Quixant

Annual Report and Accounts
For the year ended 31 December 2018

A PLATFORM FOR SUCCESS

QUIXANT

Quixant designs, develops and manufactures gaming platforms and display solutions for the gaming and slot machine industry. Through its Densitron division, Quixant also supplies electronic display solutions to a wide range of global industrial markets.

FINANCIAL HIGHLIGHTS

- Revenue growth of 5% to $115.2 million (2017: $109.2 million)
  - » Quixant Gaming division revenue $77.6m (2017: $71.1m)
    - – Gaming Platforms revenue $62.5m (2017: $54.8m)
    - – Gaming Monitors revenue $15.1m (2017: $16.3m)
  - » Densitron division revenue of $37.5m (2017: $38.1m)
- Adjusted[1] pre-tax profit up 3% to $18.2m (2017: $17.7m)
- Pre-tax profit down 5% to $14.3m (2017: $15.0m) including $3.0m restructuring costs
- Adjusted[2] diluted EPS up 14% to $0.260/share (2017: $0.229/share)
- Diluted EPS up 8% to $0.213/share (2017: $0.197/share)
- Net cash from operating activities up 40% to $11.3m (2017: $8.1m)
- Net cash at period end of $9.7m (2017: $4.5m)
- Proposed full year dividend of 3.1p per share (2017: 2.6p), an increase of 19%

1. Adjusted by adding back items included in the adjusted PBT reconciliation in note 1 to the financial statements totalling $3.9m (2017: $2.7m).
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 2018 these amounted to $3.1m (2017: $2.1m).

OPERATIONAL HIGHLIGHTS

- Increased market share in the core Gaming Division to 13%, supplying 61,000 platforms (2017: 11% and 52,000)*
- Enhanced features added to the Gaming Ecosystem®, expanding Quixant's routes to market
- New products launched by Densitron to target the broadcast market
- Enhanced Group structure to create more scalable operations
- Appointment of key senior management, including Guy Millward as Chief Financial Officer and Andrew Miller as Head of Corporate Operations
- Significant long-term growth opportunities, including opening of the market in Japan

* Source: G3 Global Gaming Market report 2018 – 475,000 annual replacement cycle

Quixant technology enables manufacturers of gaming machines to design and ship world-beating products in record time.

What we do

Founded in the UK in 2005 by current senior management, Quixant designs, develops and manufactures gaming platforms and display solutions for manufacturers of pay-to-play gaming machines.

With an extensive library of IP, Quixant uniquely combines computer and electronic hardware and software expertise with a deep understanding of the requirements and regulations of the gaming and slot machine industry. In 2015 the company added a second division with the acquisition of Densitron Technologies plc, an established and respected supplier of electronic display solutions to global industrial markets.

Where we operate

Quixant is headquartered in Cambridgeshire, UK, has a manufacturing facility in Taiwan and offices in North America, Europe and Japan.

Employees

203

Countries we supply

66

Quixant plc (Taiwan Branch)

- Hardware design and manufacturing management
- Parts procurement and lifetime management
- Quality management (ISO9001:2015 certified)
- Product returns and repair

Quixant Sales

Quixant UK

- Sales (outside Americas)
- Marketing

Quixant USA

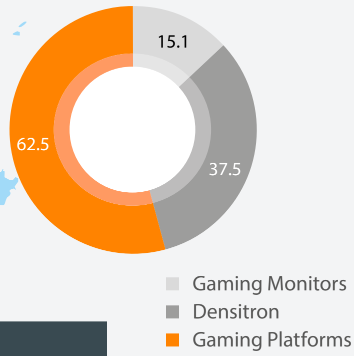
- Sales to the Americas
- Local customer technical support
- Local warehousing and logistics

Quixant Italia

- Software development
- Specialist gaming technology design and development
- Customer technical and application support centre
- ISO 9001:2008 certified

"Our business is built around the development and supply of innovative gaming platform and monitor solutions exclusively to the global gaming industry."

Revenue
($million)



Densitron Technologies	Densitron Sales		
	Europe	North America	Japan
• Hardware design and manufacturing management • Parts procurement and lifetime management • Quality management (ISO9001:2015 certified) • Product returns and repair	• Non-gaming electronic display solutions	• Non-gaming electronic display solutions	• Non-gaming electronic display solutions

Quixant has continued to deliver healthy year on year growth in 2018

Michael Peagram,
Chairman

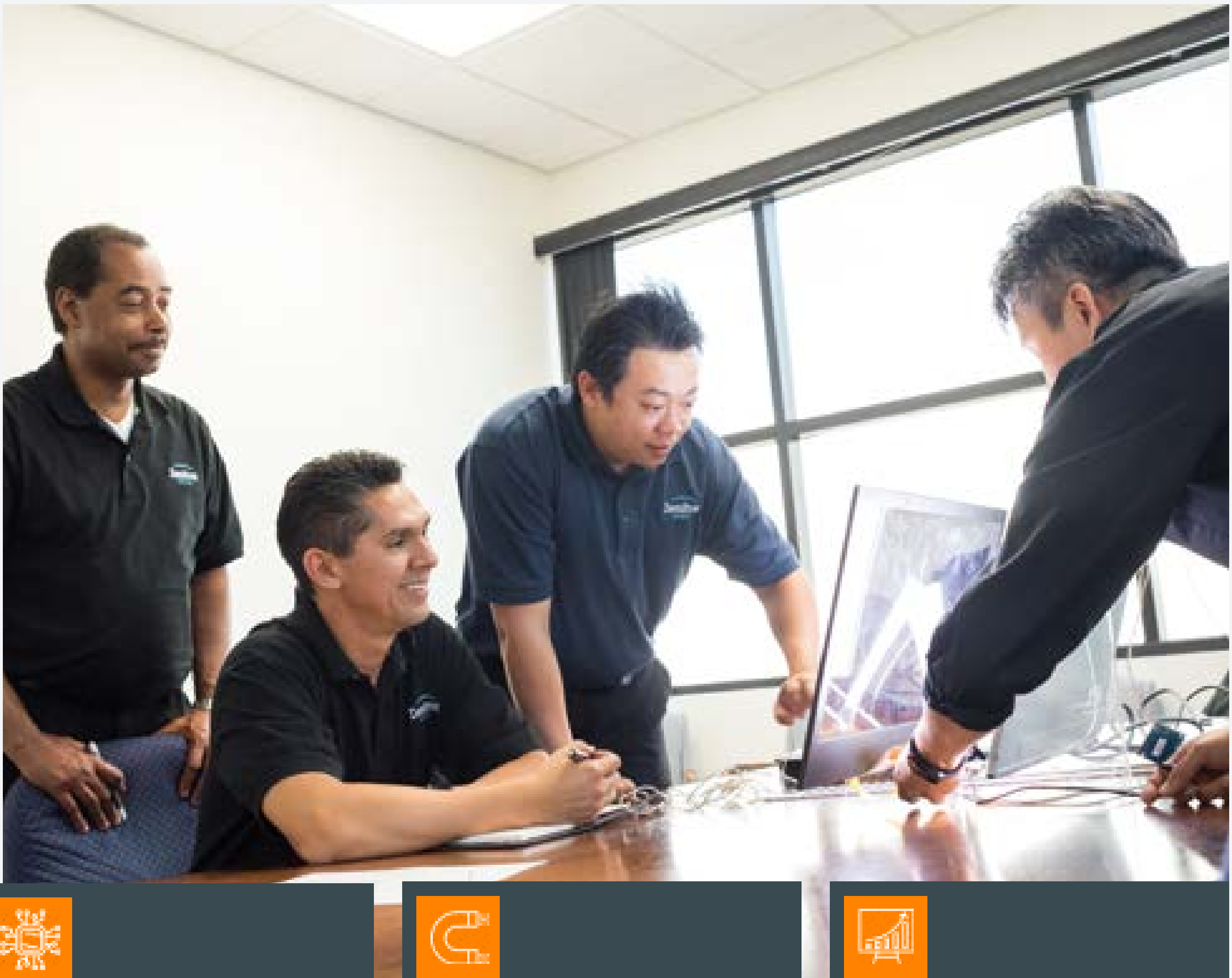
I am delighted to report on a successful year of record financial performance combined with undertaking significant enhancements to the fabric of the organisation as we become a larger and more complex enterprise.

Our core gaming platforms business has experienced another year of strong double-digit growth. Our share of the global market for gaming platforms has grown to around 13% (2017: 11%), giving us plenty of scope to continue our record of revenue growth. Despite some softness in 2018 impacting gaming in the short term, the outlook for the industry remains buoyant with significant long-term opportunities, not least the opening of the market in Japan.

During the course of the year we restructured the business to create a more scalable operation and also made several significant hires to the senior management team. Guy Millward was appointed as Chief Financial Officer in October 2018, taking over from Cresten Preddy who retired after many dedicated years of service to the company. I would like to personally thank her for her invaluable contribution and wish her well in her retirement. We also appointed Andrew Miller as Head of Corporate Operations with a remit to maintain an effective organisational infrastructure to support our ambitious growth trajectory. In early 2019 we also have made exciting appointments to bolster the management of our Densitron division.

Our business operations continue to generate healthy cash balances despite the demands on working capital over the last few years. Our confidence in the future growth of the business and cash generation leads the Board to recommend an increase in the dividend by 19% to 3.1p per share (2017: 2.6p per share).

Michael Peagram,
Chairman



The only **specialist outsourced provider** of gaming platforms

Very strong gaming **customer retention**

Considerable scope for long-term growth with 13% market share currently

Making inroads with the **largest gaming manufacturers**

Major **new geographies** opening up to gaming

Opportunity to leverage engineering capability into **new vertical markets**

Continued strong growth despite market headwinds

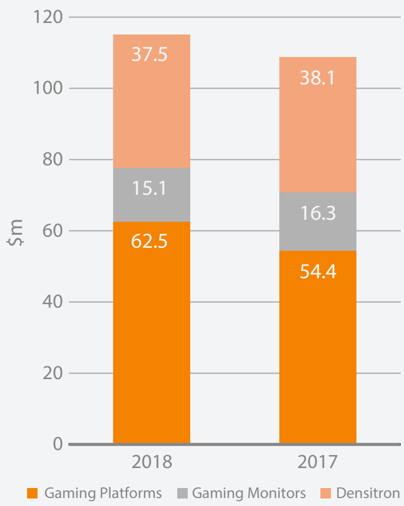
Jon Jayal
Chief Executive Officer

Quixant has continued to deliver healthy year on year growth in 2018 driven by the core gaming platforms business posting 14% growth in revenue over the year to $62.5m (2017: $54.8m) relative to the previous year.

As explained in the interim results, during the year we made a strategic decision to reduce the amount of low margin, commoditised gaming monitors business we were supplying due to increasing competition and the low achievable return on investment. As a result, gaming monitor revenue reduced to $15.1m from $16.3m in 2017. Densitron revenue was stable as expected at $37.5m (2017: $38.1m) and the business continues to be profitable and provide interesting opportunities in markets outside gaming.

Gross margins across the Group remained stable over the year despite significant upward pressure on component prices.

Revenue breakdown



Gaming division

Business model

Quixant's gaming platform solutions have been the core of our business proposition since the Company started in 2005. The founders of Quixant have a pedigree in industrial computer and display systems and identified a niche opportunity to develop bespoke computer solutions specifically for the casino gaming and slot machine industry. These gaming platforms have always incorporated both computer hardware and computer software elements packaged in solutions which meet the stringent regulatory needs of global gaming markets.

The game software is the most important factor in our customers' commercial success – a game which attracts players and retains them at machines for longer is the objective all customers seek. However, many manufacturers allocate significant resources developing the underlying computer platforms on which the games operate, despite the fact that the player does not directly experience these elements. Quixant brought to market a credible, purpose built, outsourced option which enabled customers to focus on the core element of game design and rely on Quixant for a regulatory compliant gaming computer platform.

Our continued investment into the gaming specific hardware and software features of our gaming computer platforms has earned us the recognition of being the industry leaders in outsourcing for these elements of the machines. Outsourcing computer platform design also enables customers to bring products to market quicker. Whilst typically there is a 12-18 month gestation period for new gaming platform wins generating revenue, we have helped reduce this to as little as 6 months on occasions, providing customers with a short cut to bringing products to market.

Our Gaming Ecosystem® is the cornerstone of our gaming proposition. Combining all elements of our hardware and software solutions, third party device support as well as our partnership and customer support model, the industry recognises Quixant's Gaming Ecosystem® as the standard-bearer in regulatory compliant, fit for purpose, gaming technology. The strength of the Gaming Ecosystem® is that it empowers customers with a wealth of compatible, supported hardware and software which accelerate game design, enable faster new market penetration and save development costs.

Some of the largest customers in the industry have started to recognise the benefits of Quixant's Gaming Ecosystem, opening doors to us in niche areas of these businesses. These types of engagement provide an excellent platform for these major customers to test Quixant's value proposition and lead to further outsourcing. We have seen this already with one of our customers in this space who first started working with us in 2016. We have since won another project with them and they contributed several million dollars of revenue in 2018.

Quixant introduced gaming monitors to its product portfolio in 2015 to augment the revenue generated by the platforms business. There is at least one but typically several gaming monitors per machine, all of which are connected to the gaming platforms. Whilst the extent of innovation in these products is more limited, we have been gradually adding increased functionality which enables Quixant to differentiate itself. This is particularly true in gaming button decks which are the control device used for the latest machines to replace mechanical buttons.

New Gaming Ecosystem® features

A new feature we started promoting in the Gaming Ecosystem® in late 2017 was our LED driving solution called QxLED. Slot machines are increasingly making use of LED illumination around the cabinet to make them more vibrant and enticing. Driving these LEDs requires both hardware and software elements which are time consuming to develop. QxLED brings an off-the-shelf product to the industry which manufacturers can use to drive the LEDs while minimising development effort. With Quixant's tools, the LEDs can be synchronised to content on the screen to enable ambient lighting effects as part of game play.

This new feature is a blend of both hardware and software elements and is available on our newer gaming platforms as well as through an add-on product which can be retrospectively purchased.

Gaming platforms

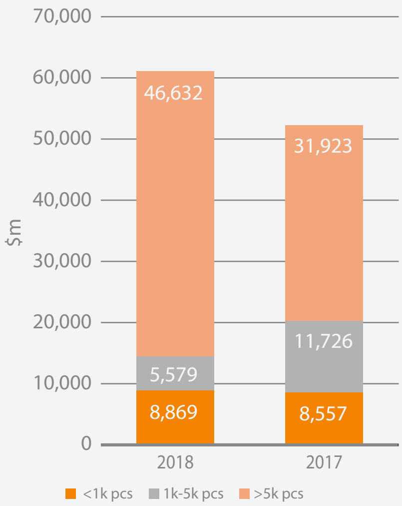
The success of the business strategy has resulted in Quixant increasing its market share every year and in 2018 we supplied 61,000 platforms, an increase of 17% over the 52,000 we supplied in 2017. Based on an annual replacement cycle of around 475,000 machines this suggests a market share of around 13%.

During the year we also made the first volume shipments to Novomatic, one of the largest gaming companies in Europe, after several years of collaboration. We have undertaken several projects with Novomatic and enjoy a privileged relationship with them as a technology partner. We see scope for continued and expanded collaboration with them over the coming years.

We also saw strong growth in 2019 from a major manufacturer who we started supplying for the first time in 2017 with one of our cost-effective computer platforms used in their jackpot controllers. This exciting new business win has led to us collaborating on several other projects which strengthen our pipeline. Overall, we saw a migration of the mid-tier of customers (by volume) growing into top tier customers as their consumption of Quixant computer platforms grows. This is a typical scenario as new business ramps.

We also saw healthy growth in our cost-effective platform range, which is well suited to casino systems product and lower cost markets where high levels of graphical intensity are not critical.

Sales by customer unit purchase quantity



Gaming monitors

In 2018, we shipped 13,150 button decks (2017: 12,950) and 17,650 (2017: 18,500) main screen monitors. We also shipped a significant value of associated monitor product such as touch sensors and controllers which are not reflected in the figures above. Quixant's gaming monitors business has been broadly separated into two product categories: main screen monitors and electronic button decks.

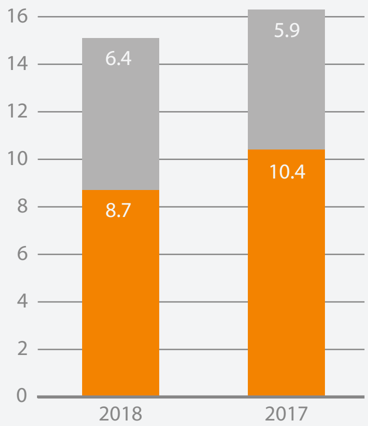
The majority of the competitors for gaming monitors originate in Asia (mainly Korea) and have typically been more focused on the main screen monitors (which have widespread adoption in markets outside gaming) rather than the gaming specific button decks.

Our decision to reduce exposure to some of the highly price sensitive main screen gaming monitors business has released resources to develop more bespoke button deck solutions, which we believe represent an increase in our addressable market by around $250m. Whilst this as expected resulted in our 2018 gaming monitors business revenue falling to $15.1m from $16.3m in 2017, it has led to profitability improvements and in the long term we believe a more stable platform for sustainable growth.

During the year we commenced shipments of button deck solutions to a major Japanese gaming manufacturer. Supported by our Tokyo team who were brought on as part of the Densitron acquisition, this exciting business win positions us well for further opportunities in this significant market.

We will be launching a new modular design 27" floating monitor in 2019 which offers the flexibility for cost-effective customisation of the main screen monitors to fit customers specific requirements.

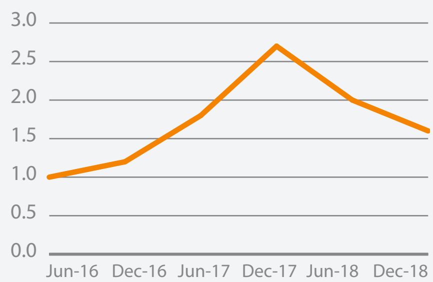
Sales by gaming monitor product type



Supply chain challenges

Shortages in the electronic components industry have presented a significant challenge to electronics equipment manufacturers over the last couple of years. The supply of several categories of component, including memory components (DRAM) and sub $1 commodity "passive" components (resistors, capacitors and inductors) has failed to meet the demand in the market. The resulting shortages have placed major upward pressure on prices and dramatically extended lead times for these components. The chart illustrates the spot memory price of DDR4 progression of a specific type of DRAM memory components over the last 24 months.

DDR4 memory price relative to H1 2016



Passive components have historically been available with, in some cases zero lead times but during 2018 were being quoted with up to 8-month lead times.

Quixant recognised the potential dislocation early and in 2017 we gradually started to build strategic stock of critical component lines. This continued throughout 2018 and the elevated stock position has enabled us to maintain gross margins and, critically, maintain committed customer lead times.

Whilst this environment has been challenging for us to navigate, our expertise in component sourcing has enabled us to maintain our historic core gaming platform business gross margin.

Gaming market outlook

The land-based gaming industry continues to present major opportunities for market share expansion. With the opening of new territories such as Japan, there is scope for a general growth in regulated markets which Quixant is well-positioned to benefit from. With a background of overall market growth, we continue to grow market share of the annual replacement cycle as manufacturers continue to look to outsource.

Densitron division

Business strategy

Densitron's business has traditionally been in the supply of small display components which are used in industrial equipment in a wide variety of vertical markets. The business has global reach and an experienced sales and engineering team capable of identifying and delivering suitable display solutions which meet customers' specific requirements. An understanding of the environmental characteristics, performance requirements and available technologies has been a key strength of the business.

The commoditised nature of the display components market and the strengthening capability for industrial equipment manufacturers to source directly from Asia has increased competition in Densitron's core business. When Quixant acquired Densitron in November 2015, we embarked on a change in direction for the business to identify opportunities for higher value, differentiated products.

To be successful in the crowded electronics marketplace, it is essential to focus on specific verticals and offer compelling products which are difficult for the bulge bracket component suppliers to attack.

This change in business strategy has required a change in management and mindset to enable us to identify suitable vertical market opportunities and thereafter evolve new product offerings which capitalise on them.

Broadcast market opportunity
Shortly after completion of the acquisition, we undertook a detailed analysis of the vertical markets Densitron supplied and evaluated the products supplied, market dynamics/size, technology requirements and other participants in the markets with a view to identifying opportunities for Densitron to execute its vertical market focused strategy. We built a set of criteria which a vertical market needed to meet to be suitable for consideration.

Broadcast was identified as one of several sectors which fulfilled many of the necessary criteria and as a result in early 2017 we exhibited at a London broadcast industry show, BVE 2017. We have since exhibited twice at IBC in Amsterdam and once at NAB in Las Vegas which address the EMEA and North American broadcast markets.

We have also started launching market-centric products. Our UReady TFT display range won a best of show award at NAB in 2018 and gives broadcast customers a unique, high quality display for their rackmount equipment. Densitron's mission in broadcast is to empower customers with a route to implementing the benefits of touch screen technology whilst addressing the lack of tactile feel which is essential for certain applications.

We are also introducing embedded computer products and software to make driving these displays easier and have brought our first solutions to market, which are now being marketed to customers.

Our broadcast pipeline has now grown to $4.5m and we have confidence the industry represents a major opportunity for a diversified source of revenue for Quixant Group. We believe the business secured to date is a source of top line growth for Densitron in the coming 12-24 months.

Investment case
Quixant has built a successful business focused on delivering technically innovative products targeted at specific vertical markets. The business has an ingrained culture of engineering competence, innovative thinking and commerciality which has delivered healthy growth in the gaming industry. The highly regulated nature of the gaming industry, the size of the market and strength of Quixant's brand and products provide the engine for continued strong growth in the gaming sector.

Alongside this growth, Quixant's ability to generate vertical market focused technology has wider applications in a variety of other markets and Densitron has the ability to identify those markets and augment the growth in gaming. The broadcast opportunity is in its infancy but is starting to gather momentum.

The Company also generates significant cash, has a strong balance sheet and low leverage.

Organisation enhancements
Quixant's growth over the last 5 years has been strong with revenues increasing close to 5 times. In addition, the acquisition of Densitron and the trebling in the headcount creates a more complex enterprise to manage. It is therefore right that we have taken significant steps to ensure an effective management structure to deliver the business today and the significant growth potential for the future. We undertook the move to a Corporate/Divisional operating structure to ensure both Gaming and Densitron business are expertly managed and leverage Group resources in HR, finance, IT and legal effectively.

Alongside the appointment of Guy Millward and Andrew Miller to Quixant's corporate team, we have also brought two high calibre executive directors to Densitron's Board in early 2019. Simon Jones will be joining Densitron as Group Managing Director for the Densitron Division. Simon has a distinguished career, initially as a consultant at Mercer, Capgemini and KPMG and subsequently and latterly as a director in B2B businesses such as Dyson, Jewson and PHS. Martyn Gates was also appointed in January 2019, as Product Director and brings 36 years commercial, engineering and research experience in the broadcast sector to Densitron.
We have also complemented these Board level hires with staff across a spectrum of roles to enhance our commercial and technical edge. For example, we have brought on former gaming industry engineers which not only enables us to collaborate more effectively with customers but also to be more innovative in our solutions.

We enter 2019 with a significantly strengthened management team and an effective scalable organisation structure which positions us well for the future.

Summary and outlook
Our core gaming platforms business continues to grow strongly and as expected, the gaming monitors business saw reduced revenues in 2018, but the focus on higher value product and our greater technical expertise leads us to believe in strong, profitable growth potential for this area of the business. During the year we experienced softer than anticipated demand for our platforms from some of our key customers. Overall market conditions have normalised during 2019, although some of our key customers have indicated to us that their demand for our gaming platforms will be more second half weighted than previous years, and we consequently anticipate our performance to mirror this trend. In light of this, we are taking a modestly more prudent view of our anticipated revenues for 2019, although our flexible cost model will ensure that the consequential impact on our anticipated profitability for 2019 is minimised. Nonetheless, with a substantial gaming opportunity pipeline, we remain confident in long term buoyant growth and we believe a nuanced sales message, our strategy of targeting a range of stakeholders in the customers and continued investment into innovation in our product will lead to long term success in converting the largest manufacturers to increasingly adopt Quixant.

With a healthy pipeline, we will be delivering revenue in the broadcast sector through the Densitron business in 2019. We have a considerably strengthened team and combined with our streamlined organisational structure, we believe Quixant is excellently positioned to deliver sustainable, healthy growth in revenue and profits.

Jon Jayal,
Chief Executive Officer

The Quixant Group achieved revenues of $115.2 million in the year, an increase of 5% on 2017 ($109.2 million).

Revenue

Gaming division revenues were $77.6 million, an increase of 9% on 2017 ($71.1 million). This was split between Gaming platform revenue of $62.5 million, a 14% increase on 2017 (2017: $54.8 million), and Gaming monitor revenue of $15.1 million, a 7% decrease on 2017 (2017: $16.3 million). Densitron division revenues were $37.5 million, a decrease of 2% on 2017 (2017: $38.1 million).

The growth in the Gaming division has largely been driven by the continuing development of existing customer relationships. Gaming monitor revenue declined following the strategic decision to reduce the amount of low margin, commoditised gaming monitors business we were supplying. Densitron revenues declined marginally as sales of new products are yet to ramp up to replace declining older product revenue.

Gross profit and gross profit margin

Our gross profit for the year was $39.8 million representing a gross margin of 35%. This compares with a gross profit achieved in 2017 of $37.0 million and a gross margin of 34%. The underlying gross margin for each part of the business has been maintained in the year with the improvement coming from the move away from low margin gaming monitor sales. Component pricing and lead times have proved challenging in 2018 with component shortages raising prices and pushing some lead times out to 9 months, we have adapted our buying to accommodate this and maintain our margins.

Profit before tax (PBT)

Adjusted PBT increased 3% to $18.2 million (2017: $17.7 million). PBT decreased by 5% to $14.3 million (2017: $15.0 million). Adjustments to profit before tax amounted to $3.9 million in 2018 (2017: $2.7 million) and comprise share-based payments and amortisation of acquired intangibles that are not cash expenses and restructuring costs, which are not comparable with the prior year, as we strengthened resources in the business – see note 1.

Expenses

During the year the Group expenditure on research and development increased by 21% to $6.4 million (2017: $5.3 million) representing 16% of gross profit (2017: 14%). These costs relate to investment activities principally undertaken in Taiwan, Italy and Slovenia. $2.6 million of these costs were capitalised (2017: $1.6 million) with amortisation for the year on total capitalised development costs of $1.3 million (2017: $1.0 million).

We have continued to strengthen the business across all areas in the year, including increasing our headcount to 203 people (2017: 176 people). Staff costs, being the largest contributor to overheads, increased by 27% in the year to $16.3 million (2017: $12.8 million).

Taxation

The tax charge for the year decreased to $0.2 million (2017: $1.9 million), representing a corporation tax charge of 1.2% on pre-tax profits (2017: 12.6%), due to higher tax allowances and lower taxable profits. The Group continues to benefit from enhanced tax reliefs available in respect of qualifying research and development expenditure and has also benefited from patent box relief, tax relief on the exercise of employee share options (some of which relates to prior years), prior year double tax relief not previously claimed and the use of brought forward losses in Densitron.

Earnings per share

Basic earnings per share increased by 7% to $0.214 per share (2017: $0.200 per share). Diluted earnings per share increased 8% to $0.213 per share (2017: $0.197 per share). Adjusted fully diluted earnings per share as set out in note 10 to the financial statements increased by 14% to $0.260 per share (2017: $0.229 per share).

Balance Sheet and Cash Flow

Non-current assets have increased in the year to $22.5 million (2017: $21.3 million) due to the increased R&D discussed above. We have changed the methodology for assessing impairment this year, the Densitron group of CGUs has been used, rather than the four sub divisions of Densitron used in prior years, because the Board of Directors no longer monitor goodwill at the lower level of sub divisions for internal purposes. Reporting to the Board has also changed in the same way. Inventory has decreased to $19.4 million (2017: $21.2 million). Raw material inventory has increased as we have made purchases to counter long lead times and to ensure we have sufficient components that are no longer sold by suppliers to continue to deliver our product set. Finished goods have decreased owing to a strong trading month in December which also caused the large increase in trade receivables. Trade payables have increased as we continue to maintain stock levels for growing sales.

The cash generated from operating activities in the year amounted to $11.3 million (2017: $8.1 million). The increase 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 $4.1 million (2017: $2.3 million) on investing activities including capitalised product development.

In the year $5.4 million has been used to repay borrowings (2017: $2.2 million). The only remaining debt at 31 December 2018 was a $0.9m mortgage on the Taiwan property and a factoring facility in France of $0.3m which was repaid in February 2019.

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 3.1p per share, an increase of 19% on the previous year (2017: 2.60p per share) payable on 10 May 2019 to all shareholders on the register on 23 April 2019. The corresponding ex-dividend date is 18 April 2019.

Guy Millward
Chief Financial Officer

Our business model is different for each division. In Gaming, we invest in research and development to design and produce computer platforms and electronic display solutions. We then manage the outsourced manufacture of these products and then sell them to customers in the gaming and slot machine industry, holding stock of the raw materials, work-in-progress and finished goods so we can control the whole process. The customers take our products and use them to manufacture gaming machines which are then sold to various outlets where the games can be played, primarily in casinos. Our gaming customers include many of the world's leading manufacturers of gaming machines. In Densitron, we design and develop electronic display products for various industrial sectors as well as re-selling other display products. Once a design is agreed with a customer we outsource the manufacture and deliver the finished products to the customer. Our strategy for the Group and each specific division is covered in the Chief Executive's report on page 6.

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

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

Operational

KPI and objective	Procedure	Comment
Revenues		
Revenues are reviewed to ensure that the Group's business continues to grow in line with expectations.	The Board reviews revenues against budget as part of its management reporting review each month.	Revenues have continued to grow during the year.
Gross profit margin		
To ensure that the Group maintains appropriate returns for the products that it is selling.	A report of the margin achieved in each part of the business is included as part of the management accounts pack and reviewed by the Board.	Margins are being maintained in all areas of the Group.
Inventory levels and inventory days		
The objective in monitoring inventory is: • to ensure that working capital is not unduly tied up; • to guard against inventory obsolescence leading to potential write offs; and • to ensure sufficient inventory levels are maintained to meet near-term demand (usually 3 months revenues).	The Board monitors the number of days held in stock at the end of each month and is provided with a trend graph plotted against budget during the year. Additionally, it is provided with a monthly manufacturing report detailing the current inventory levels and the future product requirement.	For the year ended 31 December 2018 the Board is satisfied that the level of inventory obsolescence is being controlled and that levels of raw material inventory at year end were required to offset long lead times (9 months or more) for key components.

Financial

KPI and objective	Procedure	Comment
Profit before tax (PBT)		
To ensure that the Group is providing a sufficient return to its shareholders and that the Group's profit is growing in line with market expectations.	The Board reviews PBT and adjusted PBT monthly as part of its review of management information.	The level of adjusted PBT has increased and PBT decreased year-on-year and is slightly behind expectations.
Debtor days		
To ensure that customers settle debts in an orderly fashion in line with agreed terms and that the Group is not exposed to bad debts.	The Board monitors the average number of days customers take to pay each month together with a trend graph plotted against budget. Additionally, it is provided with a monthly analysis of the profile of aged debts for each part of the business.	The Board is satisfied with the procedures that are in place to qualify customers to mitigate the Group's exposure to credit losses. In both the current year and previous year the Group has incurred minimal levels of credit losses.
Cash and borrowings balances		
To ensure that the business has sufficient headroom to meet its future obligations.	The Board is provided with a report showing cash generated in the year and the current level of cash balances within the Group along with the current level of borrowings and available facilities.	At 31 December 2018 the Group had net cash (cash less borrowings) of $9.7m compared with $4.5m at 31 December 2017. Most debt has been repaid during the year and the remaining debt is expected to be repaid early in 2019.

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

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

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

Risk	Description	Mitigation	Comment
Commercial	The marketplace for the Group's display products is highly competitive.	The Group has identified certain areas of the displays business where it considers that it can develop a competitive advantage and is investing in these areas.	The Group has the capabilities and skills to create highly engineered, optimised products targeted at specific markets.
	Gaming customers may decide to design their computer platforms and/or monitors in-house or source from another supplier.	Quixant works closely with its customers to ensure its product roadmap is robust, technologically advanced and ahead of the competition.	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.
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.

Risk	Description	Mitigation	Comment
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. 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.
Cyber risks	Cyber risk causes disruption to the business or loss of IP following a cyber-attack. This could cause interruption of internal or external facing systems, including interruption to the business caused by a loss of data and reputational damage from a loss of personal or confidential data. The cost or effort to reconstitute data that has been stolen or corrupted and commercial loss from the theft of commercially sensitive data, including IP.	Deploying the latest generation of firewall protection. Ongoing improvement in the rigour of authentication processes including wider use of single sign on. Improved protection of confidential data on portable computers. Improved process of system patching to close security loopholes. Use of third party audits.	No issues were reported in 2018 but we maintain on-going vigilance.

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. The Group's EU-based subsidiaries can operate independently of the UK and vice-versa. The Board notes that in the event of a no-deal Brexit WTO tariffs on the Group's products are currently zero for goods exported to the EU from a non-EU country.

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

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

This report was approved by the Board of Directors on 25 March 2019 and signed on its behalf by:

Guy Millward
Director

Michael Peagram
Non-executive Chairman

Appointed: 1 February 2013

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

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

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

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

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

Nicholas Jarmany
Executive Vice-Chairman

Appointed: 16 March 2005

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

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

Jon Jayal
Chief Executive Officer

Appointed: 20 June 2016

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

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

Gary Mullins
Group Strategic Sales Director

Appointed: 11 January 2006

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

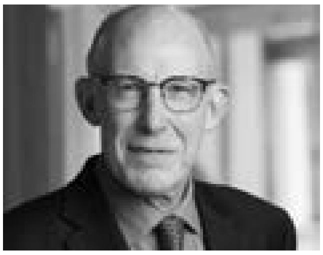
Gary has an honours degree in Electronic Systems from the Royal Military College of Science.

C-T Lin
Manufacturing Director

Appointed: 12 July 2007

Skills and experience:
C-T is a founding Director of Quixant and has 23 years' experience in computer hardware manufacturing. C-T's previous roles include leading the design teams at GIT Technologies Ltd and TC-Tech, developing automotive test systems and managing the hardware production at Intimate Partner Co., a major EMS house, producing motherboards and graphics cards for large Taiwanese brands. C-T was the General Manager of Densitron Computers Taiwan Ltd, a manufacturer of long-life custom embedded PC products for the gaming market and became the General Manager of Techware Technology Co. Ltd, a Taiwanese Windows CE development house.

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



Guy van Zwanenberg
Non-executive Director

Appointed: 1 March 2013

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

Skills and experience:
Guy has 40 years' experience in industry and practice. He qualified as a Chartered Accountant with Grant Thornton and then spent three years working with James Gulliver. Guy subsequently moved to become UK Finance Director of an American computer accessory company which was taken public in 1989. In 1991, he established his own interim financial management business and has since been involved in a number of SME businesses providing strategic and financial help. He joined Gaming King PLC in 1998 on a part time basis as Finance Director and became Company Secretary and non-executive director in 2006, remaining as a non-executive director when the company reversed its listing on AIM by acquiring Sceptre Leisure PLC in 2008, whilst with them he sat on the Audit and Remuneration committees. The company was sold in 2013. In 2015 he joined Smartspace plc, an AIM listed software business specialising in smart offices. He is a member of the Audit committee and in July 2018 was made Chairman of the company.

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

Gaye Hudson
Non-executive Director

Appointed: 22 March 2017

Committees:
Member of the remuneration committee

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

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

Guy Millward
Chief Financial Officer

Appointed: 1 October 2018

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

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

Michael Peagram,
Chairman

"As the Chairman of Quixant plc, I am ultimately responsible for the Corporate Governance of the Group but the Board as a whole considers that good corporate governance is a key driver in the success of the business."

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

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

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

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

A board evaluation process has not been run in the past but will be run in 2019. All the information required for remuneration reporting is included within this Annual Report.

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

Michael Peagram
Chairman
25 March 2019

Quoted Companies Alliance Code Compliance

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

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

The Quixant business is split into two divisions: the Gaming division and the Densitron division. The business model and strategy are discussed earlier in this report in the Chief Executive's report and subsequent sections.

2. Seek to understand and meet shareholder needs and expectations

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

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

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

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

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

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

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

Non-executive directors are expected to devote sufficient time to the company to meet their responsibilities. Generally, 10-11 Board meetings and an annual strategy meeting are held each year and directors in principle attend all meetings either in person or by video or telephone conference arrangements and visit some of the major locations.

Meetings held between January 2018 and December 2018 and the attendance of directors is summarised below:

	Board Meetings	Audit Committee Meetings	Remuneration Committee Meetings
Number of meetings:	10	2	3
M J Peagram	10	2	3
G Van Zwanenberg	10	2	3
G A Y Hudson	9		3
N C L Jarmany	10		
G P Mullins	10		
J F Jayal	9		
A C Preddy	10	2 (as an invitee)	
C-T Lin	5		
G L Millward *	3		

* G L Millward joined the board on 1 October 2018

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

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

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

For biographies of each of the directors see pages 16 and 17.

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

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

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

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

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

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

Our core beliefs are embedded in our DNA:

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

These core beliefs are reinforced by senior management throughout the year at Town Hall and other meetings. The Group has policies in the following areas to help promote ethical values and behaviour: whistleblowing, anti-bribery, anti-slavery, fraud, equal opportunities, disciplinary and grievance procedures, health and safety.

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

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

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

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

Remuneration committee

The remuneration committee is comprised of not less than two non-executive directors, it meets at least once a year and is responsible for setting the remuneration policy for the executives and senior management of the Company. The Remuneration committee comprises Michael Peagram (Chairman), Guy van Zwanenberg and Gaye Hudson, it will invite executive directors as it considers necessary. The committee met three times during the year. They consider the executive directors and senior management remuneration packages and discuss policy on annual reviews with the Board. They will, subsequently, review and approve the Executive proposals for salary reviews and annual profit linked bonus schemes and awards. In doing so it ensures that individual packages have been set in line with companies of a similar size and operation. The committee is responsible for the overall package offered to staff including employee incentive schemes in each of the group's operating territories. Each package is designed to attract, motivate and retain our staff and ensure executive directors' remuneration is aligned with the interests of shareholders. An employee share option scheme was established in 2013 and the committee grants new options to employees and executive directors. At 31 December 2018, options had been granted over a total of 2,525,294 shares (only 3.8% of the shares in issue) of which options over 429,068 shares were outstanding. The 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. The directors' service contracts incorporate notice periods of not less than six months' notice from the executive to the company and not less than 12 months' notice from the company to the executive, except for C-T Lin where the notice from the company to the executive is six months' (Cresten Preddy's contract contained the same notice periods as C-T Lin). Guy Millward's contract has a six-month probation period at the beginning of his employment where the notice period is reduced to one month for both parties, this initial probation period can be extended by three months by both parties. Non-executive directors' service contracts incorporate notice periods of not less than three months' notice from the non-executive to the company and vice-versa. Directors' remuneration is shown in note 7 to the financial statements. Directors' shareholdings are shown in the Directors' Report on page 21. We have not wasted shareholders' money by employing external remuneration advisors as plenty of information on market practice is available free of charge and the directors are able to use experience gathered in other roles in making decisions at Quixant.

Audit committee

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

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 key features of the Group's internal control systems that ensure the accuracy and reliability of financial reporting include clearly defined lines of accountability and delegation of authority, policies and procedures that cover financial planning and reporting, preparation of monthly management accounts, project governance and information security. 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 Audit Committee comprises Guy van Zwanenberg (Chairman) and Michael Peagram. The board considers that Guy van Zwanenberg has recent and relevant financial experience in accordance with the QCA code. The committee has met twice during the year inviting the external auditors to both of these meetings and the Group Finance Director to each meeting (at the meetings where the auditors were present time was taken to meet with the auditors without the Chief Financial Officer being present). During these meetings the audit committee considered the impact of future accounting standards on the business and the financial statements and reviewed the accounting policies, internal controls, the reports of the auditors to the audit committee and the interim and annual reports.

The Directors present their Annual Report and accounts for the year ended 31 December 2018.

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 $14.2 million (2017: $13.1 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 4-10.

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 3.1p per share (2017: 2.60p), to be approved at the Annual General Meeting. During the year the Company paid a dividend of 2.60p per share amounting to $2.3m.

Substantial shareholdings

On 24 March 2019 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	10,870,763	16.38%
Canaccord Genuity Wealth Management	6,827,345	10.29%
Liontrust Asset Management	5,567,906	8.39%
Mr J and Mrs S Mullins	3,858,920	5.82%
Amati Global Investors	3,606,382	5.43%
Schroders Plc	3,603,292	5.43%
C-T Lin and his wife	3,446,559	5.19%
Axa Framlington Investment Managers	3,069,199	4.63%
M&G Investment Management	2,539,114	3.83%
Tellworth Investments	2,506,938	3.78%
G P Mullins and his wife	2,199,395	3.31%
Octopus Investments Nominees Limited	2,125,025	3.20%
Alexander Taylor	2,058,958	3.10%

Directors

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

	Shares held Ordinary shares of £0.001 each		Options granted £0.001 each		Exercise price
	2018	2017	**2018**	2017	
G A Y Hudson	**2,350**	2,350	–	–	–
N C L Jarmany	**10,870,763**	12,179,970	–	–	–
J F Jayal	**360,200**	460,200	65,000	–	£4.08
C-T Lin	**3,446,559**	3,446,559	-	–	–
G L Millward (appointed 1 October 2018)	**–**	–	100.000	-	£4.30
G P Mullins	**2,199,395**	2,829,243	–	–	–
M J Peagram	**227,174**	227,174	–	–	–
A C Preddy (retired 31 December 2018)	**79,000**	40,000	–	39,000	£0.49
G van Zwanenberg	**26,087**	26,087	–	–	–

There has been no change in the interests set out above between 31 December 2018 and 25 March 2019. A C Preddy was a full-time director until she retired on 31 December 2018, she remains available to advise the board.

Directors' indemnity arrangements

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

Research and development (R&D)

The Group continues to invest in R&D, spending $6.4 million (2017: $5.3 million) in its R&D and customer support programmes in the year, of which $2.6 million (2017: $1.6 million) was capitalised. The Group undertakes R&D to develop and enhance its products and the Group will continue to commit a significant level of resource and expenditure as appropriate to R&D.

Use of financial instruments

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

Political contributions

Neither the Company nor any of its subsidiaries made any political donations or incurred any political expenditure during the year (2017: 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 auditor is unaware; and each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

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

By order of the Board on 25 March 2019.

Guy Millward
Director

STATEMENT OF DIRECTORS' RESPONSIBILITIES

In Respect of the Annual Report and the Financial Statements

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

Company law requires the directors to prepare Group and parent Company financial statements for each financial year. 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 comply with that law and those regulations.

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

Overview		
Materiality: Group financial statements as a whole	$700k (2017: $760k) 4.9% (2017: 5%) of Group profit before tax	
Coverage	97% (2017: 95%) of Group profit before tax	
Key audit matters		**vs 2017**
Recurring risks	Recoverability of Group goodwill in the Densitron group of CGUs and Recoverability of parent company's investment in Densitron Technologies Limited	▼
New risks	Impact of uncertainties due to the UK exiting the European Union on our audit	▲

1. Our opinion is unmodified

We have audited the financial statements of Quixant plc ("the Company") for the year ended 31 December 2018 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 2018 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: Including 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 matters were as follows:

	The risk	Our response
The impact of uncertainties due to the UK exiting the European Union on our audit Refer to page 14 (principal risks)	**Unprecedented levels of uncertainty** All audits assess and challenge the reasonableness of estimates, in particular as described in recoverability of group goodwill in the Densitron group of CGUs and the recoverability of parent company investment in Densitron Technologies Limited below, and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the group's future prospects and performance. Brexit is one of the most significant economic events for the UK and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown.	We developed a standardised firm-wide approach to the consideration of the uncertainties arising from Brexit in planning and performing our audits. Our procedures included: • **Our Brexit knowledge:** We considered the directors' assessment of Brexit-related sources of risk for the group's business and financial resources compared with our own understanding of the risks. We reviewed the directors' plans to take action to mitigate the risks. • **Sensitivity analysis:** When addressing recoverability of group goodwill in the Densitron group of CGUs and the recoverability of parent company investment in Densitron Technologies Limited and other areas that depend on forecasts, we compared the directors' analysis to our assessment of the full range of reasonably possible scenarios resulting from Brexit uncertainty and, where forecast cash flows are required to be discounted, considered adjustments to discount rates for the level of remaining uncertainty. • **Assessing transparency:** As well as assessing individual disclosures as part of our procedures on Recoverability of group goodwill in the Densitron group of CGUs and recoverability of parent company's investment in Densitron Technologies Limited we considered all of the Brexit related disclosures together, including those in the strategic report, comparing the overall picture against our understanding of the risks. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.
Recoverability of group goodwill in the Densitron group of CGUs and Recoverability of parent company's investment in Densitron Technologies Limited **Densitron group of CGUs goodwill** $5,576k (2017: $5,571k) **Parent company investment in Densitron Technologies Limited** $11,601k (2017: $11,601k) See page 35 (accounting policy) and page 46 (financial disclosures).	**Forecast based valuation** The estimated recoverable amount of these balances is subjective due to the inherent uncertainty involved in forecasting and discounting future cash flows. Whilst the risk of misstatement is relatively low in this case, the size of the balance, and in the case of goodwill, the requirement to test for impairment on an annual basis, makes this a core area on which our audit focused.	**Our procedures included:** • **Benchmarking assumptions:** Comparing the group's assumptions to externally derived data (for example competitor discount rates and IMF growth forecast data) in relation to key inputs such as projected economic growth, cost inflation and discount rates; • **Historical comparisons:** We assessed the reasonableness of the forecasts used by considering the historical accuracy of previous budgets; • **Sensitivity analysis:** Performing breakeven analysis on the assumptions noted above; • **Comparing valuations:** Comparing the sum of the discounted cash flows to the group's market capitalisation to assess the reasonableness of those cash flows; and • **Assessing transparency:** Assessing whether the group's disclosures about the sensitivity of the outcome of the impairment assessment to changes in key assumptions reflected the risks inherent in the valuation of goodwill.

We continue to perform procedures over recoverability of group goodwill in the Quixant CGU and recoverability of the parent company's investments in Quixant Italia Srl, Quixant USA Inc and Quixant UK Limited. However, following a review of the headroom in the client model to support the goodwill balance in the Quixant CGU and the Quixant investment carrying values, we have not assessed this as one of the most significant risks in our current year audit and, therefore, it is not separately identified in our report this year.

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

Materiality for the group financial statements as a whole was set at $700k, determined with reference to a benchmark of group profit before tax of $14,333k, of which it represents 4.9% (2017: 5%).

Materiality for the parent company financial statements as a whole was set at $177k (2017: $152k), determined with reference to a benchmark of company profit before tax, of which it represents 5% (2017: 3%).

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding $35k, in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the group's 15 (2017: 15) reporting components, we subjected 8 (2017: 9) to full scope audits for group purposes and 1 (2017: 0) to specified risk-focused audit procedures. The latter was not individually financially significant enough to require a full scope audit for group purposes, but did present specific individual risks that needed to be addressed. We conducted reviews of financial information (including enquiry) at a further 6 (2017: 6) non-significant components and we performed analysis at an aggregated Group level to re-examine our assessment that were no significant risks of material misstatement with these.

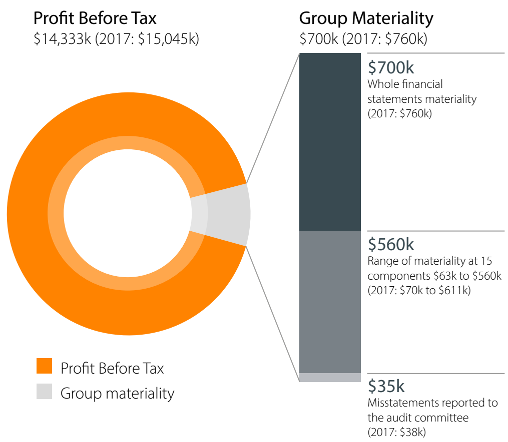
The components within the scope of our work accounted for the percentages illustrated below.

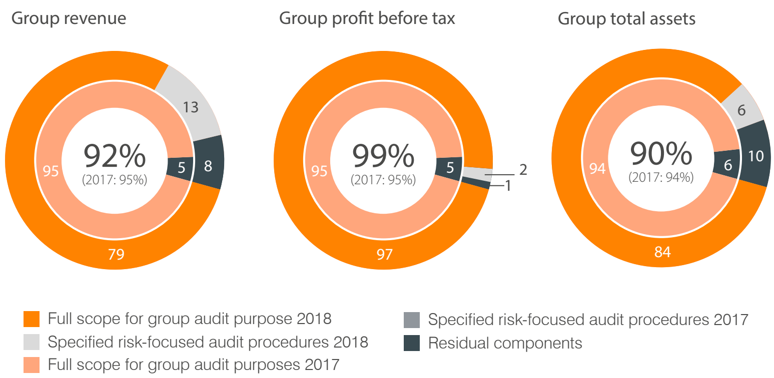
The remaining 8% of total group revenue, 1% of group profit before tax and 10% of total group assets is represented by 6 of reporting components, none of which individually represented more than 5% of any of total group revenue, group profit before tax or total group assets. For these residual components, we performed analysis at an aggregated group level to re-examine our assessment that there were no significant risks of material misstatement within these.

The Group team instructed component auditors as to the significant areas to be covered, including the relevant risks detailed above and the information to be reported back. The Group team approved the component materialities, which ranged from $63k to $560k, having regard to the mix of size and risk profile of the Group across the components.

The work on 2 of the 15 components (2017: 2 of the 15 components) was performed by component auditors and the rest, including the audit of the parent company, was performed by the Group team.

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





4. We have nothing to report on going concern

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

Our responsibility is to conclude on the appropriateness of the Directors' conclusions and, had there been a material uncertainty related to going concern, to make reference to that in this audit report. However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the group or the company will continue in operation.

In our evaluation of the Directors' conclusions, we considered the inherent risks to the Group's and Company's business model and analysed how those risks might affect the Group's and Company's financial resources or ability to continue operations over the going concern period. The risks that we considered most likely to adversely affect the Group's and Company's available financial resources over this period was the impact of Brexit on the Group's supply chain.

As these were risks that could potentially cast significant doubt on the Group's and the Company's ability to continue as a going concern, we considered sensitivities over the level of available financial resources indicated by the Group's financial forecasts taking account of reasonably possible (but not unrealistic) adverse effects that could arise from these risks individually and collectively and evaluated the achievability of the actions the Directors consider they would take to improve the position should the risks materialise. We also considered less predictable but realistic second order impacts, such as the impact of Brexit and the erosion of customer confidence, which could result in a rapid reduction of available financial resources.

Based on this work, 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 a year from the date of approval of the financial statements.

We have nothing to report in these respects, and we did not identify going concern as a key audit matter.

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 23, 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
25 March 2019

CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

For the years ended 31 December 2018 and 2017

	Note	**2018 Total $000**	2017 Total $000
Revenue	3,4	**115,150**	109,238
Cost of sales		**(75,392)**	(72,269)
Gross profit		**39,758**	36,969
Administrative expenses	5	**(8,100)**	(7,785)
Other operating expenses	5	**(17,074)**	(13,837)
Operating profit		**14,584**	15,347
Financial expenses	8	**(251)**	(302)
Profit before tax		**14,333**	15,045
Taxation	9	**(177)**	(1,899)
Profit for the year		**14,156**	13,146
Other comprehensive income for the year, net of income tax			
Foreign currency translation differences		**(176)**	869
Total comprehensive income for the year attributable to the parent		**13,980**	14,015
Minority interests		**–**	(6)
Total comprehensive income for the year		**13,980**	14,009
Basic earnings per share	10	**$ 0.2137**	$ 0.1999
Diluted earnings per share	10	**$ 0.2125**	$ 0.1972

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

Notes on pages 34 to 58 form part of the financial statements.

CONSOLIDATED AND COMPANY BALANCE SHEETS

As at 31 December 2018 and 2017

	Note	Group		Company	
		2018 $000	2017 $000	**2018 $000**	2017 $000
Non-current assets					
Property, plant and equipment	11	**6,104**	6,153	**3,751**	3,699
Intangible assets	12	**15,538**	14,278	**2,085**	2,059
Investment property	13	**631**	674	**–**	–
Investments in group companies and associated undertakings	14	**–**	–	**11,992**	11,982
Deferred tax assets	15	**236**	195	**101**	91
		22,509	21,300	**17,929**	17,831
Current assets					
Inventories	16	**19,439**	21,246	**13,763**	13,924
Trade and other receivables	17	**31,087**	20,095	**9,955**	10,398
Cash and cash equivalents	18	**11,082**	11,194	**2,456**	2,205
		61,608	52,535	**26,174**	26,527
Total assets		**84,117**	73,835	**44,103**	44,358
Current liabilities					
Other interest-bearing loans and borrowings	19	**(530)**	(5,811)	**(263)**	(5,479)
Trade and other payables	20	**(21,052)**	(17,604)	**(19,157)**	(15,238)
Tax payable		**(759)**	(931)	**(631)**	(1,114)
		(22,341)	(24,346)	**(20,051)**	(21,831)
Non-current liabilities					
Other interest-bearing loans and borrowings	19	**(823)**	(924)	**(823)**	(924)
Provisions	22	**(306)**	–	**–**	–
Deferred tax liabilities	15	**(1,214)**	(1,305)	**(181)**	(399)
		(2,343)	(2,229)	**(1,004)**	(1,323)
Total liabilities		**(24,684)**	(26,575)	**(21,055)**	(23,154)
Net assets		**59,433**	47,260	**23,048**	21,204
Equity attributable to equity holders of the parent					
Share capital	23	**106**	106	**106**	106
Share premium	23	**6,499**	6,102	**6,499**	6,102
Share-based payments reserve		**1,102**	991	**1,102**	991
Retained earnings		**51,488**	39,647	**15,364**	13,752
Translation reserve		**238**	414	**(23)**	253
Total equity		**59,433**	47,260	**23,048**	21,204

These financial statements were approved and authorised for issue by the Board of Directors on 25 March 2019 and were signed on behalf of the Board by:

G L Millward
Director

Company registered number: 04316977

Notes on pages 34 to 58 form part of the financial statements.

FOR THE YEARS ENDED 31 DECEMBER 2018 and 2017

GROUP

	Share Capital $000	Share Premium $000	Translation Reserve $000	Share-Based Payments $000	Retained Earnings $000	Total Equity $000
Balance at 1 January 2017	105	5,676	(455)	782	28,192	34,300
Total comprehensive income for the period						
Profit	–	–	–	–	13,146	13,146
Other comprehensive loss	–	–	869	–	–	869
Total comprehensive income for the period	–	–	869	–	13,146	14,015
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	414	991	39,647	47,260

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

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 2017	105	5,676	(187)	782	10,893	17,269
Total comprehensive income for the period						
Profit	–	–	–	–	4,550	4,550
Other comprehensive loss	–	–	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

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

Notes on pages 34 to 58 form part of the financial statements.

CONSOLIDATED AND COMPANY CASH FLOW STATEMENTS

FOR THE YEARS ENDED 31 DECEMBER 2018 and 2017

	Note	Group 2018 $000	Group 2017 $000	Company 2018 $000	Company 2017 $000
Cash flows from operating activities					
Profit for the year		**14,156**	13,146	**3,927**	4,550
Adjustments for:					
Depreciation, amortisation and impairment		**2,745**	2,422	**1,167**	1,064
Taxation expense		**177**	1,899	**483**	781
Financial expense		**251**	302	**221**	270
Equity-settled share-based payment expenses		**111**	209	**111**	175
		17,440	17,978	**5,909**	6,840
(Increase)/decrease in trade and other receivables		**(10,992)**	908	**444**	1,636
Decrease/(increase) in inventories		**1,807**	(8,346)	**161**	(6,469)
Increase/(decrease) in trade and other payables		**3,751**	(100)	**3,718**	2,326
		12,006	10,440	**10,232**	4,333
Interest paid		**(251)**	(302)	**(232)**	(270)
Tax paid		**(481)**	(2,076)	**(1,194)**	(503)
Net cash from operating activities		**11,274**	8,062	**8,806**	3,560
Cash flows from investing activities					
Acquisition of property, plant and equipment	11	**(632)**	(409)	**(431)**	(252)
Acquisition of intangible assets	12	**(3,457)**	(1,861)	**(889)**	(455)
Net cash from investing activities		**(4,089)**	(2,270)	**(1,320)**	(707)
Cash flows from financing activities					
Repayment of borrowings		**(5,382)**	(2,187)	**(5,317)**	(759)
Dividends paid		**(2,315)**	(1,691)	**(2,315)**	(1,691)
Proceeds from issue of shares		**397**	427	**397**	427
Net cash from financing activities		**(7,300)**	(3,451)	**(7,235)**	(2,023)
Net (decrease)/increase in cash and cash equivalents		**(112)**	2,341	**251**	830
Cash and cash equivalents at 1 January		**11,194**	8,853	**2,205**	1,375
Cash and cash equivalents at 31 December	18	**11,082**	11,194	**2,456**	2,205

Notes on pages 34 to 58 form part of 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 December 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 to the development cost criteria, such as the commercial viability of a product, could affect the value capitalised in respect of intangible assets and the corresponding profit and loss effect. If the criteria hadn't been met in the current year, the impact would have been to expense $2.6m of development costs.

Basis of consolidation

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

The Italian subsidiary, Quixant Italia srl, is 99% owned by the Group. The comprehensive income and equity attributable to the non-controlling interests in this subsidiary are not material. 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 2020. 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.

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 2018 and concluded that they are either not relevant to the Group or that they do not have a significant impact on the Group's financial statements, other than in disclosure. These standards and interpretations have been endorsed by the European Union.

Annual Improvements to IFRSs 2014–2016 Cycle
Amendments to IFRS 2 Clarification and Measurement of Share-based Payment Transactions.
Amendments to IFRS 4 Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
Amendments to IAS 40 Transfers of Investment Property.
IFRIC 22 Foreign Currency Transactions and Advance Consideration

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 16 Leases
Amendments to IFRS 9 Prepayment features with negative consideration
Amendments to IAS 28 Long-term interests in associates and joint ventures
IFRIC 23 Uncertainty over income tax treatments
IFRS 17 Insurance contracts
Amendments to IAS 19 Plan Amendment, Curtailment or Settlement
Annual Improvements to IFRS Standards 2015–2017 Cycle
Amendments to References to Conceptual Framework in IFRS Standards

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 16 will change the way in which operating leases are treated within the financial statements. Right of use assets and related liabilities will be recognised for all material leases from 1 January 2019. The Group expects to record an opening balance on 1 January 2019 for a right of use asset of around $720,000 and a liability of around $780,000 with the difference being booked to retained earnings.

Revenue recognition
The Group adopted IFRS 15 from 1 January 2018 which had no material impact on revenue recognition. All performance obligations under customer contracts, where they exist, were reviewed and we concluded that this did not change the way revenue had been recognised in the past. Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business by subsidiary companies to external customers, net of discounts, Value Added Tax (VAT) and other sales-related taxes. Revenue is reduced for customer returns, rebates and other similar allowances. Revenue from the sale of goods namely gaming boards or platforms, gaming monitors and display products, which represent the significant majority of the Group revenue, is recognised in the income statement when:
- The performance obligation of transferring control over a product to the buyer in accordance with the contracted terms of sale has occurred. This usually occurs when the delivery terms of the terms of sale have been met,
- The Group retains neither continuing managerial involvement nor effective control over the goods.

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

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.

1. Principal accounting policies continued

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

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

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

Contingent consideration

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

Property, plant and equipment

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

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

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

No depreciation is provided on freehold land.

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

Investment property

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

Intangible assets – customer relationships and order backlog

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

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

Intangible assets – development costs

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

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

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

Intangible assets – computer software

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

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

Computer software	Between 3 and 5 years

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

Inventories

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

Foreign currencies

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

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

Provisions

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

Share capital and share premium

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

Leased assets

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.

1. Principal accounting policies continued

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 charged to income in the year they are payable.

Dividends

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

Determination and presentation of operating segments

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

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

Share-based payments

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

Alternative performance measures

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

PBT reconciliation

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

	PBT	
	2018 $000	2017 $000
Profit for the year	**14,156**	13,146
Adding back:		
Taxation expense	**177**	1,899
PBT	**14,333**	15,045
Adjustments:		
Amortisation of customer relationships and order backlog[1]	**757**	822
Share-based payments expense[2]	**111**	209
Costs arising on the replacement of faulty DRAM component (note 5)[3]	**–**	1,633
Restructuring cost[3]	**3,036**	–
Adjusted PBT	**18,237**	17,709

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

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 Group has included $1,125,000 as contingent consideration related to the additional consideration, which is an increase of $375,000 on the value represented as its fair value at the acquisition date. The calculation of the deferred consideration has been reassessed at 31 December 2018 and the new assessment is the deemed fair value of the liability.

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 17.2% of reported revenues for the year ended 31 December 2018 (2017: 25.1%).
- Densitron – previously together, Densitron Europe, Densitron America, Densitron France, and Densitron Japan comprise the Densitron division and were reported separately, this reporting ceased at the beginning of 2018 and the segments below reflect the reporting to the Board of Directors.

3. Business and geographical segments continued

	Quixant $000	Densitron $000	Total $000
2018			
Revenue from products	**77,623**[1]	**37,527**	**115,150**
Profit before tax	**14,078**	**255**	**14,333**
Balance Sheet			
Assets	**68,963**	**15,154**	**84,117**
Liabilities	**14,636**	**10,048**	**24,684**
Net assets	**54,327**	**5,106**	**59,433**
Capital expenditure	**3,607**	**482**	**4,089**
Depreciation/amortisation	**2,546**	**199**	**2,745**

	Quixant $000	Densitron $000	Total $000
2017			
Revenue from products	71,132[1]	38,106	109,238
Profit before tax	12,941	2,104	15,045
Balance Sheet			
Assets	58,545	15,290	73,835
Liabilities	16,236	10,339	26,575
Net assets	42,309	4,951	47,260
Capital expenditure	1,854	416	2,270
Depreciation/amortisation	2,248	174	2,422

1 2018 Quixant revenue from products splits into Gaming Platforms $62,549,000 (2017: $54,793,000) and Gaming Monitors $15,074,000 (2017: $16,399,000). Gaming Monitors also splits into Buttondecks $6,404,000 (2017: $5,919,000) and Monitors $8,676,000 (2017: $10,480,000).

4. Analysis of turnover

	2018 $000	2017 $000
By primary geographical market		
Asia	**16,255**	15,126
Australia	**8,790**	12,447
UK	**8,275**	4,936
Europe excl. UK	**26,273**	24,051
North America	**54,089**	51,356
Other	**1,468**	1,322
	115,150	109,238

The company has initially applied IFRS 15 using the cumulative effect method which resulted in no material impact on revenue recognition. Under this method, the comparative information is not restated. The above analysis includes sales to individual countries in excess of 10% of total turnover of:

	2018 $000	2017 $000
Australia	**8,790**	12,447
USA	**51,306**	51,292

5. Expenses and auditor's remuneration

Included in profit/loss are the following:

	2018 $000	2017 $000
Included in gross profit:		
Costs arising on replacement of faulty DRAM component	–	1,633
Included in operating profit:		
Restructuring cost	3,036	–
Gain on foreign exchange transactions	196	38
Research and development expenditure	6,432	5,328
Of which capitalised	(2,558)	(1,638)
Depreciation of owned assets	548	512
Amortisation of intangible assets	2,190	1,910

Auditor's remuneration:

	2018 $000	2017 $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	191	212
Taxation and other services	64	144
Other services	26	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:

	2018 Number	2017 Number
Production and manufacturing	36	31
Research and customer service	84	68
Sales and marketing	37	29
Administrative	46	48
	203	176

The aggregate payroll costs of these persons was as follows:

	2018 $000	2017 $000
Wages and salaries	13,922	11,046
Share-based payments (See note 21)	111	209
Social security costs	1,582	1,140
Contributions to defined contribution plans	689	409
	16,304	12,804

7. Directors' remuneration

	Salary/Fee 2018 $000	Share-based payment 2018 $000	Pension contributions 2018 $000	Total 2018 $000	Total 2017 $000
EXECUTIVE DIRECTORS					
N C L Jarmany	**153**	**–**	**11**	**164**	210
G P Mullins	**147**	**–**	**12**	**159**	214
C-T Lin	**258**	**–**	**6**	**264**	251
A C Preddy	**180**	**–**	**18**	**198**	159
J F Jayal	**356**	**32**	**32**	**420**	669
G L Millward	**100**	**21**	**–**	**121**	–
	1,194	**53**	**79**	**1,326**	1,503
NON-EXECUTIVE DIRECTORS					
M J Peagram	**113**	**–**	**–**	**113**	93
G van Zwanenberg	**60**	**–**	**1**	**61**	60
G A Y Hudson	**53**	**–**	**1**	**54**	35
	1,420	**53**	**81**	**1,554**	1,691

During the year, A C Preddy exercised options over 39,000 shares (2017: 30,000 shares) realising a theoretical gain of $199,000, she has not sold the shares. J F Jayal was granted options over 65,000 shares during the year at an exercise price of 408.5p, G L Millward was granted options over 100,000 shares during the year at an exercise price of 430p. The options are exercisable subject to the growth of the diluted earnings per Ordinary Share (as set out in each of the audited accounts for the years ending 31 December 2018, 2019 and 2020) being equal to or greater than 10 per cent in each financial year.

Pension contributions are paid to executive directors, except G.L. Millward, at 10% of salary, Pension contributions are paid to non-executive directors, except M J Peagram, at 5%. No other benefits are paid. Bonus are paid when profit targets have been met, no performance bonuses were paid in 2018 for 2017 performance and none are payable for 2018's financial performance.

There were no directors' advances, credits or guarantees outstanding at 31 December 2018 or 2017.

8. Finance expense

	2018 $000	2017 $000
Total interest expense on financial liabilities measured at amortised cost	**251**	302
Total finance expense	**251**	302

9. Taxation

Recognised in the profit and loss account

	2018 $000	2017 $000
Current tax expense		
UK corporation tax	**187**	780
Foreign tax	**1,158**	1,498
Adjustments for prior years	**(1,037)**	(296)
Current tax expense	**308**	1,982
Deferred tax (credit)/expense		
Origination and reversal of temporary differences	**(131)**	(83)
Deferred tax (credit)/expense	**(131)**	(83)
Total tax expense	**177**	1,899

Reconciliation of effective tax rate

	2018 $000	2017 $000
Profit for the year	**14,156**	13,146
Total taxation expense	**177**	1,899
Profit excluding taxation	**14,333**	15,045
Tax using the UK corporation tax rate of 19% (2017: 19.25%)	**2,723**	2,896
Non-deductible expenses	**69**	153
Enhanced research and development claim	**(944)**	(722)
Patent box tax relief	**(372)**	(273)
Change in deferred tax rate to 17% (2017: 18%)	**(53)**	62
Overseas tax in excess of standard UK rate	**56**	704
Exercise of share options	**(135)**	(530)
Unrelieved losses	**(61)**	(95)
Other	**(69)**	–
Over provided in prior years	**(1,037)**	(296)
Total taxation expense	**177**	1,899

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

Factors that may affect future tax charges

A reduction in the UK corporation tax rate from 21% to 20% (effective from 1 April 2015) was substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly. The deferred tax liability at 31 December 2018 has been calculated based on these rates.

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

10. Earnings per ordinary share (EPS)

	2018 $000	2017 $000
Earnings		
Earnings for the purposes of basic and diluted EPS being net profit attributable to equity shareholders	**14,156**	13,146

Number of shares	Number	Number
Weighted average number of ordinary shares for the purpose of basic EPS	**66,239,967**	65,756,667
Effect of dilutive potential ordinary shares: Share options	**380,383**	909,513
Weighted number of ordinary shares for the purpose of diluted EPS	**66,620,350**	66,666,180
Basic earnings per share	**$0.2137**	$0.1999
Diluted earnings per share	**$0.2125**	$0.1972

10. Earnings per ordinary share (EPS) continued

Calculation of adjusted diluted earnings per share:	$000	$000
Earnings		
Earnings for the purposes of basic and diluted EPS being net profit attributable to equity shareholders	**14,156**	13,146
Adjustments		
Costs arising on the replacement of faulty DRAM component	**–**	1,633
Share-based payment expense	**111**	209
Amortisation of customer relationships and order backlog	**757**	822
Restructuring cost	**3,036**	–
	18,060	15,810
Tax effect of adjustments	**(764)**	(516)
Adjusted earnings	**17,296**	15,294
Adjusted diluted earnings per share	**$ 0.2596**	$ 0.2294

11. Property, plant and equipment – Group

	Land and Buildings $000	Plant and Equipment $000	Total $000
Cost			
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
Balance at 1 January 2018	**5,628**	**2,608**	**8,236**
Additions	**90**	**542**	**632**
Disposals	**(35)**	**(42)**	**(77)**
Effect of movements in foreign exchange	**(112)**	**(37)**	**(149)**
Balance at 31 December 2018	**5,571**	**3,071**	**8,642**
Depreciation			
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
Balance at 1 January 2018	**424**	**1,659**	**2,083**
Depreciation charge for the year	**125**	**423**	**548**
Disposals	**(35)**	**(37)**	**(72)**
Effect of movements in foreign exchange	**(8)**	**(12)**	**(21)**
Balance at 31 December 2018	**506**	**2,033**	**2,538**
Net book value			
At 1 January 2017	5,034	943	5,977
At 31 December 2017 and 1 January 2018	5,204	949	6,153
At 31 December 2018	**5,066**	**1,038**	**6,104**

11. Property, plant and equipment – Company

	Land and Buildings $000	Plant and Equipment $000	Total $000
Cost			
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
Balance at 1 January 2018	**3,530**	**1,653**	**5,183**
Additions	**74**	**357**	**431**
Disposals	**(35)**	**(34)**	**(69)**
Effect of movements in foreign exchange	**(64)**	**(19)**	**(83)**
Balance at 31 December 2018	**3,505**	**1,957**	**5,462**
Depreciation			
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
Balance at 1 January 2018	**293**	**1,191**	**1,484**
Depreciation charge for the year	**81**	**230**	**311**
Disposals	**(35)**	**(33)**	**(68)**
Effect of movements in foreign exchange	**(6)**	**(10)**	**(16)**
Balance at 31 December 2018	**333**	**1,378**	**1,711**
Net book value			
At 1 January 2017	3,152	418	3,570
At 31 December 2017 and 1 January 2018	3,237	462	3,699
At 31 December 2018	**3,172**	**579**	**3,751**

12. Intangible assets – Group

	Goodwill $000	Customer Relationships and Order Backlog $000	Computer Software $000	Internally Generated Capitalised Development costs $000	Total $000
Cost					
Balance at 1 January 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
Balance at 1 January 2018	**6,950**	**5,201**	**1,072**	**6,059**	**19,282**
Additions – internally developed	**–**	**–**	**–**	**2,558**	**2,558**
Additions – externally purchased	**–**	**–**	**899**	**–**	**899**
Disposals	**–**	**–**	**–**	**(166)**	**(166)**
Effect of movements in foreign exchange	**(11)**	**–**	**(17)**	**–**	**(28)**
Balance at 31 December 2018	**6,939**	**5,201**	**1,954**	**8,451**	**22,545**
Amortisation and impairment					
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
Balance at 1 January 2018	**–**	**2,050**	**429**	**2,525**	**5,004**
Amortisation for the year	**–**	**757**	**112**	**1,321**	**2,190**
Disposals	**–**	**–**	**–**	**(166)**	**(166)**
Effect of movements in foreign exchange	**–**	**–**	**(9)**	**(12)**	**(21)**
Balance at 31 December 2018	**–**	**2,807**	**532**	**3,668**	**7,007**
Net book value					
At 1 January 2017	6,934	3,973	489	2,649	14,045
At 31 December 2017 and 1 January 2018	6,950	3,151	643	3,534	14,278
At 31 December 2018	**6,939**	**2,394**	**1,422**	**4,783**	**15,538**

Impairment testing

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

	Goodwill	
	2018 $000	2017 $000
Quixant	**1,363**	1,379
Densitron	**5,576**	5,571
	6,939	6,950

We have changed the methodology for assessing impairment this year, the Densitron group of CGUs has been used, rather than the 4 sub-divisions of Densitron used in prior years, because the Board of Directors no longer monitor goodwill at the lower level of sub-divisions for internal purposes. The Densitron division as a whole and not its sub-divisions are the way the Board of Directors measures the business. 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 2018 or 31 December 2017.

Quixant CGU

The recoverable amounts of the Quixant cash generating unit have been determined from value in use calculations based on cash flow projections from formally approved budgets covering the year to 31 December 2019. The following assumptions have been adopted:

- Cash flows were based on the internal budgets for 2019 together with a further four year forecast to 2023;
- The revenue growth rates and increase in operating costs adopted for the years 2019, 2020, 2021, 2022 and 2023 were 1% in order to take a conservative valuation approach;
- The terminal growth rate was estimated to be 0% for the same reason;
- 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 7.44%. This is the discount rate that has been applied in determining the value in use.

Densitron group of CGUs

The recoverable amounts of the Densitron group of cash generating unit have been determined from value in use calculations based on cash flow projections from formally approved budgets covering the year to 31 December 2019. The following assumptions have been adopted:

- Cash flows were based on the internal budgets for 2019 together with a further four year forecast to 2023;
- The revenue growth rate adopted for the years 2019, 2020, 2021, 2022 and 2023 were 1%. The increase in operating costs for the years 2019, 2020, 2021 and 2022 have been estimated to be 2%. Both these growth rates are in line with recent performance of the business;
- The terminal growth rate was estimated to be 0% for the same reason;
- 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 unit was calculated with reference to its risk profile and calculated to be 8.99%. This is the discount rate that has been applied in determining the value in use.

A sensitivity analysis was carried out for each of the cash generating units. The anticipated growth rates for each CGU were reduced, terminal values were halved and the discount rate for each cash generating unit was increased. In all cases, the value in use exceeded the carrying value. Following the sensitivity analysis that has been carried out there were no areas that were identified as being particularly sensitive for either 2018 or 2017 except that Densitron was sensitive to the doubling of the discount rate and halving the terminal value which both brought the headroom down to zero.

12. Intangible assets – Company

	Computer Software $000	Internally Generated Capitalised Development costs $000	Total $000
Cost			
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
Balance at 1 January 2018	**1,060**	**3,763**	**4,823**
Additions – internally developed	**–**	**–**	**–**
Additions– externally purchased	**889**	**–**	**889**
Effect of movements in foreign exchange	**(17)**	**–**	**(17)**
Balance at 31 December 2018	**1,932**	**3,763**	**5,695**
Amortisation			
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
Balance at 1 January 2018	**426**	**2,338**	**2,764**
Amortisation for the year	**107**	**748**	**855**
Effect of movements in foreign exchange	**(9)**	**–**	**(9)**
Balance at 31 December 2018	**524**	**3,086**	**3,610**
Net book value			
At 1 January 2017	487	1,896	2,383
At 31 December 2017 and 1 January 2018	634	1,425	2,059
At 31 December 2018	**1,409**	**677**	**2,085**

13. Investment property

	Group		Company	
	2018 $000	2017 $000	**2018 $000**	2017 $000
Balance at 1 January 2018	**674**	617	**–**	–
Effect of movements in foreign exchange	**(43)**	57	**–**	–
Balance at 31 December	**631**	674	**–**	–

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 but the increase in that valuation of $226,000 has not been incorporated in 2018 as the Directors believe, following market soundings taken in December 2018, that this increase in value is no longer appropriate given market conditions. The previous carrying value is based on a valuation carried out on 10 May 2013. The property valuation has been based on the average current property prices in the area.

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 2018 and 2017
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 displays products 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	0%/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 plc's Taiwan branch.

* Subsidiary of Densitron Technologies Limited
** Subsidiary of Densitron Europe 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 2018 $000	Company 2017 $000
Balance at 1 January	**11,982**	11,948
Acquisitions – Group-settled share-based payments	**10**	34
Balance at 31 December	**11,992**	11,982

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	
	2018 $000	2017 $000	2018 $000	2017 $000
Property, plant and equipment	–	–	100	158
Intangible assets – capitalised development costs	–	–	686	582
Intangible assets – acquired in business combinations	–	–	431	565
Share-based payments	(93)	(84)	–	–
Receivables	(18)	(18)	–	–
Inventory provisions	(25)	(25)	–	–
Other	(100)	(68)	(3)	–
Net deferred tax (assets)/liabilities	(236)	(195)	1,214	1,305

Movement in deferred tax during the year

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

Movement in deferred tax during the prior year

	1 January 2017 $000	Recognised In Income $000	Movements in exchange $000	31 December 2017 $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

Deferred tax assets and liabilities – Company

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities	
	2018 $000	2017 $000	2018 $000	2017 $000
Property, plant and equipment	–	–	72	131
Intangible assets – capitalised development costs	–	–	97	255
Inventories	(12)	(12)	–	–
Share-based payments	(89)	(79)	–	–
Foreign exchange		–	12	13
Deferred tax (assets)/liabilities	(101)	(91)	181	399

Movement in deferred tax during the year

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

Movement in deferred tax during the prior 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

16. Inventories

	Group		Company	
	2018 $000	2017 $000	**2018 $000**	2017 $000
Raw materials and consumables	**9,792**	7,532	**9,791**	7,532
Work in progress	**2,425**	2,731	**2,158**	2,731
Finished goods	**7,222**	10,983	**1,814**	3,661
	19,439	21,246	**13,763**	13,924

Raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales in the year amounted to $77,200,000 (2017: $80,615,000).

The cost of inventories recognised as an expense includes $750,000 (2017: $285,000) in respect of write downs of inventory to net realisable value.

17. Trade and other receivables

	Group		Company	
	2018 $000	2017 $000	**2018 $000**	2017 $000
Trade receivables	**25,912**	16,967	**–**	–
Amounts receivable from subsidiary undertakings	**–**	–	**8,023**	8,722
Other receivables	**5,175**	3,128	**1,932**	1,676
	31,087	20,095	**9,955**	10,398

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

A provision of $234,437 has been provided in respect of potential doubtful debts as at 31 December 2018 (31 December 2017: $219,706).

17. Trade and other receivables continued

As at 31 December 2018 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	
	2018 $000	2017 $000	2018 $000	2017 $000
30 – 60 days	1,331	2,384	–	–
61 – 90 days	422	159	–	–
Over 90 days	110	85	–	–
	1,864	2,628	–	–

18. Cash and cash equivalents/ bank overdrafts

	Group		Company	
	2018 $000	2017 $000	2018 $000	2017 $000
Cash and cash equivalents per balance sheet	11,082	11,194	2,456	2,205
Cash and cash equivalents per cash flow statements	11,082	11,194	2,456	2,205

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	
	2018 $000	2017 $000	2018 $000	2017 $000
Non-current liabilities				
Secured bank loans	823	924	823	924
	823	924	823	924
Current liabilities				
Current portion of secured bank loans	530	5,811	263	5,479
	530	5,811	263	5,479

Terms and debt repayment schedule

	Currency	Nominal Interest Rate	Year of Maturity	Face Value 2018 $000	Carrying Amount 2018 $000	Face Value 2017 $000	Carrying Amount 2017 $000
Loan 1 – secured on the Group's freehold property in Taiwan	NTD	1.45%	2028	908	908	1,036	1,036
Loan 2 – secured on the Group assets	USD	2.75% over LIBOR	2018	–	–	4,175	4,175
Letters of credit	NTD	2.6% to 2.68%	2019	178	178	1,192	1,192
Factoring	Euro	1.3% over Euribor	2019	267	267	332	332
				1,353	1,353	6,735	6,735

Reconciliation of liabilities arising from financing activities

	2017 $000	Cash flows $000	Reclassification $000	2018 $000
Non-current liabilities	**924**	**(16)**	**(85)**	**823**
Current liabilities	**5,811**	**(5,366)**	**85**	**530**
	6,735	**(5,382)**	**–**	**1,353**
	2016 $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

20. Trade and other payables

	Group 2018 $000	Group 2017 $000	Company 2018 $000	Company 2017 $000
Current				
Trade payables	**16,744**	12,272	**11,883**	9,360
Other tax and social security payables	**421**	272	**5**	5
Other payables and accrued expenses	**3,887**	5,060	**1,752**	1,257
Amounts payable to subsidiary undertakings	**–**	–	**5,517**	4,616
	21,052	17,604	**19,157**	15,238

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 $689,000 (2017: $409,000).

Share-based payments – Group and Company

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

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

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

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

The fair values at grant date were converted at the exchange rate on the grant date to give fair values of $2.07, $1.96, $5.01, $2.93, $2.43, $0.98 and $0.29 per option. The total expense recognised in the period in respect of share options is $111,000 (2017: $209,000).

21. Employee benefits continued

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

	Weighted Average Exercise Price 2018	Number Of Options 2018	Weighted Average Exercise Price 2017	Number Of Options 2017
Outstanding at the beginning of the year	**£1.31**	**631,198**	£0.78	1,254,398
Granted during the year	**£4.22**	**165,000**	£3.90	47,000
Lapsed during the year	**£2.76**	**(45,830)**	–	–
Exercised during the year	**£0.91**	**(321,300)**	£0.49	(670,200)
Outstanding at the end of the year	**£2.63**	**429,068**	£1.31	631,198

22. Provisions

Group

	2018 $000	2017 $000
Balance at 1 January	**–**	–
Provisions made during the year	**306**	–
Balance at 31 December	**306**	–

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

The Company has no provisions.

23. Capital and reserves

Share capital

Fully paid ordinary shares of 0.1p per share

	Ordinary shares Number	Share Capital $000	Share Premium $000
Balance at 1 January 2018	**66,034,982**	**106**	**6,102**
Issued for cash			
Exercise of share options (see note 21)	**321,300**	**–**	**397**
Balance at 31 December 2018	**66,356,282**	**106**	**6,499**
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

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

Translation reserve

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

Dividends

The following dividends were recognised during the period:

	2018 $000	2017 $000
2.6p (2017: 2.0p) per qualifying ordinary share	**2,315**	1,691
Total dividends recognised in the year	**2,315**	1,691

After the Balance Sheet date dividends of 3.1p per qualifying ordinary share (2017: 2.6p) 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.

24 Financial instruments – Group and Company continued

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

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

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

	Group		Company	
	2018 $000	2017 $000	**2018 $000**	2017 $000
Total equity	**59,433**	47,260	**23,048**	21,204
Cash and cash equivalents	**(11,082)**	(11,194)	**(2,456)**	(2,205)
Capital	**48,351**	36,066	**20,592**	18,999

	Group		Company	
	2018 $000	2017 $000	**2018 $000**	2017 $000
Total equity	**59,433**	47,260	**23,048**	21,204
Other financial liabilities	**1,353**	6,735	**1,086**	6,403
Total financing	**60,786**	53,995	**24,134**	27,607

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	
	2018 $000	2017 $000	**2018 $000**	2017 $000
Cash and cash equivalents	**11,082**	11,194	**2,456**	2,205
Trade and other receivables excluding prepayments	**25,912**	16,967	**8,065**	8,722
	36,994	28,161	**10,521**	10,927

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

	Group		Company	
	2018 $000	2017 $000	**2018 $000**	2017 $000
Australia	**856**	2,547	**–**	–
USA	**9,450**	7,649	**–**	–
Europe	**14,193**	5,942	**–**	–
Asia	**1,413**	652	**–**	–
Rest of world	**–**	177	**–**	–
	25,912	16,967	**–**	–

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 2018			
Carrying amount	**21,052**	**1,353**	**22,405**
Contractual cash flows			
6 months or less	**21,052**	**537**	**21,589**
6 to 12 months	**–**	**7**	**7**
More than 12 months	**–**	**940**	**940**
	21,052	**1,484**	**22,536**

Group	$000	$000	$000
31 December 2017			
Carrying amount	17,604	6,735	24,339
Contractual cash flows			
6 months or less	17,022	1,588	18,610
6 to 12 months	582	4,239	4,821
More than 12 months	–	1,123	1,123
	17,604	6,950	24,554

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

Company	$000	$000	$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

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

	Group		Company	
	2018 $000	2017 $000	**2018 $000**	2017 $000
Current assets				
Cash and cash equivalents	**11,082**	11,194	**2,456**	2,205
Trade and other receivables excluding prepayments	**25,912**	16,967	**8,065**	8,722
	36,994	28,161	**10,521**	10,927

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

24. Financial instruments – Group and Company continued

Current liabilities				
Trade and other payables	(21,052)	(17,604)	(19,157)	(15,238)
Other financial liabilities	(530)	(5,811)	(263)	(5,479)
	(21,582)	(23,415)	(19,420)	(20,717)
Non-current liabilities				
Other financial liabilities	(823)	(924)	(823)	(924)
	(22,405)	(24,339)	(20,243)	(21,641)

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

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

Currency risk

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

Interest rate and currency profile

The Group's financial assets comprise trade and other receivables and cash at bank. At 31 December 2018 the average interest rates earned on the daily closing balances were 1.69% and 1.64% (2017: 1.3% and 1.25%).

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

	Group		Company	
	2018 $000	2017 $000	**2018 $000**	2017 $000
Less than one year	**452**	438	**199**	198
Between one and five years	**608**	686	**191**	199
More than five years	**167**	–	**–**	–
	1,227	1,124	**390**	397

Group

During the year $471,000 was recognised as an expense in the Profit and Loss Account in respect of operating leases (2017: $495,000).

Company

During the year $203,000 was recognised as an expense in the Profit and Loss Account in respect of operating leases (2017: $175,000).

26. Commitments

The Group and Company were committed to the implementation of a group accounting system which was in progress at 31 December 2018. The amount committed, not spent, at that date was $320,000 (2017: $434,000).

27. Contingencies

Neither the Group nor Company had any contingencies existing at 31 December 2018 (2017: none).

28. Related parties

Group

In June 2016 two Directors entered into a related party transaction. The wife of G P Mullins rented a house to a subsidiary company at a rent of £2,500 per calendar month. The rent payable is determined on an arm's length basis. The subsidiary company provided the house rent-free to J F Jayal. It was agreed between Mrs Mullins and Mr Jayal to terminate the agreement in March 2018. Two months of rent of £5,000 was paid by the subsidiary company to Mrs Mullins in 2018. In addition, the Group paid £0 (2017: £3,976) to Ruth Jayal, the wife of Jon Jayal.

During the year the Group paid €31,200 (2017: €31,200) for administration services to Francesca Marzilli, the wife of Nick Jarmany.

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.

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Company secretary	L E Park
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Auditor	KPMG LLP Botanic House 100 Hills Road Cambridge CB2 1AR
Nominated advisor and Broker	finnCap 60 New Broad Street London EC2M 1JJ
Financial PR	Alma PR 71-73 Carter Lane London EC4V 5EQ
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