator and a key marketing message

Densitron division performed in line with management expectations

In March 2018, announced a strengthened Board with Executive promotions and a new CFO joining in October 2018

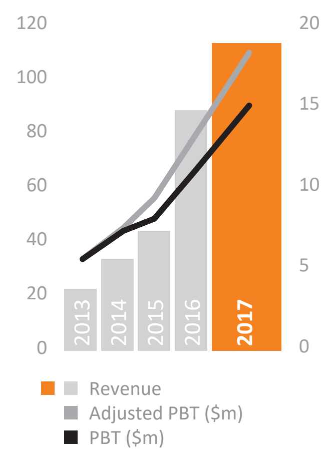
Shipments to new major Japanese customer commenced in early 2018

First volume shipments commenced to Novomatic for a new project

CHAIRMAN'S STATEMENT

Michael Peagram,
CHAIRMAN

Revenue, PBT and adjusted PBT ($m)



I am delighted to report another very successful year for the Group with excellent growth in both revenue and profits, whilst continuing to strengthen our organisation to support continued progress.

The organisation has evolved smoothly through several phases in the last five years. We have moved from a small, entrepreneurial, private company, to now being listed on the AIM public market. We continue to branch out into new product areas in gaming and, through the acquisition of Densitron, added a portfolio of products targeted at non-gaming markets. Throughout these phases, the Group has remained flexible and focused enabling it to thrive with the new challenges each has presented to us. We are justifiably proud of our outstanding record over these five years.

We continue our planning to meet the future demands of the Group and execution of our corporate strategy. It is therefore right that we continue to evolve the management in the organisation.

On 1 March 2018, we announced some major changes to our Board. Our current Chief Executive and founder Nick Jarmany was appointed Executive Vice-Chairman while retaining executive responsibilities for technology leadership and product innovation. This has always been a particular strength and passion for Nick and his new position enables him to focus on it.

I would personally like to both thank and congratulate Nick for his vision and ambition in developing the Group since he co-founded it in 2005 and building it up to the first-rate business it is today. It is a huge asset for us to be able to be able to continue to utilise his experience and skill set as he concentrates his efforts on technology leadership and product innovation.

Nick had delegated many of his responsibilities to Jon Jayal, Chief Operating Officer, in March 2017 while he undertook medical treatment. It was therefore with confidence that Jon was promoted to take over as Chief Executive Officer from 1 March 2018. Jon has a long background with Quixant, commencing at inception of the Group when, as an electronic engineer, he was a key member of the design team for the first product.

This grass roots appreciation for Quixant's culture, combined with expertise working in the City for several large blue chip financial institutions and a detailed understanding of the technology underpinning our products makes him ideally qualified to lead the Group and continue our outstanding track record of growth.

In addition, current CFO Cresten Preddy informed the Board last year of her desire to step back from full time employment. After an exhaustive process we are delighted that Guy Millward has agreed to join us as CFO with effect from 1 October 2018. Guy has vast experience working in senior management positions of public technology companies. Cresten will continue working for the Group, both to ensure a smooth handover but also to operate certain specific initiatives which are currently underway, including the Global SAP system implementation project.

Gaye Hudson also joined the Board as a Non-Executive Director in March 2017. Gaye's 19 years at Oracle Corporation introduced a strong skillset in HR and Communications to the Board.

The changes that have been made to the Board and a number of other senior appointments positions us well to retain the entrepreneurial style and company culture which has made the Group so successful, while introducing new management skills and resources to take the Group forward. I firmly believe that we have the quality of people and systems to continue to thrive.

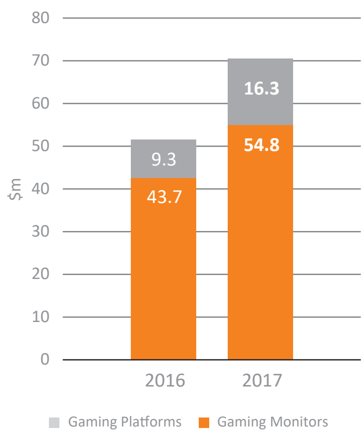
A dividend of 2.0p per share was paid in May 2017 representing a growth of 33% on the prior period. The Board is pleased to propose a 2018 full year dividend of 2.6p per share, representing an increase of 30% over the previous year. This remains consistent with our progressive dividend policy and demonstrates the continued strength of the Company's balance sheet and financial performance.

Michael Peagram,
CHAIRMAN

CHIEF EXECUTIVE'S REPORT

Jon Jayal,
CHIEF EXECUTIVE OFFICER

Sales by product group



It is my privilege to be writing my first report to you as Chief Executive Officer of Quixant. I am very pleased that the Group has continued to deliver outstanding financial and operational performance during the year. Group revenue increased 21% to a record $109.2m and adjusted profit before tax increased 28% to $17.7m (statutory profit before tax increased by 29% to $15.0m).

Gaming Division

Our core business continues to be focused around the global gaming industry. When we launched Quixant in 2005, we focussed on the design and manufacture of highly optimised computing solutions for gaming which incorporate purpose-built computer hardware and a rich software infrastructure. Our unique value-added proposition rapidly gained traction and we earned a position as a key supplier to many major electronic gaming machine manufacturers.

In 2015 we began developing gaming monitors which, whilst operating on a structurally lower margin, present an excellent opportunity to expand our revenue share in each machine. We have also continued to evolve our monitor product portfolio to embed Quixant's ethos of innovation.The chart shows the sales of our gaming product lines for the last two years during which margins have been maintained. In the last two years, the Gaming Division has grown 94%.

Since it was launched in 2015 our gaming monitor business has grown rapidly and is now an integral part of the Group. While we expect to see the rate of growth normalise in 2018, we continue to see considerable opportunities for growth in this part of the business.

Gaming Ecosystem®

The foundation of Quixant's value proposition in gaming is our Gaming Ecosystem®, which has been developed over the last 12 years. There are multiple facets to the Gaming Ecosystem® which extend far beyond the physical computer hardware, including:

- a comprehensive layer of software which sits alongside and underpins our customers' games enabling connectivity with third party peripheral devices and casino systems outside the machine;
- gaming features which meet strict global gaming regulatory requirements;
- support tools which enable customers to improve their game efficiency and debug issues during development;
- a technical support model which provides customers direct access to our engineers;
- cross-Quixant platform compatibility to enable easy game migration across different geographic markets and different product price points.

Once a customer selects Quixant and integrates their game around our Gaming Ecosystem®, they unlock all these benefits for developing their games and machines. Previously, many of the requirements which the Gaming Ecosystem® meets had to be catered for by customers' in-house R&D teams and often solutions were developed for specific markets or product categories which both increased development cost and time-to-market and also reduced flexibility to enter new markets.

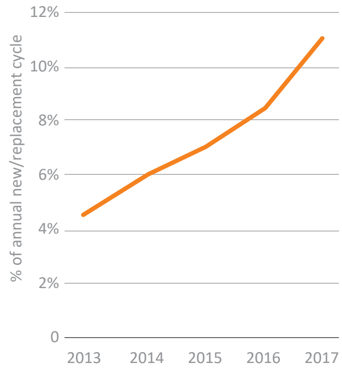
Increasingly, even the largest customers in the gaming industry recognise and embrace the value of Quixant's Gaming Ecosystem® and as the gaming market becomes ever more competitive and fast moving they are adapting their games to be compatible with our products. Those that have adopted it have a more streamlined development process and are able to respond more quickly to new market openings and opportunities for growth in markets they had previously never serviced.

Whilst the core of our Gaming Ecosystem® is well-established, we have developed several exciting tools and features to add to it over the last two years which we believe significantly strengthen the value proposition.

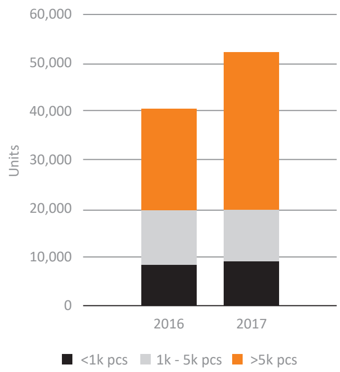
QxVDR is a video decoding and rendering software infrastructure which enables customers to playback videos on Quixant gaming platforms which combine transparent text and graphic overlays whilst making highly efficient use of the hardware. Pre-rendered videos are commonplace in most electronic games and there are often multiple videos playing at once, so reducing the performance impact on the system during playback is critical.

CHIEF EXECUTIVE'S REPORT CONTINUED

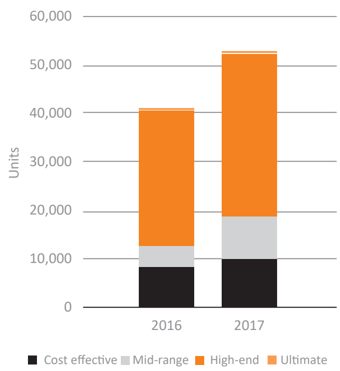
Market share



Sales by customer unit purchase quantity



Sales by product family



We have also created a tool, QxATS, which provides real-time debugging information to aid game authors during the development process. They can "see" the flow of data into and out of the Quixant platform and also within it and isolate issues which arise during creation of their software which cause it to behave unexpectedly. QxATS also provides real time monitoring information with near zero performance impact on the Quixant gaming platform. QxATS combines software and hardware elements.

Gaming Platforms

We shipped over 52,000 gaming platforms in 2017, up from 41,000 shipped in 2016, making Quixant, we believe, to be the highest volume manufacturer of computer platforms for gaming. We estimate our market share is a little over 10% of the estimated 475,000 unit annual new/ replacement machines deployed globally (source: G3 Magazine). Our growth has been driven by continued gains in market share as manufacturers continue to outsource development of their computer platforms and focus on their core competencies. We are confident that this trend remains buoyant and that we have the ability to further increase our market share.

Our growth in the gaming platforms business has been seen across all sizes of customer, but with particularly strong performance from our mid-size (1,000 – 5,000 pcs per year volume) accounts, which represented 22% of unit sales in 2017 compared to 10% in 2016.

Alongside strong performance from well-established customers, it was pleasing to see commencement of volume shipments to Novomatic.

We have continued to see our high-end products dominating our sales both in revenue and quantity terms. These products tend to be more aligned with casino market applications and many of our major customers have adopted products from the High-End family, including the QX-40, QX-50 and recently launched QX-60. In 2015 we launched a new "Ultimate" family of products, the first generation of which was called QMax-1. The Ultimate family of products represent the highest performance variants in Quixant's portfolio and promise graphics performance similar to consumer video games consoles. This opens a new segment of the machines for Quixant to drive.

We have also continued to be successful in winning business in casino "systems-type" product. These products sit alongside the machines which the players enjoy in the venues and provide infrastructure to facilitate things such as progressive jackpots. The computer platform requirements are very similar in nature to those for installation in the electronic gaming machines, but there are subtle differences which Quixant has experience of catering for. Whilst a lower volume market, we remain successful in growing our sales volume in this area. We won a new customer in 2017 for a jackpot controller which falls into this category.

During 2017 Quixant experienced an issue related to an externally sourced component which was integrated into many of our products. This component, a DRAM module, had been used for several years, but due to a change made by the manufacturer, we were forced to change to a replacement version which subsequently demonstrated incompatibilities with the rest of Quixant's computer platform once installed in gaming machines. We therefore took an immediate, proactive response to swap the incompatible DRAM modules for an alternative. Whilst our prompt response mitigated damage to our brand and reputation, we spent around $1.6m to rectify the problem.

We have since undertaken an extensive review of our validation procedures and, along with conducting more extensive testing over a longer period, we have also started developing a more relevant real-world test suite which more accurately replicates the behaviour of a real game. We believe this serves to mitigate the potential of such unidentified component issues affecting future sales. Product quality and reliability has been and will continue to be a major focus for management.

There continue to be potential new markets for our customers. However, there are always considerable uncertainties as to when these new markets may open most recently evidenced by the Brazilian senate rejecting one of the gaming bills in motion. Whilst we adopt a cautious stance to the timing and potential value of such market openings, we believe there continue to be significant opportunities. Japan is the most recent new market opportunities. Through Densitron's office in Tokyo, Quixant has been able to leverage the knowledge and experience of its personnel and cultivate exciting new opportunities with major manufacturers headquartered in Japan. We have won business with a major Japanese manufacturer, to which we have commenced shipments in early 2018.

Gaming Monitors

The growth of our Gaming Monitors business continues to be exceptional. We shipped over 31,000 gaming monitor products during the year, up from around 25,000 shipped during 2016. We have brought on both new customers as well as converted existing gaming platform customers with monitor products during the year. It is pleasing to see that customers view our product offering in monitors is attractive on a standalone basis.

Whilst much of our business in gaming monitors to date has been supplying a product which is very similar to others in the industry we have generated several ideas during the year for higher value products which offer tangible benefits to customers and differentiate them from the competition. We are working hard on developing these ideas in 2018 and bringing new monitor innovations to the market during the year.

We have enjoyed phenomenal growth in the Gaming Monitors business and as the business matures we expect the rate of growth will normalise. There remain considerable opportunities and while margins are lower than platforms the design-in period and research and development spend is lower.

Densitron Division

During 2017 we progressed our business strategy to target specific vertical markets. The broadcast industry has been identified as the first of these markets and during the year we exhibited at two major Broadcast trade shows: BVE in February at the ExCel exhibition centre in London and IBC at RAI conference centre in Amsterdam. These shows not only enabled us to meet and explore our product ideas with several new and existing customers, but crucially they also provided a clear insight into the broadcast industry trends and where the Densitron Division can support them.

Our initiatives in the Broadcast sector have been well received and we remain confident in the opportunities in this sector. The success of this realignment of the business to a specific vertical has encouraged us to seek to develop dedicated product groupings for other markets which will begin to be rolled out during 2018.

Densitron performed in line with management expectations during the year. We have invested significantly in the development of the Densitron Division principally to enable the business to be more market focussed and to differentiate it from its competitors.

Our dedicated embedded board design and development facility located in Slovenia is critical to the creation of more value rich embedded solutions. In concert with our operations in Taiwan they are launching a single board computer and a range of adaptor boards in the first quarter of 2018 that, when bundled with our range of displays enables Densitron to offer higher added value products to the market. This is being reinforced by a strengthened approach to marketing. Further hardware and software solutions are in development.

We see a continued need to invest in the Densitron division in 2018 to realign the business to deliver long term revenue growth and enhance profitability over the longer term.

Product Innovation and development

Innovation is key to the success of Quixant and our library of intellectual property is, I believe, second to none in our market. An indication of our continuing innovation is the number of patents we apply for and the number granted each year. At the end of 2016, we had seven patents under application and had been granted a further three. At the end of 2017, we had seven patents under application and had been granted a total of seven patents. During the year three new filings were made.

Quixant has been working on QMax-2, an exciting new product which builds on the design of QMax-1 in the Ultimate range of gaming platforms. With a considerably enhanced cooling solution, QMax-2 is designed to cater for the next generation of microprocessors and GPUs to power the highest performance gaming machines in the market. One of the patents granted during 2017 related to the thermal solution designed for QMax-2.

During the year, Quixant had been evaluating AMD's new Ryzen™ Embedded processors which were launched in February 2018 publicly at a press event in which we participated as a launch partner. On the day of AMD's launch, Quixant had three new products based on the Ryzen™ Embedded V1000 processor: Quixant X, QMax-2 and the QXi-7000. The products leverage all the benefits of the Quixant Gaming Ecosystem® and give gaming customers the quickest route to embrace AMD's highly anticipated, cutting-edge new processor technology. This is a key launch for Quixant and demonstrates not only our innovation skills but also our strong partnership with AMD.

Personnel and infrastructure

Alongside the changes to the Board, our programme of continuous enhancement and investment in the organisation has been evident during the year.

We continued to attract high-quality talent to Quixant which we believe will bolster our expertise and enhance our sales and product development efforts going forward. In November 2017, we recruited Eric Walla to our Las Vegas office as Vice President of Business Development. Eric has a respected career in the gaming industry spanning over 17 years and has worked with several key technology suppliers. We also recruited Martin Salter in early 2018 as Business Development Manager located in the UK. Martin has extensive experience in the monitors business most recently in his role in Zytronic Displays.

On the product side we have been fortunate to recruit Chris Caress as a leader in our gaming monitor development team in Taiwan. Chris' previous role was in Scientific Games where he was heavily involved in their technology development, most

CHIEF EXECUTIVE'S REPORT CONTINUED

recently in monitor products. Chris brings to Quixant a wealth of real customer technical expertise and we are excited at leveraging his knowledge to enhance our product offerings.

During 2018 we will continue to invest in the business to ensure that it is positioned to enable future growth. We shall be introducing a common enterprise resource planning system, which has been developed during 2017, enabling the Group to have a harmonised accounting, reporting and procurement platform that may be scaled as the business continues to grow in the future.

Outlook

2017 was another very successful year for the Group, with record profits being delivered alongside structural investment in the business. Whilst Densitron remains a business in a state of change, with short term investment we continue to be optimistic that long term revenue growth and margin expansion is achievable. In the gaming business, the outsourcing trend for manufacturers remains buoyant and we have several exciting opportunities which position us well for continued excellent growth.

The 2018 financial year has started well, giving us confidence that the year will continue to be one of strong growth and now we anticipate delivering growth ahead of our previous expectations.

Jon Jayal
CHIEF EXECUTIVE OFFICER

FINANCIAL REVIEW

Revenue

The Quixant Group achieved revenues of $109.2 million in the year, an increase of 21% on 2016 ($90.4 million). Gaming division revenues were $71.1 million, an increase of 34% on 2016 ($53.0 million). This was split between Gaming platform revenue of $54.8 million a 28% increase on 2016 (2016: $42.8 million) and Gaming monitor revenue of $16.3 million a 75% increase on 2016 (2016: $9.3 million). Densitron division revenues were $38.1 million, an increase of 2% on 2016 ($37.4 million).

The growth in the Gaming division has largely been driven by the continuing development of existing customer relationships and the broadening of the customer base. In 2017 the Gaming division increased its number of customers to 218 compared with 180 in 2016.

Gross profit and gross profit margin

Our gross profit for the year was $37.0 million representing a gross margin of 34%. This compares with a gross profit achieved in 2016 of $32.1 million and a gross margin of 36%. The underlying gross margin for each part of the business has been maintained in the year with the reduction being caused by the cost incurred resolving the DRAM issue and the lower functional margin achieved on the growth in Gaming monitors.

Earnings, before interest tax, depreciation and amortisation (EBITDA) and profit before tax (PBT)

Adjusted EBITDA increased 26% to $19.6 million (2016: $15.6 million) and adjusted PBT increased 28% to $17.7 million (2016: $13.8 million). EBITDA increased 21% to $17.8 million (2016: $14.7 million) and PBT increased by 29% to $15.0 million (2016: $11.7 million). Adjustments to EBITDA are to add back the items set out in note 1 to the financial statements. In 2017 these totalled $1.8 million (2016: $0.9 million). Adjustments to profit before tax amounted to $2.7 million in 2017 (2016: $2.1 million).

As outlined in the Chief Executive's Report the Group experienced a significant issue relating to a DRAM module. The resulting cost to the Group in the year has been $1.6 million. The situation has been carefully managed in the year ensuring that there will be no additional future costs.

The share based payment charge has been added back since it is not a cash expense to the Company. It is a benefit to our employees which we are required to expense through the income statement in accordance with IFRS2.

Expenses

In order to maintain our market leading position, it is imperative that the business continues to invest in developing new products. During the year the Group expenditure on research and development increased by 51% to $5.3 million (2016: $3.5 million) representing 14% of gross profit (2016: 11%). These costs relate to investment activities principally undertaken in Taiwan, Italy and Slovenia. $1.6 million of these costs were capitalised (2016: $0.7 million) with amortisation for the year on total capitalised development costs of $1.0 million (2016: $0.9 million).

The management of overheads while ensuring that sufficient investment continues to be made to support the business is key. We have continued to strengthen the business across all areas in the year, including increasing our headcount to 176 people (2016: 160 people). Staff costs, being the largest contributor to overheads, increased by 13% in the year to $12.8 million (2016: $11.3 million).

Taxation

The tax charge for the year decreased to $1.9 million (2016: $2.4 million) representing a corporation tax charge of 12.6% on pre-tax profits (2016: 20.3%). The Group continues to benefit from enhanced tax reliefs available in respect of qualifying research and development expenditure and has also benefited from patent box relief and tax relief on the exercise of employee share options.

Earnings per share

Basic earnings per share increased by 40% to $0.200 per share (2016: $0.143 per share). Fully diluted earnings per share increased 41% to $0.197 per share (2016: $0.140 per share). Adjusted fully diluted earnings per share as set out in note 10 to the financial statements increased by 38% to $0.229 per share (2016: $0.166 per share).

Balance Sheet

The Group continues to maintain a strong Balance Sheet with net assets totalling $47.3 million (2016: $34.3 million).

Non-current assets have increased in the year to $21.3 million (2016: $20.9 million). The overall increase in the year is not significant but included within the total non-current asset balance is an additional investment in intangibles of $1.9 million and an amortisation of existing intangibles of $1.9 million (including amortisation of intangible assets relating to customer relationships and order backlog following the acquisition of Densitron of $0.8 million).

Current assets principally comprise inventory, trade receivables and cash. Inventory has increased to $21.2 million (2016: $12.9 million). While the level of inventory includes significant levels of last time buy items and items on long lead times, a buffer stock of key product lines and sufficient levels to ensure that near term production is met we still consider that it is too high. Consequently, tighter policies surrounding inventory purchasing have been introduced. Trade and other receivables have reduced in the year reflecting the reduction in the time taken to collect cash from customers.

Current liabilities are principally made up of trade and other payables. In the year trade payables reduced to $12.3 million (2016: $13.0 million). During the year the Group has taken advantage of the opportunity to secure better pricing from certain suppliers by settling invoices earlier. This has resulted in a reduction in the level of trade creditors despite the increase in the level of business in the year.

Cash Flow

The cash generated from operating activities in the year amounted to $8.1 million (2016: $10.1 million). The reduction in cash generated is largely due to the movements in working capital in the year which have been explained above.

The Group has continued to invest in the business, spending $2.3 million (2016: $1.4 million) on investing activities including $1.6 million (2016: $0.7 million) on capitalised product development.

In the year $2.2 million has been used to repay borrowings (2016: $2.8 million). We continue to review banking arrangement and treasury arrangements around the Group to ensure that the level and cost of financing arrangements are appropriate to the Group.

Dividend

The Board intends to maintain its progressive dividend policy while continuing to invest in the business. As such, the Board proposes a dividend in respect of the year of 2.60p per share, an increase of 30% on the previous year (2016: 2.00p per share) payable on 18 May 2018 to all shareholders on the register on 11 May 2018. The corresponding ex-dividend date is 10 May 2018.

Cresten Preddy
CHIEF FINANCIAL OFFICER

Financial Statements

Quixant plc Annual Report & Accounts for the year ended December 2017

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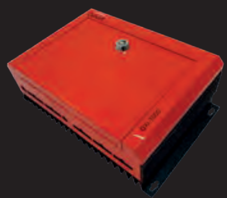
Quixant Gaming Platforms

QMax-2


QXi-7000

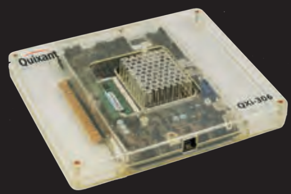
QX-40

QXi-4000


QXi-6000

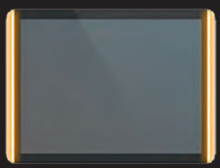

QXi-300

QXi-307

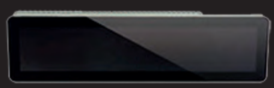


QXi-306

Quixant Gaming Monitor

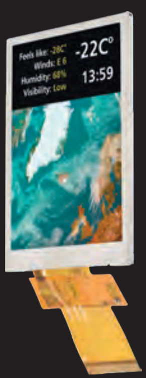

Ultra High Definition Monitor


Curved Monitor


Button Deck Monitor

Standard Gaming Monitor

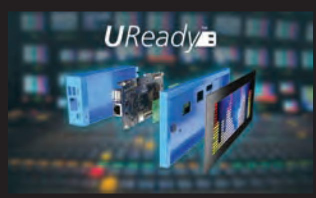
Densitron products



3.5 inch TFT


5.5 inch OLED


TFT 10.1 inch



Aurora

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. 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' service contracts incorporate notice periods of not less than six months' notice from the executive to the company and not less than 12 months' notice from the company to the executive.

The Audit Committee is comprised of Guy van Zwanenberg (Chairman) and 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. 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.

The Remuneration Committee is comprised of Michael Peagram (Chairman) and 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 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.

Quixant

STRATEGIC REPORT

The Directors present their Annual Report and accounts for the year ended 31 December 2017.

Principal activities and results

The principal activities of the Group are:

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

The profits for the year after taxation amounted to $13.1 million (2016: $9.3 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

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

The Directors also review the ongoing trend of several indicators that they consider are key to the performance of the Group and to assist them in their strategic decision making.

Operational

KPI	Procedure	Comment
Sales revenues		
Sales revenues are reviewed to ensure that the Group's business continues to grow in line with expectations	The Board reviews sales revenues against budget as part of its management reporting review each month.	The Board is satisfied that revenues have continued to grow ahead of budget and market expectations.
Gross profit margin		
To ensure that the Group maintains appropriate returns for the products that it is selling.	A report of the margin achieved in each part of the business is included as part of the management accounts pack and reviewed by the Board.	With the exception of the issue with the DRAM which is discussed in the CEO report on page 4 the Board is happy that the margins are being maintained in all areas of the Group.
Inventory levels and inventory days		
The objective in monitoring inventory is: • to ensure that working capital is not unduly tied up; • to guard against inventory obsolescence leading to potential write offs; and • to ensure sufficient inventory levels are maintained to meet near term demand	The Board monitors the number of days held in stock at the end of each month and is provided with a trend graph plotted against budget during the year. Additionally, it is provided with a monthly manufacturing report detailing the current inventory levels and the future product requirement.	For the year ended 31 December 2017 the Board is satisfied that the level of inventory obsolescence is being controlled but considers that the levels of inventory that were maintained were conservative and have tightened up the controls surrounding inventory purchasing.

STRATEGIC REPORT CONTINUED

Financial

KPI	Procedure	Comment
Earnings before interest, tax, depreciation and amortisation (EBITDA) and adjusted EBITDA (Note 1)		
To ensure that the Group's profit is growing in line with market expectations	The Board reviews EBITDA and adjusted EBITDA monthly as part of its review of management information	The Board is satisfied with the growth in EBITDA and adjusted EBITDA in the year.
Profit before tax (PBT)		
To ensure that the Group is providing a sufficient return to its shareholders	The Board reviews PBT and adjusted PBT monthly as part of its review of management information.	The level of PBT and adjusted PBT have increased in line with expectations.
Debtor days		
To ensure that customers settle debts in an orderly fashion in line with agreed terms and that the Group is not exposed to bad debts	The Board monitors the average number of days customers take to pay each month together with a trend graph plotted against budget Additionally, it is provided with a monthly analysis of the profile of aged debts for each part of the business	The Board is satisfied with the procedures that are in place to qualify customers to mitigate the Group's exposure to bad debts. In both the current year and pervious year the Group has incurred minimal levels of bad debts
Cash and borrowings balances		
To ensure that the business has sufficient headroom to meet its future obligations	The Board is provided with a report showing cash generated in the year, the cash conversion rate and the current level of cash balances within the Group along with the current level of borrowings and available facilities	At 31 December 2017 the Group had net cash of $4.5m compared with $(0.1)m at 31 December 2016. The cash conversion rate in the year was 53% compared with 84% for 2016. The Board recognises that a strategic decision to settle some supplier invoices early has impacted on the level of cash conversion but this enabled the business to achieve better pricing on its purchases.

Principal risks relating to the business of the Group

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

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

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

Risk	Description	Mitigation	Comment
Commercial	The marketplace for the Group's display products is highly competitive. Gaming customers may decide to design their computer platforms and/or monitors in house or source from another supplier.	The Group has identified certain areas of the displays business where it considers that it can develop a competitive advantage and is investing in these areas. 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 targeted at specific markets. Quixant maintains an ongoing dialogue with its customers to maintain the relationships that it has developed and foster new ones.
Geographical and environmental	The Group operates across a range of countries, all of which carry a degree of risk, whether it is political risk or environmental issues.	The majority of the Group's operations are in OECD countries and the majority of revenue is generated from customers operating in OECD countries. Despite not being an OECD member, Taiwan has a highly developed legal and political system.	The Group will continue to focus its operations in those countries that provide the best opportunity for growth and avoid those countries that pose significant country risk.
Regulation	Additional laws and regulations may be enacted covering issues such as law enforcement, pricing, taxation and quality of products and services.	The Group monitors prospective changes in local laws and regulations which may impact its business.	The Group is a member of professional bodies, where applicable, in the regions in which it operates to ensure that it stays informed of any legal or regulatory changes.
Technological	The Group's business is dependent upon technology which could be superseded by superior technology, more competitively priced technology or a shift in working practices, which could affect both potential profitability and saleability of the Group's products.	The Group works closely with its technology partners to provide products which incorporate the most advanced technology available to our market. The Group also develops its own innovations to incorporate into new products.	The Group recognises the technology requirements of its customers and works with them to provide the products that they need in their business.

STRATEGIC REPORT CONTINUED

Risk	Description	Mitigation	Comment
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 has in place a succession plan. Key staff have contractual arrangements designed to develop and incentivise.	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 to protect its intellectual property rights.

Brexit

The Board has spent time considering the potential impact on the business, its customers, suppliers and employees following the UK's decision to leave the European Union. It recognises that there remains considerable uncertainty surrounding the timing of and the manner in which the UK will operate with the EU following its exit. As such the Board continues to monitor the progress of the negotiations but consider that the likely impact on the Group will be mitigated due to the highly global nature of the business combined with the majority of transactions being conducted in US dollars.

By order of the Board on 21 March 2018.

Miss A C Preddy
DIRECTOR

Aisle Barn 100 High Street Balsham Cambridge CB21 4EP

DIRECTORS' REPORT

Statutory information

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

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

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

Annual General Meeting

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

The Directors propose a dividend of 2.60p per share (2016: 2.00p), to be approved at the Annual General Meeting. During the year the Company paid a dividend of 2.00p per share amounting to $1,691,194.

Substantial shareholdings

On 21 March 2018 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	12,179,970	18.44%
Schroders Plc	6,637,368	10.07%
Hargreave Hale	6,821,160	10.35%
Mr J and Mrs S Mullins	3,858,920	5.85%
Octopus Investments Nominees Limited	3,947,143	5.99%
Liontrust Asset Management	3,995,697	6.06%
C-T Lin and his wife	3,446,559	5.27%
G P Mullins and his wife	2,829,243	4.33%
Alexander Taylor	2,058,958	3.12%
Amati Global Investors	2,345,020	3.56%

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
	2017	2016	**2017**	2016	
G A Y Hudson (appointed 22 March 2017)	**2,350**	–*	**–**	–*	
N C L Jarmany	**12,179,970**	12,579,970	**–**	–	–
J F Jayal	**460,200**	–	**–**	110,200	£0.49
			–	400,000**	£nil
C-T Lin	**3,446,559**	3,446,559	**–**	–	–
G P Mullins	**2,829,243**	2,829,243	**–**	–	–
A C Preddy	**40,000**	10,000	**39,000**	69,000	£0.49
M J Peagram	**227,174**	202,174	**–**	–	–
G van Zwanenberg	**26,087**	26,087	**–**	–	–

* date of appointment

** A £nil cost option granted by NCL Jarmany to JF Jayal over 400,000 ordinary shares owned by him (as outlined in the admission document). Mr. Jayal exercised the option during 2017.

There has been no change in the interests set out above between 31 December 2017 and 21 March 2018.

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 $ 5.3 million (2016: $3.6 million) in its R&D and customer support programmes in the year, of which $1.6 million (2016: $0.7 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 (2016: nil).

Disclosure of information to the auditor

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

Auditor

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

By order of the Board on 21 March 2018.

Miss A C Preddy
DIRECTOR

Aisle Barn 100 High Street Balsham Cambridge CB21 4EP

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 as adopted by the EU (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, relevant and reliable;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- assess the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

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

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

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

INDEPENDENT AUDITOR'S REPORT

To the Members of Quixant Plc

KPMG

1 Our opinion is unmodified

We have audited the financial statements of Quixant Plc ("the Company") for the year ended 31 December 2017 which comprise the Consolidated Statement of Profit and Loss and Other Comprehensive Income, Group and Company Balance Sheets, Group and Company Statement of Changes in Equity, Group and Company Cash flow Statements and the related notes, including the accounting policies in note 1.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 December 2017 and of the Group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU);
- the parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

2 Key audit matters: our assessment of risks of material misstatement

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

	The risk	Our response
Recoverability of group goodwill Goodwill: $6.9m (2016: $6.9m) Refer to page 29 (accounting policy) and pages 41 to 42 (financial disclosure).	**Forecast based valuation** The estimated recoverable amount of these balances is subjective due to the inherent uncertainty involved in forecasting and discounting future cash flows. Whilst the risk of misstatement is relatively low in this case, the size of the balance, and the requirement to test for impairment on an annual basis, makes this a core area on which our audit focused.	**Our procedures included:** **Benchmarking assumptions:** We assessed the key assumptions such as projected long term growth rate and discount rates with reference to externally derived data. **Historical comparisons:** We assessed the reasonableness of the forecasts used by considering the historical accuracy of previous budgets. **Sensitivity analysis:** We performed breakeven analysis on the assumptions noted above. **Re-performance:** We independently re-performed the value in use calculations and compared these to the actual models used. **Assessing transparency:** We assessed the adequacy of the Group's disclosures (see Note 12) in respect of impairment testing and considered whether the disclosures reflected the risks inherent in the valuation of goodwill.

	The risk	Our response
Recoverability of parent company's investment in subsidiaries Investment: $12.0m (2016: $11.9m) Refer to page 29 (accounting policy) and pages 44 to 45 (financial disclosure).	**Low risk, high value** The carrying amount of the parent company's investments in subsidiaries represents 27% (2016: 31%) of the company's total assets. Their recoverability is not at a high risk of significant misstatement or subject to significant judgement. However, due to their materiality in the context of the parent company financial statements, this is considered to be the area that had the greatest effect on our overall parent company audit.	**Our procedures included:** **Tests of detail:** Tests of detail: Comparing the carrying amount of 100% of investments with the relevant subsidiaries' draft Balance Sheet at 31 December 2017 to identify whether their net assets, being an approximation of their minimum recoverable amount, were in excess of their carrying amount and assessing whether those subsidiaries have historically been profit-making. **Subsidiary audits**: We considered the results of our audit work over those subsidiaries' profits and net assets.

3 Our application of materiality and an overview of the scope of our audit

Materiality for the group financial statements as a whole was set at $760k (2016: $592k) and determined with reference to a benchmark of group profit before tax as disclosed on the face of the Consolidated Statement of Profit and Loss and Other Comprehensive Income, of which it represents 5% (2016: 5%).

Materiality for the parent company financial statements as a whole was set at $152k (2016: $165k), determined with reference to a benchmark of profit before tax (normalized to take into account Group transfer pricing adjustments), of which it represents 3% (2016: 5%).

We reported to the Audit Committee any corrected or uncorrected identified misstatements exceeding $38k (2016: $30k), in addition to other identified misstatements that we believe warranted reporting on qualitative grounds.

Of the group's 16 components (2016: 15 components), we subjected 9 (2016: 10) to audits for group reporting purposes and 0 (2016: 2) to specific risk-focused audit procedures. The latter were not individually financially significant enough to require a full scope audit for group purposes, but did present specific individual risks that needed to be addressed. The coverage of revenues, total profits and losses that made up Group profit before tax, and Group assets achieved can be seen in the table below.

	Number of components 2017 (2016)	**Group revenue 2017 (2016)**	**Group profit before tax 2017 (2016)**	**Group total assets 2017 (2016)**
Audits for group reporting purposes	9 (10)	95% (84%)	95% (95%)	94% (87%)
Specific risk-focused audit procedures	- (2)	- (5%)	- (3%)	- (4%)
Total	**9 (12)**	**95% (89%)**	**95% (98%)**	**94% (91%)**

The remaining 5% of total group revenue, 5% of total profits and losses that made up group profit before tax and 6% of total group assets is represented by 7 reporting components, none of which individually represented more than 5% of any of total group revenue, group profit before tax or total group assets. For these residual components, we performed analysis at an aggregated group level to re-examine our assessment that there were no significant risks of material misstatement with these.

The group audit team instructed the component auditors as to the significant areas to be covered, including the relevant risks detailed above and the information to be reported back. The Group team approved the component materialities, which ranged from $152k to $611k (2016: $165k to $592k), having regard to the mix of size and risk profile of the Group across the components. The work on 3 of the 9 components (2016: 3 of the 10 components) was performed by component auditors and the rest, including the audit of the parent company, was performed by the Group audit team.

The Group team visited 2 (2016: 5) components in 2 locations (2016: 3 locations). Telephone conference meetings were held with the component auditors. At meetings, the audit approach, findings and observations reported to the Group audit team were discussed in more detail, and any further work required by the Group audit team was then performed by the component auditor. The Group team also reviewed the audit work papers for significant areas prepared by the component auditor.

4 We have nothing to report on going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

5 We have nothing to report on the other information in the Annual Report

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

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

Strategic report and directors' report

Based solely on our work on the other information:

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

6 We have nothing to report on the other matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

7 Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 17, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

8 The purpose of our audit work and to whom we owe our responsibilities

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

Kelly Dunn (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Botanic House
100 Hills Road
Cambridge
CB2 1AR
21 March 2018

CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

For the years ended 31 December 2017 and 2016

	Note	2017 Total $000	2016 Total $000
Revenue	3,4	**109,238**	90,365
Cost of sales		**(72,269)**	(58,267)
Gross profit		**36,969**	32,098
Administrative expenses	5	**(7,785)**	(6,853)
Other operating expenses	5	**(13,837)**	(13,211)
Operating profit		**15,347**	12,034
Financial expenses	8	**(302)**	(371)
Profit before tax		**15,045**	11,663
Taxation	9	**(1,899)**	(2,370)
Profit for the year		**13,146**	9,293
Other comprehensive income for the year, net of income tax			
Foreign currency translation differences		**869**	(47)
Total comprehensive income for the year attributable to the parent		**14,015**	9,246
Minority interests		**(6)**	1
Total comprehensive income for the year		**14,009**	9,247
Basic earnings per share	10	**$0.1999**	$0.1430
Fully diluted earnings per share	10	**$0.1972**	$0.1395

Notes on pages 27 to 55 form part of the financial statements.

BALANCE SHEETS

As at 31 December 2017

	Note	Group 2017 $000	Group 2016 $000	Company 2017 $000	Company 2016 $000
Non-current assets					
Property, plant and equipment	11	**6,153**	5,977	**3,699**	3,570
Intangible assets	12	**14,278**	14,045	**2,059**	2,383
Investment property	13	**674**	617	**–**	
Investments in group companies and associated undertakings	14	**–**	–	**11,982**	11,948
Deferred tax assets	15	**195**	257	**91**	100
		21,300	20,896	**17,831**	18,001
Current assets					
Inventories	16	**21,246**	12,900	**13,924**	7,455
Trade and other receivables	17	**20,095**	21,003	**10,398**	12,034
Cash and cash equivalents	18	**11,194**	8,853	**2,205**	1,375
		52,535	42,756	**26,527**	20,864
Total assets		**73,835**	63,652	**44,358**	38,865
Current liabilities					
Other interest-bearing loans and borrowings	19	**(5,811)**	(2,774)	**(5,479)**	(911)
Trade and other payables	20	**(16,854)**	(17,199)	**(15,238)**	(13,190)
Provisions	22	**(750)**	–	**–**	–
Tax payable		**(931)**	(1,033)	**(1,114)**	(794)
		(24,346)	(21,006)	**(21,831)**	(14,895)
Non-current liabilities					
Other interest-bearing loans and borrowings	19	**(924)**	(6,148)	**(924)**	(6,251)
Provisions	22	**–**	(750)	**–**	–
Deferred tax liabilities	15	**(1,305)**	(1,442)	**(399)**	(450)
		(2,229)	(8,340)	**(1,323)**	(6,701)
Total liabilities		**(26,575)**	(29,346)	**(23,154)**	(21,596)
Net assets		**47,260**	34,306	**21,204**	17,269
Equity attributable to equity holders of the parent					
Share capital	23	**106**	105	**106**	105
Share premium	23	**6,102**	5,676	**6,102**	5,676
Share based payments reserve		**991**	782	**991**	782
Retained earnings		**39,647**	28,192	**13,752**	10,893
Translation reserve	23	**414**	(455)	**253**	(187)
		47,260	34,300	**21,204**	17,269
Non-controlling interest		**–**	6	**–**	–
Total equity		**47,260**	34,306	**21,204**	17,269

These financial statements were approved and authorised for issue by the Board of Directors on 21 March 2018 and were signed on behalf of the Board by:

A C Preddy

Miss A C Preddy
DIRECTOR

Company registered number: 04316977

Notes on pages 27 to 55 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 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 share 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

	Share Capital $000	Share Premium $000	Translation Reserve $000	Share Based Payments $000	Retained Earnings $000	Total Equity $000	Non-controlling Interest $000	Total Equity $000
Balance at 1 January 2017	105	5,676	(455)	782	28,192	34,300	6	34,306
Total comprehensive income for the period								
Profit	–	–	–	–	13,146	13,146	–	13,146
Other comprehensive profit	–	–	869	–	–	869	(6)	863
Total comprehensive income for the period	–	–	869	–	13,146	14,015	(6)	14,009
Transactions with owners, recorded directly in equity								
Share based payments	–	–	–	209	–	209	–	209
Dividend paid	–	–	–	–	(1,691)	(1,691)	–	(1,691)
Exercise of options	1	426	–	–	–	427	–	427
Total contributions by and distributions to owners	1	426	–	209	(1,691)	(1,055)	–	(1,055)
Balance at 31 December 2017	106	6,102	414	991	39,647	47,260	–	47,260

Notes on pages 27 to 55 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 2016	104	5,181	(320)	470	9,613	15,048
Total comprehensive income for the period						
Profit	–	–	–	–	2,680	2,680
Other comprehensive loss	–	–	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

	Share Capital $000	Share Premium $000	Translation Reserve $000	Share Based Payments $000	Retained Earnings $000	Total Parent Equity $000
Balance at 1 January 2017	105	5,676	(187)	782	10,893	17,269
Total comprehensive income for the period						
Profit	–	–	–	–	4,550	4,550
Other comprehensive profit	–	–	440	–	–	440
Total comprehensive income for the period	–	–	440	–	4,550	4,990
Transactions with owners, recorded directly in equity						
Share based payments	–	–	–	209	–	209
Dividend paid	–	–	–	–	(1,691)	(1,691)
Exercise of share options	1	426	–	–	–	427
Total contributions by and distributions to owners	1	426	–	209	(1,691)	(1,055)
Balance at 31 December 2017	**106**	**6,102**	**253**	**991**	**13,752**	**21,204**

Notes on pages 27 to 55 form part of the financial statements.

CASH FLOW STATEMENTS

For the years ended 31 December 2017 and 2016

	Note	Group 2017 $000	Group 2016 $000	Company 2017 $000	Company 2016 $000
Cash flows from operating activities					
Profit for the year		**13,146**	9,293	**4,550**	2,680
Adjustments for:					
Depreciation, amortisation and impairment		**2,422**	2,694	**1,064**	1,107
Taxation expense		**1,899**	2,370	**781**	454
Financial expense		**302**	371	**270**	276
Equity settled share based payment expenses		**209**	312	**175**	239
		17,978	15,040	**6,840**	4,756
Decrease/(increase) in trade and other receivables		**908**	(1,292)	**1,636**	(2,032)
(Increase) in inventories		**(8,346)**	(3,436)	**(6,469)**	(1,960)
(Decrease)/increase in trade and other payables		**(100)**	1,644	**2,326**	2,373
		10,440	11,956	**4,333**	3,137
Interest paid		**(302)**	(371)	**(270)**	(276)
Tax (paid)/received		**(2,076)**	(1,489)	**(503)**	414
Net cash from operating activities		**8,062**	10,096	**3,560**	3,275
Cash flows from investing activities					
Acquisition of subsidiary, net of cash acquired		**–**	58	**–**	–
Acquisition of property, plant and equipment	11	**(409)**	(425)	**(252)**	(185)
Acquisition of intangible assets	12	**(1,861)**	(1,017)	**(455)**	(321)
Net cash from investing activities		**(2,270)**	(1,384)	**(707)**	(506)
Cash flows from financing activities					
Repayment of borrowings		**(2,187)**	(2,816)	**(759)**	(1,891)
Dividends paid		**(1,691)**	(1,400)	**(1,691)**	(1,400)
Proceeds from issue of shares		**427**	496	**427**	496
Net cash from financing activities		**(3,451)**	(3,720)	**(2,023)**	(2,795)
Net increase/(decrease) in cash and cash equivalents		**2,341**	4,992	**830**	(26)
Cash and cash equivalents at 1 January		**8,853**	3,861	**1,375**	1,401
Cash and cash equivalents at 31 December	18	**11,194**	8,853	**2,205**	1,375

Notes on pages 27 to 55 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 fair value. The land was valued by a professional firm of property consultants in 2017.

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 the recoverable amount of goodwill and the determination of the point at which the criteria for development cost capitalisation have been met.

The recoverable amounts of cash generating units and individual assets have been determined based on the higher of the value-in-use calculations and fair value less costs to sell. These calculations require the use of estimates and assumptions. Although their recoverability is not subject to significant estimation uncertainty in the current year, changes to the cash flow assumptions in the future may lead to material adjustments to the carrying value of intangible and tangible assets.

The impact on the financial statements of a change in judgement with respect the development cost criteria could affect the value capitalised in respect of intangible assets and the corresponding profit and loss effect. If the criteria hadn't been met in the current year, the impact would have been to expense $1.6m of development costs.

Basis of consolidation

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

The Italian subsidiary, Quixant Italia srl, is 99% owned by the Group. The comprehensive income and equity attributable to the non-controlling interests in this subsidiary are not material. 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 2019. 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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

1. Principal accounting policies continued

Effective for the Group and Company in these financial statements:

The Group has considered the following amendments to published standards that are effective for the Group for the financial year beginning 1 January 2017 and concluded that they are either not relevant to the Group or that they do not have a significant impact on the Group's financial statements. These standards and interpretations have been endorsed by the European Union.

- Annual Improvements to IFRSs 2014–2016 Cycle
- Amendments to IFRS 12 Disclosure of Interests in Other Entities to specify that the requirement to disclose interests in other entities also apply to interests that are classified as held for sale or distribution.
- Amendments to IAS 7 require disclosures that enable evaluation of changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes.
- Amendments to IAS 12 clarify how to account for deferred tax assets related to debt instruments measured at fair value and should resolve the significant diversity in practice.

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
IFRS 16 Leases

The Directors intend to adopt these standards in the first accounting period after their effective date but, with the exception of IFRS 16, do not anticipate that they will have a material effect on the consolidated financial statements in the period of their initial application.

IFRS 15 provides for a single principle based model to be applied to all sales contracts based on the transfer of control of goods and services to customers. The Directors have considered the standard and having reviewed the types of revenues within the business do not anticipate that the application of this standard will have a material effect on the amounts reported and the disclosures made in the consolidated financial statements.

IFRS 16 will change the way in which operating leases are treated within the financial statements. However, the Group has not yet performed a detailed impact assessment of this standard so it is not practicable to provide an estimate of the financial impact.

Not currently adopted for use in the EU:

Amendments to IFRS 1
Amendments to IFRS 2
Amendments to IFRS 9 Prepayment features with negative consideration
Amendments to IAS 28 Long-term interests in associates and joint ventures
Amendments to IAS 40
IFRIC 22 Foreign currency transactions and advance consideration
IFRIC 23 Uncertainty over income tax treatments
IFRS 17 Insurance contracts

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

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business by subsidiary companies to external customers, net of discounts, Value Added Tax (VAT) and other sales-related taxes. Revenue is reduced for customer returns, rebates and other similar allowances. Revenue from the sale of goods, which represent the significant majority of the Group revenue, is recognised in the income statement when:

- The significant risks and rewards of ownership have been transferred to the buyer in accordance with the contracted terms of sale;
- The amount of the revenue and costs can be measured reliably;
- The Group retains neither continuing managerial involvement nor effective control over the goods; and
- It is probable that the economic benefits associated with the transaction will flow to the Group. This is typically on delivery or despatch of the products.

Goodwill

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

Impairment excluding inventories, investment properties and deferred tax assets

Non-financial assets

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

The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that 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.

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

Contingent consideration

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability are recognised in accordance with IAS 39, either in profit and loss or as a change in other comprehensive income.

Property, plant and equipment

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

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

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

No depreciation is provided on freehold land.

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

Investment property

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

1. Principal accounting policies continued

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. The estimated useful economic lives of these assets from the date of acquisition are:

Customer relationships	Between 4 and 10 years
Order backlog	Between 1 and 4 years

Intangible assets – development costs

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

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

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

Intangible assets – computer software

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

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

Computer software	Between 3 and 5 years

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

Inventories

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

Foreign currencies

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

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

Provisions

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

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. Research and Development Expenditure Credit (RDEC) and Patent Box claims have been available to UK companies on qualifying expenditure incurred since 2013 (RDEC) and 2016 (Patent Box). Where UK companies expect to elect for RDEC or qualify for Patent Box relief, the amount receivable reduces the tax payable and is credited to the tax charge in profit and loss.

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

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

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

Financial assets

The Group'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.

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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

1. Principal accounting policies continued

Determination and presentation of operating segments

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

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

Share based payments

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

Alternative performance measures

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

EBITDA and PBT reconciliation

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

	EBITDA		PBT	
	2017 $000	**2016** $000	**2017** $000	**2016** $000
Profit for the year	**13,146**	9,293	**13,146**	9,293
Adding back:				
Taxation expense	**1,899**	2,370	**1,899**	2,370
Financial expenses	**302**	371		–
Depreciation	**512**	465		–
Amortisation of intangible assets	**1,088**	1,001		–
Amortisation of customer relationships and order backlog	**822**	1,228		–
EBITDA/PBT	**17,769**	14,728	**15,045**	11,663
Adjustments				
Amortisation of customer relationships and order backlog[1]	**–**	–	**822**	1,228
Share based payments expense[2]	**209**	312	**209**	312
Costs arising on the replacement of faulty DRAM component (note 5)[3]	**1,633**	–	**1,633**	–
Settlement of claim (note 5)[3]	**–**	(377)	**–**	(377)
Termination payment and discontinued products (note 5) [3]	**–**	987	**–**	987
Adjusted EBITDA/PBT	**19,611**	15,650	**17,709**	13,813

1. The amortisation of customer relationships and order backlog has been excluded as it is not a cash expense to the Group.

2. Share based payments expense has been excluded as they are not a cash based expense.

3. Other items of income and expense – where other items of income and expense occur in a particular year and their inclusion in PBT and EBITDA means that a year on year comparison of operational results is not on a consistent basis the directors will exclude them from the adjusted numbers. During the years under review the directors have excluded the costs arising from the replacement of faulty DRAM component due to its exceptional size and incomparability with the previous year. The adjustments to 2016 relate to non-operational events, specifically the costs in discontinuing a product line and associated termination payments.

2. Acquisitions of subsidiaries

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 2017 and it is considered that this remains the fair value of the deferred consideration. At 31 December 2017 the level of profit earned has not exceeded the minimum level to achieve any deferred consideration but based on the budgeted result for 2018 it is expected that the profit achieved for the three years will fall within the range to require a deferred consideration payment of $750,000. 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.

3. Business and geographical segments

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

- Quixant
- A single customer accounted for 25.1% of reported revenues for the year ended 31 December 2017 (2016: 21.9%).
- Densitron Europe
- Densitron America
- Densitron France
- Densitron Japan

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

	Quixant $000	Densitron Europe $000	Densitron America $000	Densitron France $000	Densitron Japan $000	Total $000
2017						
Revenue	**71,132**	**11,034**	**15,595**	**6,083**	**5,394**	**109,238**
Profit/(loss) before tax	**12,941**	**(637)**	**1,759**	**497**	**485**	**15,045**
Balance Sheet						
Assets	**58,545**	**5,494**	**4,935**	**2,493**	**2,368**	**73,835**
Liabilities	**16,236**	**6,724**	**2,155**	**1,028**	**432**	**26,575**
Net assets/(liabilities)	**42,309**	**(1,230)**	**2,780**	**1,465**	**1,936**	**47,260**
EBITDA	15,366	(436)	1,813	531	495	17,769
Capital Expenditure	1,854	395	6	14	1	2,270
Depreciation/amortisation	2,248	96	50	20	8	2,422

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

3. Business and geographical segments continued

	Quixant $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

4. Analysis of turnover

	2017 $000	2016 $000
By geographical market		
Asia	**15,126**	12,719
Australia	**12,447**	11,400
Europe	**28,987**	27,536
North America	**51,356**	37,581
Other	**1,322**	1,129
	109,238	90,365

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

	2017 $000	2016 $000
Australia	**12,447**	11,400
USA	**51,292**	36,453

5. Expenses and auditor's remuneration

Included in profit/loss are the following:

	2017 $000	2016 $000
Included in gross profit:		
Costs arising on replacement of faulty DRAM component	**1,633**	–
As explained in the Chief Executive's report, during 2017 cost was incurred in the replacement of faulty DRAM components.		
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	**38**	(59)
Research and development expenditure	**5,328**	3,557
Of which capitalised	**(1,638)**	(742)
Depreciation of owned assets	**512**	465
Amortisation of intangible assets	**1,910**	2,229

Auditor's remuneration:

	2017 $000	2016 $000
Audit of these financial statements		
Amounts receivable by the Company's auditor and its associates in respect of:		
Audit of financial statements of subsidiaries of the company	**212**	177
Taxation and other services	**144**	350
Other services	**36**	–

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:

	2017 Number	2016 Number
Production and manufacturing	**31**	35
Research and customer service	**68**	53
Sales and marketing	**29**	29
Administrative	**48**	43
	176	160

The aggregate payroll costs of these persons was as follows:

	2017 $000	2016 $000
Wages and salaries	**11,046**	9,690
Share based payments (See Note 21)	**209**	312
Social security costs	**1,140**	934
Contributions to defined contribution plans	**409**	374
	12,804	11,310

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

7. Directors' remuneration

	Salary/Fee 2017 $000	Share Based Payments 2017 $000	Pension Contributions 2017 $000	Total 2017 $000	Total 2016 $000
EXECUTIVE DIRECTORS					
N C L Jarmany	**210**	**–**	**–**	**210**	280
G P Mullins	**210**	**–**	**4**	**214**	282
C-T Lin	**251**	**–**	**–**	**251**	315
A C Preddy	**156**	**–**	**3**	**159**	193
J F Jayal	**194**	**471**	**4**	**669**	131
	1,021	**471**	**11**	**1,503**	1,201
NON-EXECUTIVE DIRECTORS					
M J Peagram	**93**	**–**	**–**	**93**	94
G van Zwanenberg	**59**	**–**	**1**	**60**	60
G A Y Hudson	**35**	**–**	**–**	**35**	–
	1,208	**471**	**12**	**1,691**	1,355

During the year, A C Preddy exercised options over 30,000 shares (2016: 10,000 shares) and J F Jayal exercised options over 110,200 shares of which he sold 60,200 shares (2016: 21,800) and 400,000 non approved share options granted prior to his appointment.

There were no directors' advances, credits or guarantees outstanding at 31 December 2017 or 2016.

8. Finance expense

	2017 $000	2016 $000
Total interest expense on financial liabilities measured at amortised cost	**302**	371
Total finance expense	**302**	371

9. Taxation

Recognised in the profit and loss account

	2017 $000	2016 $000
Current tax expense		
UK corporation tax	**780**	1,401
Foreign tax	**1,498**	1,012
Adjustments for prior years	**(296)**	(175)
Current tax expense	**1,982**	2,238
Deferred tax (credit)/expense		
Origination and reversal of temporary differences	**(83)**	132
Deferred tax (credit)/expense	**(83)**	132
Total tax expense	**1,899**	2,370

Reconciliation of effective tax rate

	2017 $000	2016 $000
Profit for the year	**13,146**	9,293
Total taxation expense	**1,899**	2,370
Profit excluding taxation	**15,045**	11,663
Tax using the UK corporation tax rate of 19.25% (2016: 20%)	**2,896**	2,333
Non-deductible expenses	**153**	78
Enhanced research and development claim	**(722)**	(436)
Patent box tax relief	**(273)**	(104)
Change in deferred tax rate to 18% (2016: 18%)	**62**	(28)
Overseas tax in excess of standard UK rate	**704**	715
Exercise of share options	**(530)**	–
Unrelieved losses	**(95)**	(13)
Adjustments for previous years	**(296)**	(175)
Total taxation expense	**1,899**	2,370

Factors that may affect future tax charges

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

The Group has tax losses carried forward in certain UK Companies of £4,300,000. The tax effect of these losses has not been included as an asset in the group accounts because their recovery is uncertain. The losses are being used to offset against future UK tax arising.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

10. Earnings per ordinary share (EPS)

	2017 $000	2016 $000
Earnings		
Earnings for the purposes of basic and diluted EPS being net profit attributable to equity shareholders	**13,146**	9,293
Number of shares	**Number**	Number
Weighted average number of ordinary shares for the purpose of basic EPS	**65,756,667**	65,004,414
Effect of dilutive potential ordinary shares:		
Share options	**909,513**	1,614,766
Weighted number of ordinary shares for the purpose of diluted EPS	**66,666,180**	66,619,180
Basic earnings per share	**$0.1999**	$0.1430
Fully diluted earnings per share	**$0.1972**	$0.1395

Calculation of adjusted fully diluted earnings per share:

	$000	$000
Earnings		
Earnings for the purposes of basic and diluted EPS being net profit attributable to equity shareholders	**13,146**	9,293
Adjustments		
Costs arising on the replacement of faulty DRAM component	**1,633**	–
Share based payment expense	**209**	312
Amortisation of customer relationships and order backlog	**822**	1,228
Termination payment and discontinued products	–	987
Settlement of claim	–	(377)
	15,810	11,443
Tax effect of adjustments	**(516)**	(405)
Adjusted earnings	**15,294**	11,038
Adjusted fully diluted earnings per share	**$0.2294**	$0.1657

11. Property, plant and equipment – Group

	Land and Buildings $000	Plant and Equipment $000	Total $000
Cost			
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
Balance at 1 January 2017	**5,387**	**2,177**	**7,564**
Additions	33	376	409
Disposals	(59)	–	(59)
Effect of movements in foreign exchange	267	55	322
Balance at 31 December 2017	**5,628**	**2,608**	**8,236**
Depreciation			
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
Balance at 1 January 2017	**353**	**1,234**	**1,587**
Depreciation charge for the year	115	397	512
Disposals	(59)	–	(59)
Effect of movements in foreign exchange	15	28	43
Balance at 31 December 2017	**424**	**1,659**	**2,083**
Net book value			
At 1 January 2016	5,051	945	5,996
At 31 December 2016 and 1 January 2017	5,034	943	5,977
At 31 December 2017	**5,204**	**949**	**6,153**

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

11. Property, plant and equipment – Company

	Land and Buildings $000	Plant and Equipment $000	Total $000
Cost			
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
Balance at 1 January 2017	**3,422**	**1,395**	**4,817**
Additions	27	225	252
Disposals	(59)	–	(59)
Effect of movements in foreign exchange	140	33	173
Balance at 31 December 2017	**3,530**	**1,653**	**5,183**
Depreciation			
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
Balance at 1 January 2017	**270**	**977**	**1,247**
Depreciation charge for the year	70	196	266
Disposals	(59)	–	(59)
Effect of movements in foreign exchange	12	18	30
Balance at 31 December 2017	**293**	**1,191**	**1,484**
Net book value			
At 1 January 2016	3,079	501	3,580
At 31 December 2016 and 1 January 2017	3,152	418	3,570
At 31 December 2017	**3,237**	**462**	**3,699**

12. Intangible assets – Group

	Goodwill	Customer Relationships and Order Backlog	Computer Software	Internally Generated Capitalised Development costs	Total
	$000	$000	$000	$000	$000
Cost					
Balance at 1 January 2016	7,079	5,201	522	3,792	16,594
Additions – internally developed	–	–	–	742	742
Additions – externally purchased	(110)	–	275	–	165
Effect of movements in foreign exchange	(35)	–	12	–	(23)
Balance at 31 December 2016	6,934	5,201	809	4,534	17,478
Balance at 1 January 2017	**6,934**	**5,201**	**809**	**4,534**	**17,478**
Additions – internally developed	–	–	–	1,638	1,638
Additions – externally purchased	–	–	229	–	229
Disposals	–	–	–	(113)	(113)
Effect of movements in foreign exchange	16	–	34	–	50
Balance at 31 December 2017	**6,950**	**5,201**	**1,072**	**6,059**	**19,282**
Amortisation and impairment					
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
Balance at 1 January 2017	**–**	**1,228**	**320**	**1,885**	**3,433**
Amortisation for the year	–	822	94	994	1,910
Disposals	–	–	–	(107)	(107)
Effect of movements in foreign exchange	–	–	15	(247)	(232)
Balance at 31 December 2017	**–**	**2,050**	**429**	**2,525**	**5,004**
Net book value					
At 1 January 2016	7,079	5,201	309	2,806	15,395
At 31 December 2016 and 1 January 2017	6,934	3,973	489	2,649	14,045
At 31 December 2017	**6,950**	**3,151**	**643**	**3,534**	**14,278**

Impairment testing

Goodwill has been allocated to Cash Generating Units (CGU's) as follows:

	Goodwill	
	2017	**2016**
	$000	$000
Quixant	**1,379**	1,363
Densitron Europe	**2,868**	2,868
Densitron America	**2,076**	2,076
Densitron France	**485**	485
Densitron Japan	**142**	142
	6,950	6,934

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 annual impairment review indicated that no impairment of goodwill is necessary at 31 December 2017 or 31 December 2016.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

12. Intangible assets – Group continued

Quixant CGU

The recoverable amounts of the Quixant cash generating unit has been determined from value in use calculations based on cash flow projections from formally approved budgets covering the year to 31 December 2018. The following assumptions have been adopted:

- Cash flows were based on the internal budgets for 2018 together with a further four year forecast to 2022;
- The revenue growth rates and increase in operating costs adopted for the years 2019, 2020, 2021 and 2022 were 20% based on previous years actual growth and managements expectation for future years;
- The terminal growth rate was estimated to be 1%. This was based on a management estimate of long term compound annual EBIT growth rate;
- The forecasts were put together taking into account the planned roadmaps for the business and any specific market condition in which the cash generating unit operates; and
- The estimated pre-tax market participant weighted average cost of capital of the cash generating unit was calculated with reference to its risk profile and calculated to be 9.45%. This is the discount rate that has been applied in determining the value in use.

Densitron CGU's

The recoverable amounts of the Densitron cash generating units 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 2018. The following assumptions have been adopted:

- Cash flows were based on the internal budgets for 2018 together with a further four year forecast to 2022;
- The revenue growth rates adopted for the years 2019, 2020, 2021 and 2022 were 5%, 7.5%, 10% and 10%. The increase in operating costs for the years 2019, 2020, 2021 and 2022 have been estimated to be 10%, 7.9%, 8% and 11%. These increases reflect the level of investment in new products, people and marketing that has already started and is forecast to continue into the future;
- The terminal growth rate was estimated to be 1%. This was based on a management estimate of long term compound annual EBIT growth rate;
- The forecasts were put together taking into account the planned roadmaps for the business and any specific market condition in which each cash generating unit operates; and
- The estimated pre-tax market participant weighted average cost of capital of the cash generating units was calculated with reference to each specific cash generating unit and its specific risk profile. This is the discount rate that has been applied in determining the value in use and the table below details the discount rate for each CGU:

	Discount rate
Densitron Europe	9.24%
Densitron France	8.38%
Densitron America	10.24%
Densitron Japan	9.13%

A sensitivity analysis was carried out for each of the cash generating units. The anticipated growth rates for each CGU were reduced and the discount rate for each cash generating unit was increased. In all cases, the value in use exceeded the carrying value. Following the sensitivity analysis that has been carried out there were no areas that were identified as being particularly sensitive for either 2017 or 2016.

12. Intangible assets – Company

	Computer Software $000	Internally Generated Capitalised Development costs $000	Total $000
Cost			
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
Balance at 1 January 2017	**806**	**3,527**	**4,333**
Additions – internally developed	–	236	236
Additions– externally purchased	219	–	219
Effect of movements in foreign exchange	35	–	35
Balance at 31 December 2017	1,060	3,763	4,823
Amortisation			
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
Balance at 1 January 2017	**319**	**1,631**	**1,950**
Amortisation for the year	91	707	798
Effect of movements in foreign exchange	16	–	16
Balance at 31 December 2017	**426**	**2,338**	**2,764**
Net book value			
At 1 January 2016	300	2,605	2,905
At 31 December 2016 and 1 January 2017	487	1,896	2,383
At 31 December 2017	**634**	**1,425**	**2,059**

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

13. Investment property

	Group		Company	
	2017	**2016**	**2017**	**2016**
	$000	$000	$000	$000
Balance at 1 January 2017	**617**	740	**–**	–
Effect of movements in foreign exchange	**57**	(123)	**–**	–
Balance at 31 December 2017	**674**	617	**–**	–

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 15 December 2017 and the increase of $226,000 will be incorporated in 2018. The current carrying value is based on a valuation carried out on 10 May 2013.

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 2017 and 2016
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 UK Limited *	2	Sales of electronic display products and parent company of European subsidiary undertakings	Ordinary	100%
Densitron Corporation of Japan *	4	Sales of electronic displays products	Ordinary	100%
Densitron Corporation *	5	Sales of electronic display products	Ordinary	100%
Densitron France **	6	Sales of electronic display products	Ordinary	100%
Densitron 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 displays products	Ordinary	100%
Quixant Deutschland GmbH	10	Sales of electronic displays products	Ordinary	100%
Densitron Embedded D.O.O.*	11	Design of electronic displays	Ordinary	100%

Densitron Display Taiwan Limited has been liquidated following the transfer of its business to Quixant plcs' Taiwan branch.

* Subsidiary of Densitron Technologies Limited
** Subsidiary of Densitron UK Limited

1. 2147 Pama Lane Bldg 6 Las Vegas NV 89119 USA
2. Aisle Barn, 100 High Street, Balsham, Cambridge CB21 4EP
3. Contrada Case Bruciate, 1, Torrita Tiberina (RM), 00060, Italy
4. Aichiya Building 2F, 1-26-2 Omorikita, Ota-ku, Tokyo
5. 2330 Pomona Rincon Road, Corona, CA 92880
6. 3 Rue de Tasmanie, 441115, Basse-Goulaine
7. 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
11. Brnčičeva ulica 13, 1231 Ljubljana-Črnuče, Slovenia

Fixed asset investments

	Company	
	2017	**2016**
	$000	$000
Balance at 1 January 2017	**11,948**	11,875
Acquisitions – Group settled share based payments	**34**	73
Balance at 31 December 2017	**11,982**	11,948

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	
	2017	**2016**	**2017**	**2016**
	$000	$000	$000	$000
Property, plant and equipment	**–**	–	**158**	115
Intangible assets – capitalised development costs	**–**	–	**582**	463
Intangible assets – acquired in business combinations	**–**	–	**565**	715
Share based payments	**(84)**	(109)	**–**	–
Receivables	**(18)**	(32)	**–**	–
Inventory provisions	**(25)**	(25)	**–**	–
Other	**(68)**	(91)	**–**	149
Net tax (assets) / liabilities	**(195)**	(257)	**1,305**	1,442

Movement in deferred tax during the year

	1 January 2017	Recognised In Income	Movements In Exchange	31 December 2017
	$000	$000	$000	$000
Property, plant and equipment	**115**	43	–	**158**
Intangible assets – capitalised development costs	**463**	119	–	**582**
Intangible assets – acquired in business combinations	**715**	(150)	–	**565**
Share based payments	**(109)**	25	–	**(84)**
Receivables	**(32)**	14	–	**(18)**
Inventory provisions	**(25)**	–	–	**(25)**
Other	**58**	(134)	8	**(68)**
	1,185	(83)	8	**1,110**

Movement in deferred tax during the prior year

	1 January 2016	Recognised In Income	Movements In Exchange	31 December 2016
	$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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

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	
	2017 $000	2016 $000	2017 $000	2016 $000
Property, plant and equipment	–	–	131	97
Intangible assets – capitalised development costs	–	–	255	340
Inventories	(12)	(12)	–	–
Share based payments	(79)	(88)	–	–
Exchange	–	–	13	13
Tax (assets) / liabilities	(91)	(100)	399	450

Movement in deferred tax during the year

	1 January 2017 $000	Recognised In Income $000	31 December 2017 $000
Property, plant and equipment	97	34	131
Intangible assets- capitalised development costs	340	(85)	255
Share based payments	(88)	9	(79)
Inventories	(12)	–	(12)
Exchange	13	–	13
	350	(42)	308

Movement in deferred tax during the prior 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

16. Inventories

	Group		Company	
	2017 $000	2016 $000	2017 $000	2016 $000
Raw materials and consumables	7,532	3,307	7,532	3,307
Work in progress	2,731	2,638	2,731	2,638
Finished goods	10,983	6,955	3,661	1,510
	21,246	12,900	13,924	7,455

Raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales in the year amounted to $80,615,000 (2016: $61,882,000).

The cost of inventories recognised as an expense includes $43,000 (2016: $196,000) in respect of write downs of inventory to net realisable value.

17. Trade and other receivables

	Group		Company	
	2017	**2016**	**2017**	**2016**
	$000	$000	$000	$000
Trade receivables	**16,967**	18,328	**–**	–
Amounts receivable from subsidiary undertakings	**–**	–	**8,722**	11,007
Other receivables	**3,128**	2,675	**1,676**	1,027
	20,095	21,003	**10,398**	12,034

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

A provision of $219,706 has been provided in respect of potential doubtful debts as at 31 December 2017 (31 December 2016: $226,156).

As at 31 December 2017 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	
	2017	**2016**	**2017**	**2016**
	$000	$000	$000	$000
30 – 60 days	**2,384**	2,648	**–**	–
61 – 90 days	**159**	578	**–**	–
Over 90 days	**85**	63	**–**	–
	2,628	3,289	**–**	–

18. Cash and cash equivalents/ bank overdrafts

	Group		Company	
	2017	**2016**	**2017**	**2016**
	$000	$000	$000	$000
Cash and cash equivalents per balance sheet	**11,194**	8,853	**2,205**	1,375
Cash and cash equivalents per cash flow statements	**11,194**	8,853	**2,205**	1,375

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

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	
	2017 $000	2016 $000	2017 $000	2016 $000
Non-current liabilities				
Secured bank loans	**924**	6,148	**924**	6,251
	924	6,148	**924**	6,251
Current liabilities				
Current portion of secured bank loans	**5,811**	2,774	**5,479**	911
	5,811	2,774	**5,479**	911

Terms and debt repayment schedule

	Currency	Nominal Interest Rate	Year of Maturity	Face Value 2017 $000	Carrying Amount 2017 $000	Face Value 2016 $000	Carrying Amount 2016 $000
Loan 1 – secured on the Group's freehold property in Taiwan	NTD	1.80%	2026	**1,036**	**1,036**	1,076	1,076
Loan 2 – secured on the Group assets	USD	2.75% over LIBOR	2018	**4,175**	**4,175**	5,175	5,175
Loan 3 – secured on UK subsidiary assets	GBP	3.5% over base	2017	**–**	**–**	247	247
Loan 4 – Secured loan on subsidiary assets	USD	2% over LIBOR	2017	**–**	**–**	–	–
Letters of credit	NTD	2.6% to 2.68%	2018	**1,192**	**1,192**	911	911
Invoicing discounting facility	GBP	2.75% over base	2017	**–**	**–**	241	241
	USD			**–**	**–**	594	594
	Euro			**–**	**–**	56	56
Factoring	Euro	1.3% over Euribor	2018	**332**	**332**	622	622
				6,735	**6,735**	8,922	8,922

Reconciliation of liabilities arising from financing activities

	2016 $000	Cash flows $000	Reclassification $000	2017 $000
Non-current liabilities	**6,148**	**(49)**	**(5,175)**	**924**
Current liabilities	**2,774**	**(2,138)**	**5,175**	**5,811**
	8,922	**(2,187)**	**–**	**6,735**

	2015 $000	$000	$000	2016 $000
Non-current liabilities	8,842	(2,694)	–	6,148
Current liabilities	2,896	(122)	–	2,774
	11,738	(2,816)	–	8,922

20. Trade and other payables

	Group		Company	
	2017	**2016**	**2017**	**2016**
	$000	$000	$000	$000
Current				
Trade payables	**12,272**	13,029	**9,360**	8,202
Other tax and social security payables	**272**	367	**5**	–
Other payables and accrued expenses	**4,310**	3,803	**1,257**	1,512
Amounts payable to subsidiary undertakings	**–**	–	**4,616**	3,476
	16,854	17,199	**15,238**	13,190

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 $409,000 (2016: $374,000).

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 2,099,064 (2016: 2,052,064) shares. Exercise prices are set out below. Options issued under the scheme expire 10 years from grant date.

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

	Issue 5	**Issue 4**	**Issue 3**	**Issue 2**	**Issue 1**
Fair value at grant date	**£1.51**	**£2.09**	**£1.63**	**£0.61**	**£0.19**
Weighted average share price	**£3.90**	**£2.09**	**£1.63**	**£1.37**	**£0.46**
Exercise price	**£3.90**	**£2.09**	**£1.63**	**£1.40**	**£0.49**
Expected volatility	**44%**	**44%**	**44%**	**50%**	**50%**
Option life	**5 years**	**5 years**	**5 years**	**5 years**	**5 years**
Risk-free interest rate	**0.9%**	**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 $1.96, $2.93, $2.43, $0.98 and $0.29 per option. The total expense recognised in the period in respect of share options is $209,000 (2016: $312,000).

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

	Weighted Average Exercise Price 2017	**Number of Options 2017**	**Weighted Average Exercise Price 2016**	**Number of Options 2016**
Outstanding at the beginning of the year	**£0.78**	**1,254,398**	£0.59	1,895,370
Granted during the year	**£3.90**	**47,000**	£2.09	156,694
Lapsed during the year	**–**	**–**	£1.60	(67,666)
Exercised during the year	**£0.49**	**(670,200)**	£0.49	(730,000)
Outstanding at the end of the year	**£1.31**	**631,198**	£0.78	1,254,398

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

22. Provisions

Group

	2017 $000	2016 $000
Balance at 1 January	**750**	750
Provisions made during the year	**–**	–
Balance at 31 December 2017	**750**	750
Non-current	**–**	750
Current	**750**	–
	750	750

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

The Company has no other 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 2017	65,364,782	105	5,676
Issued for cash	–	–	–
Exercise of share options (see note 21)	670,200	1	426
Balance at 31 December 2017	**66,034,982**	**106**	**6,102**
Balance at 1 January 2016	64,634,782	104	5,181
Issued for cash	–	–	–
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.

670,200 ordinary shares were issued following the exercise of vested options arising from issue 1 in 2013 (2016: 730,000) (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:

	2017 $000	2016 $000
2.0p (2016: 1.5p) per qualifying ordinary share	**1,691**	1,400
Total dividends recognised in the year	**1,691**	1,400

After the Balance Sheet date dividends of 2.6p per qualifying ordinary share (2016: 2.0p) were proposed by the Directors. This dividend has not been provided for.

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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

24. Financial instruments – Group and Company continued

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	
	2017	**2016**	**2017**	**2016**
	$000	$000	$000	$000
Total equity	**47,260**	34,306	**21,204**	17,269
Cash and cash equivalents	**(11,194)**	(8,853)	**(2,205)**	(1,375)
Capital	**36,066**	25,453	**18,999**	15,894

	Group		Company	
	2017	**2016**	**2017**	**2016**
	$000	$000	$000	$000
Total equity	**47,260**	34,306	**21,204**	17,269
Other financial liabilities	**6,735**	8,922	**6,403**	7,162
Total financing	**53,995**	43,228	**27,607**	24,431

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	
	2017	**2016**	**2017**	**2016**
	$000	$000	$000	$000
Cash and cash equivalents	**11,194**	8,853	**2,205**	1,375
Trade and other receivables excluding prepayments	**16,967**	18,328	**8,722**	11,007
	28,161	27,181	**10,927**	12,382

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

	Group		Company	
	2017	**2016**	**2017**	**2016**
	$000	$000	$000	$000
Australia	**2,547**	2,279	**–**	–
USA	**7,649**	9,982	**–**	–
Europe	**5,942**	5,235	**–**	–
Asia	**652**	828	**–**	–
Rest of world	**177**	4	**–**	–
	16,967	18,328	**–**	–

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 2017			
Carrying amount	**16,854**	**6,735**	**23,589**
Contractual cash flows			
6 months or less	**16,272**	**1,588**	**17,860**
6 to 12 months	**582**	**4,239**	**4,821**
More than 12 months	**–**	**1,123**	**1,123**
	16,854	**6,950**	**23,804**

Group	$000	$000	$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

Company	Trade and Other Payables $000	Other Financial Liabilities $000	Total $000
31 December 2017			
Carrying amount	**15,238**	**6,403**	**21,641**
Contractual cash flows			
6 months or less	**15,238**	**1,256**	**16,494**
6 to 12 months	**–**	**4,239**	**4,239**
More than 12 months	**–**	**1,123**	**1,123**
	15,238	**6,618**	**21,856**

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

24. Financial instruments – Group and Company continued

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

	Group		Company	
	2017	**2016**	**2017**	**2016**
	$000	$000	$000	$000
Current assets				
Cash and cash equivalents	**11,194**	8,853	**2,205**	1,375
Trade and other receivables excluding prepayments	**16,967**	18,328	**8,722**	11,007
	28,161	27,181	**10,927**	12,382

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

	Group		Company	
	2017	**2016**	**2017**	**2016**
Current liabilities				
Trade and other payables	**(16,854)**	(17,199)	**(15,238)**	(13,190)
Other financial liabilities	**(5,811)**	(2,774)	**(5,479)**	(911)
	(22,665)	(19,973)	**(20,717)**	(14,101)
Non-current liabilities				
Other financial liabilities	**(924)**	(6,148)	**(924)**	(6,251)
	(23,589)	(26,121)	**(21,641)**	(20,352)

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 trade and other receivables and cash at bank. At 31 December 2017 the average interest rates earned on the temporary closing balances were 1.3% and 1.25% (2016: 0.54%).

Sensitivity analysis

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

Fair values versus carrying amounts

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

25. Operating leases

Non-cancellable operating lease rentals are payable as follows:

	Group		Company	
	2017	**2016**	**2017**	**2016**
	$000	$000	$000	$000
Less than one year	**438**	311	**198**	154
Between one and five years	**686**	202	**199**	–
	1,124	513	**397**	154

Group

During the year $495,000 was recognised as an expense in the Profit and Loss Account in respect of operating leases (2016: $378,000).

Company

During the year $175,000 was recognised as an expense in the Profit and Loss Account in respect of operating leases (2016: $182,000).

26. Commitments

The Group and Company were committed to the implementation of a group accounting system which was in progress at 31 December 2017. The amount committed, not spent, at that date was $434,000 (2016: none).

27. Contingencies

Neither the Group nor Company had any contingencies existing at 31 December 2017 (2016: 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. It was agreed between Mrs Mullins and Mr Jayal to terminate the agreement in March 2018.

During the year the Group paid €31,200 (2016: €31,200) for administration services to Francesca Marzilli, the wife of Nick Jarmany. In addition the Group paid £3,976 (2016: £1,032) to Ruth Jayal for administrative services, the wife of Jon 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.

COMPANY INFORMATION

Directors	N C L Jarmany G P Mullins C-T Lin A C Preddy FCA J F Jayal M J Peagram G van Zwanenberg FCA G A Y Hudson
Company secretary	L E Park
Registered office	Aisle Barn 100 High Street Balsham Cambridge CB21 4EP
Auditor	KPMG LLP Botanic House 100 Hills Road Cambridge CB2 1AR
Nominated advisor and Broker	finnCap 60 New Broad Street London EC2M 1JJ
Financial PR	Alma PR 71–91 Aldwych London WC2B 4HN
Principal Bankers	Barclays Bank PLC
Legal advisors	Freeths LLP Eversheds Sutherland (International) LLP
Registered number	04316977
Website	www.quixant.com
Ticker	London: QXT

Quixant plc

Aisle Barn
100 High Street
Balsham
Cambridge
CB21 4EP UK

T: +44 (0)1223 892696
F: +44 (0)1223 892401
E: **info@quixant.com**

Registered Number: 04316977
Registered in England and Wales