NEXTEQ

A Platform for success

Annual Report and Accounts

Annual Report and Accounts
for the year ended 31 December 2023

Contents

Introduction

Nexteq is a B2B technology company that enables customers in selected industrial markets to outsource the design, development and supply of non-core aspects of their product offering.

Our Vision

We are the leading experts in delivering pioneering technology that empowers our partners to fulfil their creative visions.

Our Values

Innovation

We believe that success comes through innovation. We champion creative thinking within our Group and actively seek new viewpoints.

Collaboration

We work together with our customers to fully support them and understand their needs. Together with our colleagues and partners, we're always friendly, honest and supportive.

Expertise

We value knowledge and take pride in our professionalism. We invest in skills and state-of-the-art thinking so our customers can depend on our expertise.

Determination

We don't cut corners, even while we strive for efficiency. We enjoy hard work and have an absolute commitment and determination to see a task to completion.

Responsibility

We believe in being held accountable for our actions. We're open and honest about how we do business and are always accessible to our Shareholders, employees and customers.

Highlights

Operational highlights

- Diversified manufacturing exposure with mass production in 2nd manufacturing facility in Malaysia.
- Active stock management leading to significantly improved working capital position.
- Broadcast delivering growth with continued progression of pipeline of sales opportunities.
- Refreshed Quixant product range, with all products now harnessing Intel processors.
- Dividend of 3.1p per share proposed (2022: 3.0p per share) reflecting confidence in growth and cash generation.
- Entered 2024 with confirmed order book covering five months revenue.
- Strong balance sheet with net cash position and good operational liquidity; supported by good cash generation, positioning the Group for future organic and acquisitive growth.

Group revenue
↓ -5%
$114.3m
(2022: $119.9m)

Group gross margin
↑ 410bps
36.3%
(2022: 32.2%)

Adjusted profit before tax[1]
↑ 45%
$14.7m
(2022: $10.2m)

Group profit before tax
↑ 47%
$12.9m
(2022: $8.8m)

Adjusted diluted earnings per share[1]
↑ 2%
18.09¢
(2022: 17.79¢/share)

Diluted earnings per share
↓ -1%
16.02¢
(2022: 16.16¢/share)

Net cash from operating activities
↑ 2,375%
$19.8m
(2022: $0.8m)

Net cash[1]
↑ 116%
$27.9m
(2022: $12.9m)

1 For details of adjusted measures refer to Note 1 and Note 9 of the financial statements.

Business overview

Nexteq is a technology business that enables global industrial electronic equipment manufacturers in selected vertical markets to outsource design and development of their embedded computing and human machine interface.

We provide the technology that is often invisible to the end-user but nonetheless forms a critical part of our customers' products and the user experience. By utilisation of our technology, customers can focus their development efforts on realising new products and accelerate market entry.

Customers across 47 countries trust Nexteq to be an integral design and supply partner.

Business model

Nexteq is primarily a hardware product business, operating as a technology design and supply chain partner to customers in selected industrial markets. Key value attributes of the hardware we supply include firmware embedded within the product, software included as standard, and unparalleled service when it comes to integration support, supply chain management, logistics and after-sales support.

Typically, our Business-to-Business (B2B) customers integrate our solutions with their own intellectual property, to bring exceptional products to the market. By outsourcing elements of their technology stack to Nexteq, our customers can focus their product development effort on the most critical drivers of their business's success.

The Group generates revenue each time a customer purchases one of its products for integration into their solutions. The closely integrated nature of our products with customers' designs, often including software we have developed, drives a repeatability in our revenue. This characteristic is strengthened by the regulations in some of the markets in which we operate.

We select markets in which there is a technology evolution occurring, which require products and solutions that are not addressed by other generalist technology businesses. With considerable focus, we are able to become experts in these industries, both commercially and technologically. As a result, we not only offer solutions to customers' known challenges, but also drive innovation to improve their products.

Growth strategy

Nexteq serves as an outsource technology and supply chain partner for major global industrial electronic equipment manufacturers, with a focus on specific vertical markets. By combining hardware, software, display and mechanical engineering expertise with a global sales network with in-depth industry knowledge and an Asian manufacturing base, Nexteq is the ideal global strategic technology provider for ambitious dynamic industrial equipment manufacturers.

The Group's origins are in its highly respected Quixant brand of specialised industrial computer platforms, which are designed to power machines in the global casino gaming and slot machine market. These computer platforms, which our customers integrate into electronic gaming machine manufacturers installed in casinos and other gaming venues globally, combine optimised hardware and software elements to address the specialist needs of this highly regulated market. By outsourcing their computer platform to Quixant, manufacturers can focus their research and development (R&D) on the game design, which has the greatest impact on their commercial success.

They are also able to bring new products to the market quicker. The Board believes the gaming market continues to offer compelling organic growth opportunities as more manufacturers seek to outsource their computer platforms.

A key Group objective is to diversify its revenue across a greater variety of customers, product offerings and vertical markets. The Board believes this not only reduces market and customer risk but also increases the total addressable market while leveraging the engineering capabilities and global footprint the Group already has. Having penetrated new markets, we seek to identify opportunities to elevate the value proposition of our product through innovation and product development.

Nexteq's acquisition of Densitron in 2015 materially diversified the revenue base across a wide range of industrial sectors into which Densitron supplies industrial display products. Densitron has developed its product proposition in the broadcast market to offer integrated, innovative complete Human Machine Interface (HMI) solutions.

With a strong net cash balance sheet and a capital light operating model able to generate strong cash flows, Nexteq is well positioned to take advantage of new acquisition opportunities.

The Board believes that the combination of organic growth opportunities in current markets combined with acquisitions can deliver transformative growth in earnings for Shareholders over the medium term.

Identify vertical

Identify and target verticals that don't currently benefit from the expertise of specialist solution outsource providers.

Customer acquisition

Acquire new customers in our chosen target market segments, further diversifying Nexteq's revenue base.

Product innovation

Focused R&D to move up the value chain through a combination of hardware and software technology.

Value expansion

Increase our share of customer spend by providing additional outsource solutions that enable us to become a fully integrated technology partner.

M&A

From time to time, the business may complement its organic growth strategy with strategic acquisitions that enhance the Group's technical capabilities and market reach.

Our investment proposition

Why invest in Nexteq?

We believe our growth opportunities and resilient, profitable business model, combined with a strong net cash balance sheet positions us well to deliver transformative organic and acquisitive growth over the medium term and support our diversification agenda to drive growth.

Exposure to attractive and growing end markets

- We are a leading supplier to the gaming market, which has structural long-term growth prospects. The unique and stringent regulatory requirements in regulated global gaming jurisdictions provide a barrier to entry.
- We have established a presence in other markets through Densitron, including recognition as a respected HMI (Human Machine Interface) innovator in the broadcast sector.
- We have forged strong partnerships with our key customers, supplying them for many years.

Attractive technology and capabilities

- We are leaders in the design, development and manufacture of industrial computer technology including hardware and software.
- We have a deep understanding of the detailed regulatory and technical requirements within our target markets.
- Our Densitron Display Components business is experienced in developing and sourcing electronic displays for a wide range of applications.
- We have demonstrable ability to create and launch innovative products to market with 22 active patents across the business.

Resilient business model

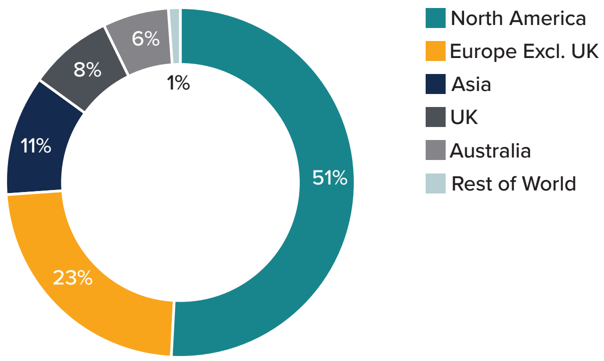
- We have an agile supply chain structure where we control and manage quality and procurement but outsource manufacturing. The benefits of this structure were evident in navigating the business through major macroeconomic challenges such as the COVID-19 pandemic and subsequent supply chain shortages.
- Once our technology is designed in, it is used throughout our customers' product lifecycle, resulting in long-term repeat revenues.
- The diversity of our Densitron Display Components customer base provides resilience in times of economic weakness.

Financial strength

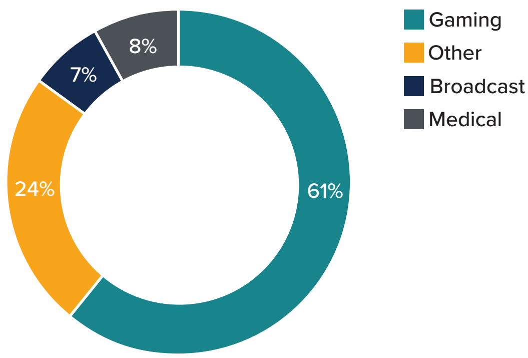
- We have a capital light business model with low levels of capital required to operate, which allows the business to generate strong cash flows.
- Good liquidity and a net cash position allow us to invest in organic and acquisitive growth to drive our strategy.

Nexteq at a glance

Our revenue by geography



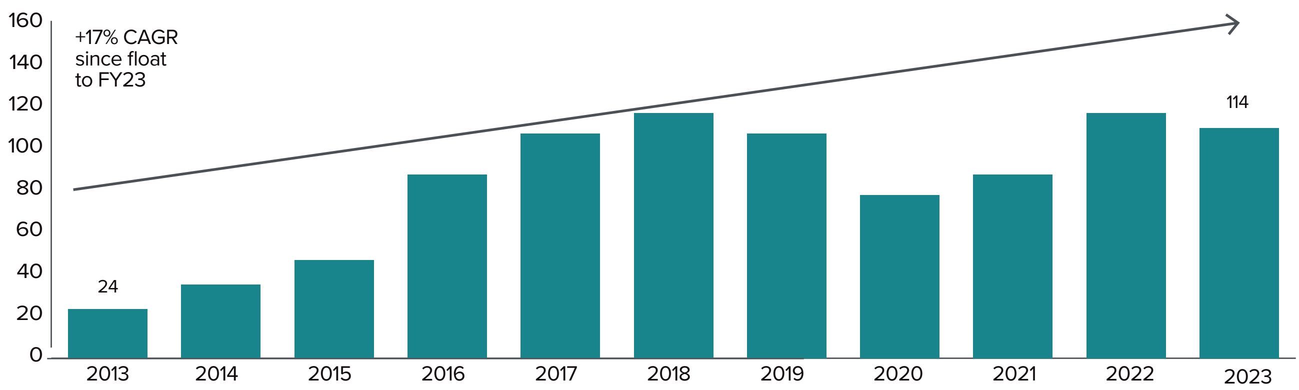
Our revenue by sector



Global locations

Our 219 employees are located across offices in six countries.

Track record of growth



Nexteq trades under two brands, Quixant and Densitron

QUIXANT

Quixant is focused on the casino gaming and slot machine markets, designing, developing and manufacturing gaming platforms and display solutions for this thriving sector.

Through Quixant, major gaming video slot manufacturers can outsource those aspects of their machines that offer limited commercial differentiation, including the computer platform and low-level software. Recently, Quixant has also launched a range of turnkey cabinets that enable customers to exclusively focus their research and development resources on game design, which is critical to enhancing the player experience – and in turn, our customers' commercial success.

DENSITRON

Densitron services the broad industrial marketplace as a specialist in Human Machine Interaction. It brings innovative displays, control surfaces, and control systems to a wide range of global industrial markets.

Through Densitron, we aim to execute our business strategy of diversifying into new sectors and migrating up the value chain within those sectors. The broadcast sector has been identified as a particular market of focus, and Densitron technology is already revolutionising the control of devices in this sector bringing the advantages of touchscreens while overcoming the challenges encountered in using them.

Francis Small I Chair

Chair’s statement

Group results overview

I am pleased to report on a year of meaningful progress as the Group continues its evolution as a high-value technology partner across multiple selected industrial markets. While navigating a challenging and evolving economic environment, we stayed the course, executing our growth strategy. As a result, the Group delivered a resilient revenue performance against a record prior year, significant improvement to profitability, and encouraging operational and strategic progress. I would like to thank all colleagues for their ongoing commitment, perseverance and adaptability during the year.

Higher interest rates and inflation led to weakened demand for many of our customers’ end products, leading to lower order intake and customers pushing shipments out into 2024. Despite these headwinds, the Group delivered a resilient sales performance with Group revenues down 5%, Densitron revenues broadly in line with 2022 and Quixant revenues down 6%.

Significant progress was made in the operational performance of the business, particularly in managing supply chains and driving the shift towards higher value products. This allowed for materially improved profitability, with adjusted profit before tax up 45% to $14.7m (2022: $10.2m) and statutory profit before tax up 47% to $12.9m (2022: $8.8m).

The Group’s capital-light model generates strong cash flows, which management looks to reinvest into accelerating the strategy and delivering further value for Shareholders. The year saw an easing in the acute component shortages experienced in the prior two years and restoration of a better supply and demand equilibrium. This allowed for the unwind of stock balances and improved cash generation, with $19.8m cash generated from operating activities.

I am pleased to report that we commenced our first mass production run in Malaysia in the fourth quarter of 2023, complementing our Taiwanese manufacturing capability and in line with our strategic decision to diversify our manufacturing exposure. This was an incredible effort by our manufacturing operations team to ramp up from initiation through yield testing to production in nine months. We plan to increase our manufacturing output in 2024, with finished goods manufacturing dual sourced between Taiwan and Malaysia.

Nexteq rebrand supports Group diversification

A significant milestone in the Group’s growth journey was marked during the year with the rebrand to Nexteq. This reflects the evolution of the business from a niche, specialist hardware provider servicing a single end market, to a technology solutions partner with broad industrial exposure in multiple carefully selected vertical markets with strong growth prospects.

“Significant progress was made in the operational performance of the business.”

Francis Small I Chair

Progression of sustainability agenda

The Board has a commitment to long-term, sustainable value creation. During the past year, we've worked on broadening our sustainable business strategy, implementing measurable goals and targets, and aligning to the UN Sustainable Development Goals (SDGs). We have focused on around five of the UNSDGs, which we believe are most appropriate and practical for the Group to support in its sustainability activities.

As part of our support of the Climate Action UN SDG, we have also committed to achieving Net Zero emissions by 2050 and the Company was Carbon Neutral in 2023.

Clear strategic vision

The Board completed its annual strategy review in July 2023, which confirmed that the medium-term plan remains appropriate and robust. The Group's strategy is focused on sustainable long-term growth, through both organic and acquisitive means. We believe that organic growth can be achieved by:

- **New markets:** Identification and analysis of market sectors, focusing on those that do not currently benefit from dominant deep specialist solution outsource providers and are undergoing a technology evolution.
- **Customer acquisition:** Building new customer partnerships in its chosen target market segments, further diversifying the Group's revenue base.
- **Product innovation:** Focused R&D to move up the value chain, including within the software stack.
- **Land-and-expand:** Increase share of customer wallet by providing additional outsource solutions to become a fully integrated technology partner.

Alongside organic growth, selected acquisitions are a key factor in the Group's strategy; to complement and accelerate its strategy. The Board is investigating opportunities in selected other industrial PC markets, which leverage our experience and capabilities already deployed in the gaming sector.

Capital allocation prioritising capital growth

The Group's cash generative business model and strong balance sheet with good liquidity allow it to invest in the business to drive organic growth and take advantage of acquisition opportunities. With net cash of $27.9m and negligible debt, we are well positioned to take advantage of opportunities. Priorities for capital allocation are:

- Maintain a strong balance sheet with good liquidity.
- Investment in acquisitions to progress the Group's ongoing growth and diversification agenda.
- Maintain a progressive dividend payment, growing in line with earnings growth.
- Any excess cash not required for investment in the medium-term growth of the business will be available for distribution to Shareholders, including by means of a limited share buyback programme.

The Board considers it appropriate to recommend a moderate increase in the full year dividend to 3.3p per share (2022: 3.0p per share).

Francis Small
Chair

Jon Jayal I Chief Executive Officer

Chief Executive's report

Key messages

- Profitability enhancements driven by successful execution of strategic focus on higher value products.
- Normalisation of order book with easing supply chain lead times.
- New business development gathered pace in 2023 as Gaming manufacturers reignited product development with new business wins supporting organic growth in 2024.
- Excellent cash generation in 2023 leading to record net cash position.
- Range of organic growth and acquisition opportunities to significantly enhance the Group's financial scale in the medium term.

Year in summary

The Group continued to make good strategic progress in the year despite some challenging macroeconomic conditions. Following the buoyant post pandemic industrial market demand in 2021/2022, coupled with unprecedented supply shortages, we entered 2023 with significant order backlog and revenue visibility. The normalisation of order intake first reported in September 2023 with the 2023 interim results, continued in the second half of the year. This is a result of customers reducing inventory levels because of easing of supply chain pressures, together with wider economic uncertainty. The Group enters 2024 with good visibility of demand with the order book representing a more typical five months' revenue cover, compared to seven months' revenue cover at the start of 2023.

It is particularly pleasing in this environment to be reporting 45% growth in Group adjusted profit before tax to $14.7m (2022: $10.2m), with a corresponding 47% growth in Group statutory profit before tax to $12.9m (2022: $8.8m). As noted above, Group revenues in the year were down 5% to $114.3m (2022: $119.9m) against a record prior year. Initiatives taken to improve the quality of revenue through focusing on higher value products and a stable operating expense base delivered an adjusted Group profit before tax margin of 12.9% (2022: 8.5%). It is a key objective for the business to deliver mid-teen adjusted profit before tax margins in the medium term and it is pleasing to report the positive progress towards this objective in the last year. In conjunction with the easing in supply chains, we started to unwind our working capital tied up in inventory supporting 142% adjusted operating cash conversion to leave us with a record Year end net cash balance of $27.9m.

> "Profitability enhancements driven by successful execution of strategic focus on higher value products."

Jon Jayal I Chief Executive Officer

Growth strategy – the outsource partner of choice in selected markets

Nexteq is founded on the principle that selected industrial markets are inadequately supported by more generalist computer and human machine interface technology companies. As a result, original equipment manufacturers in these markets are required to develop aspects of their products that are non-core or non-differentiating to meet the specific and bespoke needs of the market. This makes their businesses less efficient and reduces focus on their core competencies.

The Board believes that by building domain knowledge in these markets, focusing research and development to innovate and supply optimised solutions that cater for technical and operational characteristics required and deploying global expert sales teams into each of them, we can become the preferred outsource provider. This enables our customers to outmanoeuvre their competition and grow market share.

Our global team encompasses a powerful combination of computer hardware, software, display and mechanical engineering expertise that, together with a diversified Asian manufacturing base, enables us to engineer and supply well-matched solutions to meet market needs.

The business was founded in 2005, operating in the casino gaming sector by designing and supplying optimised computer platforms to electronic gaming machine manufacturers. Our customers' machines installed in casinos and other gaming venues globally, combine optimised hardware and software elements to address the specialist needs of this highly regulated market. By outsourcing their computer platform to Quixant, manufacturers can focus their R&D on the game design, which has the greatest impact on their commercial success. They are also able to bring new products to market quicker.

Our strategy has been to leverage engineering capability and business philosophy across a diversifying customer base, product offering and vertical markets. We acquired Densitron, a supplier of display and human machine interface components to a wide range of industrial markets. Through Densitron we have identified the broadcast market as a second focus sector in which equipment manufacturers are seeking to replace outdated mechanical control with graphical touch technology. To support this agenda, we have developed unique solutions that modernise human machine interaction (HMI) and control of broadcast equipment. We delivered our fourth consecutive year of double-digit revenue growth in the broadcast sector with \$8.4m recognised in the year (2022: \$7.5m).

The Group's growth strategy is defined as follows:

- Identification and analysis of market sectors that do not currently benefit from dominant deep specialist solution outsource providers and are undergoing a technology evolution.
- Building new customer partnerships in its chosen target market segments, further diversifying the Group's revenue base.
- Focused R&D to move up the value chain, including within the software stack.
- Increase share of customer wallet by providing additional outsource solutions to become a fully integrated technology partner.
- Undertake acquisitions to complement and accelerate its organic growth and diversification strategy.

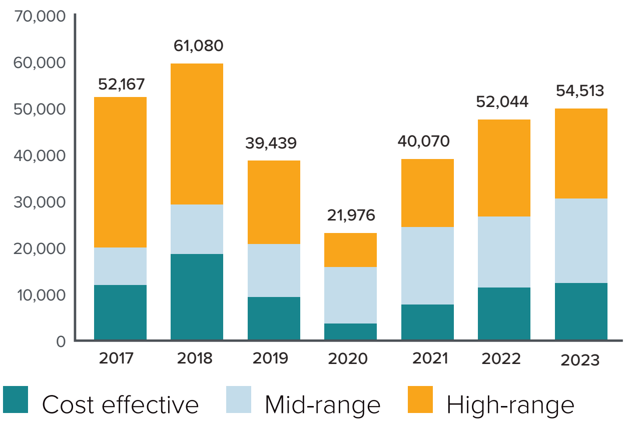
Business Review: Quixant

Quixant is Nexteq's brand that supplies outsourced solutions to the casino gaming and slot machine market, representing 61% of the Group total revenue.

Growth in computer platform volumes tempered by reduced monitor sales

Continuing a strong performance in 2022, we grew computer platform volumes by 5% to 54.5k in 2023 with particularly healthy demand for the cost-effective IQ and mid-range IQON products. While the margins achieved are consistent across all our products, the average selling price of IQ and IQON products are lower, which led to platform revenues in line with 2022. Against this growth in computer platform sales, we saw a decline in monitor sales partly driven by cessation of sales to the Aruze Group following their US entity filing for Chapter 11 bankruptcy in February 2023. Overall gaming sector revenues were down 6% year on year to $69.2m (2022: $74.1m) albeit with product mix driving higher gross margins. Gaming monitors typically carry a lower gross margin than computer platforms because they carry less bespoke intellectual property.

Gaming Platform sales (quantity) by product family



Refreshed product range

2021 and 2022 saw extraordinary disruption in electronic supply chains with high volatility in pricing, extended supply lead times and unexpected component end-of-life notices. Maintaining supply through this period was a major challenge for the business and engineering teams across the Group were heavily occupied with re-designing existing product and validating new components to replace those that were unavailable.

Component markets in 2023 were substantially more stable than previous years, and greater confidence returned in supply availability and reliability. While there remain some challenges and we cannot be complacent, we were able to resume focus on new product development. In 2022, we started the process of migrating our newest products from AMD to Intel processor technology. Graphic processing capability is critical for the high-resolution video slots that the computer platforms power and traditionally AMD offered better performance-embedded graphics than Intel. In recent years Intel has significantly improved its graphics processing performance, likely partly driven by their recognition of the importance of GPU Compute in artificial intelligence. This has benefited their embedded processor parts and enabled them to offer significantly more compelling processors with longer supply lifetimes.

With the roll out of IQ-2 and IQON-2 in 2024 to join the already launched QMAX-3, all our latest products now harness Intel processors.

Combined with Quixant's Software Hub, a value-add library of support software libraries, tools and drivers, the new hardware product launches give us a complete portfolio at all price points, which we can market with confidence in long-term availability and price competitiveness for the first time since the pandemic.

New business development gathered pace in 2023 as manufacturer reignited new product development rather than focusing on maintaining supply of existing product. With our refreshed product suite, we are well positioned to drive the conversion of new business.

Growth in new markets augmenting flat demand from established jurisdictions

The US Gaming market continued to see strong player spend with the American Gaming Association reporting US slot machine gross gaming revenues growing by 3.3% year on year to $32.4bn[1]. The tribal gaming market, which covers casinos that are located on reservation land, represents the other major source of US gaming.

1 Source: American Gaming Association Commercial Revenue Tracker Q4 2024 Report

The National Indian Gaming Commission reported gross gaming revenues in 2022 of $40.9bn[2], 4.9% growth year on year.

The market replacement cycle, however, has seen stagnant growth in the year and the major manufacturers have been trading places in market share with Aristocrat and Light & Wonder leading the pack. This competitive environment has led some of the majors to enter atypical US markets for them such as Historical Horse Racing and the Route Markets seeking growth. This presents a risk for some of our larger customers as they have historically been strong in these segments. It also, however, presents an opportunity for us because it is increasing the emphasis on content creation to be competitive, which plays into our outsource proposition.

Our two largest customers, Everi Holdings (Everi) and Ainsworth Game Technology (AGT) made important new product launches at the Global Gaming Expo (G2E) 2023, held in Las Vegas in October 2023. Both launched several new cabinets, which has put them in a competitive position, and introduced new ‘hold and spin’ games at the show – a type of bonus game that is dominating player appetite at the moment.

While European market revenues recovered from pandemic lows in 2020, the replacement cycle has continued to lag pre-pandemic levels and sentiment generally remains weak. Exceptions to this are Bulgaria and Romania where we have seen elevated activity, with the latter supported by legislative changes.

Latin America represents a significant growth opportunity as markets regulate and evolve. We continue to follow developments in Brazil closely where, in December 2023, the government enacted a law regulating ‘fixed-odds betting’. The law allows companies to run fixed-odds betting operations in relation to sports events and online games. This has resulted in many companies competing for licences to manage lottery and sports betting locations. Significant challenges remain around import logistics of any gaming product in the country and whether legislation to approve gaming will ever be passed remains to be seen but there are tailwinds in what would be a substantial market. Despite the optimism around Brazil, we are aware of the political uncertainty that exists in many LATAM countries and therefore are cautious about relying on new market growth in the region.

Across all jurisdictions ‘omnichannel gaming’ is increasing in popularity and importance. Players expect a seamless experience between bricks-and-mortar venues and virtual online gaming. This is driving major investment from traditional land-based manufacturers into online, but also a tide of online game developers looking to bring out land-based machines with their content. The latter is exciting for us because our turnkey product offerings allow them to realise their ambitions without designing or manufacturing hardware.

2 Source: National Indian Gaming Commission FY22 Gross Gaming Revenue Report

Business Review: Densitron

Densitron is Nexteq's brand that supplies industrial display components and bespoke human machine interface (HMI) solutions to selected industrial markets outside gaming, representing 39% of the Group total revenue.

Significant margin enhancement in 2023 after a record 2022

In 2022, we delivered record revenues in Densitron since its acquisition in 2015. Despite challenging macro conditions in many industrial markets driving weaker than anticipated demand, overall, Densitron delivered another strong revenue performance of $45.1m, broadly in line with prior year (2022: $45.8m).

Initiatives introduced over the last few years to improve profitability yielded results in 2023 as Densitron delivered several percentage points improvements in gross margin. Combined with revenues remaining at historical highs, this meant Densitron delivered a materially increased adjusted profit before tax contribution in the year.

Double digit broadcast sector growth

Broadcast sector revenues were up 12% to $8.4m (2022: $7.5m), the fourth consecutive year in which we have achieved double-digit growth. This is despite the broadcast market seeing similar macro headwinds to many other industrial markets. Importantly, the higher value product propositions supplied to the broadcast sector are at higher gross margins than other Densitron sectors, which is partly responsible for the better margin performance in 2023.

Broadcast is a strategic market for the Group in which we seek to modernise the control of technology that typically resides in Production Control Rooms (PCRs). We believe that there are around 220,000 PCRs worldwide, which results in an equipment spend every year of $880m, of which we believe our realistic total addressable market is $220m. These PCRs are found in broadcast corporation studios, corporate broadcast theatres, outside broadcast trucks and houses of worship and are the venues in which the broadcast operations are directed, and composition of the outgoing programme takes place.

Densitron has three offerings for the broadcast sector:

1. **Finished Products** – These products incorporate the best of our display, touch and computing technology to provide plug and play solutions to broadcast HMI and control problems. These are supplied not only to broadcast equipment manufacturers but also to the end broadcast corporations such as the BBC.
2. **HMI Modular Solutions** – We can supply any element of our HMI technology as a sub-assembly to broadcast manufacturers for incorporation into their equipment. This gives them access to newer interface technology, helps them get to market faster and reduces their engineering workload.
3. **Original Design Manufacturer Plus (ODM+) Services** – Broadcast manufacturers can outsource their entire product design and development to Densitron and in developing this product Densitron will incorporate our patented technologies where appropriate. This allows the broadcast manufacturers to either reduce costs or invest in engineering, manufacturing and supply chain capacity in other projects.

As our product portfolio matures and gains greater traction across the industry, we are increasingly seeing customers adopting more standardised variants. This is expected behaviour and supports the R&D effort expended in developing the product portfolio.

During the year we expanded the range of our ‘Tactila’ tactile objects and commenced work on smaller rotaries, which, while technically difficult to accomplish, expands the application into more broadcast equipment and applications. This helped drive new business activity in the second half of 2023. Our patented button technology will be adopted by Ross Video. These buttons are overlaid onto a display to enable the user to enjoy the benefits of a touchscreen but with the tactility of a mechanical button. We also secured an order for our Tactila rotaries to be applied to a market-leading piece of broadcast hardware by Wohler.

Display component book delivering record margins

While 2023 saw a slight downturn in revenue amid wider weakness in the industrial equipment demand, margin gains more than offset this from a profit perspective. We believe this new margin level can be sustained going forward with the value proposition we now offer customers.

We are recognised as a trusted supplier to a loyal customer base and have worked successfully during the year to secure new business wins to support future revenue growth. The second largest sector in the Nexteq Group by revenue is the medical market and we have a longstanding book of customers who require high service levels, need to work with trusted supply partners and tend to buy the same display for up to a decade so present a very attractive customer base for the display component business to grow from within. Having exhibited at the Medica trade show in 2023 we are exploring growth opportunities in this market.

Expanded manufacturing footprint for efficiency and resilience

All our electronics product manufacturing takes place in Asia with most components sourced from China and Taiwan. Our finished goods are all assembled in Taiwan. Initiatives introduced over the last few years to improve profitability yielded results in 2023 as Densitron delivered several percentage points' improvement in gross margin during the year.

Considering continuing geopolitical tensions in the region, we made the decision at the end of 2022 to explore manufacturing options elsewhere and I am pleased to report that we commenced the first mass production run of the IQON 2 gaming product in Malaysia in Q4 2023. This was an incredible effort by our manufacturing operations team to ramp up from initiation through yield testing to production in nine months. Going forward, finished goods manufacturing will be dual sourced between Taiwan and Malaysia for Quixant and Densitron finished goods.

We also signed a manufacturing partnership with ELAS, a respected Bosnia-based gaming cabinet manufacturer. They will enable us to efficiently supply our Quantum cabinet products to the European market alongside our other manufacturing partners who are focused on North America.

Current trading and outlook

In the first months of 2024 we have seen a continuation of the slower order intake across our end markets as customers continue to focus on managing working capital tied up in inventory. We expect these conditions to persist in the near term but improve into the second half of the year. The Group enjoys a healthy order backlog providing good revenue visibility and remains confident in meeting market expectations for 2024 revenues, with the typical second half weighting. The Board continues to have confidence in the Group's organic growth opportunities in the medium term.

Driving further operational efficiency and profitability remain key priorities for the Group, and we expect to make further improvements in the current year. With the normalisation of supply chains, we expect cash conversion to remain at high levels, further improving our net cash position. The strength of our balance sheet and accumulated cash balance also positions us well to undertake acquisitions to deliver further earnings growth.

Jon Jayal
CEO

Johan Olivier | Chief Financial Officer

Financial review

The Nexteq Group delivered improved profitability and cash generation

Statutory results

Group revenue was $114.3m, 5% lower than the $119.9m delivered in 2022. Gross profit was $41.5m (2022: $38.6m), an increase of 8% over the prior year, with gross margins at 36.3% (2022: 32.2%). Operating expenses were $29.1m (2022: $29.6m), resulting in operating profit of $12.4m (2022: $8.9m). Net finance income was $0.5m (2022: Net finance cost of $0.1m), resulting in profit before tax of $12.9m (2022: $8.8m) and an income tax expense of $2.0m (2022: tax credit of $2.2m), equivalent to an effective tax rate of 15.6% (2022: -24.8%). Basic earnings per share (EPS) were 16.39cents (2022: 16.53cents), a decrease of 1%. Diluted EPS were 16.02cents (2022: 16.16cents), a decrease of 1%.

Revenue

Quixant revenues were $69.2m, a decrease of 6% on the prior year (2022: $74.1m). Unit sales increased to 54,513 platforms delivered in the year, up 5% on the prior year (2022: 52,044). Demand for our cost effective and mid-range products were particularly high in 2023, resulting in a slightly lower average selling price resulting in platform revenues in line with the prior year. The decrease in overall Quixant revenues was largely due to product mix, as the Group delivered fewer monitors than in 2022.

Densitron delivered another strong revenue performance with $45.1m, broadly in line with the prior year (2022: $45.8m). The strong demand for Densitron products seen in 2022 continued through 2023, across all its subsectors. The broadcast sector in particular had another strong year with revenues of $8.4m, up 12% on the $7.5m delivered in 2022.

Gross profit and gross profit margin

The Group generated gross profit during the year of $41.5m (2022: $38.6m) representing a gross margin of 36.3% (2022: 32.2%). Gross margins continued their recovery from the lower levels seen in 2021 and 2022, which was a result of component price inflation from global supply chain shortages and higher freight charges.

Adjusted operating expenses

Adjusted operating expenses decreased by 4% to $27.3m (2022: $28.3m). See Note 1 to the financial statements for a reconciliation of adjusted operating expenses to operating expenses. For the first year since the outbreak

> "Cash conversion of 142%, returning to historic levels as the Group reduced working capital."

Johan Olivier | Chief Financial Officer

of COVID-19 in 2020, operations were not impacted by pandemic-related restrictions. This resulted in travel and marketing spend returning to normal levels, increasing $0.6m to $2.6m (2022: $2.0m). In addition to this, the Group has also invested in headcount, with average employees increasing from 228 in 2022 to 238 in 2023 as the Group grew its engineering, supply chain and sales teams to support the growing demand across both Quixant and Densitron. This resulted in payroll costs increasing by $1.5m to $21.7m (2022: $20.2m).

During the year, Group expenditure on research and development reduced to $4.6m (2022: $4.8m). These costs relate to investment activities principally undertaken in Taiwan, Italy, the UK and Slovenia. Of these costs, $1.8m were capitalised (2022: $1.8m) as the Group continues to focus on developing new products, with amortisation for the year on total capitalised development costs of $1.4m (2022: $1.1m). During the year the Group abandoned in-progress development projects with a carrying value of $1.0m (2022: $0.5m). This was following internal review where it was determined that the projects no longer met the criteria to capitalise product development cost as set out in IAS38.

Offsetting these increases were lower impairment of trade receivables, with no impairment loss recorded in the current year compared to $0.9m in 2022 when the Group recognised an impairment loss related to Aruze. The Group also recognised exchange rate gains of $0.6m, compared to an exchange rate loss of $1.6m in 2022. The Group benefited from less volatile foreign exchange markets, particularly the US Dollar exchange rate to Pound Sterling and the Taiwan Dollar. In addition, management took measures to have natural hedges in place to limit the impact of foreign exchange fluctuations.

Adjusted operating expenses also benefited from a $0.4m R&D tax credit. The Group has received R&D tax credits for many years due to its product development efforts as part of the SME R&D tax credit scheme, which is recognised as a credit in tax expense. In 2023 the Group qualified for the large company Research and Development Expenditure Credit (RDEC) regime due to the size of the Company's balance sheet. Under the RDEC scheme the tax credits should be recognised within operating expenses. Apart from the change in accounting treatment of the tax credits there are no changes in the timing or amount of tax credits the Group expects to receive.

Valuation of Aruze-related assets

As disclosed in the 2022 Annual Report, the Group, through its Quixant brand, had active contracts in place with Aruze Philippines Manufacturing Inc. ('APMI'), for the supply of display products and gaming boards. On 1 February 2023 Aruze Gaming America, Inc ('AGA'), a US-based affiliate of APMI, filed a voluntary petition under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the State of Nevada. As at the date of this Annual Report, the Chapter 11 proceedings are still ongoing. AGA's operations and assets have been sold as part of the proceedings and AGA also closed its Las Vegas operations. APMI filed for voluntary liquidation on 22 August 2023 and a liquidation order was issued by the Philippine courts. As at the date of this Annual Report the liquidation proceedings were still ongoing.

There remains uncertainty over the recoverability of balances related to APMI, and Nexteq management evaluated their carrying value as at the balance sheet date.

As at 31 December 2023, APMI owed $1.0m to the Group from the sale of goods (2022: $0.7m). The amounts were impaired in full as at 31 December 2022 and due to the uncertainty referenced above remain fully impaired at 31 December 2023. The Group continues to take steps to recover these balances.

Inventory, consisting of raw materials with a book value of $1.7m (2022: $2.2m) and finished goods with a book value of $0.6m (2022: $1.1m) originally earmarked for use by APMI, was included in the Nexteq Group's balance sheet as at 31 December 2023. The raw materials can be used to manufacture products sold to the Group's existing or new customers, and the finished goods can be used in the Group's turnkey cabinet offering. Management expects to fully recover the net book value of $2.3m and considers that no provision against it was required as at 31 December 2023.

The Group balance sheet also previously included capitalised development costs with a book value of $0.4m related to the development of products for APMI's future use. Management assessed the commercial opportunities for these products and determined that it was not probable that these would generate future economic benefits for other customers. As a result, development of these products was ceased. An impairment charge of the full book value of $0.4m was recorded within operating expenses.

Net finance income/(expense)

The Group recognised net finance income of $0.5m (2022: net finance expense of $0.1m). Finance income increased to $0.6m (2022: $0.0m) as the Group took advantage of higher interest rates coupled with the higher cash balances the Group had during the year. Finance expense of $0.1m (2022: $0.1m) principally related to leases.

Adjusted profit before tax

Adjusted profit before tax increased by 45% to $14.7m (2022: $10.2m). The adjustments to statutory profit before tax of $1.9m (2022: $1.4m) consisted of:

- Share-based payments charge of $1.0m (2022: $0.6m). During the year the Group granted further Long-Term Incentive Plan (LTIP) shares to employees. The LTIP awards vest in three years providing continuous employment during the period, and attainment of performance conditions relating to earnings per share (EPS), as outlined on page 112 of the Annual Report.
- Amortisation of acquired intangibles charge of $0.6m (2022: $0.8m). This charge relates to intangible assets recognised in the acquisition of Densitron and IDS.
- Restructuring charges of $0.3m (2022: nil). The restructuring charges relate to a restructuring programme completed in December 2023 to improve the efficiency of the Group's operations. We took the difficult but necessary decision to reduce our workforce by 10%, reducing the Group's annual staff costs by $1.2m. The effect of this reduction will only be fully reflected in 2024 due to the timing of when the programme was completed.

Taxation

The Group recognised a corporation tax charge of $2.0m in the year, compared to a credit of $2.2m in 2022. The tax charge consists of a current tax charge of $2.3m (2022: $0.5m) and $0.3m credit relating to the movement in deferred tax assets and liabilities in the current year (2022: credit of $2.7m). The 2022 tax credit included a $1.8m credit in relation to the recognition of a deferred tax asset for tax losses that were considered recognisable due to the Group having enhanced visibility over their availability and utilisation.

The effective tax rate on statutory profit before tax increased to 15.6% (2022: -24.8%). The Group had higher than previously expected tax relief from the research and development efforts and a greater mix of patented product sales increasing patent box claims in the UK. Going forward, we expect the effective tax rate to be approximately 16%–19%, depending on the regional mix of profits and product mix sold.

Earnings per share

Basic EPS decreased by 1% to 16.39c per share (2022: 16.53c per share). Adjusted diluted earnings per share increased by 2% to 18.09c per share (2022: 17.79c per share).

Balance sheet

Non-current assets decreased to $24.3m as at 31 December 2023 (31 December 2022: $26.2m) mainly due to amortisation and impairment of intangible assets. Included in non-current assets are goodwill of $7.7m (31 December 2022: $7.7m) and acquisition-related intangible assets of $0.5m (2022: $1.0m) allocated to cash generating units (CGUs). The annual impairment review indicated that no impairment of goodwill is necessary at 31 December 2023 or 31 December 2022. The impairment reviews did indicate that the estimated recoverable amounts of the Densitron US and Densitron Europe CGUs are sensitive to a reasonably possible change in key assumptions. The change in key assumptions could cause the carrying amount of the CGUs to exceed the recoverable amount, which would lead to an impairment. Refer to Note 11 to the financial statements for further disclosure of the annual impairment review.

Current assets increased to $78.6m at 31 December 2023 (31 December 2022: $69.7m) mainly due to a significant increase in cash and cash equivalents from $13.5m at the start of the year to $28.4m at 31 December 2023. This was offset by a decrease in inventory to $24.3m (31 December 2022: $32.2m), as the Group consumed the strategic stock purchased during 2021 and 2022.

Cash flow

The Group generated $19.8m cash from operating activities in the year (2022: $0.8m). Adjusted operating cash flow, which excludes tax payments, was $21.0m (2022: $2.5m) which represented 142% of adjusted profit before tax (2022: 25%). This was ahead of the Group's 2023 cash conversion KPI target due to reduced working capital, as the Group consumed strategic stock balances.

The Group capitalised $1.8m of development costs (2022: $1.8m), which reflects the continued development of new products as the Group expands its product portfolio.

The Group finished 2023 with net cash of $27.9m (2022: $12.9m), comprising cash and cash equivalents of $28.4m (2022: $13.5m) and gross debt of $0.5m (2022: $0.6m). The debt relates to a mortgage over the Group's offices in Taiwan.

Dividend

The Board proposes a dividend for the year ended 31 December 2023 of 3.3p per share (2022: 3.0p per share). This dividend will be payable on 23 August 2024 to all Shareholders on the register on 26 July 2024. The corresponding ex-dividend date is 25 July 2024.

Foreign exchange

The Group reports its results in US Dollars as this is the principal currency in which it trades with customers, with approximately 91% (2022: 91%) of our revenues denominated in US Dollars.

The Group's reported results are impacted by US Dollar movements against currencies in the territories in which it operates, principally Pounds Sterling, Euros and Taiwan Dollars. The following are the average and closing rates for the current and prior year:

	Average rate	
Income statement	2023	2022
USD/GBP	1.24	1.24
USD/Euro	1.08	1.05
USD/TWD	0.032	0.034

	Closing rate	
Balance sheet	2023	2022
USD/GBP	1.27	1.20
USD/Euro	1.11	1.07
USD/TWD	0.033	0.033

As most of the Group's revenues are denominated in US Dollars, the impact of foreign exchange movements on reported revenues was minimal in 2023 and 2022. The impact on foreign exchange movement on profit before tax is mostly due to operating expenses incurred in Pound Sterling and Taiwan Dollars.

The average US Dollar exchange rate against currencies in the territories in which the Group operates for 2023 were very similar to 2022 levels, resulting in a negligible impact on adjusted operating expenses, when compared to 2022 average rates. The Group recognised translational foreign exchange rate gains of $0.6m in 2023, compared with losses of $1.6m in the prior year, a positive $2.2m impact year over year. Combining the impact of these foreign exchange elements resulted in a net positive foreign exchange rate impact of $2.2m on adjusted profit before tax for 2023 when compared to 2022.

Alternative performance measures (APMs)

Throughout this Annual Report, alternative performance measures (APMs) are used to describe the Group's performance. These are not recognised under UK-adopted international accounting standards or other generally accepted accounting principles (GAAP). When reviewing Nexteq's performance, the Board and management team focus on adjusted results in addition to statutory results.

APMs are non-GAAP measures and provide supplementary information to assist with the understanding of the Group's financial results and with evaluation of operating performance for the periods presented in the Annual Report. APMs, however, are not a measure of financial performance under IFRS and should not be considered a substitute for measures determined in accordance with IFRS. APMs have been provided for the following reasons:

1. To present users of the Annual Report with a clear view of what we consider to be the results of our underlying operations, enabling consistent comparisons over time and making it easier for users of the report to identify trends.
2. To provide additional information to users of the Annual Report about our financial performance or financial position.
3. To show the performance measures that are linked to remuneration for the Executive Directors.
4. The following APMs appear in this Annual Report.

	Reason for use	Reconciliation
Adjusted profit before tax	1,3	Note 1
Adjusted profit after tax	1,2	Note 1
Adjusted operating expenses	1,2	Note 1
Adjusted operating cash flow	1,2	Note 1
Adjusted diluted EPS	1,2	Note 9

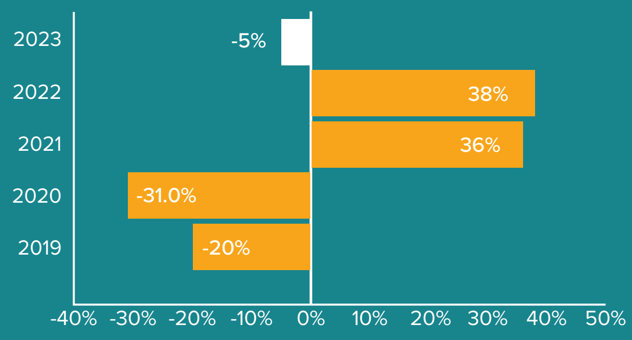
Johan Olivier
Chief Financial Officer

Key performance indicators

The Board uses the key performance indicators (KPIs) to measure the performance of the business. KPIs were updated in 2022 to more closely align with the Group's strategy.

Revenue growth (%)

Performance



Purpose

Measures the Group's ability to continue to grow our business.

Definition

Group revenue in current year divided by Group revenue in the prior year.

Target

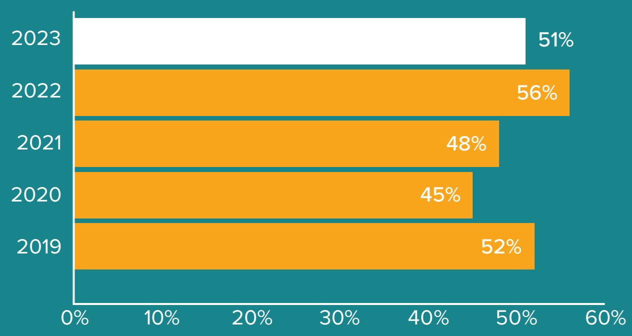
We target double digit growth over the medium term.

Performance in 2023

Revenue growth was impacted by macro-economic headwinds as higher inflation and interest rates dampened global demand. This resulted in many of our customers pushing out demand into 2024.

Revenue from top ten customers (%)

Performance



Purpose

Demonstrates the Group's ability to diversify our revenue streams, which forms part of the Group's strategy.

Definition

Revenue from ten largest customers as a % of total Group revenue.

Target

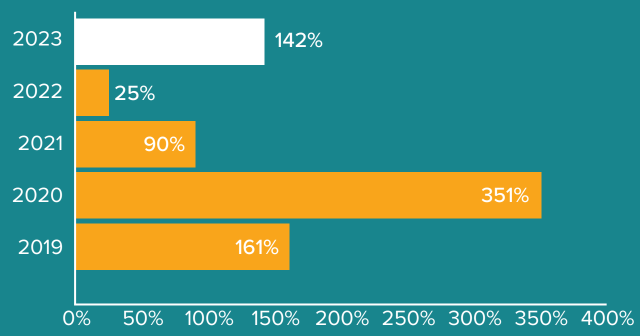
We expect % of revenue from our top ten customers to reduce as we pursue our strategy of revenue diversification.

Performance in 2023

Revenue from top ten customers decreased to 51% in 2023 (2022: 56%) as the Group broadened its customer base across both Quixant and Densitron brands.

Adjusted operating cash conversion (%)

Performance



Purpose

Demonstrates the Group's ability to effectively manage its working capital.

Definition

Operating cash flow, adding back tax payments. divided by adjusted profit before tax.

Target

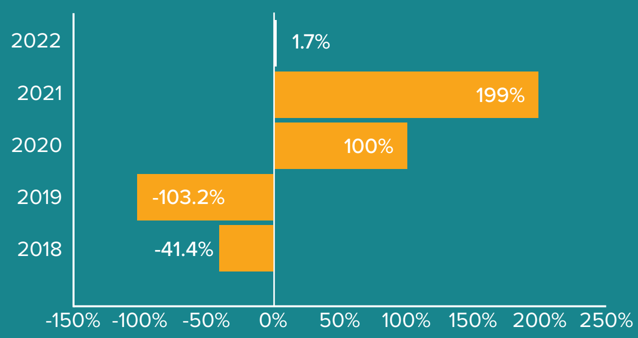
We target adjusted operating cash conversion approaching 100%.

Performance in 2023

The Group achieved cash conversion of 142% as consumption of stock levels improved unwound, delivering working capital improvements.

Adjusted diluted earnings per share growth (%)

Performance



Purpose

Measures the Group's ability to deliver profitable growth to Shareholders.

Definition

Adjusted profit after tax, divided by the weighted average number of shares in issue in the year.

Target

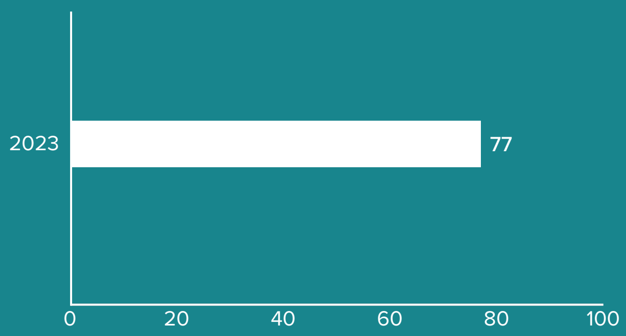
We target double digit EPS growth each year.

Performance in 2023

Profit before tax grew by 47% year-over-year, but this was partially offset by the 2022 tax credit. This credit was a one-off item related to the recognition of deferred tax assets on unrecognised losses.

Employee survey score

Performance



Purpose

Measures employees' perception about working for the Group and the changes that they'd like to see.

Definition

Employee score as expressed by the employee survey provider.

Target

We target to improve this score and be at least above the benchmark for similar-sized international companies.

Performance in 2023

We undertook an annual employee engagement survey provided by Great Place to Work for the first time in 2023, to identify areas our people tell us can improve employee experience.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Risk management and principal risks

Risk management process

The Board is ultimately responsible for the Group's risk management framework. It has established a formal risk management process, under which it identifies, evaluates and monitors the principal risks facing the Group and the effectiveness of the controls and procedures in place to mitigate against them. This includes:

- The Board's approval of a detailed corporate risk register, which identifies the principal risks and is prepared and kept under review by the Audit and Risk Committee.
- An assessment of the Group's risk appetite for categories of risk, as a basis against which to assess whether the principal risks are being mitigated against to an acceptable level.

The Audit and Risk Committee reviews the risk register at least annually. The review includes:

- Any substantial changes to the principal risks, including new or emerging risks.
- Changes in risk impact and risk likelihood.
- Financial impact assessment for each risk.
- Progress with mitigating actions that have been agreed.

Principal risks

Nexteq shares the same generic macro-economic risk profile as would other companies in our geographies and sectors. We take particular care to identify and mitigate internally controllable risks and have plans for externally controlled and originating risks. The table below shows the principal risks and uncertainties that could have a material adverse impact on the Group. This is not an exhaustive list and there may be risks and uncertainties of which the Board is not aware, or that are believed to be immaterial, which could have an adverse effect on the Group. For the 2024 risk review cycle the Group intends to include climate-related risks as the Group continues to expand on its sustainable business strategy.

Risk	Description	Mitigation	Comment	Change in the year
Geopolitical	Threatened conflict or outbreaks of war between countries in which Nexteq or its customer and suppliers operate causes disruption and financial impact to the business. We have globally diverse operations but concentration of manufacturing and product development teams in Taiwan and a large proportion of customer revenue from the USA.	To mitigate the possible disruption from this risk the Group has established a second manufacturing facility in Malaysia, with the first production from the site delivered in the fourth quarter of 2023.	The Group will continue to focus its operations on those countries that provide the best opportunity for growth and avoid those countries that pose significant country risk.	**Risk reduced.** Tensions between Taiwan and China have remained at high levels in 2023. The second manufacturing facility in Malaysia does mitigate the risk to the Group and as a result we have reduced the risk in 2023. Management has considered the recent disruption in the Red Sea and the impact it has on global shipping. To date this has had no significant impact on the Group's results
Key customer dependency	The Group generates a significant portion of its revenue from key gaming customers.	Diversification of Group revenues is a strategic focus of the Board. This is achieved through diversification of the gaming revenue base through new customers and new products such as gaming cabinets; and the growth in the Densitron business.	In 2023, revenue generated by the ten largest customers decreased to 51% of total Group revenues, compared to 56% in 2022.	**Unchanged.**

Risk	Description	Mitigation	Comment	Change in the year
Product quality	Product sold to customers needs to be of a high quality	Continual assessment of quality processes; Board regularly reviews quality control reports. Ensure new product introductions are adequately tested before delivery to customers.	The Group will continue to focus on ensuring products are of the highest quality.	**Unchanged.** The Group commenced mass production of Intel-designed products for the first time in Quixant. Inherent with any new product introduction, this carries additional risk of design quality issues but the Group has successfully introduced many other new products over the years and has a well evolved DQA team to mitigate this.
Component supply and price inflation	The Group relies on a steady supply of components used in the manufacture of its products.	Supply chain constraints eased in 2023, following the severe shortages experienced in 2021 and 2022. The Group continues to closely monitor stock availability with its suppliers and where needed proactively source stocks to act as a safety net.	The Board expects this issue to continue to be relevant in 2024 and is regularly briefed.	**Risk reduced.** Component market shortages and reliance on certain key vendors have eased in the last year and are expected to reduce further in 2024.
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.	**Unchanged.**
	Quixant customers may decide to design their computer platforms in-house or source from another supplier.	The Group works closely with its customers to ensure its product roadmap is robust, technologically advanced and ahead of the competition.	The Group maintains an ongoing dialogue with its customers to maintain the relationships that it has developed and foster new ones.	**Unchanged.**
Key persons	The Board recognises the importance of its key employees and the risk of losing the expertise and knowledge that they possess.	The executive officers are subject to long-term contracts. Key staff have contractual arrangements designed to develop and incentivise. Key roles can be replaced.	Key persons recruited and retained with the business, often through the use of long-term share incentives.	**Unchanged.**
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 that 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.	**Unchanged.**

Risk	Description	Mitigation	Comment	Change in the year
Technological	The Group's business is dependent upon technology that 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 that 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.	**Unchanged.**
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.	**Unchanged.**
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 and multi-factor authentication. Improved protection of confidential data on portable computers. Improved process of system patching to close security loopholes. Use of third-party audits.	No major issues were reported in 2023 but we maintain on-going vigilance.	**Unchanged.**
Business interruption	An event that results in the temporary or permanent loss of a manufacturing facility would be a serious issue. This could include climate-related events such as severe weather or government-imposed restrictions.	The Group now has a second manufacturing facility in Malaysia, meaning it could transfer some production from Taiwan if needed. In addition, insurance coverage for business interruption is in place.	No issues reported in 2023.	**Unchanged.**

Section 172(1) statement

How we engage with our stakeholders

The Board recognises the importance of setting high standards of corporate governance and complying with all legal requirements. Section 172 of the Companies Act 2006 requires a Director of a company to act in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole. In doing this, section 172 requires a Director to have regard, among other matters, to:

- The likely consequences of any decision in the long term.
- The interests of the Company's employees.
- The need to foster the Company's business relationships with suppliers, customers and others.
- The impact of the Company's operations on the community and the environment.
- The desirability of the Company maintaining a reputation for high standards of business conduct.
- The need to act fairly with members of the Company.

The Directors give careful consideration to the factors set out above in discharging their duties under section 172. The stakeholders we consider in this regard are the people who work for us, buy from us, supply to us, own us, regulate us, and live in the societies we serve and the planet we all inhabit. The Board recognises that building strong relationships with our stakeholders will help us to deliver our strategy in line with our long-term values and operate the business in a sustainable way. The Board is committed to effective engagement with all its stakeholders.

For further details of how the Board operates and the way in which it makes decisions, including key activities during 2023 and Board governance, see pages 37 to 44 and the Board committee reports thereafter. The Board regularly receives reports from management on issues concerning customers, the environment, communities, suppliers, employees, regulators, governments and investors, which it considers in its discussions and in its decision-making process under section 172. In addition to this, the Board seeks to understand the interests and views of the Group's stakeholders by engaging with them directly as appropriate. The Board receives updates from senior management on various metrics and feedback tools in relation to employees, including an annual employee survey.

Engagement with employees is two-way to ensure that employees are kept well informed about the business and valuable feedback is received to ensure continuation of being a trusted employer. In December 2023 the Company carried out a Group-wide global restructuring programme across the business that unfortunately resulted in job losses across some of our offices. While the restructuring was felt necessary, it was regretful and, in such circumstances, we believe it is only right to ensure our dedicated employees were all well treated. To this effect, for all those who were impacted by the job losses, the meetings were carried out with empathy and respect. Our severance packages were in excess of legal requirements and this also included support for finding new roles. An aftercare programme was also implemented for those employees who remain within the organisation, since losing a colleague also impacts those who remain.

The Board regularly receives updates on feedback from investors and senior management. In addition, various members of the Board, including the Chair, CEO and CFO meet frequently with institutional investors to discuss and provide updates about – and seek feedback on – the business, strategy, long-term financial performance, Directors' remuneration policy and dividend policy to the extent appropriate. Considering the capital growth aims of Shareholders, the Directors are focused on growing the revenue and product portfolio to ensure that the Group continues to grow, while remaining profitable. This is done by development of new products over the previous years and by acquisitions when appropriate. Products are developed based on an identified market demand.

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

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

Sustainability

Introduction to sustainability

In today's corporate landscape, climate change, sustainability and ESG (Environmental, Social and Governance) aspects are taking centre stage. As we strive to balance profit with purpose, sustainability reporting becomes crucial.

I am delighted to share this report which aims to provide a comprehensive view of our organisation's sustainable practices, impact, and commitment to long-term value creation. For the full sustainability report please visit our corporate website at **www.nexteqplc.com**.

During the past year, we've worked on broadening our sustainable business strategy, implementing measurable goals and targets, aligning to five of the UN Sustainable Development Goals (SDGs).

While good progress has been made to support sustainability initiatives, the Board recognises its responsibility to drive further improvement and focus by identifying our long-term ambitions, our key performance indicators and appropriate targets against which we will measure our progress.

Jon Jayal
Chief Executive Officer

Read more of our sustainability progress in our ESG Report at **www.nexteqplc.com**

Sustainable business goals

The 17 Sustainable Development Goals (SDGs) were adopted by the United Nations in 2015 and are in place to help achieve a better and more sustainable future for all. We have aligned to five SDGs that have been identified as material to our business.

4 QUALITY EDUCATION | 8 DECENT WORK AND ECONOMIC GROWTH | 12 RESPONSIBLE CONSUMPTION AND PRODUCTION | 13 CLIMATE ACTION | 16 PEACE, JUSTICE AND STRONG INSTITUTIONS

Quality education

Goal 4 focusses on the acquisition of foundational and higher-order skills, greater and more equitable access to technical and vocational education and training.

Decent work and economic growth

Goal 8 aims to provide opportunities for full and productive employment and decent work for all while eradicating forced labour, human trafficking, and child labour.

Responsible consumption and production

Goal 12 aims to ensure good use of resources, improving energy efficiency and sustainable infrastructure, providing access to basic services, creating green and decent jobs, and ensuring a better quality of life for all.

Climate action

Goal 13 focusses on the urgent action that is needed not only to combat climate change and its impacts but also to build resilience in responding to climate-related risks and natural disasters.

Peace, justice and strong institutions

Goal 16 envisages peaceful and inclusive societies based on respect for human rights, the rule of law, good governance at all levels, and transparent, effective, and accountable institutions.

Aiming for positive impact to our aligned SDGs allows us to input to these globally recognised initiatives and while we cannot input to all the SDG targets, we have identified key aspects aligned to our business operations which are within our ability to influence positively.

Environmental matters

Nexteq is committed to a programme to assess and reduce its environmental impact more accurately. This aligns to UNSDG 13 'Climate Action'.

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

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

- Commit to measuring carbon footprint aligned to SECR for required business activities to identify areas of risk and improvement to reduce these emissions.
- Created a global team to lead initiatives made up of representatives from different locations and departments to support the rollout of initiatives and management of data; this includes sharing and collaborating throughout our organisation.
- Implement low-cost options such as reducing boiler temperatures, adding solar control reflective window sheets and sensor lighting at UK locations.
- Implement behavioural change initiatives within the workplace for reduction of emissions including clear messaging for turning off lights, monitors, computers and other electrical appliances.
- Procure 100% renewable electricity tariff to reduce market-based emissions.
- Develop and implement a sustainable travel policy to support environmental impact of choices when travelling, staying in hotels, and commuting utilising the emissions travel hierarchy.

Energy Consumption and Emissions Data

	2023			2022			Change		
Energy use (kwh)	UK	Rest of World	Group Total	UK	Rest of World	Group Total	UK	Rest of World	Group Total
Electricity	107,733	500,952	608,685	57,449	475,008	532,457	88%	5%	14%
Fuel oil for heating	33,492	–	33,492	57,880	–	57,880	-42%	–	-42%
Fuel for transport	69,702	15,355	85,056	49,112	20,154	69,266	42%	-24%	23%
Total energy use	**210,927**	**516,307**	**727,234**	**164,441**	**495,162**	**659,603**	**28%**	**4%**	**10%**
GHG emissions (kg CO_2e)									
Electricity	22,309	103,734	126,043	11,110	91,857	102,967	101%	13%	22%
Fuel oil for heating	8,220	–	8,220	14,276	–	14,276	-42%	–	-42%
Fuel for transport	16,998	3,590	20,588	12,117	4,973	17,090	40%	-28%	20%
Total gross CO_2e emissions	**47,527**	**107,324**	**154,851**	**37,503**	**96,830**	**134,333**	**27%**	**11%**	**15%**
Intensity ratio									
Average number of employees	71	167	238	62	166	228	15%	1%	4%
Total GHG emission per employee (kg CO_2e / employee)	**669**	**643**	**651**	**605**	**583**	**589**	**11%**	**10%**	**10%**

The rise in electricity consumption in the UK during 2023 can be attributed to increases in the UK workforce and regular office-based working, with more staff regularly attending the UK offices during 2023 under the Group's hybrid working approach.

In addition, the number of Electric Vehicle (EV) chargers were increased at our Balsham and Crawley sites to support the increased number of employees participating in our EV scheme, resulting in increased electricity consumption from our EV charging facilities. Both the Balsham and Crawley sites operate under green energy contracts with electricity suppliers.

As part of our support of the Climate Action UN Sustainable Development Goal, we have committed to achieving Net Zero emissions by 2050. Net Zero emissions are defined as the activities within the business's value chain resulting in no net accumulation of carbon dioxide (CO_2) and other GHG emissions in the atmosphere. Currently we are not measuring full Scope 3 across the value chain, so Net Zero only applies to sections measured. The organisation was also Carbon Neutral in 2023, taking measures to reduce inherent emissions through a combination of in-house measures and investing in carbon offsetting projects.

Our people

We believe the Company has a role to play, both as an employer and as a good corporate citizen, to help our stakeholders through the period.

Understanding our people

We want to create an environment where our people can be at their best. This aligns with the UNSDG 8 'Decent Work and Economic Growth'.

Towards the end of 2023, the Group completed its first ever employee survey that was administered by an externally recognised professional firm, Great Place to Work. The aim of this was to improve our understanding of our employees by asking them for their views on us as an organisation, to ensure that our initiatives are employee led.

We asked a total of 60 questions about the organisation, focusing on Respect, Fairness, Pride and Camaraderie. We had a 70% response rate from our staff who overall voted 77% positively in our favour. The following metrics were rated as exceptional by our employees:

- 90% said management are honest and ethical in their working practices.
- 93% said people are treated the same regardless of age, race, sex, sexual orientation.
- 95% said it is a physically safe place to work.

The level of positive feedback from our employees earned us the 'Great Place to Work' accreditation, which is an excellent result for the organisation.

We have also embarked on a series of focus groups across our offices, in a bid to understand what we can do to improve the employee experience.

The aim is to convert the key initiatives into a series of actions, with a view to further improve our results.

Employee volunteering

This year we introduced an employee volunteering policy that enables all employees to carry out volunteering that is important to them.

We've targeted ourselves to achieve at least ten days' volunteering per annum throughout our Company. We exceeded our target by completing 22 days' volunteering across a range of organisations.

Charitable activities

As a global organisation we made the decision to set up a charity committee with local representatives from all our offices to understand the needs of communities and causes local to our locations.

We've aligned to recognised charities across the globe and have already made good progress on supporting our chosen organisations.

Diversity and inclusion

As a global business, the Group always strives to ensure that we recruit employees from a range of ages, ethnic/racial groups, religious beliefs, gender and personal backgrounds. This is to always ensure an inclusive and diverse workplace.

This can often prove to be a challenge since there can be lower levels of representation in some roles.

However, we always ensure that we at least try our best to consider and act to positively discriminate where we can.

We monitor gender diversity and inclusion across all levels of our business and promote the inclusion of females into historically male roles, where possible. At present 35% of our workforce is female. The majority of management roles within the business are also held by males. It is the Group's aim to improve these statistics over time as we believe becoming a more diverse business is key to growing the business and attracting and retaining the best talent for it. However, we need to be mindful of the fact that there is a level of competition for these types of roles and therefore must balance this with the commercial challenges faced by a small organisation. Before proposing targets, we will carry out analysis of how we can realistically drive a more diverse workforce.

Operating responsibly

We are committed to ensuring our business operates ethically, lawfully and with integrity and believe doing so is critical to our long-term success. This aligns with UNSDG 8 'Decent Work and Economic Growth', 12 'Responsible Consumption and Production' and 16 'Peace, Justice and Strong Institutions'.

Supply chain integrity

We work with several hundred direct suppliers that assist us in meeting our business and customer needs. We rely on complex and multilayer supply chains with our direct suppliers often having multiple suppliers of their own, who in turn rely on multiple suppliers. We manage the integrity of our supply chain by analysing and acting upon various legal, social, ethical, and environmental risks and encourage our direct suppliers to adopt sustainable business practices and work to our Supplier Code of Conduct, which is developed around the principles in the Responsible Business Alliance Code of Conduct.

Safety in our supply chain is critically important, comprehensive measures are in place and designed to make sure that everyone who works for us does so in a safe and lawful way. We reinforce this culture across our supply chains through close working relationships and contractual arrangements to meet the standards that Nexteq requires.

We believe that engaging directly with suppliers through regular review and monitoring is one of the most effective ways of improving performance in our supply chain and work, where evidence of non-conformance is identified, with improvement plans to strengthen our interaction and working practices together.

Supply chain risks

Some of the highest-level risks along the supply chain in the electronics industry include injury to people working operationally in the field, forced labour, disposal of harmful substances, corruption and human rights abuse in the mining of metals and minerals.

Our Supplier Code of Conduct and period supplier reviews seek to challenge our direct suppliers to demonstrate their adherence to our mandatory ethical, workforce and environmental standards. We expect all suppliers to adhere to our Supplier Code of Conduct and uphold lawful business practices.

Our suppliers are responsible for managing risks within their organisations and understand that we expect them to hold their suppliers accountable to the same, high standards. They are also responsible for maintaining their upstream suppliers to the same standards.

When selecting suppliers or continuing to work with existing suppliers we assess their compliance to our Supplier Code of Conduct, achievement of environmental and social activities and successful management of health and safety in the same way that we assess commercial factors such as cost, quality, and achievement of service level agreements. Each supplier is analysed, and risk assessed.

Levels of influence

We manage the provision of new suppliers to support the needs of our business and complete regular supplier reviews.

A supplier cannot be engaged without appropriate due diligence being completed prior to entering contractual arrangements. For all component suppliers these audits are completed by expert supplier management and procurement personnel in our Taiwan office.

We have relationships with international, national, and local suppliers. Our support for local businesses has a positive impact on communities local to our offices through providing employment near to our operating locations.

Monitoring our supplier's compliance against our code of conduct is a complex activity and can be challenging because of the multiple suppliers and their suppliers within our supply chain. The level of influence we have over businesses in our supply chain can vary significantly and we concentrate on the management of our direct suppliers where impact would be felt most by our customers and our business.

Minerals in the supply chain

Nexteq does not purchase raw materials such as minerals or Ores.

All electronic products contain numerous components that may contain one or more of the 3TG metals (tin, tantalum, tungsten, and gold):

- Tin is used for soldering metal and electronic components.
- Gold and tantalum are used in components such as connectors or capacitors.
- Cobalt is used within lithium-ion batteries.

For example, smelters and refiners mine and process cobalt. It is then supplied to component manufacturers, assemblers and onward sold as part of a unit.

The minerals come from many locations across the globe, some with an opaque supply chain. The smelters, refiners and miners are many supply chain tiers away from the Group and we have little, if no, influence on the provision of these minerals.

We work with suppliers to identify components and products likely to contain these minerals and ask them to understand and influence the provision through reviewing standards and onward ethical process adherence.

Monitoring compliance

We expect our suppliers to monitor their compliance to our code of conduct and address any failures immediately. Our approach to monitoring is determined by the nature of the risks and the supplier activities involved. In general, our suppliers are expected to confirm compliance to our code of conduct and be open to regular audit by the Group.

Modern slavery

As a responsible and ethical business, the Group has a zero-tolerance approach to all types of activities that pertain to slavery and human trafficking within our business and supply chain.

We are committed to ensuring that there is not modern slavery or human trafficking in our supply change and if we become aware of any such practice, we act immediately and decisively to highlight and remedy the issue.

Our anti-slavery position reflects our commitment to acting ethically and with integrity in all our business relationships and this is supported by our policies on bribery and corruption, and whistleblowing.

Our payment practices

Our payment terms consider the size of the supplier, the contractual arrangements and the nature of the service or product provided. We have suppliers ranging from small- and medium-sized enterprises to global organisations.

Health and safety

The Group has an excellent record in our approach to health and safety (H&S) and takes appropriate steps to keep our employees safe. We are committed to managing H&S effectively to protect our employees and other persons with whom we interact because we recognise that we have not only a moral and legal duty but also that our employees are our greatest asset. Our commitment to H&S does not differentiate between our employees, contractors, or suppliers and their onwards contractors. We want everyone to work in a safe and healthy way, every day.

A fully inclusive and consultative approach to H&S is embedded across our organisation. All employees can input to and discuss safety concerns and decisions.

H&S performance

Continual monitoring of our safety performance is essential to ensure the safety of everyone working with us and for us, it also helps us focus on and address any risks that are identified.

Accident and near-miss data is collected centrally, and all accidents and near-misses must be investigated, mitigated, and reported.

We continued to maintain our low accident rate throughout 2023.

Anti-bribery and corruption

Bribery and corruption are, unfortunately, a feature of corporate and public life in many countries across the world. It is widely accepted that corruption inhibits economic growth, damages businesses both financially and reputationally and may result in criminal or civil liabilities and penalties for organisations and individuals.

We do not tolerate any form of bribery and corruption and are committed to operating responsibly and engaging with stakeholders to manage the social, environmental, and ethical impact of our activities in the various markets in which we operate.

We have a clear gifts and entertainment policy that all employees are bound by.

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 Nexteq Plc and its subsidiary undertakings when viewed as a whole.

This report was approved by the Board of Directors on 12 March 2024 and signed on its behalf by:

Jon Jayal
Chief Executive Officer

Francis Small I Chair

Governance

Chair's Introduction to Governance

Dear Shareholder,

I am pleased to present the Group's Corporate Governance Report for the year ended 31 December 2023. This statement provides details of our current governance framework and practices and how we discharge our governance duties.

The Board has a collective responsibility and legal obligation to promote the interests of the Group and for the overall leadership of the Group, setting the vision, purpose, values and standards. As the Chair of Nexteq Plc, I am ultimately responsible for the corporate governance of the Group, but the Board 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 corporate governance statement and committee reports on the following pages outline the Company's approach to corporate governance. The Board follows the principles set out in the Quoted Companies Alliance Corporate Governance Code (the 'QCA Code'). The QCA Code follows ten basic principles that require 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. The Board considers that it does not depart from any of the principles of the QCA code. A complete index of the disclosures required by the QCA Code, including those on the Company's website, can be found at **https://nexteqplc.com/sustainability/#governance**.

Francis Small
Chair

"The governance structures in place ensure we are well positioned for further growth."

Francis Small I Chair

Board of directors

Francis Small

Chair

Appointed: 15 January 2021

Committees:
Chair of the Remuneration Committee and member of the Audit and Risk Committee

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

Francis currently serves as a non-executive director on the board of AIM-listed software business 1Spatial Plc and as chair of the board of governors of Kingston University. Francis also served as chair of the government-backed investment company British Business Investment from 2016 to 2022.

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

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

Nicholas Jarmany

Non-Executive Deputy Chair

Appointed: 16 March 2005

Skills and experience:
Nick is a founding Director of Nexteq and was the Group's Chief Executive Officer until 2018 when he became Deputy Chair. An engineer himself, Nick has a background in the technology industry, and prior to founding Nexteq was employed by Densitron Technologies Plc for 22 years during which time he held numerous roles in design, engineering, sales and, finally, as group technical director.

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

Gary Mullins
Non-Executive Director

Appointed: 11 January 2006

Skills and experience:
Gary is a founding Director of Nexteq and was Sales Director until 2020 before becoming a Non-Executive Director. Gary has a proven track record in global technology sales and marketing, establishing the Quixant brand in the gaming industry and securing business from the Group's first major customers.

Prior to founding Nexteq, Gary was sales director at Ntera, a nanotech electronic displays business and before that was employed by Densitron Technologies Plc in sales and marketing for over ten years.

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

Duncan Penny
Independent Non-Executive Director

Appointed: 12 September 2022

Committees:
Member of the Remuneration Committee and Audit and Risk Committee

Skills and experience:
Duncan has an exceptional track record of scaling businesses and delivering shareholder value. Duncan served as chief executive officer at XP Power Plc from February 2003 to December 2020 and was previously finance director from April 2000 to 2003. He led the business through transformational growth to being a constituent of the FTSE 250 with a market cap in excess of £1bn.

Duncan has also served as non-executive director on the board of Videndum Plc (formerly The Vitec Group Plc) until May 2022. Earlier in his career, Duncan held senior roles with Dell Computer Corporation and LSI Logic Corporation.

Duncan has an MA in Chemistry from Oxford University.

Carol Thompson

Independent Non-Executive Director

Appointed: 12 September 2022

Committees:
Chair of the Audit and Risk Committee and member of the Remuneration Committee

Skills and experience:
Carol brings significant finance expertise to Nexteq following a 20-year career in senior finance roles in both private and public companies, as well as strong technology industry experience. Between 2011 and 2015 she held the position of chief financial officer at SSP Plc, a global software company. Prior to SSP Plc, she was chief financial officer at Electricity North West, and also served as group finance director at The Tote and IT and finance director at Stanley Leisure Plc.

Carol is currently the executive chair and chief executive officer at Maintel Plc, chair of the audit and risk committee and member of the remuneration committee at Foresight Solar and Technology VCT Plc. Carol also acts as a strategic and transaction adviser to private equity firms.

Carol has an honours degree in Economics from Manchester University and a Masters in Business Strategy from Manchester University.

Carol is a fellow of the Chartered Institute of Management Accountants.

Jon Jayal

Chief Executive Officer

Appointed: 20 June 2016

Skills and experience:
Jon was one of the key members of the design engineering team that developed Nexteq's first product. Having spent the start of his career in electronic engineering, Jon went on to broaden his experience by working in the financial services sector as an investment consultant at Mercer and a strategic account manager at BlackRock. Ahead of flotation in 2013, Jon rejoined Nexteq as General Manager. Prior to becoming Chief Executive Officer in March 2018, he was Chief Operating Officer (COO).

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

Johan Olivier
Chief Financial Officer

Appointed: 31 August 2021

Skills and experience:
Johan is a Chartered Accountant with extensive experience in both publicly listed and international businesses. Prior to joining Nexteq, Johan was group finance director at XP Power Plc, responsible for financial planning, reporting and treasury functions. Johan also served as XP Power's acting CFO while the company was seeking a permanent candidate. Prior to this, Johan held finance roles at Logica Plc and Finastra after beginning his career in public practice.

Corporate governance report

Board structure

The Board is made up of five Non-Executive (three independent) and two Executive Directors and has devolved responsibility for certain matters to two committees, an Audit and Risk Committee and a Remuneration Committee, each of which has clear terms of reference. It does not operate a separate Nominations Committee, with all Board members being responsible for the appointment of new Directors. The biographies of the Directors can be found on pages 38 to 41.

The Chair and Chief Executive Officer have separate, clearly defined roles. The Chair is responsible for leading the Board, setting the agenda for Board meetings (with the Company Secretary) and for ensuring the Board operates effectively and with integrity.

The Chief Executive Officer is responsible for setting and implementing the Group's strategy, for leading and developing the Executive team and for managing the Group's day-to-day operations, ensuring that Board decisions are implemented effectively.

Company culture

Our long-term growth is underpinned by our corporate culture and core values. As part of our employee starter pack all new employees are provided with our code of conduct and policy handbook, which include a clear statement of the Group's values and purpose.

Our culture is characterised by five pillars. These are the values that have helped us achieve our success:

- **Innovation:** We believe that success comes through innovation. We champion creative thinking within our Group and actively seek new viewpoints.
- **Collaboration:** We work together with our customers to truly understand their needs and support them. With our colleagues and partners, we're always friendly, honest and supportive.
- **Expertise:** We value knowledge and take pride in our professionalism. We invest in skills and state-of-the-art thinking so our customers can depend on our expertise.
- **Determination:** We don't cut corners even while we strive for efficiencies. We enjoy hard work and have an absolute commitment and determination to see a task to completion.
- **Responsibility:** We believe in being accountable for our actions. We're open and honest about how we do business and are always accessible to Shareholders, employees and customers.

We believe that creating a thriving, dynamic, inclusive and welcoming environment fosters creativity and unlocks career potential, which in turn brings benefits to our Shareholders, customers and suppliers. The Group has policies in the following areas to help promote ethical values and behaviour: whistleblowing, anti-bribery, anti-slavery, fraud, equal opportunities, disciplinary and grievance procedures, health and safety. These policies form part of a globally applicable Group Policy Handbook and Code of Conduct.

Board meetings

Generally, 10–11 Board meetings are held each year and Directors are expected to attend as many as practicable, either in person or by video or telephone conference arrangements. Meetings held between January 2023 and December 2023 and the attendance of Directors are summarised below:

	Board	Audit and Risk Committee	Remuneration Committee
F Small	10/10	4/4	3/3
N C L Jarmany	10/10		
G P Mullins	10/10		
D J Penny	10/10	3/3	3/3
C Thompson	10/10	4/4	1/1
J F Jayal	10/10		
J J Olivier	10/10		
G Van Zwanenberg (stepped down in April 2023)	3/3	1/1	2/2

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 Chair 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 a cycle of matters that are reviewed annually, and these are spread through the programme of meetings in the year.

Advice for Directors

All Directors have access to the advice and services of the Company Secretary, who ensures that the Board's procedures are followed, and that applicable rules and regulations are complied with.

Re-election of Directors

To comply with the revised QCA Corporate Governance Code, it has been agreed that, with immediate effect, all Directors will stand for re-election annually at the AGM.

Directors' time commitments

Non-Executive Directors are expected to devote sufficient time to the Company to meet their responsibilities. This includes preparation for and attendance at scheduled Board and committee meetings, as well as ad hoc meetings or calls as required. The Board confirms that each of the Non-Executive Directors can commit the necessary time to fulfil their roles.

Directors' training

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 advisers. The Directors receive regular updates from the Company Secretary and other external advisers on legal requirements and regulations, remuneration matters and corporate governance best practice.

Board effectiveness

A Board evaluation process is carried out annually as part of a wider strategy review and future planning discussion. The process is led by the Chair and, with the help of an external facilitator, the Board is challenged to review its performance and effectiveness objectively. The 2024 Board evaluation took the form of a questionnaire based on several themes including:

- 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.
- Management information and reporting.
- Stakeholder engagement.
- Training, development and succession planning.

The findings of the Board evaluation were consolidated into a report which was circulated to all Directors and discussed at the February 2024 Board meeting. The overall findings from the evaluation were positive. Areas for improvement were identified, including increasing time spent reviewing progress against the Group's strategy; succession planning; increasing stakeholder engagement; and creating more opportunities for the Non-Executive Directors to meet. The Board and committees are in the process of implementing the recommendations from the evaluation.

Board committees

The Board has established Audit and Risk and Remuneration Committees, which operate under written terms of reference. The terms of reference for both committees are reviewed and updated regularly. The current approved versions can be found on the Company's website. The reports of these committees can be found on pages 45 to 59.

Francis Small | Chair

Directors' remuneration report

Annual Statement

Dear Shareholder,

On behalf of the Remuneration Committee ('the Committee'), I am pleased to present the Directors' Remuneration Report for the year ended 31 December 2023. This report is divided into three sections, being:

- This **Annual Statement**, which summarises the work of the Committee, remuneration outcomes for 2023 and how the remuneration policy will be operated in 2024.
- The **Remuneration Policy Report**, which summarises the Company's remuneration policy.
- The **Annual Report on Remuneration**, which discloses how the remuneration policy was implemented in the year ending 31 December 2023 and how the policy will operate for the year ending 31 December 2024.

Committee members

The Committee is comprised of three Independent Non-Executive Directors, 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 Francis Small (Chair), Duncan Penny and Carol Thompson (who joined the Committee in December 2023) and it invites Executive Directors to attend as it considers necessary.

FIT Remuneration Consultants LLP (FIT) provided independent advice to the Committee during 2023. Advice was provided on the AIM market and best practice, share plan operations and support provided to management with undertakings such as producing this Directors' Remuneration Report. FIT did not provide any other services to the Group during the year and the Committee is satisfied that the advice received was objective and independent. FIT is a member and signatory of the Remuneration Consultants Group and voluntarily operates under the Code of Conduct in relation to executive remuneration consulting in the UK, details of which can be found at **www.remunerationconsultantsgroup.com**

Activities during the year

- Set Executive Director remuneration packages.
- Reviewed the 2022 Directors' Remuneration Report prior to its approval by the Board and subsequent approval by Shareholders at the 2023 AGM.
- Reviewed performance against the 2022 annual bonus plan targets and resulting awards and agreed the metrics and targets for the 2023 bonus plan.
- Reviewed LTIP award levels and performance metrics/ targets for the 2023 LTIP awards.

Performance and reward

Implementing the policy for 2024

In respect of the implementation of the remuneration policy for 2024:

- Base salaries will not be increased for Jon Jayal and Johan Olivier who remain on a salary of £302,300 and £225,000, respectively. In contrast, most employees in the business received salary increases.
- Pension provision will remain unchanged.
- Bonus potential will remain capped at 100% of salary based on sliding scale adjusted profit targets (65%), sliding scale cash generation targets (15%) and strategic targets (20%). While the targets are currently considered to be commercially sensitive, they will be disclosed retrospectively in next year's Directors' Remuneration Report.
- The Committee intends to make LTIP awards in 2024 to Executive Directors and other employees in the business of shares equal to up to 100% of salary. Awards will normally vest after three years from grant subject to continued employment and performance targets based on three-year, sliding scale, EPS and Total Shareholder Return performance targets, which will be set in advance of grant. In addition, a two-year post vesting holding period will apply.

Remuneration Policy Report

Executive Director remuneration policy

Executive remuneration packages are prudently designed to attract, motivate and retain Directors of a high calibre needed to maintain the Company's position and to reward them for enhancing value to Shareholders. The Committee considers the remuneration packages of Executive Directors and key senior management and discusses policy on annual reviews with the Board. The Remuneration Committee considers a number of factors in setting remuneration policy including:

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

Component	Purpose and link to strategy	Operation	Maximum	Performance
Base Salary	To ensure that the Company can recruit and retain high-quality Executives to deliver on the Company strategy in the interest of the Shareholders.	Base salary is paid monthly and reviewed annually, with any increases normally applying from 1 April. In deciding appropriate levels, the Remuneration Committee considers the Company as a whole and benchmarks against salaries of Executives in comparable companies with equivalent skills and experience.	Not applicable.	Not applicable.

Component	Purpose and link to strategy	Operation	Maximum	Performance
Benefits	To provide a market-competitive package.	Offered in line with market practice, and may include a car allowance, private medical, auxiliary medical benefits and death in service insurance.	Not applicable.	Not applicable.
Pension	To provide an appropriate level of benefits that allows for retirement planning.	Pension contributions are made by the Company to a defined contribution scheme.	10% of salary.	Not applicable.
Annual Bonus	To reward performance against annual targets that support the strategic direction of Group.	The Committee sets annual performance targets.	100% of salary.	Sliding scale financial (majority) and strategic targets (minority).
LTIP	To drive and reward the achievement of longer-term objectives to deliver sustainable earnings growth. To support the retention and promote share ownership for Executive Directors.	Nominal (or nil) cost share options. Vesting is normally subject to the achievement of challenging performance conditions, normally over a period of three years. Dividend equivalents may be awarded to the extent awards vest. Awards are subject to malus/clawback provisions at the discretion of the Committee, up to two years after the date of vesting.	200% of salary. (although the normal policy is to grant annual awards up to 100% of salary).	Performance metrics may be linked to financial and/or share price and/or strategic performance.

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.

Non-Executive Director remuneration policy

Component	Purpose and link to strategy	Operation	Maximum	Performance
Base Salary	To attract Non-Executive Directors with relevant experience and skills to oversee the development and implementation of the Group's strategy.	Fees are normally reviewed annually considering the level of responsibility and relevant experience. Fees may include a basic fee and additional fees for further responsibilities. Fees are normally paid in cash via payroll. Travel and other reasonable expenses incurred while performing their duties may be reimbursed. Non-Executive Directors may also receive pension contributions.	There is no prescribed maximum. The Board is guided by general increase in the market for Non-Executive Director roles and the broader employee population.	Not applicable. Non-Executive Directors do not participate in variable pay arrangements.

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.

Annual Report on Remuneration

Total Directors' remuneration (audited

	Year	Salary $000	Pension[3] $000	Benefits[4] $000	Bonus[5] $000	Total $000
Executive Directors						
Jon Jayal	2023	396	12	14	143	565
	2022	384	12	5	334	735
Johan Olivier	2023	299	5	–	106	410
	2022	288	11	–	249	548
Total Executive Directors	2023	695	17	14	249	975
	2022	672	23	5	583	1,283
Non-Executive Directors						
Nick Jarmany	2023	62	6	1	–	69
	2022	61	6	2	–	69
Gary Mullins	2023	62	6	1	–	69
	2022	61	6	1	–	68
Francis Small	2023	116	–	2	–	118
	2022	110	–	2	–	112
Carol Thompson[1]	2023	60	–		–	60
	2022	16	–	–	–	16
Duncan Penny[1]	2023	54	–	1	–	55
	2022	15	–	–	–	15
Guy van Zwanenberg[2]	2023	19	1	–	–	20
	2022	57	3	1	–	61
Total Non-Executive Directors	2023	373	13	5	–	391
	2022	320	15	6	–	341
Total Board	2023	1,068	30	19	249	1,366
	2022	992	38	11	583	1,624

1 Appointed 12 September 2022.

2 Retired 27 April 2023.

3 Pension contributions were paid at 10% to Nick Jarmany and Gary Mullins and 5% to Guy van Zwanenberg. Jon Jayal and Johan Olivier elected to be paid £10,000 and £4,000 a year, respectively, as pension contributions from the Company with the remainder of their 10% pension contributions paid as a salary supplement. The salary supplements were reduced by the employers' national insurance payable by the Company.

4 The Directors received private medical insurance in line with other UK employees.

5 Annual bonus awards for the year ended 31 December 2023 were based on achievement of targets as set out below.

Annual bonus

The annual bonus for 2023 was based on achieving an adjusted profit before tax (PBT), adjusted operating cash conversion and the attainment of strategic objectives. The table below summarises performance against the Group performance targets set by the Remuneration Committee for the year.

	Weighting	Threshold	On Target	Max	Actual	% achieved
Adjusted PBT	65%	$13.5m	$17.0m	$20.5m	$14.7m	15%
Adjusted operating cash conversion	15%	80%	100%	120%	142%	15%
Strategic objectives	20%		See below		7%	7%
% of salary	100%	0%	50%	100%	–	37%

The table below summarises the strategic team objectives for the CEO and CFO in the year.

	Jon Jayal	Johan Olivier	2023 Performance assessment
Diversify the Group's revenue base through broadcast business conversion.	Not met	Not met	While the broadcast business grew by double digits in 2023, the growth fell short of the targets set by the Remuneration Committee.
Diversify the Group's Quixant gaming offering through cabinet business conversion.	Not met	Not met	The Group's cabinet offering was expanded into Europe, establishing a manufacturing partnership with Elas. However, the order intake target for cabinet sales was not met.
Build manufacturing resilience by establishing second manufacturing facility outside of Taiwan and complete mass production by end of FY23.	Met	n/a	The Group established a manufacturing facility in Malaysia during 2023, with the first mass production of products completed in the final quarter of the year.
Deliver accurate regular reporting of research development project spend and revenue generation.	n/a	Met	R&D project spend reporting established, tracking return generated from completed projects.

Directors' share options (audited)

The interests of Directors at the balance sheet date in options to subscribe for ordinary shares of the Company, together with details of any options granted during the year, are as follows:

	Award type	Date of grant	1 Jan 2023	Granted	Lapsed	Exercised[5]	31 Dec 2023	Exercise price (p)	First date normally exercisable	Last date normally exercisable
Jon Jayal	Options[1]	06.10.20	65,000	–	65,000	–	–	112.5	2022 results	06.10.30
	LTIP[2]	09.05.22	199,934	–	–	–	199,934	0.1	09.05.25	09.05.32
	LTIP[3]	22.03.23	–	169,831	–	–	169,831	0.1	22.03.26	22.03.33
Johan Olivier	Recruitment[4]	25.10.21	100,000	–	–	–	100,000	190	2023 results	25.10.31
	Recruitment[4]	25.10.21	25,000	–	–	–	25,000	0.1	2023 results	25.10.31
	LTIP[2]	09.05.22	148,810		–	–	148,810	0.1	09.05.25	09.05.32
	LTIP[3]	22.03.23	–	126,404	–	–	126,404	0.1	22.03.26	22.03.33

1 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 2020, 2021, and 2022) being equal to or greater than 10% in each financial year. As a result of annual EPS growth over the three years being less than 10%, these options lapsed in 2023.

2 The options are exercisable subject to vesting of 70% of awards (the EPS Part), which are dependent on the Company's adjusted earnings per share (EPS) performance for the financial year ending 31 December 2025. 25% of the EPS Part vests for EPS of $0.068 increasing pro-rata to full vesting of the EPS Part for EPS of $0.102 pence or higher. The vesting of 30% of awards (the TSR Part) are dependent on the Company's total shareholder return (TSR) over a three-year period commencing on the grant of the awards. 25% of the TSR Part vests for TSR over the measurement period equal to 10% p.a. increasing pro-rata to full vesting for TSR of 20% p.a. Once vested, a two-year post vesting holding period applies in respect of awards granted to Executive Directors.

3 See 'Long-term incentives granted during the year' section below.

4 100,000 market value share options with an exercise price of 190 pence and 25,000 share options with an exercise price of 0.1 pence granted to Johan Olivier in October 2021 will vest in full on 13 March 2024. The performance condition for these grants was EPS growth exceeding 10% p.a. growth which was met in full.

5 No share options were exercised by the Directors in 2023 or 2022.

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.

Long-term incentives granted during the year (audited)

The following share awards were granted on 22 March 2023 under the Nexteq Plc 2023 Long-Term Incentive Plan for which Shareholder approval was obtained at the 2023 AGM:

<table>
<tr><th>Executive</th><th>Type of awards</th><th>Basis of award</th><th>Share price</th><th>Number of shares over which award was granted</th><th>Face value of award</th><th>Performance period</th></tr>
<tr><td>Jon Jayal</td><td rowspan="2">Nominal cost options</td><td>100% salary</td><td rowspan="2">£1.86</td><td>169,831</td><td>£316,000</td><td>EPS – Three financial years to 31 December 2025</td></tr>
<tr><td>Johan Olivier</td><td>100% salary</td><td>126,404</td><td>£235,000</td><td>TSR – Three years from grant</td></tr>
</table>

The vesting of 70% of awards is dependent on the Company's adjusted earnings per share (EPS) performance for the financial year ending 31 December 2025. 25% of the EPS Part vests for EPS of $0.206 increasing pro-rata to full vesting of the EPS Part for EPS of $0.307 or higher. The vesting of 30% of awards is dependent on the Company's total shareholder return (TSR) over a three-year period commencing on the grant of the awards. 25% of the TSR Part vests for TSR over the measurement period equal to 10% p.a. increasing pro-rata to full vesting for TSR of 20% p.a.

Once vested, a two-year post vesting holding period applies in respect of awards granted to Executive Directors.

Francis Small
Chair of the Remuneration Committee
12 March 2024

Carol Thompson I Chair of the Audit and Risk Committee

Audit and risk committee report

Dear Shareholder,
I am pleased to report on the activities of the Audit and Risk Committee ('the Committee') during the year under review.

Role of the Committee:

The Committee is responsible for monitoring the Group's risk management framework, the integrity of financial reporting and audit process and overseeing the maintenance of internal control.

The Committee comprises three independent Non-Executive Directors: Carol Thompson (Chair), Duncan Penny and Francis Small. The current Committee members are all independent Non-Executive Directors and have financial and/or related business experience gained in senior positions in other organisations. The Board considers that Carol Thompson has recent and relevant financial experience in accordance with the Quoted Companies Alliance (QCA) code.

Key responsibilities of the Committee:

1. Risk assessment and management

- On behalf of the Board, review and monitor the Company's risk register and risk management framework.
- Consider the appropriate risk appetite for the Company across all major activities, taking into account the overall strategy of the Company, its future plans and other internal information, as well as the external environment, including economic, political and industry information.
- Oversee and advise the Board and Remuneration Committee on how the remuneration of Executives shapes their view of risk.
- On an annual basis, ensure that a robust assessment of the emerging and principal risks facing the Company has been undertaken (including those risks that would threaten its business model, future performance, solvency or liquidity and reputation), that procedures are in place to identify emerging risks and provide advice on the management and mitigation of those risks.
- Oversee the current and prospective risks faced by the Company and its strategy in relation to future risks.
- Ensure that risk management is properly considered in Board decisions.
- Review the methodology for reporting risk to the Board.

- Set triggers for reporting and escalation of significant emerging risks that may be critical to the Company and assess the Company's ability to manage new risks.
- Consider whether risks have been properly considered in relation to all major transactions, as defined by the Board, by the Company, including but not limited to mergers and acquisitions, disposals, joint ventures, significant expenditure on property, plant and equipment and material multi-year service contracts. This should involve consideration of whether all due diligence and/or procurement processes have been carried out, including obtaining external advice, as well as an assessment of whether the transaction meets the Company's risk appetite criteria and the implications for future risk tolerance.
- Review all material adverse crystallisation of risks, including those involving breaches of the Company's procedures, carrying out root cause analysis and introducing lessons learned into the risk management framework.

2. Internal control

- On behalf of the Board, review the Company's internal financial controls and internal control systems and, at least annually, carry out a review of their effectiveness.

3. Financial reporting

- Monitor the integrity of the financial statements of the Group, including its Annual and Interim Reports, preliminary results' announcements and any other formal announcement relating to its financial performance, reviewing significant financial reporting issues and judgements which they contain. The Committee shall also review summary financial statements, significant financial returns to regulators and any financial information contained in certain other documents, such as announcements of a price sensitive nature.
- Review and challenge where necessary:
  - The consistency of and changes to accounting policies.
  - The methods used to account for significant and unusual transactions where different approaches are possible.
  - Whether the Company has followed appropriate accounting standards and made appropriate estimates and judgements, considering the views of the External Auditor.
  - The clarity of disclosure in the Company's Financial Reports and the context in which statements are made.
  - All material information presented with the financial statements, including the information in the Strategic Report and the Corporate Governance Statement (insofar as it relates to the audit and risk management).

4. Fraud and whistleblowing

- Review the Group's arrangements for its employees, contractors, and external parties to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The Committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action.
- Review the Group's procedure for detecting fraud.
- Review the Group's systems and controls for the prevention of bribery and receive reports on non-compliance.

5. External audit

- Consider and make recommendations to the Board for approval at the AGM as regards the appointment, re-appointment and removal of the Company's External Auditors.
- Oversee the selection process for new External Auditors and if an External Auditor resigns the Committee shall investigate the issues leading to this and decide whether any action is required.
- Oversee the relationship with the External Auditor including (but not limited to):
  - Approval of their remuneration, whether fees for audit or non-audit services and that the level of fees is appropriate to enable an adequate audit to be conducted.
  - Approval of their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit.
  - Assessing annually their independence and objectivity considering relevant UK professional and regulatory requirements, the Financial Reporting Standard's Revised Ethical Standard 2019 (Ethical Standard) and the relationship with the Auditor as a whole, including the provision of any non-audit services.
  - Satisfying itself that there are no relationships (such as family, employment, investment, financial or business) between the Auditor and the Company (other than in the ordinary course of business).
  - Agreeing with the Board a policy on the employment of former employees of the Company's Auditor, considering the Ethical Standard and legal requirements, then monitoring the implementation of this policy.
  - Monitoring the Auditor's compliance with relevant professional guidance and the Ethical Standard on the rotation of audit partners, the level of fees paid by the Company compared to the overall fee income of the firm, office and partner and other related requirements.
  - Assessing annually their qualifications, expertise and resources and the effectiveness of the audit process, which shall include a report from the External Auditor on their own internal quality procedures.
- Meet regularly with the External Auditor, including once at the planning stage before the audit and once after the audit at the reporting stage. The Committee shall meet the External Auditor at least once a year, without management being present, to discuss their remit and any issues arising from the audit.
- Review and approve the annual audit plan and ensure that it is consistent with the scope of the audit engagement.
- Review the findings of the audit with the External Auditor. This shall include, but not be limited to, the following:
  - A discussion of any major issues which arose during the audit.
  - Any accounting and audit judgements.
  - Levels of errors identified during the audit.

6. Reporting responsibilities

- The Committee Chair shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.
- The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- The Committee shall compile a report to Shareholders on its activities to be included in the company's Annual Report.

7. Other matters

The Committee shall:

- Have access to sufficient resources to carry out its duties, including access to the Company Secretary for assistance as required.
- Be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members.
- Give due consideration to laws and regulations, the provisions and recommendations of the Quoted Companies Alliance's Corporate Governance Code, as well as the UK Corporate Governance Code and the requirements of the London Stock Exchange Plc (the AIM Market) as appropriate.
- Oversee any investigation of activities that are within its terms of reference and act as a court of the last resort.
- At least once a year, review its own performance, constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.
- Consider such other matters as may be requested by the Board.

The terms of reference of the Committee are available in the Governance section of the Company's website **www.nexteqplc.com**

Meetings of the Committee

The Committee met four times during the year with attendance as set out in the table on page 43. Although not members of the Committee, the Chief Executive Officer and Chief Financial Officer attended all meetings. The External Auditor, KPMG, attended all meetings, apart from the May meeting as the focus of this meeting was the review of the Company risk register. The Committee also discussed matters with the External Auditor without the Group's management present.

The Committee supports the Board and reports to it on a regular basis, certainly no less frequently than at every Board meeting following a Committee meeting.

The following specific business was dealt with at each meeting held in 2023:

March	Annual results for 31 December 2022, including: • Accounting issues report from the CFO. • Full-year Report from the External Auditor including Auditor's Report to be included in the 2022 Annual Report. • Consolidated financial statements for the year ended 31 December 2022. • Principal risks and uncertainties. • Consideration of the going concern basis for preparation of the financial statements. Reviewed the going concern statement. Assessed and agreed the independence of the External Auditor. Recommendations to the Board on: • Consolidated financial statements. • Going concern statement.
May	Review of the Group risk register. Review of QCA internal control guidance and implementation of internal control review.
August	Interim results for the six months ended 30 June 2023, including: • Accounting issues reporting from the CFO. • Interim financial statements for the six months ended 30 June 2023.
October	Reviewed scope for the external audit for the 2023 audit, including agreeing fees. Review of key accounting matters for 2023 Annual Report. Review of Group risk register.

Significant risks and judgements in financial reporting

In relation to the 31 December 2023 annual financial statements included in this report on pages 74 to 127, the Committee considered the following topics listed below. It considered these areas to be significant, considering the level of materiality and the degree of judgement exercised by management. The Committee questioned and challenged the judgements and estimates made on each of the significant issues detailed below and resolved that they were appropriate and acceptable.

Significant matter	Audit Committee actions taken
Revenue cut-off	In 2023, there were a higher number of revenue transactions occurring closer to Year end than in the prior year and a larger amount of revenue was recognised in the month of December. Revenue is recognised based on the contractual terms agreed with the customer, typically either on a Delivered At Place (DAP) or Ex-works (EXW) basis. Management performed additional procedures to ensure that revenue was recognised in the correct financial period, with particular focus on ex-works shipments. These procedures included reviewing customers' collection of ex-works shipments around the year end date and ensuring that the customer had taken control of the goods at the balance sheet date. The Committee reviewed management's procedures and was satisfied that there were no material misstatements of revenue recognition.
Impairment of goodwill and intangible assets	The carrying value of goodwill is a significant item within the Group's balance sheet. Impairment assessments, performed annually, require judgements in relation to discount rates and future growth forecasts to generate discounted cash flows for the cash generating units. The Committee challenged the appropriateness of judgements and forecasts used in management's impairment assessment. In particular, the Committee enquired and challenged the assumptions made regarding forecasted growth rates and profit margins and understanding the discount rates. In addition, the Committee reviews the calculation to ensure that sensitivity analysis is performed by management, which reflects reasonable downside scenarios. It also assesses the carrying value in the context of the Group's wider net asset value and market capitalisation. Other than the goodwill associated with the acquisition of Densitron US and Densitron Europe, the impairment calculations indicated that there remains significant headroom between the value in use and the carrying value. As such, the Committee was satisfied that no reasonable possible change in key assumptions would result in an impairment for any CGU other than IDS, Densitron US and Densitron Europe. The impairment calculation for the Densitron US CGU estimated that the recoverable amount of the CGU exceeded its carrying amount by approximately \$4.7m (2022: \$4.8m). Management's sensitivity analysis identified that a reasonably possible change in the revenue and gross margin assumptions could cause the carrying amount to exceed the recoverable amount. The Committee reviewed the appropriateness of the estimates applied and was satisfied that no impairment of the Densitron US CGU was required for the year ended 31 December 2023. The impairment calculation for the Densitron Europe CGU estimated that the recoverable amount of the CGU exceeded its carrying amount by approximately \$0.5m (2022: \$1.7m). Management's sensitivity analysis identified that a reasonably possible change in the revenue growth and gross margin assumptions could cause the carrying amount to exceed the recoverable amount. The Committee reviewed the appropriateness of the estimates applied and was satisfied that no impairment of the Densitron Europe CGU was required for the year ended 31 December 2023.
Valuation of inventory	In 2023, raw material inventory levels decreased from the historically high levels seen in 2021 and 2022 as global supply chain constraints eased. The Committee considered the provision policy, provision levels and the nature and condition of inventory at the balance sheet date and was satisfied that appropriate provisions for loss and delinquency were made. Physical inventory was validated through wall-to-wall stock counts held at Year end, covering all sites where the Group holds inventory. These counts were attended by the External Auditor and the results reported to the Committee. The Committee was satisfied that the counts were conducted appropriately.

Significant matter	Audit Committee actions taken
Valuation of APMI debtors and inventory	As disclosed in the 2022 Annual Report, the Group, through its Quixant brand, had active contracts in place with Aruze Philippines Manufacturing Inc. ('APMI'), for the supply of display products and gaming boards. On 1 February 2023 Aruze Gaming America, Inc ('AGA'), a US-based affiliate of APMI, filed a voluntary petition under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the State of Nevada. As at the date of this Annual Report, the Chapter 11 proceedings are still ongoing. AGA's operations and assets have been sold as part of the proceedings and AGA also closed its Las Vegas operations. APMI filed for voluntary liquidation on 22 August 2023 and a liquidation order was issued by the Philippine courts. As at the date of this Annual Report the liquidation proceedings were still ongoing. There remains uncertainty over the recoverability of balances related to APMI and Nexteq management evaluated their carrying value as at the balance sheet date. As at 31 December 2023, APMI owed $1.0m to the Group from the sale of goods (2022: $0.7m). The amounts were impaired in full as at 31 December 2022 and due to the uncertainty referenced above remain fully impaired at 31 December 2023. The Group continues to take steps to recover these balances. Inventory, consisting of raw materials with a book value of $1.7m (2022: $2.2m) and finished goods with a book value of $0.6m (2022: $1.1m) originally earmarked for use by APMI was included in the Nexteq Group's balance sheet as at 31 December 2023. The raw materials can be used to manufacture products sold to the Group's existing or new customers, and the finished goods can be used in the Group's turnkey cabinet offering. Management expects to fully recover the net book value of $2.3m and considers that no provision against it was required as at 31 December 2023. The Group balance sheet also previously included capitalised development costs with a book value of $0.4m related to the development of products for APMI's future use. Management assessed the commercial opportunities for these products and determined that it was not probable that these would generate future economic benefits for other customers. As a result, development of these products was ceased. An impairment charge of the full book value of $0.4m was recorded within operating expenses. With regards to the recoverability of trade receivables, the Committee reviewed management's assessment, which included the latest status of the Chapter 11 filing and liquidation proceedings that led to the review. Due to the inherent uncertainty in the outcome of bankruptcy proceedings the Committee agreed with management's view that the trade receivables should remain fully impaired as at 31 December 2023. The Committee reviewed management's assessment of alternative uses for the inventory originally allocated for APMI. This review included understanding the engineering efforts required to have the inventory ready for sale to other customers or use it in the Group's turnkey cabinet solution. The Committee also reviewed the commercial opportunities management identified, which included details of existing and prospective customers. The Committee agreed with management's view that the Group will be able to recover the book value of the inventory through alternative sale opportunities. The Committee reviewed management's assessment of the recoverability of the capitalised development costs of $0.4m. This review included an understanding of the technical feasibility of completing the development and revenue streams to sell the finished product into. The Committee agreed with management's view that the capitalised development should be impaired in full at the balance sheet date.
Going concern	The Committee reviewed management's assessment of the Group's ability to continue as a going concern for a period of at least 12 months from the date of signing the financial statements. In reviewing management's assessment, the Committee considered the Group's latest budgets and financial position and concluded that the assumptions used in the going concern review were appropriate. The Committee also reviewed management's downside scenario to the above going concern forecast. Under the downside scenario, which is severe but plausible, the Group continues to have sufficient liquidity to operate. The Committee believes that there is no material uncertainty in the use of the going concern assumption.

External audit

The Committee has primary responsibility for overseeing the relationship with the External Auditors, KPMG LLP. This includes monitoring and reviewing their objectivity and independence on an ongoing basis, recommending their appointment, re-appointment and removal, and approving the scope of the statutory audit and fees. KPMG LLP presented to the Committee its detailed audit plan for the 2023 financial year, which outlined its audit scope, planning materiality and its assessment of key audit risks. The Committee also received reports from KPMG LLP on its assessment of the accounting and disclosures in the financial statements and financial controls.

In 2023, the most significant risks identified were the valuation of goodwill and acquired intangibles in the Densitron US CGU, revenue recognition fraud risk over cut-off, valuation of inventory in the Quixant gaming CGU and Nexteq Plc standalone Company accounts, and management override of controls. The Committee reviewed and challenged KPMG LLP on these matters and reviewed their reporting and feedback from management on the effectiveness of the audit process. No major concerns over the effectiveness of the audit process were raised by management.

Non-audit services

The Committee approves all non-audit services provided by the Auditors before they are undertaken and reviews the level of these services to ensure KPMG's independence is not compromised. KPMG provided tax advice to the Group in Taiwan. The total fees for non-audit services paid to KPMG during the year was $27,000 (2022: $21,000), which is considered immaterial when compared with the audit fees of $492,000 (2022: $460,000).

Risk management

The Board is responsible for the Group's risk management framework and the Committee has been delegated responsibility for reviewing the overall process of assessing business risks and managing the impact on the Group. The Board retains overall responsibility for the level of risk the Group is willing to take and for allocating sufficient resource to the management of business risk.

The Executive Directors review the Company risk register regularly and report any proposed changes to the Committee and the Board. As part of the ongoing assessment of the business's principal risks and uncertainties, the Committee has considered several factors including the macroeconomic landscape, supply chain disruption and cyber and technology risks.

The review of risks facing the Group is shown on pages 26 to 28.

Internal controls

The Group has clearly defined lines of accountability and delegation of authority, which are closely adhered to, policies and procedures that cover financial planning and reporting, accounts preparation, information security and operational management. During the year the Group implemented a controls self-assessment programme covering all sites. Management provided the Committee with a summary of the key findings from the first self-assessment questionnaire, which was issued to the business in Q4 2023. Control observations and management's response to matters raised were reviewed by the Committee during their meeting in February 2024.

The reporting and review processes provide regular assurance to the Board as to the adequacy and effectiveness of internal controls. The Committee also reviewed and agreed financial control issues that arose during the audit with the External Auditor. The resolution of those financial control issues is ongoing, and progress will be reported to the Committee at future meetings. The Committee has determined that an internal audit function is not currently required by the Group and that there are other monitoring processes applied to provide assurance that internal controls are functioning satisfactorily.

Jon Jayal I Chief Executive Officer

Directors' report

The Directors present their Annual Report and Accounts for the year ended 31 December 2023.

Principal activities, results and likely future developments

The principal activities of the Group are:

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

The profit for the year after taxation amounted to $10.9m (2021: $11.0m). Further comments on the development of the business are included in the Chair's Statement, Chief Executive's Report and Financial Review on pages 10 to 21.

The Group has adopted the corporate governance code of the QCA. Further comments are included in the Chair's Introduction to Governance on page 37.

Engagement with suppliers, customers and others in a business relationship with the Company are also disclosed in the Governance Report.

The Group has made disclosures in the Sustainability Report on pages 30 to 36 regarding greenhouse gas emissions, energy consumption and energy efficiency of the business.

Statutory information

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

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

Details of the share capital of the Company are set out in Note 22 of the consolidated financial statements.

Annual General Meeting

The date and other details of the next Annual General Meeting (AGM) of the Company are contained within the notice of this meeting. The Board proposes a dividend for the year ended 31 December 2023 of 3.3p per share (2022: 3.0p per share).

Substantial shareholdings

Based on the share register analysis as at 31 December 2023, unless otherwise notified, the Company was aware of the following interests in 3% or more of the issued ordinary share capital of the Company:

	Shares held Ordinary shares of £0.001 each	% of issued share capital
N C L Jarmany and his wife	11,201,163	16.84%
Liontrust Asset Management	9,073,922	13.64%
Schroder Investment Management[1]	3,191,783	4.80%
Mr J & Mrs S Mullins	3,858,920	5.80%
Chelverton Asset Management	3,685,000	5.54%
Mr JJ Lin	3,446,559	5.18%
Crucible Clarity Fund[2]	2,740,332	4.12%
G P Mullins and his wife	2,215,653	3.33%
Columbia Threadneedle Investments	2,123,832	3.19%
Alexander Taylor	2,058,958	3.10%

1 Notified on 8 February 2024 under the Disclosure and Transparency Rules (DTR 5).

2 Notified on 6 February 2024 under the Disclosure and Transparency Rules (DTR 5).

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	
	2023	2022
F Small	**30,000**	30,000
N C L Jarmany	**11,201,163**	11,201,163
J F Jayal	**394,720**	389,567
G P Mullins	**2,215,653**	2,215,653
J J Olivier	**–**	–
D J Penny	**30,000**	20,000
C Thompson	**–**	–
G C v Zwanenberg (stepped down 27 April 2023)	**27,837**	27,837

There has been no other change in the interests set out above between 31 December 2023 and 12 March 2024.

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.

Share buyback authority

The Board intends to take the steps required to enable the Company to commence a limited share buyback programme. The buyback authority will only be exercised in circumstances where the Directors regard such purchases as being in the best interests of all shareholders in order to provide liquidity in the market, while helping to moderate volatility in the Company's shares and minimising dilution as a result of the exercise of employee options.

A further announcement will be made in due course setting out details of the proposed share buyback and details of the requisite shareholder and regulatory approvals ahead of authority being sought at the Company's AGM.

Research and development

The Group continues to undertake 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 development efforts.

Use of financial instruments

Information on both the Group’s financial risk management objectives and the Group’s policies on exposure to relevant risks in respect of financial instruments are set out in Note 23 of the consolidated financial statements.

Political contributions

Neither the Company nor any of its subsidiaries made any political donations or incurred any political expenditure during the year (2022: Nil).

Going concern

In assessing the appropriateness of adopting the going concern basis in the preparation of these financial statements, the Directors have prepared cash flow forecasts and projections for the twelve months ending 31 March 2025. Following careful consideration of the base case forecasts and the application of severe but plausible downside scenarios to these forecasts, the Directors have a reasonable expectation that the Group has adequate resources to continue to operate within the level of its current facilities for a period of at least 12 months from the date of this report. Therefore, the Directors continue to adopt the going concern basis of accounting in preparing the Group and Company financial statements.

Further details on going concern are provided in Note 1 of the Group financial statements, which is incorporated by reference and forms part of this Directors’ Report.

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 12 March 2024.

Statement of Directors' responsibilities

In respect of the Annual Report and the financial statements

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

Company law requires the Directors to prepare Group and Parent Company financial statements for each financial year. Under the AIM Rules of the London Stock Exchange they are required to prepare the Group financial statements in accordance with UK-adopted international accounting standards and applicable law and they have elected to prepare the Parent Company financial statements on the same basis.

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

- Select suitable accounting policies and then apply them consistently.
- Make judgements and estimates that are reasonable, relevant and reliable.
- State whether they have been prepared in accordance with UK-adopted international accounting standards.
- Assess the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern.
- Use the going concern basis of accounting unless they either intend to liquidate the Group or the Parent Company or to cease operations or have no realistic alternative but to do so.

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

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

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

Financial statements

Independent auditor's report

To the members of Nexteq PLC

1. Our opinion is unmodified

We have audited the financial statements of Nexteq Plc ("the Company") for the year ended 31 December 2023 which comprise the Consolidated Statement of Profit and Loss and Other Comprehensive Income, Consolidated and Company Balance Sheets, Consolidated and Company Statements of Changes in Equity, Consolidated and Company Cash Flow Statements and the related notes, including the accounting policies in note 1.

In our opinion:

- The financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 December 2023 and of the Group's profit for the year then ended;
- The Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- The parent Company financial statements have been properly prepared in accordance with UK-adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006; and
- The financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Overview		
Materiality: Group financial statements as a whole		$490k (2022: $405k) 3.8% (2022: 4.6%) of Group profit before tax
Coverage		85% (2022: 82%) of total profits and losses that make up Group profit before tax
Key audit matters		vs 2022
Event driven	Risk of fraudulent revenue recognition	▲
Recurring risks	Recoverability of Group goodwill and acquisition related intangibles in the Densitron US and Densitron Europe Cash Generating Units (CGUs) (2022: Recoverability of Group goodwill and acquisition related intangibles in the IDS Cash Generating Unit (CGU))	◄►
	Measurement of inventory at the lower of cost and NRV in the Quixant CGU and the parent Company	▼

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

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

	The risk	Our response
Risk of fraudulent revenue recognition Revenue (sale of products): $113.9m (2022: $119.3m) Refer to page 57 (Audit and Risk Committee Report), page 81 (Accounting Policy) and note 3 of the financial statements.	**2023 sales:** The Group derives its revenue from the sale of products, namely gaming boards or platforms, gaming monitors and display products. Revenue from the sale of products has one single performance obligation and this performance obligation is satisfied once control of the goods are transferred to the customer, in accordance with the contractual terms of sale (Incoterms). These contractual terms of sale vary from customer to customer. During the year, the Group have also agreed revised contractual terms with a number of customers, which introduces judgement into the assessment as to when a customer takes control of products in a sale transaction. Revenue is a key metric when evaluating financial performance of the Group and is subject to internal and external scrutiny. The Group's revenue is also subject to peaks in demand, particularly around period end financial reporting dates. Given these peaks in demand, pressure on the directors, and the differing contractual terms of sale, we considered there to be a risk of fraudulent revenue recognition, specific to revenue recognised around the year end date.	We performed the detailed tests below rather than seeking to rely on any of the Group's controls because our knowledge of the design of these controls indicated that we would not be able to obtain the required evidence to support reliance on controls. Our procedures included: • **Application of policy:** We compared the revenue recognised by the Group for consistency with the Group's policy and assessed whether the Group's policy is in accordance with applicable accounting standards. • **Tests of details:** We tested a sample of sales invoices raised around the year end date to check whether revenue had been recorded in the appropriate period, with reference to delivery documentation and contractual terms of sale. • **Tests of details:** We tested a sample of credit notes raised subsequent to the year end date to check whether revenue had been recorded in the appropriate period. • **Assessing transparency:** We assessed the adequacy of the Group's disclosures in respect of revenue recognised in the year.

	The risk	Our response
Recoverability of Group goodwill and acquisition related intangibles in the Densitron US and Densitron Europe CGUs Goodwill US and Europe: $2.1m and $2.8m (2022: $2.1m and $2.8m) Acquisition related intangibles US and Europe: $0.4m and $nil (2022: $0.4m and $0.3m) Refer to page 57 (Audit and Risk Committee Report), page 79 (Accounting Policy) and note 11 of the financial statements.	**Forecast based assessment:** The estimated recoverable amount of these balances is subjective due to the inherent uncertainty involved in forecasting and discounting future cash flows. The recent financial performance of the Densitron US and Densitron Europe CGUs and the size of these balances makes this a core area on which our audit focused. The effect of these matters is that, as part of our risk assessment, we determined that the value in use of the above mentioned CGU's had a high degree of estimation uncertainty due to these CGU's performance in the current year, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole. The financial statements (note 11) disclose the sensitivity estimated by the Group for these CGU's.	We performed the detailed tests below rather than seeking to rely on any of the Group's controls because our knowledge of the design of these controls indicated that we would not be able to obtain the required evidence to support reliance on controls. Our procedures included: • **Benchmarking assumptions:** We compared the Group's assumptions to externally derived data in relation to key inputs, such as discount rates and long term growth rates. We used our own valuation specialist to set our own independent expectation of the discount rate. • **Historical comparisons:** We assessed the reasonableness of the forecasts used by considering the historical accuracy of previous forecasts and the conversion of sales pipeline opportunities. • **Sensitivity analysis:** We performed our own sensitivity analysis on the key assumptions within their cashflow forecast, such as compound annual revenue growth rate, gross profit margins, discount rate and long term growth rate. We critically assessed the extent to which a change in these assumptions, both individually or in aggregate, would result in an impairment and considered the likelihood of such events occurring. • **Assessing transparency:** We assessed 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 recoverable amount of goodwill and acquisition related intangibles.

	The risk	Our response
Measurement of inventory in the Quixant CGU and the parent Company at the lower of cost and NRV Quixant CGU inventory: $19.1m (2022: $26.0m) Quixant CGU inventory held in Parent Company: $14.7m (2022: $22.7m) Refer to page 57 (Audit and Risk Committee Report), page 79 (Accounting Policy) and note 15 of the financial statements.	**Subjective estimate:** The measurement of the inventory balance in the Quixant CGU and the parent Company at the lower of cost and NRV is subjective due to the inherent uncertainty involved in forecasting future sales. The risk has reduced in the year as the overall level of inventory in the Quixant CGU and the parent Company has decreased. However, inventory days remain high, the Group continue to make strategic inventory purchases and future sales are dependent on specific customer actions and the forecast sales demand. As a result, there remains a risk that future sales may not sufficiently utilise current inventory levels, and therefore inventory is not being held at the lower of cost and net realisable value. The effect of these matters is that, as part of our risk assessment for audit planning purposes, we determined that the measurement of inventory in the Quixant CGU and the parent Company has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole. The financial statements (note 1) disclose the sensitivity estimated by the Group for the measurement of inventory.	We performed the detailed tests below rather than seeking to rely on any of the Group's controls because our knowledge of the design of these controls indicated that we would not be able to obtain the required evidence to support reliance on controls. Our procedures included: • **Application of policy:** We inspected the inventory provision recorded by the Group for consistency with the Group's policy and accounting standards and recalculated the provision recognised by the Group. • **Test of detail:** We assessed the key assumptions underlying the sales forecasts prepared by the Group for reasonableness by inspecting the committed orders in the pipeline. • **Test of detail:** We compared the levels of inventory held at year end with the consumption during the year and subsequent to the year end. Based on this, we selected a risk focussed sample of inventory items that were not provided against and challenged the directors' assessment of the level of inventory provision based on historic consumption, future committed orders and by applying our wider knowledge and experience of the Group. • **Assessing transparency:** We assessed the adequacy of the Group's disclosures about the degree of estimation involved in arriving at the measurement of inventory at the lower of cost and NRV.

We continue to perform procedures over the recoverability of goodwill in the IDS CGU. However, following an assessment of the headroom in the models to support the goodwill balance in the IDS CGU, we have not assessed this as a significant risk in our current year audit and, therefore, it is not separately identified as a Key Audit Matter in our report this year.

The Disclosure of events after the reporting period is not a significant risk or a Key Audit Matter in the current year. The risk in determining whether the circumstances represented an adjusting event, and in determining the recoverable amount of the affected assets is no longer a significant risk, as this was a one-off event in the previous 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 $490k (2022: $405k), determined with reference to a benchmark of Group profit before tax, of which it represents 3.8% (2022: 4.6% Group profit before tax).

Materiality for the parent Company financial statements as a whole was set at $400k (2022: $370k), determined with reference to a benchmark of parent Company total assets, of which it represents 0.6% (2022: 0.6% of parent Company total assets).

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

Performance materiality was set at 65% (2022: 65%) of materiality for the financial statements as a whole, which equates to $318k (2022: $263k) for the Group and $260k (2022: $240k) for the parent Company. We applied this percentage in our determination of performance materiality based on the level of identified misstatements and control deficiencies during the prior period.

We agreed to report to the audit and risk committee any corrected or uncorrected identified misstatements exceeding $24.5k (2022: $20k), in addition to other identified misstatements that warranted reporting on qualitative grounds.

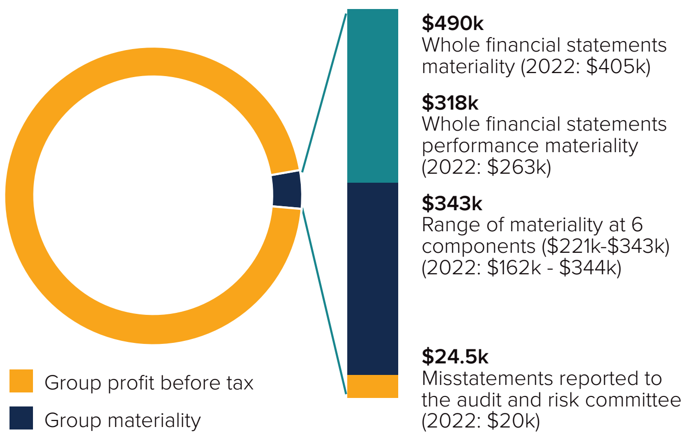
Of the Group’s 12 (2022: 12) reporting components, we subjected 6 (2022: 6) to full scope audits for Group purposes.

The components within the scope of our work accounted for the percentages illustrated on this page.

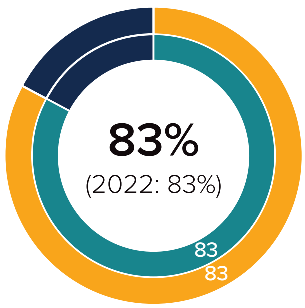
The remaining 17% (2022: 17%) of total Group revenue, 15% (2022: 18%) of total profits and losses that made up Group profit before tax and 11% (2022: 13%) of total Group assets is represented by 6 (2022: 6) reporting components, none of which individually represented more than 8% (2022: 8%) of any of total Group revenue, total profits and losses that made up Group profit before tax or total Group assets. For these components, we performed analysis at an aggregated Group level to re-examine our assessment that there were no significant risks of material misstatement within these.

Group profit before tax
$12,909k (2022: $8,801k)

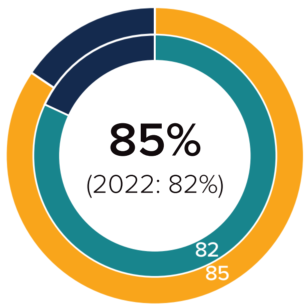
Group materiality
$490k (2022: $405k)



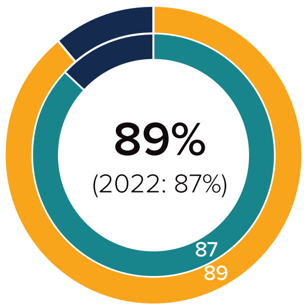
Group revenue



Total profits and losses that made up Group profit before tax



Group total assets



Full scope for Group audit purposes 2023
Full scope for Group audit purposes 2022
2022 Residual components

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 $221k to $343k (2022: $162k to $344k), having regard to the mix of size and risk profile of the Group across the components.

The work on 1 of the 12 components (2022: 1 of the 12 components) was performed by component auditors and the rest, including the audit of the parent Company, was performed by the Group team. The scope of the audit work performed was predominantly substantive as we placed limited reliance upon the Group's internal control over financial reporting.

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

The scope of the audit work performed was predominately substantive as we placed limited reliance upon the Group's internal control over financial reporting.

4. Going concern

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

We used our knowledge of the Group, its industry, and the general economic environment to identify the inherent risks to its business model and analysed how those risks might affect the Group's and parent Company's financial resources or ability to continue operations over the going concern period.

The risk that we considered most likely to adversely affect the Group's and parent Company's available financial resources over this period was a downturn in customer demand. We also considered less predictable but realistic second order impacts, such as the issues in the sourcing of raw materials which could result in the Group's inability to meet its performance obligations under contracts with its customers, and, as a consequence of this, a reduction of sales.

We considered whether these risks could plausibly affect the liquidity in the going concern period by comparing severe, but plausible downside scenarios that could arise from these risks individually and collectively against the level of available financial resources indicated by the Group's financial forecasts.

Our procedures also included:

- Assessing the reasonableness of the Group's assumptions in relation to key inputs such as projected growth rates with our knowledge of the industry, externally derived data and the actual performance of the Group;
- Assessing whether the directors' downside scenarios applied mutually consistent assumptions in aggregate, using our assessment of the possible range of each key assumption and
- Comparing past budgets to actual results to assess the directors' track record of budgeting accurately.

We considered whether the going concern disclosure in note 1 to the financial statements gives a full and accurate description of the directors' assessment of going concern, including the identified risks and, dependencies, and related sensitivities.

Our conclusions based on this work:

- We consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- We have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group's or parent Company's ability to continue as a going concern for the going concern period; and
- We found the going concern disclosure in note 1 to be acceptable.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Group or the parent Company will continue in operation.

5. Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

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

Our risk assessment procedures included:

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

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

As required by auditing standards, and taking into account possible pressures to meet profit targets, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular the risk that product sales revenue recognised around the year end date were recorded in the inappropriate period.

Further detail in respect of fraudulent revenue recognition and the measurement of inventory at the lower of cost and NRV in the Quixant CGU and the parent Company is set out in the key audit matter disclosures in section 2 of this report.

We also perform procedures to address the risk that Group and component management may be in a position to make inappropriate accounting entries, and the risk of bias in accounting estimates and judgements, such as the measurement of inventory at the lower of cost and NRV.

We also performed procedures including:

- Identifying journal entries to test for all full scope components based on risk criteria and comparing the identified entries to supporting documentation. These included those posted to unusual account pairings for revenue and cash; and
- Assessing whether the judgements made in making accounting estimates are indicative of a potential bias.

Identifying and responding to risks of material misstatement related to compliance with laws and regulations

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

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

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

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

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

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

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

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

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

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

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

Strategic report and directors' report

Based solely on our work on the other information:

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

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

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

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

We have nothing to report in these respects.

8. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 63, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

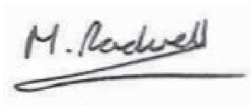
Auditor's responsibilities

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

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

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

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



Matthew Radwell
(Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
20 Station Road
Cambridge
CB1 2JD

12 March 2024

Consolidated statement of profit and loss and other comprehensive income

For the years ended 31 December 2023 and 2022

	Note	2023 $'000	2022 $'000
Revenue	3	114,349	119,873
Cost of sales	15	(72,828)	(81,319)
Gross profit		41,521	38,554
Operating expenses	4, 6	(29,091)	(29,622)
Operating profit		12,430	8,932
Finance income	7	585	–
Finance expense	7	(106)	(131)
Profit before tax		12,909	8,801
Taxation	8	(2,012)	2,185
Profit for the year		10,897	10,986
Other comprehensive income/(expense) for the year, net of income tax			
Items that are or may be reclassified subsequently to profit or loss:			
Foreign currency translation differences		723	(1,644)
Total comprehensive income for the year		11,620	9,342
Basic earnings per share	9	$0.1639	$ 0.1653
Diluted earnings per share	9	$0.1602	$ 0.1616

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

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

Notes on pages 79 to 127 form part of the financial statements.

Consolidated and company balance sheets

As at 31 December 2023 and 2022

		Group		Company	
	Note	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Non-current assets					
Property, plant and equipment	10	5,478	5,668	3,649	3,750
Intangible assets	11	14,243	15,533	408	652
Right-of-use assets	24	1,558	1,694	667	745
Investment property	12	–	–	–	–
Investments in Group companies and associated undertakings	13	–	–	9,586	9,244
Deferred tax assets	14	2,951	2,636	2,637	2,389
Trade and other receivables	16	54	712	–	–
		24,284	26,243	16,947	16,780
Current assets					
Inventories	15	24,338	32,169	16,180	22,717
Trade and other receivables	16	25,828	24,047	9,889	10,917
Cash and cash equivalents	17	28,406	13,508	24,857	9,042
		78,572	69,724	50,926	42,676
Total assets		102,856	95,967	67,873	59,456
Current liabilities					
Loans and borrowings	18	(91)	(90)	(91)	(90)
Trade and other payables	19	(16,763)	(20,437)	(26,583)	(15,176)
Tax payable		(1,247)	(530)	(421)	(274)
Lease liabilities	18	(569)	(562)	(296)	(329)
		(18,670)	(21,619)	(27,391)	(15,869)
Non-current liabilities					
Loans and borrowings	18	(382)	(473)	(382)	(473)
Provisions	21	(351)	(350)	–	–
Deferred tax liabilities	14	–	(40)	–	–
Lease liabilities	18	(1,107)	(1,271)	(364)	(441)
		(1,840)	(2,134)	(746)	(914)
Total liabilities		(20,510)	(23,753)	(28,137)	(16,783)
Net assets		82,346	72,214	39,736	42,673
Equity attributable to equity holders of the parent					
Share capital	22	106	106	106	106
Share premium	22	6,747	6,708	6,747	6,708
Share-based payments reserve		1,905	895	1,905	895
Retained earnings		74,398	66,038	30,464	35,085
Translation reserve		(810)	(1,533)	514	(121)
Total equity		82,346	72,214	39,736	42,673

The Company's loss for the year was $2.1m (2022: loss of $0.6m).

These financial statements were approved and authorised for issue by the Board of Directors on 12 March 2024 and were signed on behalf of the Board by:

Jon Jayal
Chief Executive Officer

Company registered number: 04316977

Notes on pages 79 to 127 form part of the financial statements.

Consolidated and company statement of changes in equity

For the years ended 31 December 2023 and 2022

GROUP

	Share Capital $'000	Share Premium $'000	Translation Reserve $'000	Share-Based Payments $'000	Retained Earnings $'000	Total Equity $'000
Balance at 1 January 2022	106	6,708	(1,533)	895	66,038	72,214
Total comprehensive income for the year						
Profit for the year	–	–	–	–	10,897	10,897
Other comprehensive expense	–	–	(1,644)	–	–	723
Total comprehensive (expense)/ income for the year	–	–	(1,644)	–	10,897	11,620
Transactions with owners, recorded directly in equity						
Share-based payment expense	–	–	–	618	–	618
Deferred tax on share-based payment expense	–	–	–	65	–	65
Dividend paid	–	–	–	–	(1,888)	(1,888)
Total contributions by and distributions to owners	–	–	–	683	(1,888)	(1,205)
Balance at 31 December 2022	**106**	**6,747**	**(810)**	**1,905**	**74,398**	**82,346**

	Share Capital $'000	Share Premium $'000	Translation Reserve $'000	Share-Based Payments $'000	Retained Earnings $'000	Total Equity $'000
Balance at 1 January 2023	106	6,708	(1,533)	895	66,038	72,214
Total comprehensive income for the year						
Profit for the year	–	–	–	–	10,897	10,897
Other comprehensive income	–	–	723	–	–	723
Total comprehensive income for the year	–	–	723	–	10,897	11,620
Transactions with owners, recorded directly in equity	–	–	–	962	–	962
Share-based payment expense						
Deferred tax on share-based payment expense	–	–	–	48	–	48
Dividend paid	–	–	–	–	(2,537)	(2,537)
Exercise of share options	–	39	–	–	–	39
Total contributions by and distributions to owners	–	39	–	1,010	(2,537)	(1,488)
Balance at 31 December 2023	106	6,747	(810)	1,905	74,398	82,346

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 2022	106	6,708	1,049	212	37,533	45,608
Total comprehensive loss for the year						
Loss for the year	–	–	–	–	(560)	(560)
Other comprehensive expense	–	–	(1,170)	–	–	(1,170)
Total comprehensive expense for the year	–	–	(1,170)	–	(560)	(1,730)
Transactions with owners, recorded directly in equity						
Share-based payment expense	–	–	–	618	–	618
Deferred tax on share-based payment expense	–	–	–	65	–	65
Dividend paid	–	–	–	–	(1,888)	(1,888)
Total contributions by and distributions to owners	–	–	–	683	(1,888)	(1,205)
Balance at 31 December 2022	106	6,708	(121)	895	35,085	42,673

	Share Capital $'000	Share Premium $'000	Translation Reserve $'000	Share-Based Payments $'000	Retained Earnings $'000	Total Parent Equity $'000
Balance at 1 January 2023	106	6,708	(121)	895	35,085	42,673
Total comprehensive loss for the year	–	–	–	–	(2,084)	(2,084)
Loss for the year						
Other comprehensive income	–	–	635	–	–	635
Total comprehensive expense for the year	–	–	635	–	(2,084)	(1,449)
Transactions with owners, recorded directly in equity	–	–	–	962	–	962
Share-based payment expense						
Deferred tax on share-based payment expense	–	–	–	48	–	48
Dividend paid	–	–	–	–	(2,537)	(2,537)
Exercise of share options	–	39	–	–	–	39
Total contributions by and distributions to owners	–	39	–	1,010	(2,537)	(1,488)
Balance at 31 December 2023	106	6,747	514	1,905	30,464	39,736

Notes on pages 79 to 127 form part of the financial statements.

Consolidated and company cash flow statements

For the years ended 31 December 2023 and 2022

		Group		Company	
	Note	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Cash flows from operating activities					
Profit/(Loss) for the year		10,897	10,986	(2,084)	(560)
Adjustments for:					
Depreciation and amortisation	4	2,764	2,652	701	687
Loss on disposal of property, plant and equipment	10	14	5	–	4
Impairment losses on intangible assets	4	967	509	–	–
Depreciation of leased assets	4	638	660	360	413
Increase in provision for doubtful debts	23	136	722	–	–
Movement in provisions	21	7	43	–	–
R&D tax credit		(382)	–	–	–
Taxation charge/(credit)		2,012	(2,185)	413	(1,776)
Finance income	7	(585)	–	(563)	–
Finance expense	7	106	131	47	86
Exchange rate losses/(gains)		120	(403)	124	(371)
Share-based payment expenses		962	618	676	499
Operating cash flows before movement in working capital		17,656	13,738	(326)	(1,018)
(Increase)/Decrease in trade and other receivables		(1,283)	(2,017)	1,016	16,940
Decrease/(Increase) in inventories		8,573	(4,633)	7,176	(2,980)
(Decrease)/Increase in trade and other payables		(3,888)	(4,439)	(3,448)	(6,774)
		21,058	2,649	4,418	6,168
Interest paid		(3)	(42)	–	(41)
Lease liability interest paid	18	(92)	(89)	(35)	(45)
Tax paid		(1,208)	(1,716)	(522)	(648)
Net cash from operating activities		19,755	802	3,861	5,434
Cash flows from investing activities					
Addition of development costs	11	(1,839)	(1,817)	–	–
Purchase of property, plant and equipment	10	(262)	(545)	(219)	(407)
Addition of externally purchased intangible assets	11	(135)	(418)	(135)	(108)
Interest received		461	–	440	
Net cash used in investing activities		(1,775)	(2,780)	86	(515)
Cash flows from financing activities					
Repayment of borrowings	18	(926)	(6,922)	(926)	(6,922)
Proceeds from loans	18	842	6,842	842	6,842
Proceeds from intercompany loans		–	–	14,711	–
Mortgage interest paid	11	(11)	–	(11)	–
Payment of lease liabilities principal	18	(624)	(546)	(358)	(405)
Exercise of share options		39	–	39	–
Dividends paid		(2,537)	(1,888)	(2,537)	(1,888)
Net cash used in financing activities		(3,217)	(2,514)	11,760	(2,373)
Net increase/(decrease) in cash and cash equivalents		14,763	(4,492)	15,707	2,546
Cash and cash equivalents at 1 January		13,508	18,347	9,042	6,604
Foreign exchange rate movements		135	(347)	108	(108)
Cash and cash equivalents at 31 December	17	28,406	13,508	24,857	9,042

Notes on pages 79 to 127 form part of the financial statements.

Notes to the financial statements

1. Principal accounting policies

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

Nexteq Plc (the 'Company') develops and supplies specialist computer systems. The Company is a public company that is incorporated and domiciled in the UK. The registered number is 04316977. The address of the Company's registered office is Aisle Barn, 100 High Street, Balsham, Cambridge, CB21 4EP.

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

Basis of preparation

The Group financial statements have been prepared in accordance with UK-adopted international accounting standards ('UK Adopted IFRS'). The Company financial statements have been prepared in accordance with UK-adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006. 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. The loss of the Company is disclosed at the foot of the Company Balance sheet.

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

Functional and presentation currency

These consolidated financial statements are presented in US Dollars, which is the Company's functional currency. The Company's Taiwan branch has a functional currency of New Taiwan Dollars. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

Use of judgements and estimates

The preparation of financial information in conformity with UK-adopted international accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group accounting policies. The areas involving a higher degree of judgement and estimation relate to the recoverable amount of goodwill in the Densitron US CGU, valuation of Quixant CGU inventory, capitalisation of development costs and valuation of Aruze debtors, inventory and capitalised development costs. Estimates and underlying assumptions are reviewed on an annual basis. Revisions to estimates are recognised prospectively.

Significant estimates

Recoverability of goodwill and acquisition-related intangibles in the Densitron US and Densitron Europe CGUs

The estimated recoverable amounts of the Densitron US and Densitron Europe CGUs have been determined based on the higher of the value-in-use calculations and fair value less costs to sell. These calculations require the use of estimates and assumptions that are subjective due to the inherent uncertainty involved in forecasting and discounting future cash flows. Reasonably possible changes to the assumptions in the future may lead to material adjustments to the carrying value of the CGUs. See Note 11 for further details.

Quixant inventory valuation in the Quixant CGU for the Group and in the Parent company

Inventories, which comprise goods held for resale, are stated at the lower of cost and net realisable value, on a weighted average cost basis. The estimated recoverable amount of the inventory balance in the Quixant CGU for the Group financial statements and in the Parent Company financial statements is subjective, due to the inherent uncertainty involved in forecasting of future sales. Provisions are made to write down any slow-moving or obsolete inventory to net realisable value.

As at 31 December 2023, the Nexteq Group balance sheet and Parent company balance sheet included Quixant inventory of $19.1m (2022: $26.0m) and $14.7m (2022: $22.7m) respectively. The provision against slow-moving and obsolete inventory for the Group as at 31 December 2023 is $2.6m (2022: $2.1m) and in the Parent company is $2.3m (2022: $1.5m). A difference of 3.7% in the provision as a percentage of gross inventory would give rise to a difference of +/- $1.0m in gross margin. The choice of a 3.7% change for the determination of sensitivity represents the change to the level of provisioning for the prior year.

1. Principal accounting policies

Other important judgements

Valuation of Aruze debtors, inventory and capitalised development costs

As disclosed in the 2022 Annual Report, the Group, through its Quixant brand, had active contracts in place with Aruze Philippines Manufacturing Inc. ('APMI'), for the supply of display products and gaming boards. On 1 February 2023 Aruze Gaming America, Inc ('AGA'), a US-based affiliate of APMI, filed a voluntary petition under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the State of Nevada. As at the date of this Annual Report, the Chapter 11 proceedings are still ongoing. AGA's operations and assets have been sold as part of the proceedings and AGA also closed its Las Vegas operations. APMI filed for voluntary liquidation on 22 August 2023 and a liquidation order was issued by the Philippine courts. As at the date of this Annual Report the liquidation proceedings were still ongoing.

There remains uncertainty over the recoverability of balances related to APMI and Nexteq management evaluated their carrying value as at the balance sheet date.

As at 31 December 2023, APMI owed $1.0m to the Group from the sale of goods (2022: $0.7m). The amounts were impaired in full as at 31 December 2022 and due to the uncertainty referenced above remain fully impaired at 31 December 2023. The Group continues to take steps to recover these balances.

Inventory, consisting of raw materials with a book value of $1.7m (2022: $2.2m) and finished goods with a book value of $0.6m (2022: $1.1m) originally earmarked for use by APMI was included in the Nexteq Group's balance sheet as at 31 December 2023. The raw materials can be used to manufacture products sold to the Group's existing or new customers, and the finished goods can be used in the Group's turnkey cabinet offering. Management expects to fully recover the net book value of $2.3m and considers that no provision against it was required as at 31 December 2023.

The Group balance sheet also previously included capitalised development costs with a book value of $0.4m related to the development of products for APMI's future use. Management assessed the commercial opportunities for these products and determined that it was not probable that these would generate future economic benefits for other customers. As a result, development of these products was ceased. An impairment charge of the full book value of $0.4m was recorded within operating expenses.

Basis of consolidation

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

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

Separate Parent Company financial statements

In the Parent Company financial statements, all investments in subsidiaries are carried at cost less impairment. The functional and presentational currency adopted by the Parent Company is US Dollars, and the functional currency of the branch is New Taiwan Dollars.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Strategic Report on pages 2 to 36.

The Group's operational and financially robust position is supported by:

- Increased profitability, with profit before tax of $12.9m, 47% higher than 2022 ($8.8m).
- Improved cash generation, leading to a net cash balance of $27.9m at 31 December 2023 (31 December 2022: $12.9m).
- Good order book at 31 December 2023, covering five months of forecasted 2024 revenues (31 December 2022: seven months of forecasted 2023 revenues).

In undertaking a going concern assessment, the Directors have reviewed financial projections for a period of at least twelve months from the date of this report (the assessment period). Management prepared a base case scenario based on the approved budget for 2024 and forecasts for the first three months of 2025. Management also prepared a severe but plausible downside scenario, using the following key assumptions:

- A 25% reduction in 2024 and 2025 Quixant revenues to replicate the impact that a downturn similar to that experienced in 2019 would have on the Group's revenues.
- Supply chain disruptions similar to that experienced in 2021 and 2022 leading to increased levels of working capital.

In this scenario, the Group continues to have sufficient cash reserves and working capital to continue operating as a going concern through the review period.

While the Directors' have no reason to believe that customer revenues and receipts will decline to the point that the Group no longer has sufficient resources to fund its operations, should this occur, the Group would look to take out additional funding facilities, as well as making further reductions in controllable costs. There would also be an opportunity to sell certain property and inventory assets to accelerate cash generation and/or mitigate risk.

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

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business by subsidiary companies to external customers, net of discounts, Value Added Tax (VAT) and other sales-related taxes. Revenue is reduced for customer returns and other allowances.

Revenue from the sale of goods, namely gaming boards or platforms, gaming monitors and display products, which represents the significant majority of the Group revenue, is recognised in the income statement when:

- The performance obligation of transferring control over a product to the buyer in accordance with the contracted terms of sale has occurred. This usually occurs at a point in time when the contractual terms of sale have been met; and
- The Group no longer retains effective control over the goods.

The Group operates under different contractual terms for each customer with these terms being based on Incoterms (International Commercial Terms), a set of standardised international trade terms published by the International Chamber of Commerce. The Group recognises revenue once control of the goods has been passed to the customer in accordance with these contractual terms, which could be at different points in time (for example, on delivery to the customer premises, or when the goods have been made available for a customer to collect from an agreed place).

Consideration is payable based on contractual payment terms, which are usually 30 days after the performance obligation has been met. Transaction prices are set up front for each contract based on standalone selling prices.

1. Principal accounting policies

The Group has an active contract, which includes a financing component, and consideration is payable over 36 months, however, it has not identified any contracts that include variable consideration. The financing element of the revenue is deferred in the balance sheet and recognised in the statement of profit and loss over the period of a contract.

IDS, which forms part of the Densitron operating segment, provides support and maintenance services to customers. Efforts are expended evenly throughout the performance period therefore revenue is recognised on a straight-line basis over the period of the contract.

Cost of sales

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

Adjusting items

When items of income or expense are considered significant by virtue of their size, nature or incidence or which have a distortive effect on current year earnings and are relevant to an understanding of the Group's financial performance, they are disclosed separately within the financial statements. Such adjusting items may include but are not limited to share-based payment expense, restructuring charges, acquisition-related costs and amortisation of intangible assets arising from business combinations.

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 not amortised but is tested for impairment annually. Any impairment is recognised immediately through the income statement and is not subsequently reversed. Impairment losses recognised are allocated first to reduce the carrying value of the goodwill the business relates to, and then to reduce the carrying value of the other assets of that business on a pro rata basis.

Impairment excluding inventories, investment properties and deferred tax assets

Non-financial assets

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

The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the cash generating unit). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash generating units (CGU).

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

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

Property, plant and equipment

Property, plant and equipment are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided on all property, plant and equipment at rates calculated to write off the cost less estimated residual value of each asset on a straight-line basis over its expected useful economic life, as follows:

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

No depreciation is provided on freehold land.

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

Investment property

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

Intangible assets – customer relationships, order backlog, technology

In accordance with IFRS3, on the acquisition of subsidiary companies the Group assesses the identification of intangible assets acquired, which are either separate or arise from contractual or other legal rights. These assets are recognised as intangible assets and are amortised over the period of future benefit to the Group. The estimated useful economic lives of these assets from the date of acquisition are:

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

Intangible assets – development costs

The Group incurs significant expenditure on the research and development of new 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.
- 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 Statement of Profit and Loss and Other Comprehensive Income as incurred. Capitalised development costs are amortised on a straight-line basis over their expected useful economic lives of five years once the related product or enhancement is available for use.

Intangible assets – computer software

Computer software is stated at cost, net of amortisation and any provision for impairment. Amortisation is provided on all computer software at rates calculated to write off the cost less estimated residual value of each asset on a straight-line basis over its expected useful economic life, as follows:

Computer software	Between 3 and 5 years

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

Inventories

Inventories, which comprise goods held for resale, are stated at the lower of cost and net realisable value. Cost is accounted for on a weighted average basis and includes all costs in acquiring the inventories and bringing each product to its present location and condition, as well as an appropriate share of overheads based on normal operating capacity. Net realisable value represents the estimated selling price and costs to be incurred in marketing, selling and distribution. Inventory provisions are made where there is doubt as to the recoverability of the value of specific stock items.

1. Principal accounting policies

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 foreign operations are translated using the average exchange rate for the period. The Balance Sheets of foreign operations are translated to the Group's presentational currency, US Dollars, using the closing year-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 because 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.

Leases, right-of-use assets and lease liabilities

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

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

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease. If not available, the Group's incremental borrowing rate on commencement of the lease is used. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, to the extent that the right-of-use asset is reduced to nil, with any further adjustment required from the remeasurement being recorded in profit or loss.

The right-of-use assets are initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the asset or to restore the site on which it is located less any lease incentives received. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term.

Income tax

The charge for current income tax is based on the results for the year as adjusted for items that are not taxed or disallowed. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. 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. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available, against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference is due to goodwill arising on a business combination or from an asset or liability, the initial recognition of which does not affect either taxable or accounting income.

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

Financial assets

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit loss (ECL), the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information. The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. The Group's financial assets fall into the categories set out below, with the allocation depending to an extent on the purpose for which the asset was acquired. Unless otherwise indicated, the carrying amounts of the Group's financial assets are a reasonable approximation of their fair values.

- **Trade receivables:** Trade receivables are initially and subsequently measured at amortised cost.
- **Cash and cash equivalents:** Cash and cash equivalents in the Consolidated Balance Sheet comprise cash at bank and in hand and short-term deposits. Cash and cash equivalents are measured at amortised cost.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

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

The Group considers a financial asset to be in default when the trade receivable is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or the financial asset is more than 90 days past due (unless there is no evidence of unwillingness or of an inability to settle the debt).

1. Principal accounting policies

Financial liabilities

All the Group's financial liabilities are classified as financial liabilities carried at amortised cost.

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

Financial liabilities include the following items:

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

Financial assets and financial liabilities are offset, and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends to either settle them on net basis or to realise the asset and settle the liability simultaneously.

Financing income and expenses

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

Financing income comprises interest receivable on funds invested, interest income on lease receivables.

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method.

Derivative financial instruments

A derivative financial instrument for which no hedge accounting is applied is initially recognised at its fair value at the date the contract is entered into and is subsequently carried at its fair value. Changes in fair value are recognised in profit or loss. The Group does not apply hedge accounting for its derivative financial instruments.

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates. The Group periodically uses foreign exchange forward contracts to manage the foreign currency exposures.

Pension

The Group operates a defined contribution scheme to the benefit of its employees. Contributions payable are charged to the Consolidated Statement of Profit and Loss and Other Comprehensive Income in the year they are payable.

Earnings per share

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

Dividends

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

Determination and presentation of operating segments

The 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 Group's Chief Operating Decision Maker (CODM).

An operating segment is a component of the 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 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.

Adoption of new and revised IFRS standards

The Nexteq Group considers the applicability of the following IFRSs, including permission for early adoption of new and amended IFRSs, in the current reporting period.

The following amendments required to be adopted in annual periods beginning from 1 January 2023 onwards do not have a material impact on the financial statements of the Group:

- IFRS17 Insurance Contracts, Amendments to IFRS17 and Initial Application of IFRS17 and IFRS9 – Comparative information (effective date 1 January 2023).
- Amendments to IAS8 Accounting Policies, changes in Accounting Estimates and Errors to introduce a new definition for accounting estimates (effective date 1 January 2023).
- Amendments to IAS1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements (effective date 1 January 2023).
- Amendments to IAS12 Income Taxes – Deferred Tax related to Assets and Liabilities Arising from a Single Transaction (effective date 1 January 2023).

At the date of authorisation of these financial statements, the following revised IFRSs that have been issued but are not yet effective have not been applied by the Group:

- Amendments to IAS1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current and Classification of Liabilities as Current and Non-current (effective date 1 January 2024).
- Amendments to IAS7 and IFRS7 Supplier Finance Arrangements: Updated disclosures of supplier finance arrangements and the effect of liabilities, cash flows and exposure to liquidity risk.

Management does not expect these amendments to have a material impact on the financial statements of the Group in future periods.

Reconciliation of adjusted performance measures

The Group uses certain alternative performance measures to evaluate performance and as a method to provide Shareholders with clear and consistent reporting. The Directors consider that these represent a more consistent measure of performance by removing items of income or expense that are considered significant by virtue of their size, nature or incidence or which have a distortive effect on current year earnings and are relevant to an understanding of the Group's financial performance. These measures include Adjusted Profit before tax, Adjusted Profit after tax, Adjusted Operating expenses and Adjusted Operating cash flow. See below for analysis of the adjusting items in reaching adjusted performance measures.

1. Principal accounting policies

Adjusted Profit before tax

	2023 $'000	2022 $'000
Profit before tax	12,909	8,801
Adjustments:		
Amortisation of customer relationships, technology and order backlog[1]	582	751
Share-based payments expense[2]	962	618
Restructuring charges[3]	293	–
Adjusted Profit before tax	14,746	10,170
Adjusted Profit before tax % (Adjusted Profit before tax/Revenue)	12.9%	8.5%

1 The amortisation of customer relationships, technology 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 it is not a cash-based expense.

3 Restructuring charges relates to leaver costs incurred in headcount reduction actions taken in December 2023.

Adjusted Profit after tax

	2023 $'000	2022 $'000
Profit after tax	10,897	10,986
Adjustments:		
Amortisation of customer relationships, technology and order backlog[1]	582	751
Share-based payments expense[2]	962	618
Restructuring charges[3]	293	–
Non-recurring tax benefits[4]	(432)	(260)
Adjusted Profit after tax	12,302	12,095

1 The amortisation of customer relationships, technology 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 it is not a cash-based expense.

3 Restructuring charges relates to leaver costs incurred in headcount reduction actions taken in December 2023.

4 Tax on adjusted items relating to amortisation of customer relationships, technology and order backlog of $0.6m (2022: $0.8m), share-based payment expense of $1.0m (2022: $0.6m) and restructuring charges of $0.3m (2022: $Nil).

Adjusted Operating expenses

	2023 $'000	2022 $'000
Operating expenses	(29,091)	(29,622)
Adjustments:		
Amortisation of customer relationships, technology and order backlog[1]	582	751
Share-based payments expense[2]	962	618
Restructuring charges[3]	293	–
Adjusted Operating expenses	(27,254)	(28,253)

Adjusted Operating cash flow

	2023 $'000	2022 $'000
Net cash from operating activities		
Add back:	19,755	802
Tax paid	1,208	1,716
Adjusted Operating cash flow	20,963	2,518
Adjusted Operating cash conversion % (Adjusted operating cash flow/Adjusted profit before tax)	142%	25%

2. Business and geographical segments

The Chief Operating Decision Maker (CODM) in the organisation is an executive management committee comprising the Board of Directors. The segmental information is presented in a format consistent with management information. The Group assesses the performance of the segments based on a measure of revenue and operating profit. The segmental split of the balance sheet is not reviewed by the CODM, and they do not look at assets/liabilities of each division separately but combined as a group. Therefore, this split for assets has not been included.

The operating segments applicable to the Group are as follows:

- Quixant – Design, development and manufacturing of gaming platforms and display solutions for the casino gaming and slot machine industry.
- Densitron – Sale of electronic display products to global industrial markets. IDS is included in the Densitron reporting segment, since the nature of IDS business, the products that are sold and the market that the business operates in are all consistent with that segment.

Reconciliation of segment results to profit after tax:

	2023 $'000	2022 $'000
Quixant	17,165	17,348
Densitron	7,538	5,165
Segment results	24,703	22,513
Corporate cost	(12,273)	(13,581)
Operating profit	12,430	8,932
Net finance income/(expense)	479	(131)
Profit before tax	12,909	8,801
Taxation	(2,012)	2,185
Profit after tax	10,897	10,986

2. Business and geographical segments

	Year to 31 December 2023			Year to 31 December 2022		
	$'000	$'000	$'000	$'000	$'000	$'000
	Quixant	Densitron	Total[1]	Quixant	Densitron	Total[1]
Other information						
Depreciation of owned assets	93	8	101	92	5	97
Amortisation of ntangible assets	1,020	337	1,357	804	291	1,095
Impairment of intangible assets	489	478	967	194	315	509
	1,602	823	2,425	1,090	611	1,701

[1] Depreciation and amortisation of $977k (2022: $1,611k) were not allocated to segments as these are considered corporate costs.

3. Analysis of turnover

	2023	2023	2023	2022	2022	2022
	$'000	$'000	$'000	$'000	$'000	$'000
	Quixant	Densitron[1]	Total	Quixant	Densitron	Total
By primary geographical market						
Asia	2,911	9,311	12,222	3,306	10,353	13,659
Australia	6,067	79	6,146	4,958	66	5,024
UK	4,733	4,370	9,103	4,373	3,474	7,847
Europe excl. UK	10,777	15,668	26,445	12,483	13,067	25,550
North America	44,380	14,404	58,784	48,123	16,162	64,285
Rest of World	405	1,244	1,649	839	2,669	3,508
	69,273	45,076	114,349	74,082	45,791	119,873

[1] 2023 Densitron revenue from products splits into Densitron $43.5m (2022: $44.7m) and IDS $1.6m (2022: $1.1m). IDS revenue included revenue of $0.4m (2022: $0.5m) recognised throughout the performance period.

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

	2023	2022
	$'000	$'000
USA	56,069	61,019

Two customers (2022: two customers) individually accounted for more than 10% of Group revenues in 2023, with revenues of $19.4m (2022: $22.5m) and $14.8m (2022: $17.9m), respectively. These revenues are attributable to the Quixant segment.

4. Expenses

Included in profit before tax are the following:

	2023 $'000	2022 $'000
Restructuring charge	293	–
(Gain)/loss on foreign exchange transactions	(514)	1,645
Research and development expenditure	4,575	4,823
Of which capitalised	(1,839)	(1,817)
Impairment of capitalised development cost	967	509
R&D tax credit	(382)	–
Depreciation of owned assets	467	456
Depreciation of leased assets	638	660
Amortisation of intangible assets	2,297	2,196

Auditor's remuneration:

	2023 $'000	2022 $'000
Amounts receivable by the Company's Auditor and its associates in respect of:		
Audit of the consolidated and Parent Company financial statements	492	460
Additional audit fee charged in relation to the prior year financial statements	-	33
Audit of the subsidiary company financial statements	27	44
Non-audit services[1]	27	21

[1] The policy for the approval of non-audit fees is set out in the Audit and Risk Committee Report on pages 52 to 59. Non-audit services related to tax-related services provided in Taiwan.

5. Directors' remuneration

The remuneration of the Directors is set out on pages 43 to 51 within the Directors' Remuneration Report described as being audited and forms part of these financial statements.

Director's remuneration comprises:

	2023 $'000	2022 $'000
Wages and salaries	1,336	1,575
Social security costs	–	11
Contributions to defined contribution plans	30	38
	1,366	1,624

6. Staff costs

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

	2023 Number	2022 Number
Production and manufacturing	45	44
Research and development	86	84
Sales and marketing	55	51
Central functions	45	42
Directors	7	7
	238	228

The aggregate payroll costs of these persons were as follows:

	2023 $'000	2022 $'000
Wages and salaries	18,215	17,595
Share-based payments expense (See Note 20)	962	618
Social security costs	1,443	1,311
Contributions to defined contribution plans	779	663
Restructuring charges	293	–
	21,692	20,187

Key management personnel consists of the Executive Directors and the Executive Committee and their remuneration (included in the totals above) was as follows:

	2023 $'000	2022 $'000
Wages and salaries	2,139	2,574
Contributions to defined contribution plans	83	102
Share-based payments[1]	602	420
	2,824	3,096

1 The 2022 comparatives have been restated to include $420k of share-based payments expense.

The charge for share-based payments of $0.6m (2022: $0.4m) relates to the Group's LTIP as detailed in Note 20. The aggregate remuneration of the highest paid Director was $551,000 (2022: $723,000) and Company pension contributions of $12,000 (2022: $12,000) were made to a defined contribution scheme on his behalf. Further detail is included within the Directors' Remuneration Report on pages 43 to 51.

7. Net finance income/(expense)

	2023 $'000	2022 $'000
Total interest expense on financial liabilities measured at amortised cost	(106)	(131)
Bank interest income	585	–
Net finance income/(expense)	479	(131)

8. Taxation

Recognised in the profit and loss account

	2023 $'000	2022 $'000
Current tax expense		
UK corporation tax	382	–
Foreign tax	1,801	1,483
Adjustments for prior years	136	(934)
Current tax expense	2,319	549
Deferred tax (Note 14)	120	
Origination and reversal of temporary differences		(2,262)
Adjustments for prior years	(427)	(599)
Change in deferred tax rate to 25%	–	127
Deferred tax	(307)	(2,734)
Total tax expense / (credit) in the income statement	2,012	(2,185)

8. Taxation

Reconciliation of effective tax rate

	2023 $'000	2022 $'000
Profit for the year	10,897	10,986
Total taxation expense / (credit)	2,012	(2,185)
Profit excluding taxation	12,909	8,801
Tax using the UK corporation tax rate of 23.52% (2022: 19%)	3,036	1,672
Non-deductible expenses	239	246
Fixed asset differences	47	7
Enhanced research and development relief[1]	–	(399)
Patent box tax relief	(1,531)	(897)
Foreign tax expensed	513	392
Change in deferred tax rate to 25%	14	(64)
Effect of tax rates in foreign jurisdictions	124	273
Recognition of previously unrecognised tax losses[2]	10	(1,815)
Deferred tax credited directly to equity	48	65
Change to estimates related to prior years[3]	(291)	(1,533)
Other	(197)	(132)
Total taxation expense / (credit) in statement of profit and loss	2,012	(2,185)

1 In 2023 the Group breached the SME thresholds for the UK R&D tax credits regime for the second year in a row, meaning the Group claimed the R&D tax benefit under the large company RDEC regime, resulting in a credit of $382k within Profit before tax (2022: $Nil).

2 In 2022, management recognised the tax effect of $9.6m of previously unrecognised tax losses in Nexteq Plc and Nexteq UK Ltd because management considered it probable that future UK taxable profits would be available against which such losses can be utilised. The availability of future taxable profits was based on the Group's budget for 2023 and forecasts for 2024 and 2025. These forecasts have been updated for the Group's 2024 budget and forecast through to 2028, and management still considers it probable that future UK taxable profits would be available against which such losses can be utilised.

3 The 2022 tax provision included an adjustment for enhanced research and development relief relating to 2020 and movement on the final deferred tax balances included within tax returns submitted during 2022. The 2023 tax provision included an adjusted for patent box and enhanced research and development relief claims relating to the tax returns submitted for 2022.

Deferred tax credit arising in the reporting period and not recognised in net profit or loss or other comprehensive income but directly (credited) or debited to equity:

	2023 $'000	2022 $'000
Deferred tax asset – share-based payments	(48)	(65)
Total	(48)	(65)

Factors that may affect future tax charges

An increase in the UK corporation tax rate from 19% to 25% (effective 1 April 2023) was substantively enacted on 24 May 2021. This has increased the Company's future current tax charge accordingly. The deferred tax asset at 31 December 2023 has been calculated based on these rates, reflecting the expected timing of reversal of the related temporary differences.

9. Earnings per ordinary share (EPS)

	2023 $'000	2022 $'000
Earnings		
Earnings for the purposes of basic and diluted EPS being net profit attributable to equity Shareholders	10,897	10,986

Number of shares	Number	Number
Weighted average number of ordinary shares for the purpose of basic EPS	66,501,570	66,450,060
Effect of dilutive potential ordinary shares:		
Share options	1,519,943	1,531,052
Weighted number of ordinary shares for the purpose of diluted EPS	68,021,513	67,981,112
Basic earnings per share	$0.1639	$0.1653
Diluted earnings per share	$0.1602	$0.1616

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	10,897	10,986
Adjustments		
Amortisation of customer relationships, technology and order backlog	582	751
Share-based payments expense	962	618
Restructuring charges	293	–
	12,734	12,355
Tax effect of adjustments	(432)	(260)
Adjusted earnings	12,302	12,095
Adjusted basic earnings per share	$0.1850	$0.1820
Adjusted diluted earnings per share	$0.1809	$0.1779

10. Property, plant and equipment – Group

	Land and buildings $'000	Plant and equipment $'000	Total $'000
Cost			
Balance at 1 January 2022	6,111	3,472	9,583
Additions	193	352	545
Disposals	(135)	(28)	(163)
Effect of movements in foreign exchange	(302)	(188)	(490)
Balance at 31 December 2022	**5,867**	**3,608**	**9,475**
Balance at 1 January 2023	5,867	3,608	9,475
Additions	21	241	262
Disposals	(9)	(41)	(50)
Effect of movements in foreign exchange	33	11	44
Balance at 31 December 2023	**5,912**	**3,819**	**9,731**
Depreciation			
Balance at 1 January 2022	884	2,825	3,709
Depreciation charge for the year	148	308	456
Disposals	(132)	(26)	(158)
Effect of movements in foreign exchange	(44)	(156)	(200)
Balance at 31 December 2022	**856**	**2,951**	**3,807**
Balance at 1 January 2023	856	2,951	3,807
Depreciation charge for the year	173	294	467
Disposals	(1)	(35)	(36)
Effect of movements in foreign exchange	8	7	15
Balance at 31 December 2023	**1,036**	**3,217**	**4,253**
Net book value			
At 1 January 2022	5,227	647	5,874
At 31 December 2022 and 1 January 2023	5,011	657	5,668
At 31 December 2023	**4,876**	**602**	**5,478**

10. Property, plant and equipment – Company

	Land and buildings $'000	Plant and equipment $'000	Total $'000
Cost			
Balance at 1 January 2022	4,030	2,391	6,421
Additions	177	230	407
Disposals	(135)	(26)	(161)
Effect of movements in foreign exchange	(244)	(106)	(350)
Balance at 31 December 2022	**3,828**	**2,489**	**6,317**
Balance at 1 January 2023	3,828	2,489	6,317
Additions	16	203	219
Disposals	–	(31)	(31)
Effect of movements in foreign exchange	(1)	5	4
Balance at 31 December 2023	**3,843**	**2,666**	**6,509**
Depreciation			
Balance at 1 January 2022	573	1,960	2,533
Depreciation charge for the year	101	206	307
Disposals	(132)	(25)	(157)
Effect of movements in foreign exchange	(35)	(81)	(116)
Balance at 31 December 2022	**507**	**2,060**	**2,567**
Balance at 1 January 2023	507	2,060	2,567
Depreciation charge for the year	125	197	322
Disposals	–	(31)	(31)
Effect of movements in foreign exchange	1	1	2
Balance at 31 December 2023	**633**	**2,227**	**2,860**
Net book value			
At 1 January 2022	3,457	431	3,888
At 31 December 2022 and 1 January 2023	3,321	429	3,750
At 31 December 2023	**3,210**	**439**	**3,649**

11. Intangible assets – Group

	Goodwill $'000	Customer relationships, technology and order backlog $'000	Computer software $'000	Internally generated capitalised development costs $'000	Total $'000
Cost					
Balance at 1 January 2022	7,683	7,096	2,596	14,303	31,678
Additions – internally developed	–	–	–	1,817	1,817
Additions – externally purchased	–	–	112	306	418
Disposals	–	–	(19)	(509)	(528)
Effect of movements in foreign exchange	–	–	(106)	–	(106)
Balance at 31 December 2022	**7,683**	**7,096**	**2,583**	**15,917**	**33,279**
Balance at 1 January 2023	7,683	7,096	2,583	15,917	33,279
Additions – internally developed	–	–	–	1,839	1,839
Additions – externally purchased	–	–	135	–	135
Disposals	–	–	–	(967)	(967)
Effect of movements in foreign exchange	–	–	2	–	2
Balance at 31 December 2023	**7,683**	**7,096**	**2,720**	**16,789**	**34,288**
Amortisation and impairment					
Balance at 1 January 2022	–	5,310	1,645	8,696	15,651
Amortisation for the year	–	751	380	1,065	2,196
Impairment loss	–	–	–	509	509
Disposals	–	–	(19)	(509)	(528)
Effect of movements in foreign exchange	–	–	(82)	–	(82)
Balance at 31 December 2022	**–**	**6,061**	**1,924**	**9,761**	**17,746**
Balance at 1 January 2023	–	6,061	1,924	9,761	17,746
Amortisation for the year	–	582	380	1,335	2,297
Impairment loss[1]	–	–	–	967	967
Disposals	–	–	–	(967)	(967)
Effect of movements in foreign exchange	–	–	2	–	2
Balance at 31 December 2023	**–**	**6,643**	**2,306**	**11,096**	**20,045**
Net book value					
At 1 January 2022	7,683	1,786	951	5,607	16,027
At 31 December 2022 and 1 January 2023	7,683	1,035	659	6,156	15,533
At 31 December 2023	**7,683**	**453**	**414**	**5,693**	**14,243**

[1] During the year the Group abandoned in-progress development projects with a carrying value of $0.5m (2022: $0.2m) related to the Quixant segment and $0.5m ($0.3m) related to the Densitron segment. This was following internal review where it was determined that the projects no longer met the criteria to capitalise product development cost as set out in IAS38.

Impairment testing

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

	Goodwill		Acquisition related intangibles	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Quixant	1,363	1,363	–	–
IDS	744	744	88	267
Densitron Europe	2,873	2,873	–	263
Densitron US	2,076	2,076	365	442
Densitron France	485	485	–	63
Densitron Japan	142	142	–	–
	7,683	7,683	453	1,035

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

Value-in-use calculations have been prepared for each CGU by discounting the cash flow projections included in the financial budgets prepared by management and approved by the Board for 2024, together with a four-year forecast to 2028. The budgets were prepared taking into consideration the planned roadmaps for the business and any specific market condition in which the CGU operates. The corporate costs have been directly allocated to the respective CGUs as part of the value-in-use calculations. The costs were allocated on a reasonable and consistent basis based on CGU revenues. The terminal growth rates used do not exceed the long-term average growth rates for the regions in which the CGUs operate. The cash flows have been discounted using pre-tax discount rates appropriate for each CGU, and these are reviewed annually.

We have assessed the individual CGUs separately.

The annual impairment review indicated that no impairment of goodwill is necessary at 31 December 2023 or 31 December 2022.

Key assumptions

The following table summarises the key assumptions that have been adopted in the calculations of goodwill impairment for each CGU:

	31 December 2023			31 December 2022		
CGU	Revenue growth rate*	Pre-tax discount rate	Terminal growth rate	Revenue growth rate*	Pre-tax discount rate	Terminal growth rate
Quixant	5.2%	16.8%	1.0%	9.3%	18.4%	1.0%
IDS	5.0%	18.7%	1.0%	15.0%	21.2%	1.0%
Densitron Europe	5.1%	18.5%	1.0%	7.4%	18.9%	1.0%
Densitron US	8.8%	18.6%	1.0%	7.4%	19.4%	1.0%
Densitron France	3.0%	18.6%	1.0%	7.4%	18.8%	1.0%
Densitron Japan	7.0%	18.0%	1.0%	7.4%	17.7%	1.0%

*Compound annual growth rate for 2024 to 2028.

11. Intangible assets – Group

Revenue growth rates used in the estimation process are consistent with the approved budget for 2024, outlook for 2025 and 2026 and management projections thereon.

Pre-tax discount rates have been calculated in a consistent manner to previous years and are based on current market assessment of the risk specific to each CGU. The reduction from 2022 to 2023 reflects the impact of reduction in equity risk premium globally.

Gross margins used in the estimation process are consistent with recent historic trends and approved budget levels.

Sensitivity to changes in assumptions

The Directors believe only the Densitron US and Densitron Europe CGUs are sensitive to a reasonably possible change in key assumptions that could cause impairment.

Densitron Europe CGU

The estimated recoverable amount of the CGU exceeded its carrying amount by approximately $0.5m (2022: $1.7m). Management has identified that a reasonably possible change in two key assumptions could cause the carrying amount to exceed the recoverable amount. The following table shows the amount by which these two assumptions would need to change individually for the estimated recoverable amount to be equal to the carrying amount.

The Directors believe there were no reasonably possible changes in the other key assumptions that could cause impairment.

	Change required for carrying amount to equal recoverable amount	
	2023	2022
Revenue growth rate for the period 2024 to 2028	(50bps)	(260bps)
Gross profit margin	(40bps)	(170bps)

Densitron US CGU

The estimated recoverable amount of the CGU exceeded its carrying amount by approximately $4.7m (2022: $4.8m). Management has identified that a reasonably possible change in two key assumptions could cause the carrying amount to match the recoverable amount. The following table shows the amount by which these two assumptions would need to change individually for the estimated recoverable amount to be equal to the carrying amount.

The Directors believe there were no reasonably possible changes in other assumptions that could cause impairment.

	Change required for carrying amount to equal recoverable amount	
	2023	2022
Revenue growth rate for the period 2024 to 2028	(380bps)	(510bps)
Gross profit margin	(340bps)	(350bps)

11. Intangible assets – Company

	Computer software $'000	Internally generated capitalised development costs $'000	Total $'000
Cost			
Balance at 1 January 2022	2,575	3,763	6,338
Additions – externally purchased	108	–	108
Disposals	(19)	–	(19)
Effect of movements in foreign exchange	(107)	–	(107)
Balance at 31 December 2022	**2,557**	**3,763**	**6,320**
Balance at 1 January 2023	2,557	3,763	6,320
Additions – externally purchased	135	–	135
Disposals	–	–	–
Effect of movements in foreign exchange	1	–	1
Balance at 31 December 2023	**2,693**	**3,763**	**6,456**
Amortisation			
Balance at 1 January 2022	1,626	3,763	5,389
Amortisation for the year	380	–	380
Disposals	(19)	–	(19)
Effect of movements in foreign exchange	(82)	–	(82)
Balance at 31 December 2022	**1,905**	**3,763**	**5,668**
Balance at 1 January 2023	1,905	3,763	5,668
Amortisation for the year	379	–	379
Disposals	–	–	–
Effect of movements in foreign exchange	1	–	1
Balance at 31 December 2023	**2,285**	**3,763**	**6,048**
Net book value			
At 1 January 2022	949	–	949
At 31 December 2022 and 1 January 2023	652	–	652
At 31 December 2023	**408**	**–**	**408**

12. Investment property

	Group		Company	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Balance at 1 January and 31 December	–	–	–	–

Investment property relates to an area of land owned by the Group at Blackheath in London. In 2019, the Group had written off the previously booked value of the land as it has failed to sell the land and failed more than once to get planning permission to build on the land. Previous valuations were based on the ability to build on the land, which is subject to a Metropolitan Land Order that restricts this. The fair value of the investment property was previously determined by external, independent property valuers, having appropriate professional qualifications and recent experience in the location and category of the property being valued. The previous carrying value was based on a valuation carried out on 10 May 2013 – an updated valuation was carried out in 2017 but not used as it relied on residential planning permission that had failed to be achieved. In the years where an external valuation was not undertaken (including as at 31 December 2023), the Directors performed a desktop review to ascertain the fair value of the investment property.

13. Investments in Group companies

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 2023 and 2022
Quixant USA, Inc.	1	Sales of specialist computer systems	Ordinary	100%
Nexteq UK Limited	2	Sales of specialist computer systems and electronic display products	Ordinary	100%
Quixant Gaming Limited	2	Sales of specialist computer systems	Ordinary	100%
Densitron Limited***	2	Dormant	Ordinary	100% / 0%
Quixant Italia Srl.	3	Software development	Ordinary	99%
Densitron Corporation of Japan	4	Sales of electronic display products	Ordinary	100%
Densitron Corporation of America	5	Sales of electronic display products	Ordinary	100%
Densitron France SAS*	6	Sales of electronic display products	Ordinary	100%
Nexteq Deutschland GmbH	7	Sales of specialist computer systems and electronic display products	Ordinary	100%
Densitron Embedded d.o.o.	8	Design of electronic displays	Ordinary	100%
Singularity Games, LLC**	9	Development and distribution of Gaming technology solutions	Ordinary	100%

* Subsidiary of Nexteq UK Limited

** Subsidiary of Densitron Corporation of America

*** Incorporated on 25 January 2023 as Nexteq Limited and subsequently renamed to Densitron Limited

1. 2147 Pama Lane, Bldg 6, Las Vegas, NV 89119, USA
2. Aisle Barn, 100 High Street, Balsham, Cambridge, CB21 4EP, UK
3. Contrada Case Bruciate, 1, Torrita Tiberina (RM), 00060, Italy
4. Aichiya Building 2F, 1-26-2, Omori-kita, Ota-ku, Tokyo 143-0016, Japan
5. 2330 Pomona Road, Corona, CA 92880, USA
6. 3 Rue de Tasmanie, 44115 Basse-Goulaine, France
7. Münchener Straße 1, 83022 Rosenheim, Germany
8. Kotnikova ulica 5, 1000 Ljubljana, Slovenia
9. 1209 Orange Street, Wilmington, DE 9801, USA

Investments in subsidiaries

	Company	
	2023 $'000	2022 $'000
Balance at 1 January	9,244	9,125
Group-settled share-based payment charge	342	119
Balance at 31 December	9,586	9,244

14. Deferred tax assets and liabilities – Group

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Property, plant and equipment	–	–	277	259
Intangible assets – capitalised development costs	–	–	1,247	1,225
Intangible assets – acquired in business combinations	–	–	113	259
Share-based payments	(185)	(112)	–	–
Trade and other receivables	(10)	(34)	–	–
Inventories	(546)	(547)	–	–
Tax losses carried forward	(3,614)	(3,564)	–	–
Other	(233)	(82)	–	–
Deferred tax (assets)/liabilities before set-off	(4,588)	(4,339)	1,637	1,743
Set-off of tax	1,637	1,703	(1,637)	(1,703)
Net deferred tax (assets)/liabilities	(2,951)	(2,636)	–	40

Movement in deferred tax during the year

	1 1 January 2023 $'000	Recognised in profit & loss $'000	Recognised in equity $'000	31 December 2023 $'000
Property, plant and equipment	–	18	–	18
Intangible assets – capitalised development costs	–	22	–	22
Intangible assets – acquired in business combinations	98	(146)	–	(48)
Share-based payments	(112)	(25)	(48)	(185)
Trade and other receivables	(34)	24	–	(10)
Inventories	(362)	1	–	(361)
Tax losses carried forward[1]	(2,100)	(50)	–	(2,150)
Other	(86)	(151)	–	(237)
	(2,596)	(307)	(48)	(2,951)

14. Deferred tax assets and liabilities – Group

Movement in deferred tax during the prior year

	1 January 2022 $'000	Recognised in profit & loss $'000	Recognised in equity $'000	31 December 2022 $'000
Property, plant and equipment	20	(20)	–	–
Intangible assets – capitalised development costs	(20)	20	–	–
Intangible assets – acquired in business combinations	203	(105)	–	98
Share-based payments	–	(47)	(65)	(112)
Trade and other receivables	(7)	(27)	–	(34)
Inventories	(89)	(294)	21	(362)
Tax losses carried forward[1]	–	(2,100)	–	(2,100)
Other	79	(161)	(4)	(86)
	186	(2,734)	(48)	(2,596)

[1] The Group recognises deferred tax assets on unutilised tax losses to the extent that it is probable that future taxable profits will be available against which the unused tax losses can be utilised. As at 31 December 2023, the Group had unutilised tax losses of $Nil (31 December 2022: $Nil) for which it has not recognised deferred tax assets.

Deferred tax assets and liabilities – Company

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Property, plant and equipment	–	–	275	261
Intangible assets – capitalised development costs	–	–	–	7
Share-based payments	(115)	(68)	–	–
Inventories	(396)	(360)	–	–
Tax losses carried forward	(2,417)	(2,287)	–	–
Other	–	–	16	58
Deferred tax (assets)/liabilities before set-off	(2,928)	(2,715)	291	326
Set-off of tax	291	326	(291)	(326)
Net deferred tax (assets)/liabilities	(2,637)	(2,389)	–	–

Movement in deferred tax during the year

	1 January 2023 $'000	Recognised in profit & loss $'000	Recognised in equity $'000	31 December 2023 $'000
Share-based payments	(68)	(56)	9	(115)
Inventories	(302)	(78)	–	(380)
Tax losses carried forward	(2,019)	(123)	–	(2,142)
	(2,389)	(257)	9	(2,637)

Movement in deferred tax during the prior year

	1 January 2022 $'000	Recognised in profit & loss $'000	Recognised in equity $'000	31 December 2022 $'000
Property, plant and equipment	81	(81)	–	–
Share-based payments	37	(77)	(28)	(68)
Inventories	(201)	(125)	24	(302)
Foreign exchange	(37)	37	–	–
Tax losses carried forward	–	(2,019)	–	(2,019)
	(120)	(2,265)	(4)	(2,389)

15. Inventories

	Group		Company	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Raw materials and consumables	12,380	21,304	12,379	18,282
Work in progress	2,386	2,258	2,347	2,142
Finished goods	9,572	8,607	1,454	2,293
	24,338	32,169	16,180	22,717

Raw materials, consumables and movement in finished goods and work in progress recognised as cost of sales in the year amounted to $67,841k (2022: $70,804k).

The cost of inventories recognised as an expense includes $538k (2022: $811k) in respect of write downs of inventory to net realisable value.

As at 31 December 2023 inventories of $416k were held at net realisable value (31 December 2022: $839k).

16. Trade and other receivables

	Group		Company	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Non-current				
Trade receivables	54	712	–	–
	54	712	–	–

	Group 2023 $'000	Group 2022 $'000	Company 2023 $'000	Company 2022 $'000
Trade receivables	23,504	20,682	–	–
Amounts receivable from subsidiary undertakings[1]	–	–	8,332	8,702
Other receivables	2,324	3,365	1,557	2,215
	25,828	24,047	9,889	10,917
	25,882	24,759	9,889	10,917

[1] The amounts receivable from subsidiary undertakings are interest free and repayable on demand. At 31 December 2023 the receivable principally related to the Company's operating activities, being the sale of product from the Taiwan branch to other subsidiary undertakings in the Group.

The non-current trade receivables relate to sales where consideration is payable in monthly instalments. In accordance with the payment plan the balance is interest free and the non-current element will be settled by February 2025.

In respect of expected credit losses $1,044,000 has been provided as at 31 December 2023 (31 December 2022: $908,000). The Directors have considered the nature of the customers, the historic levels of bad debts and the payment profile of customer contracts in reaching the value of the expected credit losses above. See Note 23 for further disclosure regarding the credit quality of the Group's trade receivables. Management has also considered the expected credit losses in relation to amounts owed from subsidiary undertakings and has considered it to be immaterial.

As at 31 December 2023, 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	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
30 – 60 days	320	1,205	–	–
61 – 90 days	90	55	–	–
Over 90 days	366	1,756	–	–
	776	3,016	–	–

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

17. Notes to the consolidated cash flow statement

	Group		Company	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Analysis of cash and cash equivalents				
Cash and cash equivalents per balance sheet	28,406	13,508	24,857	9,042
Cash and cash equivalents per cash flow statement	28,406	13,508	24,857	9,042

Cash and cash equivalents comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less from inception. The carrying amount of these assets approximates their fair value.

	Group		Company	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Analysis of net cash				
Cash and bank balances	28,406	13,508	24,857	9,042
Bank loans falling due within one year	(91)	(90)	(91)	(90)
Bank loans falling due after more than one year	(382)	(473)	(382)	(473)
Net cash	27,933	12,945	24,384	8,479

18. Loans and borrowings

This note provides information about the contractual terms of the Group and Company's interest-bearing loans and borrowings, which are measured at cost. For more information about the Group and Company's exposure to interest rate and foreign currency risk, see Note 23.

	Group		Company	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Non-current liabilities				
Secured bank loans	382	473	382	473
	382	473	382	473
Current liabilities				
Secured bank loans	91	90	91	90
	91	90	91	90

18. Loans and borrowings

Terms and debt repayment schedule

	Currency	Nominal interest rate	Year of maturity	Face value 2023 $000	Carrying amount 2023 $000	Face value 2022 $000	Carrying amount 2022 $000
Loan secured on the Group's freehold property in Taiwan	NTD	1.45%	2028	473	473	563	563
				473	473	563	563

Reconciliation of liabilities arising from financing activities

Group

	2022							2023
Current liabilities	$'000	Additions $'000	Repay-ments $'000	Interest $'000	Foreign exchange $'000	Release $'000	Reclass-ification $'000	$'000
Other interest-bearing loans and borrowings	90	842	(839)	1	(3)	–	–	91
Lease liabilities (Refer to Notes 23 and 24)	562	427	(716)	92	40	–	164	569
	652	1,269	(1,555)	93	37	–	164	660

	2022							2023
Non-current liabilities	$'000	Additions $'000	Repay-ments $'000	Interest $'000	Foreign exchange $'000	Release $'000	Reclass-ification $'000	$'000
Other interest-bearing loans and borrowings	473	–	(98)	10	(3)	–	–	382
Lease liabilities (Refer to Notes 23 and 24)	1,271	–	–	–	–	–	(164)	1,107
	1,744	–	(98)	10	(3)	–	(164)	1,489

Current liabilities	2021 $'000	Additions $'000	Repay-ments $'000	Interest $'000	Foreign exchange $'000	Release $'000	Reclass-ification $'000	2022 $'000
Other interest-bearing loans and borrowings	99	6,842	(6,830)	–	(21)	–	–	90
Lease liabilities (Refer to Notes 23 and 24)	609	599	(635)	89	(189)	–	89	562
	708	7,441	(7,465)	89	(210)	–	89	652

Non-current liabilities	2021 $'000	Additions $'000	Repay-ments $'000	Interest $'000	Foreign exchange $'000	Release $'000	Reclass-ification $'000	2022 $'000
Other interest-bearing loans and borrowings	621	–	(92)	–	(56)	–	–	473
Lease liabilities (Refer to Notes 23 and 24)	1,360	–	-	–	–	–	(89)	1,271
	1,981	–	(92)	–	(56)	–	(89)	1,744

Reconciliation of liabilities arising from financing activities

Company

Current liabilities	2022 $'000	Additions $'000	Repay-ments $'000	Interest $'000	Foreign exchange $'000	Release $'000	Reclass-ification $'000	2023 $'000
Other interest-bearing loans and borrowings	90	842	(839)	1	(3)	–	–	91
Intercompany loans payable	–	14,711	–	–	–	–	–	14,711
Lease liabilities (Refer to Notes 23 and 24)	329	248	(393)	35	–	–	77	296
	419	15,801	(1,232)	36	(3)	–	77	15,098

18. Loans and borrowings

Non-current liabilities	2022 $'000	Additions $'000	Repay-ments $'000	Interest $'000	Foreign exchange $'000	Release $'000	Reclass-ification $'000	2023 $'000
Other interest-bearing loans and borrowings	473	–	(98)	10	(3)	–	–	382
Lease liabilities (Refer to Notes 23 and 24)	441	–	–	–	–	–	(77)	364
	914	–	(98)	10	(3)	–	(77)	746

Current liabilities	2021 $'000	Additions $'000	Repay-ments $'000	Interest $'000	Foreign exchange $'000	Release $'000	Reclass-ification $'000	2022 $'000
Other interest-bearing loans and borrowings	99	6,842	(6,830)	–	(21)	–	–	90
Lease liabilities (Refer to Notes 23 and 24)	351	242	(437)	45	(99)	–	227	329
	450	7,084	(7,267)	45	(120)	–	227	419

Non-current liabilities	2021 $'000	Additions $'000	Repay-ments $'000	Interest $'000	Foreign exchange $'000	Release $'000	Reclass-ification $'000	2022 $'000
Other interest-bearing loans and borrowings	621	–	(92)	–	(56)	–	–	473
Lease liabilities (Refer to Notes 23 and 24)	668	–	–	–	-	–	(227)	441
	1,289	–	(92)	–	(56)	–	(227)	914

19. Trade and other payables

	Group		Company	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Current				
Trade payables	12,325	15,025	11,366	12,028
Other tax and social security payables	296	–	8	–
Other payables and accrued expenses	4,142	5,412	1,678	2,624
Amounts payable to subsidiary undertakings[1]	–	–	13,531	524
	16,763	20,437	26,583	15,176

[1] The amounts payable to subsidiary undertakings are interest free and repayable on demand. At 31 December 2023 the payable arises from the centralisation of treasury activities in the Company where cash reserves are held in term deposits in the name of the Company and the Company's operating activities.

20. Employee benefits

Defined contribution plans

The Group operates a number of defined contribution pension plans. The total expense relating to these plans in the current year was $778,759 (2022: $662,585).

Share-based payments – Group and Company

The Group operates two equity-settled share-based payment plans. The total expense relating to these plans in the current year was $962,065 (2022: $617,683).

a. 2013 Equity Incentive Plan

Options have been granted under the Company's Equity Incentive Plan since 2013. 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. The options may only be exercised within ten years from grant date.

Set out below are summaries of options granted under the plan:

	Weighted average exercise price 2023	Number of options 2023	Weighted average exercise price 2022	Number of options 2022
Outstanding at the beginning of the period	£1.47	1,183,290	£1.47	1,213,290
Granted during the period	–	–	–	–
Lapsed during the period	(£0.88)	(335,500)	£1.49	(30,000)
Exercised during the period	(£0.49)	(64,000)	–	–
Outstanding at the end of the period	£1.48	783,790	£1.47	1,183,290

Share options outstanding at the end of the year have the following expiry dates and exercise prices:

Grant date	Expiry date	Exercise price	Share options 31 December 2023	Share options 31 December 2022
22 May 2013[1]	22/05/2023	£0.49	–	64,000
16 April 2015[1]	16/04/2025	£1.59	43,790	43,790
23 March 2016[1]	23/03/2026	£1.63	40,500	40,500
05 October 2020	15/10/2030	£1.13	–	255,500
15 October 2020	15/10/2030	£0.01	–	75,000
20 May 2021	20/05/2031	£1.59	574,500	579,500
06 October 2021	06/10/2031	£1.90	100,000	100,000
06 October 2021	06/10/2031	£0.01	25,000	25,000
Total			783,790	1,183,290
Weighted average remaining contractual life of options outstanding at end of period			6.8 years	7.4 years

[1] These awards are fully vested.

Fair value of awards

The fair values at grant date of awards granted during the year under the 2013 Equity Incentive Plan are determined using the valuation models below. The model inputs are as follows:

	Issue 12 6 October 2021	Issue 11 6 October 2021	Issue 10 20 May 2021
Options granted	100,000	25,000	603,500
Fair value at grant date	£0.79	£1.79	£0.58
Model used	Black-Scholes model	Black-Scholes model	Black-Scholes model
Assumptions used:			
Share price	£1.90	£1.90	£1.59
Exercise price	£1.90	£0.01	£1.59
Expected volatility[1]	45.00%	45.00%	45.00%
Expected option life	10 years	10 Years	10 Years
Expected dividend yield	1.07%	1.07%	1.07%
Risk-free interest rate	0.90%	0.90%	0.90%

[1] Volatility was estimated based on the historical volatility prior to grant date.

b. Nexteq Plc 2022 Long-Term Incentive Plan Awards (the ‘LTIP’)

Options have been granted under the LTIP since 2022, after it was approved by Shareholders on 5 May 2022. A total of 1,077,912 options were granted under the LTIP in 2023 (2022: 1,112,092 options).

There are three different types of awards granted under the LTIP:

1. Restricted Share Awards
2. Executive Committee Performance Share Awards
3. General Performance Share Awards

Restricted Share Awards vest over the service period of three years. There is no performance condition attached.

Performance Share Awards ‘(Executive Committee and General)’ vest only if certain performance conditions are met. The vesting of Executive Committee Performance Share Awards is based on adjusted earnings per share growth and Total Shareholder Return (TSR) growth. The vesting of General Performance Share Awards is based on adjusted earnings per share growth. Performance Share Awards vest over a three-year service period.

20. Employee benefits

Restricted Share Awards

Set out below are summaries of options granted under the plan:

	Weighted average exercise price 2023	Number of options 2023	Weighted average exercise price 2022	Number of options 2022
Outstanding at the beginning of the period	£0.01	70,488	–	–
Granted during the period	£0.01	80,341	£0.01	70,488
Lapsed during the period	£0.01	(5,737)	–	–
Exercised during the period	–	–	–	–
Outstanding at the end of the period	£0.01	145,092	£0.01	70,488

Share options outstanding at the end of the year have the following expiry dates and exercise prices:

Grant date	Expiry date	Exercise price	Share options 31 December 2023	Share options 31 December 2022
06 May 2022	06/05/2032	£0.01	70,488	70,488
22 March 2023	21/03/2033	£0.01	74,604	–
Total			145,092	70,488
Weighted average remaining contractual life of options outstanding at end of period			8.8 years	9.3 years

Executive Committee Performance Share Awards

Set out below are summaries of options granted under the plan:

	Weighted average exercise price 2023	Number of options 2023	Weighted average exercise price 2022	Number of options 2022
Outstanding at the beginning of the period	£0.01	727,732	–	–
Granted during the period	£0.01	746,945	£0.01	727,732
Lapsed during the period	–	–	–	–
Exercised during the period	–	–	–	–
Outstanding at the end of the period	£0.01	1,474,677	£0.01	727,732

Share options outstanding at the end of the year have the following expiry dates and exercise prices:

Grant date	Expiry date	Exercise price	Share options 31 December 2023	Share options 31 December 2022
06 May 2022	06/05/2032	£0.01	727,732	727,732
22 March 2023	21/03/2033	£0.01	616,073	–
18 September 2023	18/03/2033	£0.01	130,872	–
Total			1,474,677	727,732
Weighted average remaining contractual life of options outstanding at end of period			8.8 years	9.3 years

General Performance Share Awards

Set out below are summaries of options granted under the plan:

	Weighted average exercise price 2023	Number of options 2023	Weighted average exercise price 2022	Number of options 2022
Outstanding at the beginning of the period	£0.01	313,872	–	–
Granted during the period	£0.01	250,626	£0.01	313,872
Lapsed during the period	–	–	–	–
Exercised during the period	–	–	–	–
Outstanding at the end of the period	£0.01	564,498	£0.01	313,872

Share options outstanding at the end of the year have the following expiry dates and exercise prices:

Grant date	Expiry date	Exercise price	Share options 31 December 2023	Share options 31 December 2022
06 May 2022	06/05/2032	£0.01	186,353	186,353
08 September 2022	06/05/2032	£0.01	127,519	127,519
22 March 2023	21/03/2033	£0.01	250,626	–
Total			564,498	313,872
Weighted average remaining contractual life of options outstanding at end of period			8.7 years	9.3 years

20. Employee benefits

Fair value of awards

The fair values at grant date of awards granted during the year under the LTIP are determined using the valuation models below. The model inputs are as follows:

	Restricted Share Awards	Executive Committee Performance Share Awards	General Performance Share Awards
Options granted	145,092	1,474,677	564,498
Fair value at grant date	£1.41 to £1.71	£0.85 to £1.71	£1.41 to £1.71
Model used	Black-Scholes model	Monte Carlo and Black-Scholes model	Black-Scholes model
Assumptions used:			
Share price	£1.53 to £1.86	£1.53 to £1.86	£1.53 to £1.86
Exercise price	£0.01	£0.01	£0.01
Expected volatility[1]	39.38% to 46.00%	39.38% to 46.00%	39.38% to 46.00%
Expected option life	3 years	3 years	3 years
Expected dividend yield	1.57% to 1.6%	1.57% to 1.6%	1.57% to 1.6%
Risk-free interest rate	0.90% to 3.88%	0.90% to 3.88%	0.90% to 3.88%

[1] Volatility was estimated based on the historical volatility prior to grant date.

21. Provisions

Group

	2023 $'000	2022 $'000
Balance at 1 January	350	335
Provisions made during the period	94	94
Provisions used during the period	(93)	(79)
Balance at 31 December	351	350

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

The Company has considered the existing lease arrangements and has not identified any material dilapidation provisions.

The Company has no provisions.

22. Capital and reserves

Share capital

Fully paid ordinary shares of 0.1p per share

	Ordinary shares Number	Share capital $'000	Share premium $'000
Balance at 31 December 2023	66,514,060	106	6,747
Balance at 31 December 2022 and 1 January 2023	66,450,060	106	6,708
Balance at 1 January 2022	66,450,060	106	6,708

During the year, the Company issued 64,000 ordinary shares to employees under the 2013 Equity Incentive Plan (Note 20) for proceeds of $39,271, resulting in an increase to share capital of $80 and an increase to share premium of $39,191.

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

Translation reserve

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

Dividends

The Board proposed a dividend for the year ended 31 December 2023 of 3.3p (31 December 2022: 3.0p) per share at the 2024 AGM, which is not recognised as a distribution to equity holders during the period.

The following dividends were recognised during the year:

	2023 $'000	2022 $'000
3.0p (2022: 2.4p) per qualifying ordinary share	2,537	1,888
Total dividends recognised in the year	2,537	1,888

23. Financial instruments – Group and Company

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

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

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

23. Financial instruments – Group and Company

Financial risks

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

Credit risk

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's principal financial assets are bank balances and cash and trade and other receivables. The Group's credit risk is primarily attributable to its trade receivables. Operations in emerging or new markets may have a higher-than-average risk of political or economic instability and may carry increased credit risk. The risk to the Group is the recoverability of the cash flows.

The credit risk on trade and other receivables is managed by agreeing appropriate payment terms with customers, obtaining credit agency ratings of all potential customers, by requiring wherever possible payment for goods in advance or upon delivery, and by closely monitoring customers balances due, to ensure they do not become overdue.

In addition, careful consideration is given to operations in emerging or new markets before the Group enters that market. A provision of $1,044,141 has been provided in respect of expected credit losses as at 31 December 2023 (31 December 2022: $908,025). The Directors have considered the nature of the customers, the historic levels of bad debts and the payment profile of customer contracts in reaching the value of the expected credit losses above. Management has also considered the expected credit losses in relation to amounts owed from subsidiary undertakings and has considered it to be immaterial.

The ageing of trade receivables at the Balance Sheet date is set out in Note 16.

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

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's objective when managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. Group cash balances and expected cash flow are monitored daily to ensure the Group has sufficient available funds to meet its needs.

Exchange rate risk

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

Capital management

Group and Company

The capital management policy is to maintain a strong capital base 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, while controlling the cost of capital.

The Group monitors capital based on 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	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Total equity	82,346	72,214	39,736	42,673
Cash and cash equivalents (Note 17)	(28,406)	(13,508)	(24,857)	(9,042)
Capital	53,940	58,706	14,879	33,631

	Group		Company	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Total equity	82,346	72,214	39,736	42,673
Other financial liabilities (Note 18)	473	563	473	563
Total financing	82,819	72,777	40,209	43,236

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	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Cash and cash equivalents	28,406	13,508	24,857	9,042
Trade and other receivables – non-current	54	712	–	–
Trade and other receivables – current	25,828	24,047	9,889	8,702
	54,288	38,267	34,746	17,744

The Group held all cash and cash equivalents with banks which are rated at least BBB+, of which $26,675,000 is held at 31 December 2023 with banks rated A- to A+ (30 December 2022: $11,275,000).

23. Financial instruments – Group and Company

The maximum exposure to credit risk for external trade receivable amounts past due that are not impaired at the reporting date by geographic region was:

	Group		Company	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Australia	458	307	–	–
North America	13,922	15,163	–	–
Asia	1,308	1,509	–	–
Europe	7,325	4,339	–	–
Rest of World	545	76	–	–
	23,558	21,394	–	–

The Group's credit risk exposure in relation to external trade receivable amounts past due that are not impaired is set out in the provision matrix as follows:

	61–90 days	91–120 days	>120 days	Total
At 31 December 2022	1,205	55	1,756	3,016
At 31 December 2023	320	90	366	776

The movement in the allowance for impairment of trade receivables is as follows:

	2023	2022
Beginning of financial year	908	186
Loss allowance recognised in profit or loss during the year	358	952
Release of loss allowance previously recognised	(222)	(230)
End of financial year	1,044	908

Liquidity risk

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

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

The following show the contractual undiscounted cash flows and the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting agreements.

Group	Trade and other payables $'000	Loans and borrowings $'000	Lease liabilities $'000	Lease interest $'000	Total $'000
31 December 2023					
Carrying amount	12,325	473	1,852	(176)	14,474
Contractual cash flows					
6 months or less	12,325	46	340	(42)	12,669
6 to 12 months	–	45	305	(34)	316
More than 12 months	–	382	1,207	(100)	1,489
	12,325	473	1,852	(176)	14,474
Group	$'000	$'000	$'000	$'000	$'000
31 December 2022					
Carrying amount	15,025	563	1,833	–	17,421
Contractual cash flows				–	
6 months or less	15,025	45	281	–	15,351
6 to 12 months	–	45	281	–	326
More than 12 months	–	473	1,271	–	1,744
	15,025	563	1,833	–	17,421

Company	Trade and other payables $'000	Loans and borrowings $'000	Lease liabilities $'000	Total $'000
31 December 2023				
Carrying amount	24,897	473	660	26,030
Contractual cash flows				
6 months or less	24,897	46	148	25,091
6 to 12 months	–	45	148	193
More than 12 months	–	382	364	746
	24,897	473	660	26,030
Company	$'000	$'000	$'000	$'000
31 December 2022				
Carrying amount	12,552	563	770	13,885
Contractual cash flows				
6 months or less	12,552	45	165	12,762
6 to 12 months	–	45	164	209
More than 12 months	–	473	441	914
	12,552	563	770	13,885

23. Financial instruments – Group and Company

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

	Group		Company	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Current assets				
Cash and cash equivalents	28,406	13,508	24,857	9,042
Trade and other receivables – non-current	54	712	–	–
Trade and other receivables – current	25,828	24,047	9,889	8,702
	54,288	38,267	34,746	17,744

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

	Group 2023 $'000	Group 2022 $'000	Company 2023 $'000	Company 2022 $'000
Current liabilities				
Trade and other payables	(16,763)	(20,437)	(26,583)	(12,552)
Loans and borrowings	(91)	(90)	(91)	(90)
Lease liabilities	(569)	(562)	(296)	(329)
	(17,423)	(21,089)	(26,970)	(12,971)
Non-current liabilities				
Loans and borrowings	(382)	(473)	(382)	(473)
Lease liabilities	(1,107)	(1,271)	(364)	(441)
	(1,489)	(1,744)	(746)	(914)

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

Fair value measurements

The table below presents assets and liabilities recognised and measured at fair value and classified by level of the following fair value measurement hierarchy:

i. Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).

ii. Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2).

iii. Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

As at 31 December 2023 $'000	Level 1	Level 2	Level 3	Total
Derivative financial instruments	–	–	–	–
As at 31 December 2022 $'000				
Derivative financial instruments	178	–	–	178

The fair values of financial instruments traded in active markets (such as exchange-traded and over-the counter securities and derivatives) are based on quoted market prices at the balance sheet date.

The fair values of current financial assets and liabilities carried at amortised cost approximate their carrying amounts.

Currency risk

Transactional currency risk

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

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

Translational currency risk

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

The Group's currency exposure is as follows:

	USD $'000	GBP $'000	EUR $'000	TWD $'000	JPY $'000	Total $'000
At 31 December 2023						
Financial assets						
Trade receivables	20,631	1,102	1,223	–	602	23,558
Other receivables	165	534	515	686	424	2,324
Cash and cash equivalents	20,599	5,996	479	168	1,164	28,406
	41,395	7,632	2,217	854	2,190	54,288
Financial liabilities						
Loans and borrowings	–	–	–	(473)	–	(473)
Trade payables	(11,601)	(540)	(144)	(3)	(37)	(12,325)
Other payables	(1,097)	(1,378)	(872)	(881)	(210)	(4,438)
Lease liabilities	(326)	(631)	–	(660)	(59)	(1,676)
	(13,024)	(2,549)	(1,016)	(2,017)	(306)	(18,912)
Net financial assets/(liabilities)	28,371	5,083	1,201	(1,163)	1,884	35,376
Less: Currency forwards	–	–		–	–	–
Currency profile	28,371	5,083	1,201	(1,163)	1,884	35,376
Financial (liabilities)/assets denominated in the respective entities' functional currencies	(36,049)	–	(898)	1,163	(1,884)	(37,668)
Currency exposure of financial (liabilities)/assets	(7,678)	5,083	303	–	–	(2,292)

23. Financial instruments – Group and Company

	USD $'000	GBP $'000	EUR $'000	TWD $'000	JPY $'000	Total $'000
At 31 December 2022						
Financial assets						
Trade receivables	19,679	236	1,200	–	279	21,394
Other receivables	227	640	194	1,726	578	3,365
Cash and cash equivalents	9,889	601	623	484	1,911	13,508
	29,795	**1,477**	**2,017**	**2,210**	**2,768**	**38,267**
Financial liabilities						
Loans and borrowings	–	–	–	(563)	–	(563)
Trade payables	(14,514)	(290)	(181)	(4)	(36)	(15,025)
Other payables	(1,163)	(1,972)	(510)	(1,670)	(97)	(5,412)
Lease liabilities	(353)	(670)	(11)	(770)	(29)	(1,833)
	(16,030)	**(2,932)**	**(702)**	**(3,007)**	**(162)**	**(22,833)**
Net financial assets/(liabilities)	**13,765**	**(1,455)**	**1,315**	**(797)**	**2,606**	**15,434**
Less: Currency forwards	–	4,465	–	–	–	4,465
Currency profile	**13,765**	**3,010**	**1,315**	**(797)**	**2,606**	**19,899**
Financial (liabilities)/assets denominated in the respective entities' functional currencies	(24,184)	–	(763)	797	(2,606)	(26,756)
Currency exposure of financial (liabilities)/assets	**(10,419)**	**3,010**	**552**	**–**	**–**	**(6,857)**

If the GBP and EUR change against USD by 1% and 3%, respectively (2022: GBP 10%, EUR 11%) with all other variables, including tax rates, being held constant, the effects from the net financial asset/(liability) that are exposed to currency risk will be as follows:

	2023 Profit after tax	2022 Profit after tax
GBP against USD		
- Strengthened	51	296
- Weakened	(51)	(296)
EUR against USD		
- Strengthened	9	58
- Weakened	(9)	(58)

Interest rate and currency profile

The Group's financial assets comprise trade and other receivables and cash at bank. The average interest rates earned on the daily closing balances during 2023 were 3.0% due to the current economic climate (2022: negligible).

Fair values versus carrying amounts

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

24. Leases

The Group and Company lease offices and the Group a small number of cars of immaterial value where employment practice demands company cars be available. Office leases typically run from two to ten years with options to renew. Lease payments are negotiated every five years to reflect market rentals. Sub-leasing arrangements are not always available. Car leases are typically three years long. Group expenses of $29,890 were incurred in 2023 (2022: $18,237) on leases excluded because they are short term (less than one year) or low value (asset is less than $5,000). The following table summarises the IFRS16 disclosures for the Group and Company:

$'000	Land & building	Group motor vehicles	Total
2023			
Balance at 1 January	1,683	11	1,694
Effect of movements in foreign exchange	75	–	75
Additions to right-of-use assets	427	–	427
Depreciation charge	(627)	(11)	(638)
Balance at 31 December	1,558	–	1,558

$'000	Land & building	Group motor vehicles	Total
2022			
Balance at 1 January	1,896	28	1,924
Effect of movements in foreign exchange	(167)	(2)	(169)
Additions to right-of-use assets	599	–	599
Depreciation charge	(645)	(15)	(660)
Balance at 31 December	1,683	11	1,694

$'000	Land & building	Company total
2023		
Balance at 1 January	745	745
Effect of movements in foreign exchange	34	34
Additions to right-of-use assets	248	248
Depreciation charge	(360)	(360)
Balance at 31 December	667	667

24. Leases

$'000	Land & building	Company total
2022		
Balance at 1 January	1,000	1,000
Effect of movements in foreign exchange	(84)	(84)
Additions to right-of-use assets	242	242
Depreciation charge	(413)	(413)
Balance at 31 December	745	745

	Group		Company	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Profit and Loss Account				
Depreciation	638	660	360	413
Lease interest expenses	92	89	35	45
Expenses on excluded leases (short term or low value)	30	18	29	17

25. Commitments

The Group entered into last time buy purchase orders with AMD, a key supplier, in 2021. These relate to the purchase of components affected by an end-of-life notice from AMD and will ensure that Quixant can satisfy future Gaming customer orders across several products. The last time buy orders will cost $9.0m (2022: $8.4m), with payments running through 2024.

26. Contingencies

Neither the Group nor Company had any contingencies existing at 31 December 2023 (2022: none).

27. Related parties

Group

During the year, the Group paid €31,200 (2022: €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 5.

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

Company

Directors and key management compensation disclosed in Note 5 to the consolidated financial statements.

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

		Profit and Loss Account	
		2023 $'000	2022 $'000
Income			
Sales to Group companies		74,019	84,955
Fees recharged to Group companies		3,014	3,278
		77,033	88,233
Balances due (to)/from Group companies		Balance Sheet	
Amounts receivable from subsidiary undertakings	16	8,332	8,702
Amounts payable to subsidiary undertakings	19	(13,531)	(524)
		(5,199)	8,178

28. Post balance sheet events

There were no material post balance sheet events that were required to be disclosed.

Company information

Directors	F D Small N C L Jarmany G P Mullins J F Jayal J J Olivier D J Penny C Thompson
Company Secretary	S M Wallace
Registered office	Aisle Barn 100 High Street Balsham Cambridge CB21 4EP
Auditor	KPMG LLP Fora 20 Station Road Cambridge CB1 2JD
Nominated adviser and broker	Cavendish Capital Markets 1 Bartholomew Close London EC1A 7BL
Financial PR	Alma Strategic Communications 71-73 Carter Lane London EC4V 5EQ
Registrars and CREST settlement agents	Neville Registrars Neville House Steelpark Road Halesowen B62 8HD
Registered number	04316977
Website	www.nexteqplc.com
Ticker	London: NXQ

Consultancy, design and production by:
jonesandpalmer.co.uk

NEXTEQ

NEXTEQ PLC

Aisle Barn
100 High Street
Balsham
Cambridge
CB21 4EP UK

T: +44 (0)1223 892696
E: info@nexteqplc.com

Registered Number: 04316977
Registered in England and Wales