



# A Platform for Success

Annual Report and Accounts  
FOR THE YEAR ENDED 31 DECEMBER 2022

# Quixant is a technology and supply chain partner for major global industrial electronic equipment manufacturers with a focus on specific vertical markets.

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



Our Quixant Gaming business designs, develops and manufactures Gaming platforms and display solutions for the casino Gaming and slot machine industry. Through Quixant, major Gaming machine manufacturers are able to outsource aspects of their machine which offer limited commercial differentiation, including the computer platform, low-level software and in some value-sensitive markets, cabinets. This enables them to focus their research and development (R&D) resource on game design, which is the most critical component to improve player enjoyment and therefore their commercial success.



Our Densitron business is a global specialist in Human Machine Interface (HMI), bringing innovative displays, control surfaces and control systems to a wide range of global industrial markets, with the Broadcast sector being a particular market of focus. Densitron enables manufacturers of industrial equipment to revolutionise the control of their devices with tactile touchscreen displays and user-friendly graphical interfaces driven by flexible embedded computer options.



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# QUIXANT AT A GLANCE

## Our technologies

### Gaming Technology

Our Gaming computer platforms are trusted by the manufacturers of casino slot machines globally to drive their game software. Designed for compliance with the regulations of all major global gaming jurisdictions and incorporating all the essential hardware and low-level software required to drive modern electronic gaming machines, Quixant empowers customers to focus exclusively on creating vibrant, captivating games and outsource the computer platform to us.

We have recently extended our offering to include turnkey cabinet solutions for Gaming and sports betting retail markets. This allows customers to completely outsource design and supply chain management of all their hardware requirements to Quixant.

### Broadcast Control Technology

Our Broadcast Control Technology is revolutionising the interface between professional broadcast equipment and the users. The manufacturers of Broadcast equipment can now replace mechanical controls with touchscreen-enabled interfaces which still provide tactility for the most mission-critical functions.

We blend our tactile touch technologies with purpose-built integrated computer solutions so manufacturers can fully outsource control hardware to Densitron and focus on the quality of the signal path and processing features.

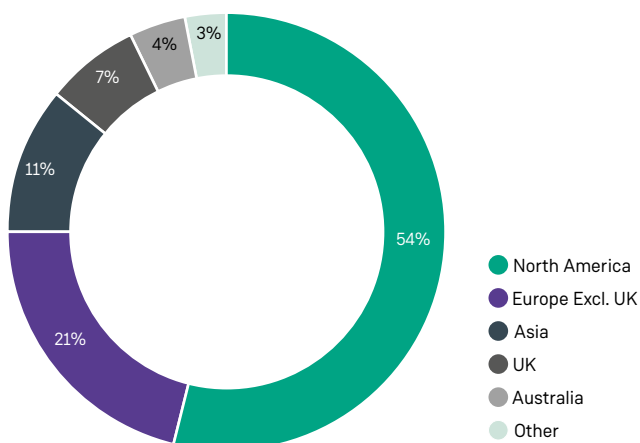
Our Broadcast control technology is gradually propagating throughout production control rooms in broadcast studios and venues globally.

### Industrial Display Components

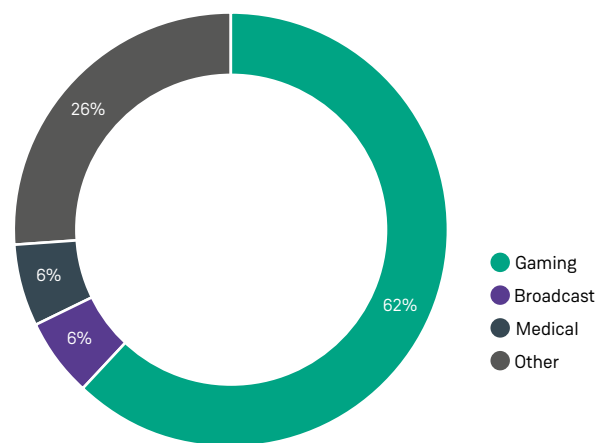
The heritage of our Densitron business is in the supply of a variety of electronic display components which are incorporated into equipment across a broad range of industrial sectors.

We help customers to identify the technical, environmental and mechanical specifications they require for their application and supply these products through our global sales locations which span North America to Japan.

## Our revenue by geography



## Our revenue by sector



# OUR INVESTMENT PROPOSITION

## Why invest in Quixant?

We consider that we are exposed to attractive growing markets and have compelling technologies which are valued by our chosen customers. We also have a resilient business model, net cash with good operational liquidity from which to execute appropriate bolt-on acquisitions to support our strategy.

<p><b>1</b></p> <p><b>Exposure to attractive and growing end markets</b></p>	<ul style="list-style-type: none"> <li>• 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.</li> <li>• The Gaming sector historically holds up well in times of generally weak macroeconomic conditions, reducing cyclicality.</li> <li>• Our technology is designed into our customers' end software providing a stickiness in revenue once designs are won.</li> <li>• We have established a presence and a respected HMI product line in the Broadcast sector which we believe has encouraging growth prospects.</li> <li>• We have strong relationships with our key customers going back many years.</li> </ul>
<p><b>2</b></p> <p><b>Attractive technology and capabilities</b></p>	<ul style="list-style-type: none"> <li>• We are leaders in design, development and manufacture of industrial computer technology including hardware and software.</li> <li>• We have a deep understanding of the detailed regulatory and technical requirements within our target markets.</li> <li>• Our Densitron Display Components business is experienced in developing and sourcing electronic displays for a wide range of applications.</li> <li>• We have demonstrable ability to create and launch innovative products to market with 20 active patents across the business.</li> </ul>
<p><b>3</b></p> <p><b>Resilient business model</b></p>	<ul style="list-style-type: none"> <li>• 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.</li> <li>• Our products are designed into our key customers' products, so we have a high degree of repeatability in our revenues.</li> <li>• The diversity of our Densitron Display Components customer base provides resilience in times of economic weakness.</li> </ul>
<p><b>4</b></p> <p><b>Strong balance sheet</b></p>	<ul style="list-style-type: none"> <li>• We have a strong balance sheet with good liquidity and a net cash position.</li> <li>• Our balance sheet would allow us to execute appropriate bolt-on acquisitions to support our strategy and growth.</li> </ul>

# GROUP GROWTH STRATEGY

The Group serves as an outsource technology and supply chain partner for major global industrial electronic equipment manufacturers, with a focus on specific vertical markets. The Group combines hardware, software, display and mechanical engineering expertise, a global sales network with in-depth industry knowledge and a Far Eastern manufacturing base making it the ideal global strategic technology provider.

The Group's origins are in its highly respected Quixant brand of specialised computer platforms, which are designed to power machines in the global casino gaming and slot machine market. These computer platforms, which are supplied to 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 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.

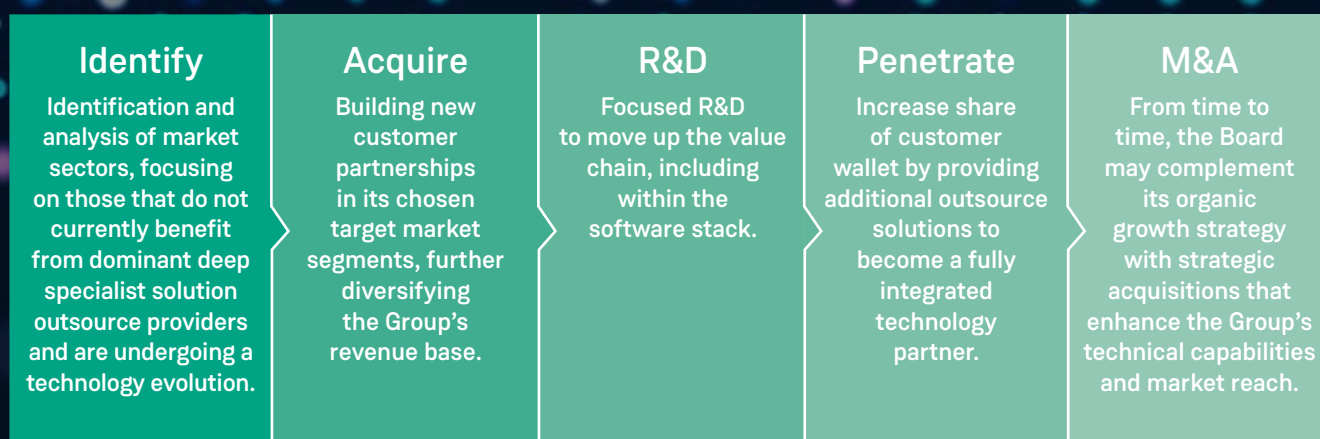
A key objective is for the Group to diversify its revenue across more customers, product

offerings and vertical markets. The Group seeks to achieve this objective through its Densitron business.

Densitron has a 52-year pedigree in supplying display components to a wide range of industrial sectors, from which the Board has selected sectors in which there is the opportunity to develop tailor-made products, which are different to those readily available from broad-based technology corporations.

We believe the Broadcast market represents such an opportunity, in which we have developed unique solutions which revolutionise the human-machine interaction and control of Broadcast equipment. We delivered our third consecutive year of double-digit revenue growth in 2022.

The Group's growth strategy is defined as follows:



# HIGHLIGHTS

## Financial highlights

### GROUP REVENUE

↑ 38%

**\$119.9m**

(2021: \$87.1m)

### GROUP ADJUSTED PROFIT BEFORE TAX

↑ 87%

**\$10.2m**

(2021: \$5.4m) <sup>1</sup>

### GROUP REPORTED PROFIT BEFORE TAX

↑ 79%

**\$8.8m**

(2021: \$4.9m)

### ADJUSTED DILUTED EPS

↑ 199%

**\$0.1779** /share

(2021: \$0.0595/share) <sup>2</sup>

### DILUTED EPS

↑ 203%

**\$0.1616** /share

(2021: \$0.0533/share)

### NET CASH AT 31 DECEMBER 2022

↓ 27%

**\$12.9m**

(31 Dec 2021: \$17.6m) <sup>3</sup>

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

## Operational highlights

- Strong order intake through 2022 with a book-to-bill ratio in excess of one giving excellent visibility of growing customer demand.
- Record Group revenues driven by sustained recovery in Gaming and another record year for Densitron.
- Continued product innovation opening up new growth opportunities:
  - Receipt of first mass production order of turnkey Gaming cabinet solutions and pipeline progression of further new business.
- Progression of Densitron Broadcast opportunity, which grew 42% year on year, representing the third consecutive year of double-digit growth in the sector.
- Gross margins starting to recover from supply chain disruption with stabilisation of component price and freight cost inflation.
- As a result of events subsequent to the balance sheet date, a charge of \$0.9m recorded against profit before tax due to uncertainty of the recoverability of balances owed by a Quixant Gaming customer involved in Chapter 11 bankruptcy protection.

- Net cash of \$12.9m, down from the prior year due to investment in strategic stock to meet customer demand.
- Good operational liquidity and net cash with minimal debt supportive of future organic and acquisitive growth.
- Dividend of 3.0p per share proposed (2021: 2.4p per share) reflecting confidence in ongoing growth and cash generation.

## Current trading and outlook

- Positive trading momentum has continued into new financial year.
- Further progression of new business opportunities for gaming cabinets and broadcast HMI products since the start of 2023.
- In line with the Group's evolution as a multi-vertical technology provider, the Board proposes to change the name of Quixant plc to Nexteq Plc, while maintaining Quixant as the Gaming brand and Densitron as the Broadcast market and Industrial Display Component product brand, shareholder approval will be sought at the upcoming AGM.



# CHAIR'S STATEMENT

“2022 was a year of meaningful financial and strategic progress in the Group.”

**FRANCIS SMALL**  
Chair



## A year of strategic progress

I am delighted to report on a year of meaningful financial and strategic progress in the Group.

Throughout the challenges resulting from the pandemic and the subsequent supply chain shortages, the business has remained resilient, and demand has rebounded such that we are able to report a record year of revenues, improving margin and progression of our strategic goals which we believe will bolster growth in future years.

This positioning is testament to the strength of relationships we enjoy with our customers and suppliers, the quality of our product offering, the tenacity and skill of our colleagues across the business, the power of our business model and the support of our Shareholders. I would like to thank all stakeholders for their contribution to the successes of the year.

Both the Quixant Gaming and Densitron businesses delivered their second consecutive year of double-digit revenue and profit growth, posting results which were significantly ahead of initial Board expectations. This was despite the ongoing electronics component shortages which started in 2021 and persisted throughout 2022. Our strategic stock programme which commenced in January 2021 remained an essential ingredient to mitigating supply disruption to our customers. The Board remains committed to continuing this programme in 2023 until volatility in component availability and pricing subsides.

## Strategy driving value enhancement and diversification benefits

We believe the Quixant Gaming business has a buoyant trading outlook for its computer platform products and the changes made in the Densitron business continue to yield positive results in growing revenues and improving profitability. Both these businesses delivered profit growth in the year and show further potential going forward.

The Board is committed to a multi-year growth plan to increase diversity in the Group's earnings, both within the Quixant Gaming portfolio and across multiple vertical markets. During the year the Board supported investment in new product categories which drive new growth opportunities alongside the core business which continues to be a sustained source of growth.

These investments drove success in securing our first multi-million dollar mass production gaming cabinet order in 2022 and a third consecutive year of double-digit Broadcast business growth.



## Progression of our sustainability agenda

Within the framework of our Corporate Responsibility Strategy, the Board set a range of targets aimed at delivering improvements in the environmental impact of our business and enhancing the social benefits brought about by the Group. I am impressed by the engagement from teams across the business globally to drive these initiatives. We made excellent progress in increasing our confidence in our suppliers' operating ethical business practices with 100% now signed up to our Supplier Code of Conduct and 95% audited for compliance. Our staff voted for UNICEF to be our nominated Charity of the Year and alongside donation of a share of the Group's profits to the charity, colleagues also embarked on several events to raise money including the team globally incredibly covering 14,000km in November in the "BIG Step Challenge".

Our Electric Vehicle (EV) scheme has resulted in more than 10% of our UK workforce now using an EV to commute to work, with the additional benefit that we offer free charging at our UK offices. We have continued the more extensive use of international collaboration through video conferencing tools to reduce our air travel compared to pre-pandemic levels whilst ensuring our operations across eight countries remain well-connected.

## Enhanced governance arrangements

In September 2022 we welcomed two new independent Non-Executive Directors to the Board, Duncan Penny and Carol Thompson. As XP Power's CEO, Duncan has an exceptional track record of driving the business' growth, making him immensely relevant to guiding the Group through its growth strategy into new markets. Carol, who brings a wealth of financial and non-executive experience and gaming market exposure, has been appointed Chair of the Audit & Risk Committee, taking over from Guy van Zwanenberg. Guy has been a long-standing member of the Board and chaired the Audit and Risk Committee for nine years but will be retiring from the business in April 2023. A deeply committed and supportive Board member, I thank Guy for his service and stewardship of the business since he joined the Board in 2013 and wish him well.

## Confidence in ongoing trading performance drives increased proposed dividend

The positive trading momentum in 2022 has continued into the new financial year and we expect to generate healthy levels of operating cashflows. The Board is recommending payment of a 25% increase in the dividend to 3.0p per share for 2022 (2021: 2.4p per share) reflecting its confidence in ongoing growth and cash generation.

**FRANCIS SMALL**  
Chair



# CHIEF EXECUTIVE'S REPORT

“Our strong partnerships with customers and suppliers enabled us to overcome ongoing supply challenges to deliver a record year of revenues and progress strategic initiatives to drive future diversification of earnings.”

**JON JAYAL**

Chief Executive Officer



## Key takeaways

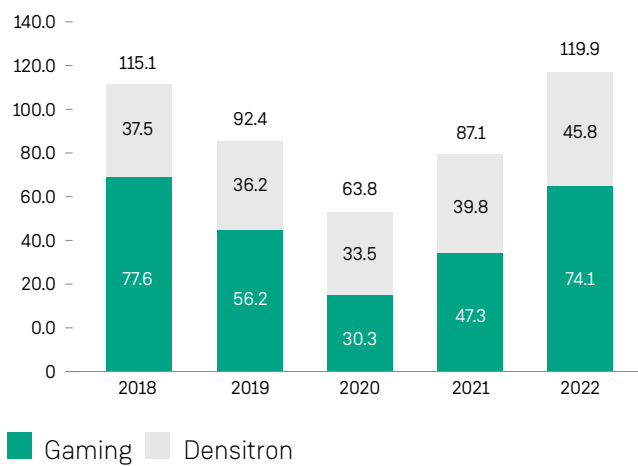
- Effective management of the challenging supply environment enabling us to deliver record Group revenues and profits significantly ahead of initial expectations.
- Investment into new Gaming cabinet and Broadcast technology product offerings have started to deliver measurable progress supporting the case for ongoing investment.
- Improved profitability through a partial recovery in gross margins and operational leverage and with a stabilisation of component costs.

## Strong demand and robust supply chain management yields 38% revenue growth

2022 was a year characterised by exceptional demand for the Group's product offerings across both its divisions, tempered by ongoing challenges in supply chains. While the ongoing component market disruption affecting technology markets was worse than anticipated at the start of the year our mitigation strategies enabled us to shield our customers from much of the effect. This is an excellent result which not only drove improved trading performance, but also solidified our partnership with customers. Better availability of our innovative products compared to other market participants also fuelled new business.

Group revenues grew for the second consecutive financial year to a record \$119.9m, 38% up year on year (2021: \$87.1m) and 4% higher than the previous record revenues of \$115.1m achieved in 2018. Pleasingly, this strong revenue performance was diversified across the Quixant Gaming and Densitron business units, with both delivering double-digit year on year growth.

Total revenue by division (\$m)



## Gaming Business Review

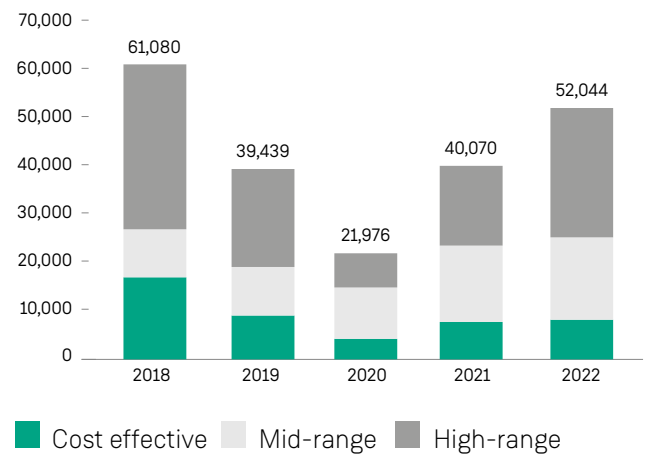
### Recovery continues with second consecutive year of revenue and profit growth

Demand for our Gaming technology products was strong throughout the year, with 2022 order intake ahead of 2021 levels and 2022 revenues. Supply chain constraints were the primary limiting factor on revenue, but our expertise in supply chain management allowed the Gaming business to grow revenues to \$74.1m, a 57% increase year on year (2021: \$47.3m). Along with new customer wins, we continued to be successful in growing our engagement within the substantial existing customer base, with volume growth across the majority of our customers.

Due to the mix of customers supplied, we also saw a shift in volume towards higher-end models, further increasing the Average Selling Price (ASP) of our products. In total, Gaming platform volumes grew by 30% to around 52,044 units.

Price inflation also contributed partly to the revenue growth. The impact of several rounds of sale price increases in order to recover higher input costs started propagating through profit & loss in 2022 and aside from increasing revenues it also drove a partial recovery in gross margins.

Gaming Platform sales (quantity) by product family



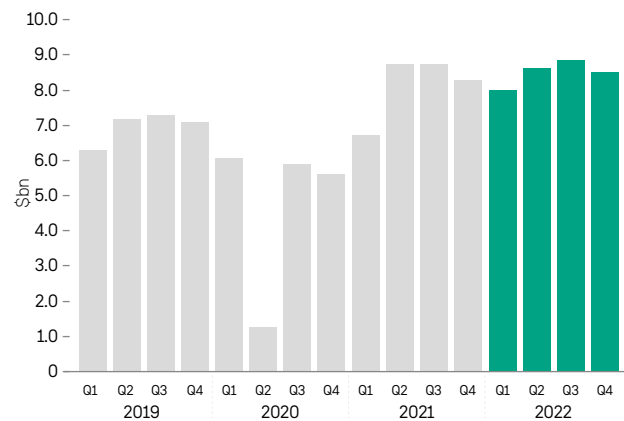
### Strong end-market environment

Underpinning the growth in our Gaming business are healthy land-based Gaming markets in North America and Europe which have rebounded strongly from the lows of 2020 and in 2022 posted gross Gaming revenues at a similar level to or above 2019. The US market, which made up 65% of Quixant Gaming revenues in 2022, has been a particular highlight with US commercial casino land-based slot gross gaming revenues reaching a record high in 2022 of \$34bn, an increase of 5% year on year over the previous record in 2021. Since the easing of COVID-19 restrictions, commercial casinos have seen strong player attendance and spend, and have consequently been investing in the venues and customer offering. This is resulting in our customers seeing greater demand for their gaming machines and therefore our products installed in them.



# CHIEF EXECUTIVE'S REPORT

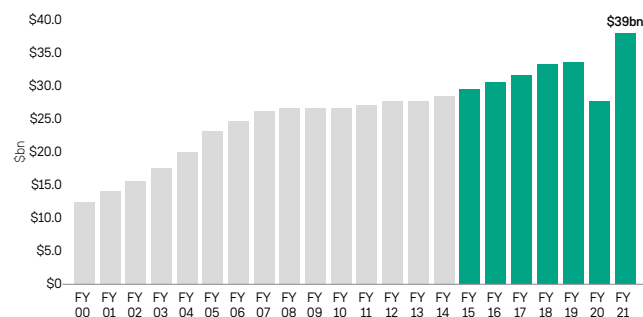
## US Commercial Casino Land-Based Slot Gross Gaming Revenue



Source: American Gaming Association Commercial Gaming Revenue Tracker, Q4 2022

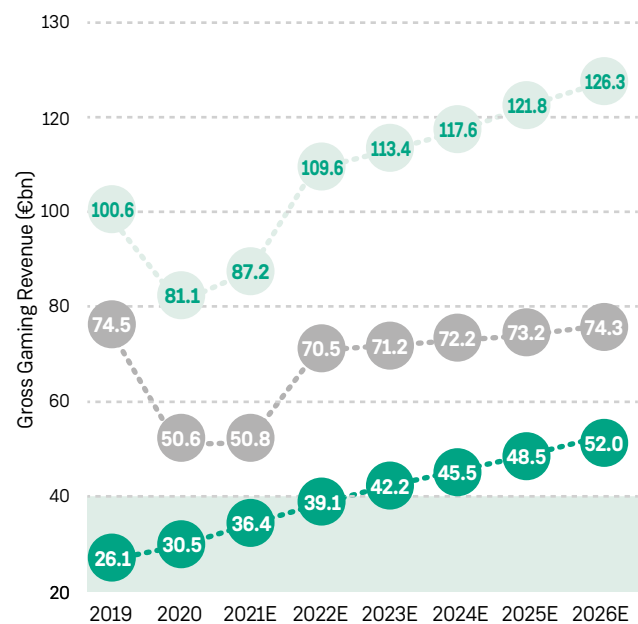
Aside from the commercial casinos, the other major land-based gaming revenue source in the US market is the tribal casinos. These reside on Native American reservation land and are subject to different legislation, taxation and regulation. The tribal properties were amongst the first to open after the 2020 lockdowns and saw incredible player attendance in those early months. This sharp recovery in tribal casino take meant they saw a lesser revenue impact from the pandemic compared to commercial casinos and continued to trade well in the following year, posting record gross gaming revenues (GGR) in 2021 of \$39bn.

## GGR trending FY00-FY21



Source: National Indian Gaming Commission

The European market recovery from the pandemic lagged the US as governments were more cautious about easing restrictions. As such, the market remained weak during 2021 with land-based gross gaming revenues broadly unchanged from 2020. With the widespread easing of restrictions by the end of 2021, land-based gross gaming revenue recovered strongly in 2022, increasing 34% year on year to \$70.3bn<sup>1</sup>, which was only 6% below 2019.



Legend: Total Gambling (light green), Land-based (grey), Online (dark green)

<sup>1</sup> Source: European Gaming and Betting Association

Through recent years the strong build in online gaming revenues has been evident across many countries, particularly in the US which passed legislative changes to online gambling laws. Importantly for our business these changes have not cannibalised the land-based markets where our products are used, rather the new online gaming revenue have been augmentative to the overall gaming market turnover.

## Continued diversification with first mass production gaming cabinet order with exciting pipeline of prospects

In line with the Group's strategy to diversify revenues and move up the value chain through innovation the Group complemented its Self-Service Betting Terminal (SSBT) offering with an Electronic Gaming Machine (EGM) turnkey cabinet solution. This extends the Group's range of outsourcing solutions for the Gaming sector by combining Quixant's proven computer platform and monitor technology into a 'one-stop-shop' cabinet, complete with peripherals and a support software package. As a result, customers are able to focus exclusively on game software development and player experience, while outsourcing hardware design and procurement entirely to Quixant, improving the quality of their offering and accelerating time to market.

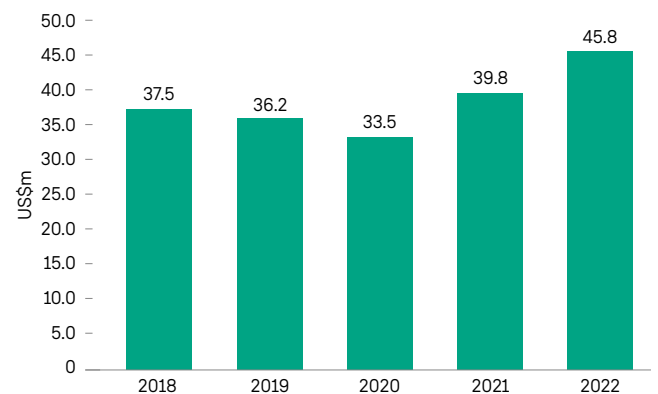
During the year we received our first mass production order for our EGM cabinet offering valued at \$4m, underpinning the business case for further investment. The first deliveries under this order are expected to be delivered in the first quarter of 2023.

Management estimates that the total addressable market for computer platforms and cabinets for casino slots globally is in excess of \$3bn<sup>2</sup>, of which we believe our realistic addressable market with the current products and offering we have today is \$310m<sup>2</sup>. This assumes our cabinet offerings are targeted at niche, most price sensitive areas of global gaming markets and are not designed to satisfy the requirements of high-end casino product.

<sup>2</sup> Source: G3 Magazine and management estimates

## Densitron Business Review

Densitron revenue grew by 15% to \$45.8m (2021: \$39.8m), setting another revenue record since acquisition in 2015. Densitron enters 2023 with strong order coverage providing good revenue visibility and activities during 2022 support improved profitability in 2023.



Sales growth in Densitron was driven across both Display Components and Broadcast Solutions offerings:

- Through its Display Components offering, Densitron supplies electronic display modules to a wide range of industrial equipment manufacturers. Revenues grew by 11% to \$38.3m (2021: \$34.5m) in 2022 achieving a second consecutive year of double-digit growth. All geographic regions performed well.
- Densitron's Broadcast Solutions grew by 42% in 2022 to \$7.5m (2021: \$5.3m), achieving the third consecutive year of double-digit growth.



# CHIEF EXECUTIVE'S REPORT

## Display Components

The industrial display components market is expected to grow to \$8.3bn by 2030, at a CAGR of 6.1%<sup>1</sup>.

Whilst the market is occupied by a number of electronic display component manufacturers, our differentiation comes in terms of our ability to connect vertical market specific requirements and environmental/performance characteristics with the right choice of display to ensure the customers' product vision is delivered and they operate reliably in all conditions in which the products are deployed.

In addition to this detailed application knowledge of display components, after 52 years of experience our strength in supply chain, quality and logistics have become newer differentiators. As supply chains were disrupted, customers who had gone directly to China or were buying through inexperienced distributors faced far more issues in keeping supply flowing than Densitron customers. This 'flight to quality supplier' trend boosted Densitron's display component business in 2022.

Our product offering continued to feature the latest display technologies and solutions to solve the most pressing display engineering challenges. Of particular note is the success of our Mitsubishi drop-in replacement line of displays, which require little engineering effort to 'drop in' instead of Mitsubishi displays. Mitsubishi has exited the display market leaving many customers in a difficult position with regards to continuing production or being forced to redesign their product around a new manufacturer's display.

Through its diverse sector exposure, the Displays Component offering also provides an excellent platform to identify new vertical markets in which there are opportunities to develop and supply bespoke high-value products to address technology trends occurring in those markets. Having identified and developed product concepts, the extensive Display Components customer book of over 500 customers also provides an established sales channel for these new products.

## Broadcast Solutions

Our evolving Broadcast sector business brings revolutionary new human machine interface (HMI) solutions to the market to replace the antiquated mechanical controls which are still prevalent in the majority of audio-visual processing equipment used in professional studios. Our HMI solutions, which combine high-resolution graphical displays, touch screen technology and computing elements, greatly simplify the adoption curve for manufacturers.

Our products seek to revolutionise the control of technology which typically resides in Production Control Rooms ("PCRs"). We believe that there are around 220,000 PCRs worldwide which result in an equipment spend every year of \$880m. These PCRs are found in broadcast corporation studios, corporate broadcast theatres, outside broadcast trucks and houses of worship and is the venue in which the broadcast operations are directed, and composition of the outgoing programme takes place.



<sup>1</sup> Source: Grand View Research



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 BBC and NEP Group. An example of these is the 2RU x86 rack mount control panel.
2. **HMI Modules** – 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. An example is the Tactila™ range of tactile objects.
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 cut costs or invest in engineering, manufacturing and supply chain capacity in other projects. We have active pipeline opportunities for these services.

We believe our current broadcast solutions allow us to access a total addressable market of \$220m with further penetration of the value chain allowing this to increase up towards the \$880m equipment market spend in PCRs. In addition, Broadcast PCR spend is estimated to be growing at 4.5% per year over the next 5 years<sup>1</sup>.

The Broadcast business delivered its third consecutive year of significant growth, increasing revenue by 42% year on year to \$7.5m (2021: \$5.3m). This growth was principally driven by production ramp in new business won in 2021.

We continued our investment programme to incubate the Broadcast business to become a significantly increased component of Group revenue. This included recruitment of experienced commercial and product leaders with an exclusive focus in delivering on the Broadcast opportunity.



<sup>1</sup> Source: Business Research Company – Television Broadcast Market Report 2023

# CHIEF EXECUTIVE'S REPORT

## Successful management of challenging supply environment

Through the last 24 months, volatility in electronic component pricing, cost inflation and elevated freight costs have weighed on Group gross margin. We sought to mitigate the impact of these extenuating factors through advanced strategic stock purchase commitments, relentless negotiation with suppliers and, where essential, effecting price increases with our customers. Throughout 2021 and into the first half of 2022 we were still seeing inflation in component prices despite these measures. This drove further rounds of intense product redesign, strategic purchasing and customer collaboration to allow us to use alternative parts. Subsequently, we have seen a stabilisation of component pricing, albeit at higher than historic levels. This stasis in component pricing has allowed our higher sale prices to positively effect a partial recovery in gross margin.



During much of 2021, many electronic suppliers were reluctant to state any quoted lead times making manufacturing planning very difficult. Towards the end of 2021, we started to see suppliers providing committed delivery dates and a reduction in the number of end-of-life notices, but we quickly saw deterioration in this situation early in 2022. We saw significant de-commits from suppliers such as AMD which failed to fulfil orders placed months earlier. Our actions during the year mitigated the impact of most of these issues on our customers.

Entering 2023 we continue to see component lead times and pricing at elevated levels, but with less widespread volatility as at the same point last year. We expect to see continued easing of supply chains through 2023 but remain vigilant to acute issues which require close intervention. We are committed to our strategic stock programme until such time as we are confident in component supply.

## Innovation and product development

In 2022, 37% of our global workforce were employed in product development and support roles.

The quality and breadth of our global product development teams is the cornerstone of our business' current and future success. Innovations developed by these teams have led to the Group holding 20 active patents on key technologies incorporated into our products in Quixant Gaming and Densitron.

During 2022, we launched the new Intel® based QMAX-3 product which takes over as our next generation flagship computer platform for high-end casino machines. We already have confirmed business which we expect to ramp in 2023 for this exciting new product launch.

During the year Densitron continued to invest in exciting R&D to open new ways for humans to interact with machines, with a focus on the broadcast sector.

Our engineers continued to spend considerable time during the year in redesigning existing products to substitute components which unexpectedly were made end-of-life, saw volatile pricing or were on long lead times. While this activity hampered new product development to some extent, it was essential to ensuring customers remained supplied with our products.

## Change of name

The Group's strong growth to date means that the business has evolved from 58 employees at IPO in 2013 with a niche vertical focus in providing computer platforms into the Gaming industry to a business with 230 employees supplying multiple product ranges to customers across a range of industries. The Board believes the business platform provides an opportunity to identify and diversify further into other sectors that could also benefit from a technology outsourcing partnership but have enjoyed no focused, expert providers to date.

The Board has considered the value proposition, vision and brand for the Group as a whole. The Quixant brand is recognised and highly respected in the Gaming sector, while Densitron has a pedigree in industrial display components and more recently as an expert in Broadcast HMI solutions. The Group however is sector agnostic but operates through trading businesses which share the common vision to support customers in selected markets with products which enable them to focus their internal engineering effort on their core value proposition.

As such, the Board has therefore decided to recommend to Shareholders a change in name of the Group to Nexteq Plc, while maintaining the Quixant brand for the Gaming Business and Densitron for the Broadcast and Industrial Display Components businesses. The Board believes this will provide the right structure to support our growth strategy and clarify our offering in the market. Subject to Shareholder approval this will be effected after the Annual General Meeting.

## Current Trading and Outlook

The Group has made a positive start to the new year, with robust trading momentum across both divisions continuing, and a healthy order backlog providing visibility into the second half of the year. While cognisant of macro-economic and ongoing supply chain pressures, we remain confident that our considerable pipeline of opportunities and strong customer relationships will underpin future revenues. We will continue to closely monitor market conditions to ensure that we remain agile to support our customers with their critical technology needs.

Driving operational efficiency and profitability remain key priorities for the Group, and we expect to continue to see the benefits of operational leverage in the coming year. We also expect the unwind of our strategic stock position to see a return to strong operating cash generation in the year. At the same time, we will continue with focused investments across the Group to expand our market opportunity.

The Group's rebrand under the Nexteq name represents the evolution of our business as a technology partner across multiple end vertical markets and is an opportunity to bring our teams closer together and, ultimately, drive our expansion over the long-term.

### JON JAYAL

Chief Executive Officer





# FINANCIAL REVIEW

“A second year of improved profitability due to higher revenues and a recovery in gross margins, despite continued challenging supply chain environment.”

**JOHAN OLIVIER**  
Chief Financial Officer



The Quixant Group achieved record revenues of \$119.9m in the year, up 38% on 2021 revenues driven by strong demand across both Gaming and Densitron.

## Statutory Results

Group Revenue was \$119.9m (2021: \$87.1m), representing year-on-year growth of 38%. Gross profit was \$38.6m (2021: \$25.9m), an increase of 49% over the prior year, with gross margins at 32.2% (2021: 29.7%). Operating expenses were \$29.6m (2021: \$21.4m), resulting in operating profit of \$8.9m (2021: \$4.5m). Net finance cost was \$0.1m (2021: Net finance income of \$0.4m), resulting in profit before tax of \$8.8m (2021: \$4.9m) and an income tax credit of \$2.2m (2021: tax expense of \$1.4m), equivalent to an effective tax rate of -24.8% (2021: 27.6%). Basic earnings per share (EPS) were \$0.1653 (2021: \$0.0536), an increase of 208%. Diluted EPS were \$0.1616 (2021: \$0.0533), an increase of 203%.

## Revenue

Gaming division revenues were \$74.1m, an increase of 57% on the prior year (2021: \$47.3m). The increase in Gaming revenues was due to robust demand for our Gaming computer products alongside a shift in product mix towards higher-end solutions. Unit sales increased to 52,044 platforms shipped in the year, up 30% on the prior year (2021: 40,070).

Densitron division revenues were \$45.8m, an increase of 15% on the prior year (2021: \$39.8m). The strong demand for Densitron products seen in 2021 continued through 2022, across all its subsectors. The Broadcast sector in particular had another strong year with revenues of \$7.5m, up 42% on the \$5.3m shipped in 2021.

## Gross profit and gross profit margin

The Group generated gross profit during the year of \$38.6m (2021: \$25.9m) representing a gross margin of 32.2% (2021: 29.7%). Gross margins remained volatile through the year, due to component price inflation from global supply chain shortages and higher freight charges. These factors stabilised in the second half of the year, and coupled with operational leverage from higher production output, led to a recovery in Group gross margin.

## Adjusted operating expenses

Adjusted operating expenses increased by 35% to \$28.3m (2021: \$20.9m). Overheads were reduced during the pandemic, mainly because of reduced bonuses, a reduction in travel and marketing spend and measures taken to control discretionary spend. In 2022 operating expenses started to revert to pre-pandemic levels, particularly travel and marketing due to an easing of travel restrictions and recommencement of trade shows. In addition to this the Group has also invested in headcount, with average employees increasing from 207 in 2021 to 228 in 2022 as the Group invested in its engineering, supply chain and sales teams to support the growing demand across both Gaming and Densitron. This resulted in payroll costs increasing by \$4.4m to \$20.2m (2021: \$15.8m).

During the year, Group expenditure on research and development increased to \$4.8m (2021: \$4.7m). These costs relate to investment activities principally undertaken in Taiwan, Italy, the UK and Slovenia. Of these costs, \$1.8m were capitalised (2021: \$1.7m) as the Group continues to focus on developing new products, with amortisation for the year on total capitalised development costs of \$1.1m (2021: \$0.9m). During the year the Group abandoned in progress development projects with a carrying value of \$0.5m (2021: nil). These were due to a combination of supplier notifications to key end-of-life components utilised in our products; and following internal review where it was determined that the project did not meet the criteria to capitalise product development cost as set out in IAS38.

## Post balance sheet event

As a result of events after the balance sheet date, the consolidated statement of profit and loss includes a charge amounting to \$0.9m relating to uncertainty of the recoverability of balances owed by Aruze Philippines Manufacturing Inc. (APMI), a customer of the Group's Gaming division. Refer to note 1 to the financial statements for details of the matter.

The Quixant Group, through its Gaming division, has 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. In the filing AGA stated that this action was a part of AGA's efforts to seek financial restructuring in the wake of a recent garnishment judgement against AGA resulting from a separate judgement against AGA's shareholder. Furthermore, AGA stated that it intended to continue operating normally and utilize Chapter 11 protections to provide for an orderly consideration of the relative rights of AGA's creditors, customers, and employees.

The Quixant Group did not have a direct relationship with AGA at 31 December 2022, or during the 2022 financial year. As AGA is the main customer of APMI the Chapter 11 filing has resulted in APMI having to delay payment of outstanding debts to Quixant until they have received payment from AGA and rework its business plans and production schedules. Due to the uncertainty caused by this Quixant management evaluated the carrying value of balances related to its relationship with APMI as at the balance sheet date as the bankruptcy of AGA is considered an adjusting post balance sheet event, as the circumstances leading to the bankruptcy petition existed at 31 December 2022.

Trade receivables at the balance sheet date included an amount of \$0.7m owed by APMI. It is Quixant's intention to seek collection of all amounts and APMI has confirmed its intention to settle this amount, however the AGA Chapter 11 filing raised doubts over the Group's ability to recover the trade receivable. Management considered that due to the uncertainty inherent in an insolvency proceeding the debt owed by APMI at the balance sheet was fully impaired. An impairment loss of \$0.7m was recorded within operating expenses.

# FINANCIAL REVIEW

Inventory, consisting of raw materials with a book value of \$2.4m and finished goods with a book value of \$1.1m was included in the Quixant Group's balance sheet as at 31 December and earmarked for use by APMI. Post year-end finished goods with a book value of \$0.2m was shipped to APMI as part of Quixant's normal operations. Management has assessed the remaining \$3.3m to determine alternative uses for the inventory. The inventory can be used to manufacture products that can be sold to the Group's existing or new customers or for use in the Group's turnkey cabinet offering. Management expects to fully recover the net book value of \$3.3m and considers that no provision against it was required as at 31 December 2022. Inventory that was shipped to APMI post balance sheet date has been provided for in full, as the recoverability of this amount is dependent on Quixant receiving cash payment, which is considered uncertain as noted above.

The Group balance sheet also included capitalised development cost with a book value of \$0.4m related to the development of products for APMI's future use. Once development is completed, the product can be sold to the Group's existing or new customers if APMI is unable to do purchase these products. Based on their assessment of the future use of the product management expects to recover the book value of the capitalised development in full and no impairment was required at the balance sheet date.

The total charge to the consolidated statement of profit and loss amounts to \$0.9m, with \$0.7m charged to operating expenses and \$0.2m charged to cost of sales.

## Net finance expense

The Group also incurred net finance expenses of \$0.1m (2021: Net finance income of \$0.4m), principally related to leases. In 2021 the Group recognised finance income of \$0.5m related to COVID-19 support loans which were forgiven by the USA Government.

## Adjusted Profit Before Tax

Adjusted profit before tax increased by 87% to \$10.2m (2021: \$5.4m). The adjustments to statutory profit before tax of \$1.4m (2021: \$0.5m) comprised a share-based payments charge of \$0.6m (2021: share-based payments credit of \$0.2m) and amortisation of acquired intangibles charge of \$0.8m (2021: \$0.9m). The 2021 adjustments also included a restructuring credit of \$0.2m.

## Taxation

The Group recognised a corporation tax credit of \$2.2m in the year, compared to a charge of \$1.4m in 2021. The tax credit consists of a current tax charge of \$0.5m (2021: \$1.2m), \$1.8m credit in respect of the recognition of a deferred tax asset relating to tax losses (2021: charge of \$1.0m) and \$0.9m credit relating to the movement in deferred tax assets and liabilities in the current year (2021: credit of \$0.8m).

The \$1.8m tax credit is in relation to the recognition of a deferred tax asset for tax losses which are now considered recognisable due to the Group having enhanced visibility over their availability and utilisation.

The effective tax rate on statutory profit before tax decreased to -24.8% (2021: 27.6%). Going forward we expect the effective tax rate to be approximately 15% – 18%, depending on the regional mix of profits.

## Earnings per share

Basic EPS increased by 208% to \$0.1653 per share (2021: \$0.0536 per share). Adjusted diluted earnings per share increased by 199% to \$0.1779 per share (2021: \$0.0595 per share).

## Balance Sheet

Non-current assets increased to \$26.2m as at 31 December 2022 (31 December 2021: \$24.3m) mainly due to an increase in deferred tax assets, offset by a decrease in right-of-use and intangible assets. Included in non-current assets are goodwill of \$7.7m (31 December 2021: \$7.7m) and acquisition-related intangible assets of \$1.0m (2021: \$1.8m) allocated to cash generating units (CGUs). The annual impairment review indicated that no impairment of goodwill is necessary at 31 December 2022 or 31 December 2021. The IDS, Densitron US and Densitron Europe CGUs are sensitive to a reasonably possible change in key assumptions which could cause impairment. Refer to Note 11 to the financial statements for further disclosure of the annual impairment review.

Inventory has increased to \$32.2m (31 December 2021: \$29.1m), as production increased to meet the higher customer demand. Inventory levels are elevated compared to pre-pandemic levels as the Group continues to hold strategic stock to mitigate the impact of the global component shortages and secure product for customer demand.



## Cash Flow

The Group generated \$0.8m cash from operating activities in the year (2021: cash generated of \$4.4m). Adjusted operating cash flow, which excludes tax payments, was \$2.5m (2021: \$4.9m) which represented 25% of adjusted profit before tax (2021: 90%). This was below our cash conversion KPI targets due to increased working capital, which reflects the impact of the strategic stock programme implemented to ensure continuity of supply to our customers and the timing of supplier payments and customer receipts. In the second half of the year the Group consumed some of the strategic stock which led to an inflow of cash from operating activities of \$4.4m.

The Group capitalised \$1.8m of development costs (2021: \$1.7m), which reflects the continued development of new products as the Group expands its product portfolio.

The Group finished 2022 with net cash of \$12.9m (2021: \$17.6m), comprising cash and cash equivalents of \$13.5m (2021: \$18.3m) and gross debt of \$0.6m (2021: \$0.7m). The debt relates to a mortgage over the Group's offices in Taiwan. The decrease in net cash during 2022 was a result of the investment made in working capital to fund the increase in customer demand.

## Capital Allocation

The Group will continue its disciplined approach to capital allocation, prioritising the maintenance of a strong balance sheet, and sufficient cash reserves, while continuing to focus on investing in the business to drive organic growth.

The Board propose a dividend for the year ended 31 December 2022 of 3.0p per share (2021: 2.4p per share). This dividend will be payable on 25 August 2023 to all Shareholders on the register on 28 July 2023. The corresponding ex-dividend date is 27 July 2023.

## 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% (2021: 91%) of our revenues denominated in US Dollars.

The Group's reported results are impacted by US Dollar movements against currencies in the territories it operates, principally Pound Sterling, Euro and Taiwan Dollar. The average Pound Sterling to US Dollar exchange rate in 2022 was 1.24, a 10% appreciation against 2021 average of 1.38. The average Euro to US Dollar exchange rate in 2022 was 1.05, an 11% appreciation against the 2021 average of 1.18. The average Taiwan Dollar

to US Dollar exchange rate in 2022 was 0.034, a 7% appreciation against the 2021 average of 0.036.

The appreciation of the US Dollar against currencies in the territories the Group operates resulted in a \$2.7m favourable impact on adjusted operating expenses.

## 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 Quixant'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; and
- 3) to show the performance measures that are linked to remuneration for the Executive Directors.

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 5

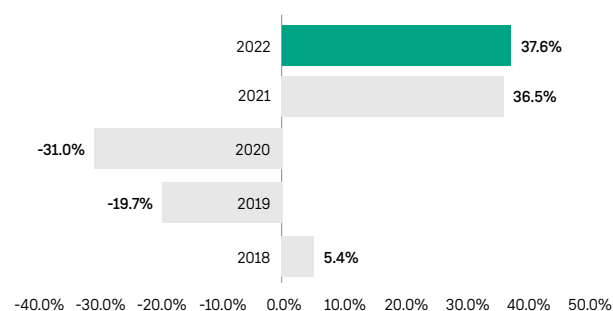
**JOHAN OLIVIER**  
Chief Financial Officer

# 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

In prior years the Group included the absolute Group revenue as a KPI. This has been changed to revenue growth as it better 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

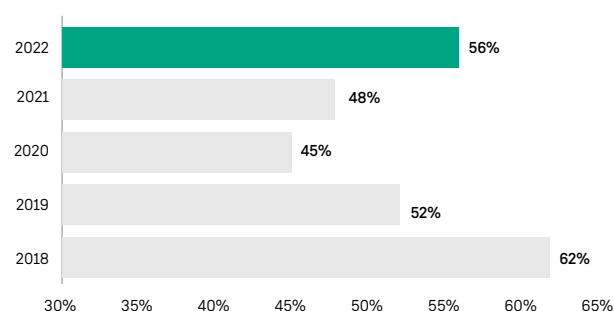
We target double digit growth over the medium term.

### Performance in 2022

Revenue grew significantly across both divisions, as the recovery in Gaming continued and demand for Densitron products drove it to new record highs.

## REVENUE FROM TOP 10 CUSTOMERS (%)

### Performance



### Purpose

This is added as a KPI in the current year as it demonstrates our ability to diversify our revenue streams, which forms part of the Group's strategy.

### Definition

Revenue from 10 largest customers as a % of total Group Revenue.

### Target

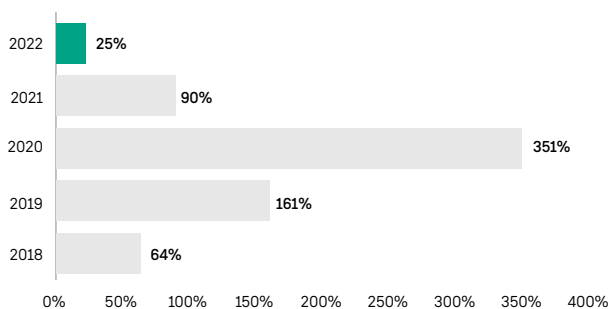
We expect % of revenue from our top 10 customers to reduce as we pursue our strategy of revenue diversification.

### Performance in 2022

Revenue from top 10 customers increased to 56% in 2022 (2021: 48%) as our largest Gaming customers saw an increase in demand for their products.

## ADJUSTED OPERATING CASH CONVERSION (%)

### Performance



### Purpose

In prior years the Group included cash and borrowing balances, debtor days and inventory levels as KPIs to measure effective management of working capital. This has been combined into one metric to include all elements of operating cash and working capital.

This has been combined into one metric to include all elements of operating cash and working capital.

### Definition

Operating cash flow, adding back tax payments, divided by Adjusted Profit before tax.

### Target

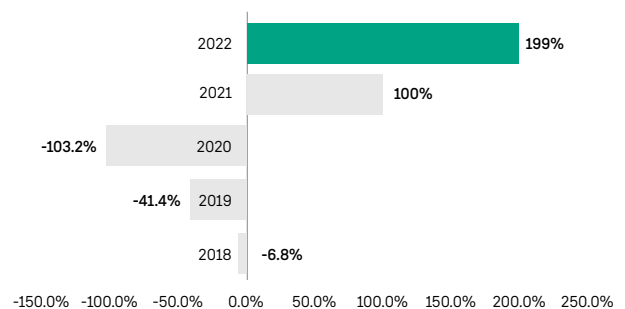
We target adjusted operating cash conversion approaching 100%.

### Performance in 2022

The Group achieved cash conversion of 25% as efforts to secure critical components to meet customers' demand resulted in working capital outflows.

## ADJUSTED DILUTED EARNINGS PER SHARE GROWTH (%)

### Performance



### Purpose

In prior years the Group included profit before tax and Adjusted Profit before tax as KPIs. This has been replaced by Adjusted EPS growth as it demonstrates our 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 2022

Higher revenues resulted in improved gross and profit margins which enabled us to grow Adjusted EPS by 199%.

# 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; and

- 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 annually. The review includes:

- any substantial changes to the principal risks, including new or emerging risks;
- changes in risk impact and risk likelihood; and
- progress with mitigating actions which have been agreed.

## Principal risks

As with all businesses, the Group is affected by several risks and uncertainties, some of which are beyond our control. The table below shows the principal risks and uncertainties which 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 which are believed to be immaterial, which could have an adverse effect on the Group.

RISK	DESCRIPTION	MITIGATION	COMMENT	CHANGE IN THE YEAR
<b>Geopolitical</b>	Threatened conflict or outbreaks of war between countries in which Quixant or its customers 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. Taiwan is a critical source of components which makes diversifying manufacturing base of limited value.	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.	<b>Risk increased.</b> Tensions between Taiwan and China have escalated during 2022. The Group is exploring a 2nd source manufacturing site in Southeast Asia to partially mitigate the impact of escalated tension between China and Taiwan would have on manufacturing.
<b>Component supply and price inflation</b>	The Group relies on a steady supply of components used in the manufacture of its products. There is currently a global shortage of components, which may impact production, or cause prices to rise.	The Group is proactively sourcing additional stocks to act as a safety net and the strategic stock purchases made in 2021 and 2022 have partially mitigated this risk.	The Board expects this issue to continue to be relevant in 2023 and is regularly briefed.	<b>Unchanged.</b> Component market shortages and reliance on certain key vendors remains a critical issue at present.



RISK	DESCRIPTION	MITIGATION	COMMENT	CHANGE IN THE YEAR
<b>Commercial</b>	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.	<b>Unchanged</b>
	Gaming 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.	<b>Unchanged</b>
<b>Key customer dependency</b>	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 2022, revenue generated by the 10 largest customers increased as a % of total Group revenues. This is still lower than pre-pandemic levels and the Group expects this to decrease in 2023.	<b>Unchanged</b>
<b>Key persons</b>	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.	<b>Unchanged</b>
<b>Regulation</b>	Additional laws and regulations may be enacted covering issues such as law enforcement, pricing, taxation and quality of products and services.	The Group monitors prospective changes in local laws and regulations, which may impact its business.	The Group is a member of professional bodies, where applicable, in the regions in which it operates to ensure that it stays informed of any legal or regulatory changes.	<b>Unchanged</b>

# RISK MANAGEMENT AND PRINCIPAL RISKS

RISK	DESCRIPTION	MITIGATION	COMMENT	CHANGE IN THE YEAR
<b>Technological</b>	The Group's business is dependent upon technology, which could be superseded by superior technology, more competitively priced technology or a shift in working practices, which could affect both potential profitability and saleability of the Group's products.	The Group works closely with its technology partners to provide products which incorporate the most advanced technology available to our market. The Group also develops its own innovations to incorporate into new products.	The Group recognises the technology requirements of its customers and works with them to provide the products that they need in their business.	<b>Unchanged</b>
<b>Intellectual property protection</b>	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.	<b>Unchanged</b>
<b>Cyber risks</b>	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 2022 but we maintain ongoing vigilance.	<b>Unchanged</b>
<b>Pandemic</b>	Outbreaks of diseases could cause supply chain disruptions and shortages of staff if they become ill or die. Component production is concentrated in certain countries and the Group only currently manufactures product in one country.	Alternative sources of supply are available for many goods, as are alternative manufacturing countries, albeit with increased cost implications.	The Group continues to monitor the latest updates on the COVID-19 pandemic. We have established an effective remote working operating model when required.	<b>Reduced risk impact.</b> After nearly three years of experience working with a pandemic and the majority of our staff vaccinated against COVID-19 we believe the impact of a pandemic has reduced.

# 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; and
- the need to act fairly with members of the company.

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

For further details of how the Board operates and the way in which it makes decisions, including key activities during 2022 and Board governance, see pages 29 to 35 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.

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, whilst remaining profitable. This is done by development of new products over the previous years and by strategic acquisitions when appropriate. Products are developed based on an identified market demand.

Acquisitions are evaluated not only for their financial merits, but on the basis that they fit within the strategy and culture of the Group and that synergies and further opportunities can be developed through integration.

Relationships with customers and key suppliers are fostered through a collaborative approach 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

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

The Environmental, Social and Governance (ESG) strategy that is aligned with the business objectives and aims to support and, in areas, accelerate our business growth. Progress against this ESG strategy is assessed as a standing agenda item in our monthly Board meetings.

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



Raise awareness of the environmental impact of the Group's activities across the business and encourage employees to bring ideas for improvements.



Foster a collaborative, inspiring working environment, which allows employees to develop their careers.



Support charitable causes connected with the business through donation of a proportion of profits.



Continually review the Group's governance framework to improve organisational oversight.

During 2022 work has continued to develop our sustainability strategy. Whilst 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.



# ENVIRONMENTAL MATTERS

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

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. While it has been challenging over the last two years given supply chain delays, we also seek to utilise sea freight wherever possible over air freight in shipping finished goods to customers. Our global operations comply with the Waste Electrical and Electronic Equipment (WEEE) Directive to ensure safe reuse or disposal of depreciated product.

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

- Reduction of business travel and increased use of video conferencing facilities;
- Installed electric car charging facilities at our Cambridge, UK office, supporting our UK workforce who participate in the electric car scheme. Over 10% of the workforce now use electric vehicles reducing emissions resulting from commuting;
- Litter collection from beaches in Taiwan; and
- Engaged with an external consultant to measure energy usage in our Taiwan operation and make recommendations for reduction as part of their Sustainability Report.

The environmental footprint of the UK business over the last two years is as follows. 2022 saw an increase in both total energy use and gross CO<sub>2</sub> emission, due to COVID-19 restrictions lifting during the year and the increase in average number of UK-based employees. When measured per employee the GHG emission level of 554kg is still 19% below the pre-pandemic level (2019: 756 kg CO<sub>2</sub>e/employee)

	UK 2022	UK 2021	Change
<b>Energy use (kwh)</b>			
Consumption of electricity, including for the purposes of transport	57,449	44,810	28%
Combustion of fuel oil for heating company premises	57,880	50,012	16%
Combustion of fuel, for the purposes of transport	49,112	29,955	64%
<b>Total energy use</b>	<b>164,442</b>	124,777	32%
<b>GHG emissions (kg CO<sub>2</sub>e)</b>			
Consumption of electricity, including for the purposes of transport	11,110	9,515	17%
Combustion of fuel oil for heating company premises	14,276	12,335	16%
Combustion of fuel, for the purposes of transport	12,117	7,370	64%
<b>Total gross CO<sub>2</sub>e emissions</b>	<b>37,502</b>	29,219	28%
<b>Intensity ratio</b>			
Average number of employees	62	51	21%
<b>Total GHG emission per employee (kg CO<sub>2</sub>e / employee)</b>	<b>609</b>	573	6%

The methodology used in the UK energy usage and GHG emissions uses actual usage calculations of electricity and fuel oil use and mileage claimed for passenger vehicle transportation with conversions as necessary taken from the Government Conversion Factors for Company Reporting of Greenhouse Gas Emissions 2021 and 2022.

# SOCIAL MATTERS

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.

During the year the last of the COVID-19 enforced restrictions came to an end across all of our locations, allowing our employees to return to working from the office. As we came out of the pandemic, we focussed on accommodating more flexibility in our working to enable employees to achieve a better work-life balance. We also operate employee assistance programmes to provide employees with access to legal advice, financial advice and counselling services.

We conduct an annual employee survey which calculates a net promoter score across topics such as our onboarding process, personal development and objectives, corporate communication, culture and benefits. The survey identified key themes in participants' responses: aligning individual and company objectives; enhancing our onboarding process and the importance of flexible working. These themes will form a key part of our employee strategy in 2023.

As noted in the Chief Executive's report, significant supply chain disruption alongside rising demand brought about significant pressures. We engaged closely with customers to provide transparent updates on the situation and used all available company resources, including significant allocation of company cash to buy strategic stock to minimise customer impact. We also recognise the pressure this put on our internal procurement teams under and provided support where necessary.

Initiatives during the year towards improving social matters included:

- The Group has signed 100% of its suppliers to a Supplier Code of Conduct, which is based on the principles set out by the Responsible Business Alliance Code of Conduct. In 2022 we conducted audits of over 95% of our suppliers to confirm adherence to the Code of Conduct.
- A staff poll was conducted to select the charity of the year, and alongside a monthly Company donation to this charity, events will be arranged across the business to raise money for it. Staff selected UNICEF and activities were conducted which raised \$2,200 alongside a total \$26,400 contribution out of the Group's profits.
- Engaged with an external consultant to conduct a Sustainability Report on our Taiwan operation (where the majority of our staff and supply chain contacts are located) which assesses the key ESG performance metrics.

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

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

The Strategic Report contains certain forward-looking statements. These statements are made by the Directors in good faith based on the information available to them up to the time of their approval of this report and such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying any such forward-looking information.

This Strategic Report has been prepared for the Group as a whole and therefore gives greater emphasis to those matters which are significant to Quixant Plc and its subsidiary undertakings when viewed as a whole.

This report was approved by the Board of Directors on 20 March 2023 and signed on its behalf by:

**JON JAYAL**  
Chief Executive Officer

# GOVERNANCE

“*Strong progress was made during the year to enhance the business’ governance arrangements, particularly around Board constitution.*”

**FRANCIS SMALL**  
Chair



## Chair’s Introduction to Governance

### Dear Shareholder

I am pleased to present the Group’s Corporate Governance Report for the year ended 31 December 2022. 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 Quixant 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.

## Board Changes

As the Group continues to grow, the Board has considered the appropriate balance of skills and experience required to manage and grow the business. During the year, action was taken to increase the independence of the Board Directors, and to increase the ratio of Non-Executive Directors to Executives by the appointment of Duncan Penny and Carol Thompson, both of whom are independent Non-Executive Directors.

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 [quixantplc.com/investor-centre/#Governance](http://quixantplc.com/investor-centre/#Governance).

**FRANCIS SMALL**  
Chair of the Board

# BOARD OF DIRECTORS



**FRANCIS SMALL**  
Non-Executive Chair

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**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

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**Appointed:** 16 March 2005

**Skills and experience:**

Nick is a founding Director of Quixant 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 Quixant 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's knowledge of technology markets, entrepreneurial approach and understanding of the Group make him a strong contributor to the Board as non-executive Deputy Chair.

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



**GARY MULLINS**  
Non-Executive Director

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**Appointed:** 11 January 2006

**Skills and experience:**

Gary is a founding Director of Quixant 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 Quixant, 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.





**GUY VAN ZWANENBERG**  
Independent Non-Executive  
Director

**Appointed:** 1 March 2013

**Committees:**

Member of the Remuneration and Audit and Risk Committees

**Skills and experience:**

Guy is a Chartered Accountant with over 40 years' experience in industry and practice. After beginning his career in public practice, he became UK finance director of an American computer accessory company, which was taken public in 1989. In 1991 he established his own interim financial management business and has since been involved in a number of SME businesses providing strategic and financial support. He previously held Executive and Non-Executive Director positions at Gaming King Plc, remaining as a Non-Executive Director following the reversal of its listing on AIM by acquiring Sceptre Leisure Plc. Guy currently also holds Non-Executive positions at Smartspace Plc and Plant Health Care Plc.

Guy is both a Fellow of the Institute of Chartered Accountants in England and Wales and a Chartered Director. He attends regular courses and updates both with professional bodies and industry organisations.



**DUNCAN PENNY**  
Independent Non-Executive  
Director

**Appointed:** 12 September 2022

**Committees:**

Member of the Remuneration 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 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

**Skills and experience:**

Carol brings significant finance expertise to Quixant 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 at Maintel Plc and Chair of the Audit Committee at Foresight Solar and Technology VCT Plc. Carol also acts as a strategic and transaction advisor to private equity firms.

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

# BOARD OF DIRECTORS



**JON JAYAL**  
Chief Executive Officer

**Appointed:** 20 June 2016

**Skills and experience:**

Jon was one of the key members of the design team which developed Quixant's first product, the QX-10. Jon left Quixant in 2006 to broaden his experience in the financial sector, both as an investment consultant at Mercer Limited and as account manager at BlackRock, Inc. He re-joined Quixant in July 2012 as General Manager of Quixant Plc and, 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 Quixant, 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 six Non-Executive and two Executives 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 31 to 32.

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 built around five key behaviours:

- Team-centred: we're global but we're a young, informal and friendly business; different people in different locations with different skills, working together as outstanding teams, greater than the sum of their parts.
- Technically expert: we have the best skills and know-how in our industry; we create the highest quality solutions.
- Innovative: we have the talent, the energy and the focus to create new solutions that add more value.
- Customer focused: we focus on understanding our target customers, in industries that we find exciting; we really care about meeting their needs.



- Solution focused: helping our customers achieve their commercial goals is what drives us. We work to understand their needs and required outcomes in true detail; we find the way to make those happen.

Our values are at the heart of everything we do:

- We are pioneers
- We put customers first
- We play to win
- We are entrepreneurial
- We do the right thing

Quixant has a culture of openness and transparency, where teamwork is key. We embrace ideas and above all we respect one another. The Group has policies in the following areas to help promote ethical values and behaviour: whistleblowing, anti-bribery, anti-slavery, fraud, equal opportunities, disciplinary and grievance procedures, health and safety. These policies form part of a globally applicable Group Policy Handbook and Code of Conduct.

# CORPORATE GOVERNANCE REPORT

## 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 2022 and December 2022 and the attendance of Directors is summarised below:

	BOARD	AUDIT AND RISK COMMITTEE	REMUNERATION COMMITTEE
F Small	11/11	3/3	4/4
G Van Zwanenberg	11/11	3/3	4/4
N C L Jarmany	9/11	-	-
G P Mullins	10/11	-	-
J F Jayal	11/11	-	-
J J Olivier	11/11	-	-
D J Penny (appointed September 2022)	3/3	-	1/1
C Thompson (appointed September 2022)	3/3	1/1	-

The Board is provided with Board papers in advance of the meetings and minutes of the meetings are provided to the Board following the meeting. The 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

The Board's policy is for one third of the Directors (or, if their number is not three or a multiple of three, the nearest number to one third) are required to step down and can offer themselves for re-election each year. As a result, Nicholas Jarmany, Gary Mullins, Jon Jayal and Francis Small will be standing for re-election at the forthcoming 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 advisors. 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 2022 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; and
- 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 2023 Board meeting. The overall findings from the evaluation were positive. Areas for improvement were identified, including succession planning; training of Board members and stakeholder engagement. 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 reports of these committees can be found on pages 36 to 51.



# DIRECTORS' REMUNERATION REPORT

**FRANCIS SMALL**  
Chair



## 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 2022. To enable Shareholders to better understand and consider our remuneration arrangements, the Committee has reviewed and enhanced disclosure levels, in addition to those required by AIM Rule 19, on a voluntary basis. As such, this report is divided into three sections, being:

- This **Annual Statement**, which summarises the work of the Committee, remuneration outcomes for 2022 and how the Remuneration Policy will be operated in 2023;
- The **Remuneration Policy Report**, which summarises the Company’s Remuneration Policy; and
- The **Annual Report on Remuneration**, which discloses how the Remuneration Policy was implemented in the year ended 31 December 2022 and how the Policy will operate for the year ending 31 December 2023.

## Committee Members

The Committee is comprised of not less than two 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 Guy van Zwanenberg and it invites Executive Directors to attend as it considers necessary.

FIT Remuneration Consultants LLP (“FIT”) provided independent advice to the Committee during 2022 having been appointed by the Committee during 2021. Advice was provided on 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](http://www.remunerationconsultantsgroup.com).

## Activities during the year

- Set Executive Director Remuneration packages;
- Approved the remuneration package for Duncan Penny and Carol Thompson who joined the Board as Non-Executive Directors on 12 September 2022;
- Reviewed the 2021 Directors' Remuneration report prior to its approval by the Board and subsequent approval by Shareholders at the 2022 AGM;
- Reviewed performance against the 2021 annual bonus plan targets and resulting awards and agreed the metrics and targets for the 2022 bonus plan; and
- Reviewed LTIP award levels and performance metrics/targets for the 2022 LTIP awards.

## Performance and Reward for 2022

The annual bonus for 2022 was based on achieving an adjusted profit before tax target of \$8.6m, with a stretch target of \$10.0m. The Committee set a stretching profit target for 2022, with the profit target representing growth of 60% on the 2021 results and the stretch target growth of 85%. Financial performance was well ahead of initial expectations, exceeding the stretch bonus target of \$10m. While the adjusted profit before tax for the year exceeded the stretch bonus target of \$10m, at the request of Jon Jayal & Johan Olivier, the Committee agreed to lower the 2022 bonus from 100% to 92%, to match the bonus achievement of the Gaming division for the year.

In addition, market value share options granted to Jon Jayal (65,000 options with an exercise price of 112.5 pence) in October 2020 will lapse as the performance condition, EPS growth exceeding 10% p.a. growth, was not met. Further details of the bonus awards and the options are set out in the Annual Report on Remuneration overleaf.

## Implementing the Policy for 2023

In respect of the implementation of the Remuneration Policy for 2023:

- 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, the majority of employees in the business received salary increases;
- Pension provision will remain unchanged;
- Bonus potential will remain capped at 100% of salary. 65% will be based on sliding scale adjusted profit targets, 15% will be based on sliding scale cash targets and 20% will be based on strategic targets. While the targets are currently considered to be commercially sensitive, they will be disclosed retrospectively in next year's Directors' Remuneration Report; and
- The Committee intends to make LTIP awards in 2023 to Executive Directors over 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. Details of the performance targets will be set out in the RNS published immediately following the grant date.



# DIRECTORS’ REMUNERATION REPORT

## 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; and
- Encouraging executives to deliver long-term sustainable growth using share-based incentives.

COMPONENT	PURPOSE AND LINK TO STRATEGY	OPERATION	MAXIMUM	PERFORMANCE
<b>Base Salary</b>	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.
<b>Benefits</b>	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.
<b>Pension</b>	To provide an appropriate level of benefits that allow for retirement planning.	Pension contributions are made by the Company to a defined contribution scheme.	10% of salary.	Not applicable.
<b>Annual Bonus</b>	To reward performance against annual targets which support the strategic direction of Group.	The Committee sets annual performance targets.	100% of salary.	Sliding scale financial (majority) and strategic targets (minority).
<b>LTIP</b>	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 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/claw back provisions at the discretion of the Committee, up to two years after the date of vesting.	200% of salary  (although normal grant policy is to make 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
<b>Base Salary</b>	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, relevant experience. Fees may include a basic fee and additional fees for further responsibilities. Fees are normally paid in cash. Travel and other reasonable expenses incurred in the course of 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.



# DIRECTORS' REMUNERATION REPORT

## Annual Report on Remuneration

### Total Directors' Remuneration (audited)

	Year	Salary \$000	Pension <sup>3</sup> \$000	Benefits <sup>4</sup> \$000	Bonus <sup>5</sup> \$000	Total \$000
<b>EXECUTIVE DIRECTORS</b>						
Jon Jayal	2022	384	12	5	334	735
	2021	416	14	-	24	454
Johan Olivier	2022	288	11	-	249	548
	2021	100	5	-	52	157
<b>Total Executive Directors</b>	2022	672	23	5	583	1,283
	2021	516	19	-	76	611
<b>NON-EXECUTIVE DIRECTORS</b>						
Guy van Zwanenberg	2022	57	3	1	-	61
	2021	64	3	-	-	67
Nick Jarman	2022	61	6	2	-	69
	2021	69	7	-	-	76
Gary Mullins	2022	61	6	1	-	68
	2021	69	7	-	-	76
Francis Small	2022	110	-	2	-	112
	2021	101	-	-	-	101
Carol Thompson <sup>1</sup>	2022	16	-	-	-	16
	2021	-	-	-	-	-
Duncan Penny <sup>1</sup>	2022	15	-	-	-	15
	2021	-	-	-	-	-
<b>Total Non-Executive Directors</b>	2022	320	15	6	-	341
	2021	303	17	-	-	320
<b>Former Directors</b>						
Michael Peagram <sup>2</sup>	2021	42	-	-	-	42
<b>Total Board</b>	2022	992	38	11	583	1,624
	2021	861	36	-	76	973

<sup>1</sup> Appointed 12 September 2022

<sup>2</sup> Retired 6 May 2021

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

<sup>4</sup> The Directors received private medical insurance in line with other UK employees.

<sup>5</sup> Annual bonus awards for the year ended 31 December 2022 were based on the following targets:

	Threshold	On-Target	Max	Actual
Adjusted PBT Target	\$7.2m	\$8.6m	\$10.0m	\$10.2m
% of salary	0%	50%	100%	91%

## Directors' Share Options (audited)

The interests of Directors at the Year end 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 January 2022	Granted	Lapsed	Exercised <sup>4</sup>	31 December 2022	Exercise Price (p)	First date normally exercisable	Last date normally exercisable
Jon Jayal	Options <sup>1</sup>	06.10.20	65,000	-	-	-	65,000	112.5	2022 results	06.10.30
	LTIP <sup>2</sup>	09.05.22	-	199,934	-	-	199,934	0.1	09.05.25	09.05.32
Johan Olivier	Recruitment <sup>3</sup>	25.10.21	100,000	-	-	-	100,000	190	2023 results	25.10.31
	Recruitment <sup>3</sup>	25.10.21	25,000	-	-	-	25,000	0.1	2023 results	25.10.31
	LTIP <sup>2</sup>	09.05.22	-	148,810	-	-	148,810	0.1	09.05.25	09.05.32

<sup>1</sup> 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 will lapse.

<sup>2</sup> See "Long term incentives granted during the year" section below.

<sup>3</sup> The Options are exercisable from the date of the release of the Company's accounts for the year ending 31 December 2023. 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 2021, 2022 and 2023) being equal to or greater than 10% in each financial year.

<sup>4</sup> No share options were exercised by the Directors in 2022 or 2021.

The Directors follow the guidance set out by Rule 21 of the AIM Rules relating to dealings by Directors in the Company's securities and, to this end, the Company has adopted an appropriate share dealing code.

# DIRECTORS' REMUNERATION REPORT

## Long-term incentives granted during the year (audited)

The following share awards were granted on 9 May 2022 under the Quixant Plc 2022 Long-Term Incentive Plan for which Shareholder approval was obtained at the 2022 AGM:

Executive	Type of awards	Basis of award	Share Price	Number of shares over which award was granted	Face value of award	Performance Period
Jon Jayal	Nominal cost options	100% salary	£1.513	199,934	£302,300	<b>EPS</b> - 3 financial years to 31 December 2024
Johan Olivier		100% salary		148,810	£225,000	

The vesting of 70% of awards (the EPS Part) are dependent on the Company's adjusted earnings per share (EPS) performance for the financial year ending 31 December 2024. 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.

### FRANCIS SMALL

Chair of the Remuneration Committee

20 March 2023





# AUDIT AND RISK COMMITTEE REPORT

**CAROL THOMPSON**  
Chair of the Audit and Risk Committee



## Dear Shareholder,

I am pleased to report on the activities of the Committee (“the Committee”) during the year under review.

### Role of the Committee:

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

The Committee comprises Carol Thompson (Chair), Guy van Zwanenberg 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 which 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; and
- 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; and
  - 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; and
- Review the Group's systems and controls for the prevention of bribery and receive reports on non-compliance.

# AUDIT AND RISK COMMITTEE REPORT

## 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; and
- 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; and
  - 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; and
  - 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 [quixantplc.com](http://quixantplc.com).



# AUDIT AND RISK COMMITTEE REPORT

## Meetings of the Committee

The Committee met three times during the year with attendance as set out in the table on page 34. 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 December 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 2022:

<p><b>March</b></p>	<p>Annual results for 31 December 2021, including:</p> <ul style="list-style-type: none"> <li>• Accounting issues report from the CFO</li> <li>• Full-year Report from the External Auditor including Auditor’s Report to be included in the 2021 Annual Report</li> <li>• Consolidated financial statements for the year ended 31 December 2021</li> <li>• Principal risks and uncertainties</li> <li>• Consideration of the going concern basis for preparation of the financial statements, including COVID-19 impact.</li> </ul> <p>Reviewed the going concern statement.</p> <p>Assessed and agreed the independence of the External Auditor</p> <p>Recommendations to the Board on:</p> <ul style="list-style-type: none"> <li>• Consolidated financial statements</li> <li>• Going concern statement.</li> </ul>
<p><b>September</b></p>	<p>Interim results for the six months ended 30 June 2021, including</p> <ul style="list-style-type: none"> <li>• Accounting issues reporting from the CFO</li> <li>• Interim financial statements for the six months ended 30 June 2021.</li> </ul>
<p><b>October</b></p>	<p>Reviewed scope for the external audit for the 2022 audit, including agreeing fees.</p>
<p><b>December</b></p>	<p>Review of the Group Risk register.</p>

## Significant Risks and Judgements in Financial Reporting

In relation to the 31 December 2022 Annual Financial Statements included in this report on pages 59 to 122, 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
<p><b>Impairment of goodwill and intangible assets</b></p>	<p>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 (CGU).</p> <p>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.</p> <p>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.</p> <p>Other than the goodwill associated with the acquisition of IDS, 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.</p> <p>The impairment calculation for the IDS cash-generating unit (IDS CGU) estimated that the recoverable amount of the CGU exceeded its carrying amount by approximately \$0.6m (2021: \$0.1m). Management's sensitivity analysis identified that a reasonably possible change in the revenue assumption could cause the carrying amount to exceed the recoverable amount. The Committee reviewed the appropriateness of the estimates applied and were satisfied that no impairment of the IDS CGU was required for the year ended 31 December 2022.</p> <p>The impairment calculation for the Densitron US CGU estimated that the recoverable amount of the CGU exceeded its carrying amount by approximately \$4.8m (2021: \$5.1m). Management's sensitivity analysis identified that a reasonably possible change in the gross margin assumption 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 2022.</p> <p>The impairment calculation for the Densitron Europe CGU estimated that the recoverable amount of the CGU exceeded its carrying amount by approximately \$1.7m (2021: \$2.8m). 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 Europe CGU was required for the year ended 31 December 2022.</p>

# AUDIT AND RISK COMMITTEE REPORT

SIGNIFICANT MATTER	AUDIT COMMITTEE ACTIONS TAKEN
<p><b>Valuation of inventory</b></p>	<p>In 2022 inventory levels remained elevated compared to historic levels due to strategic stock purchases made to mitigate supply chain constraints. Impacts to supply chain persisted due to the acute shortage in the semiconductor market.</p> <p>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.</p> <p>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.</p>
<p><b>Going concern</b></p>	<p>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.</p> <p>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.</p>
<p><b>Valuation of APMI debtors and inventory</b></p>	<p>As a result of events subsequent to the balance sheet date, the carrying value of assets related to Aruze Philippines Manufacturing Inc. (APMI) held on the Group balance sheet at 31 December 2022 had to be reconsidered by management.</p> <p>These assets consisted of trade receivables of \$0.7m owed by APMI, inventory of \$3.5m allocated for APMI use and capitalised development cost of \$0.4m.</p> <p>With regards to the recoverability of trade receivables the Committee reviewed management's assessment, which included the latest status of the Chapter 11 filing which 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 be impaired in full as at 31 December 2022.</p> <p>The Committee reviewed management's assessment of alternative uses for the inventory 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, if APMI are unable to fulfil their contractual obligations with regards to future use of inventory, the Group will be able to recover the book value of the inventory through alternative sale opportunities. The Committee also agreed with management's assessment that inventory with a book value of \$0.2m which was shipped and invoiced to APMI after the balance sheet should be impaired in full, consistent with the treatment of trade receivables as set out above.</p> <p>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 remains fully recoverable at the balance sheet date.</p>



## 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, reappointment and removal, and approving the scope of the statutory audit and fees. KPMG LLP presented to the Committee its detailed audit plan for the 2022 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 2022, the most significant risks identified were the valuation of goodwill and acquired intangibles in the IDS CGU, revenue recognition fraud risk over cut-off, valuation of inventory in the Quixant Gaming CGU and the Parent Company, 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 \$21,000 (2021: \$26,800) which is considered immaterial when compared with the audit fees of \$460,000 (2021: \$386,000).

## 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 reports any proposed changes to the Committee and the Board. As part of the ongoing assessment of the business' 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 22 to 24.

## 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.

The reporting and review processes provide regular assurance to the Board as to the adequacy and effectiveness on 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.

### CAROL THOMPSON

Chair of the Audit and Risk Committee

# DIRECTORS' REPORT

“The Group’s principal activities during the year were unchanged, but progress was made against strategic initiatives in our growth plan to drive future business performance and earnings diversification.”

**JON JAYAL**

Chief Executive Officer



The Directors present their Annual Report and accounts for the year ended 31 December 2022.

## Principal activities, results and likely future developments

The principal activities of the Group are:

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

The profit for the year after taxation amounted to \$11.0m (2021: \$3.6m). Further comments on the development of the business are included in the Chair’s Statement, Chief Executive’s Report and Financial Review on pages 6 to 19.

The Group has adopted the corporate governance code of the QCA. Further comments are included in the Chair’s Introduction to Governance on page 29.

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

The Group have made disclosures in the Sustainability report on page 26-28 regarding greenhouse gas emissions, energy consumption and energy efficiency of the business.

## Statutory information

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

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

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

## Annual General Meeting

The date and other details of the next Annual General Meeting of the Company are contained within the notice of this meeting. The Board proposes a dividend for the year ended 31 December 2022 of 3.0p per share (2021: 2.4p per share)

## Substantial shareholdings

Based on the share register analysis as at 31 December 2022, 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 Jarman and his wife	11,201,163	16.86%
Liontrust Asset Management	8,675,343	13.06%
Schroder Investment Management	4,383,479	6.60%
Mr J & Mrs S Mullins	3,858,920	5.81%
Chelverton Asset Management <sup>1</sup>	3,685,000	5.55%
Mr J J Lin	3,446,559	5.19%
AXA Framlington Investment Managers	2,813,812	4.23%
G P Mullins and his wife	2,215,653	3.33%
Octopus Investments	2,122,975	3.19%
Columbia Threadneedle Investments	2,100,437	3.16%
JP Morgan Asset Management	2,075,000	3.12%
IG Markets, stockbrokers (EO)	2,070,947	3.12%
Alexander Taylor	2,058,958	3.10%

<sup>1</sup> Notified on 13 January 2023 under the Disclosure and Transparency Rules (DTR 5).

# DIRECTORS' REPORT

## 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	
	2022	2021
F Small	30,000	30,000
N C L Jarmany	11,201,163	11,201,163
J F Jayal	389,567	383,547
G P Mullins	2,215,653	2,215,653
J J Olivier	-	-
D J Penny (appointed 12 September 2022)	20,000	N/A
C Thompson (appointed 12 September 2022)	-	N/A
G C van Zwanenberg	27,837	27,837

There has been no other change in the interests set out above between 31 December 2022 and 20 March 2023.

## Directors' indemnity arrangements

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

## Research and development (R&D)

The Group continues to 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 (2021: 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 two years ending 31 December 2024. 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 20 March 2023.

**JON JAYAL**

Chief Executive Officer





# 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:

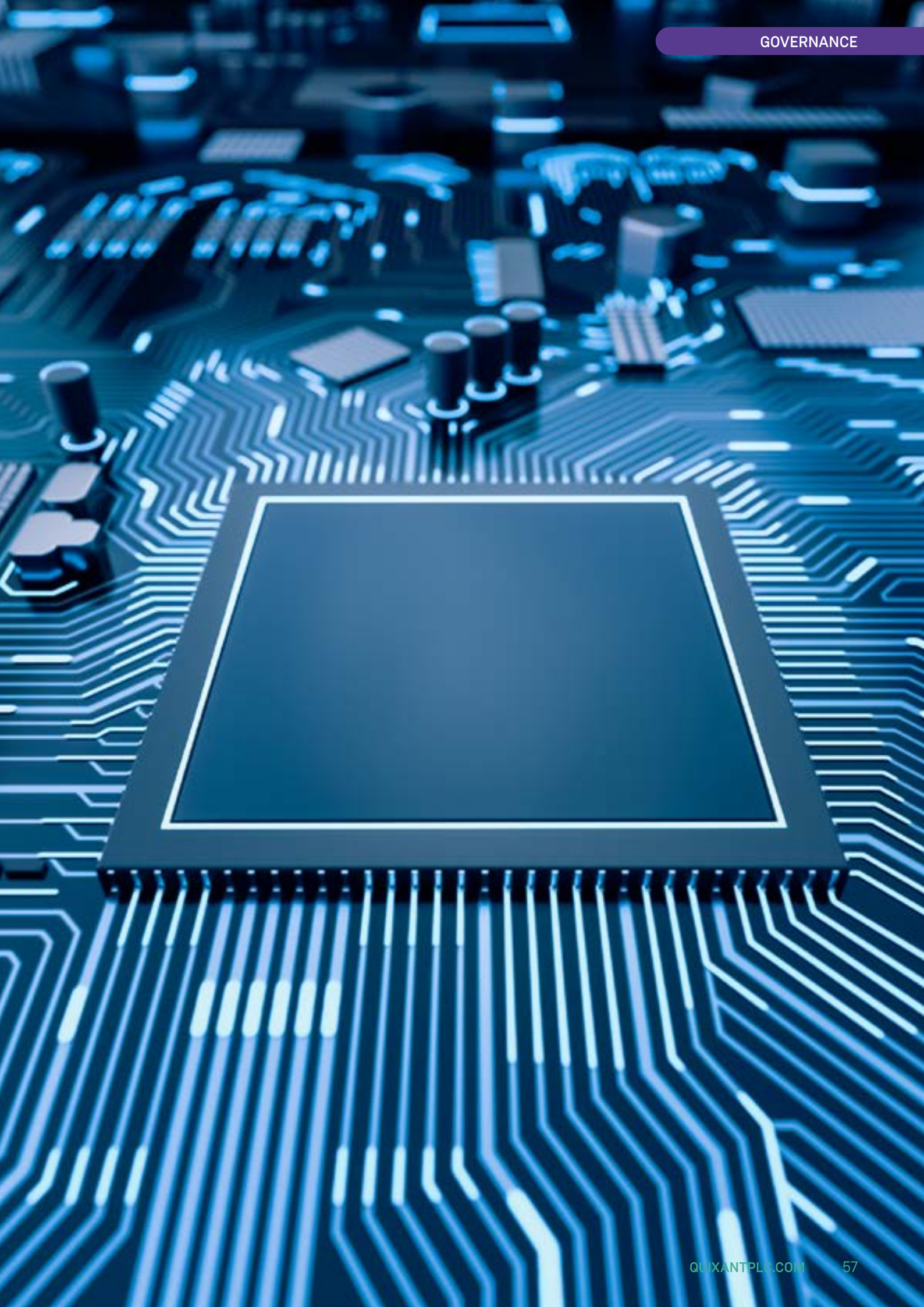
- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable, relevant and reliable;
- State whether they have been prepared in accordance with UK-adopted international accounting standards;
- Assess the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and

- Use the going concern basis of accounting unless they either intend to liquidate the Group or the Parent Company or to cease operations or have no realistic alternative but to do so.

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

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

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





# FINANCIAL STATEMENTS

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# INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF QUIXANT PLC

## 1. Our opinion is unmodified

We have audited the financial statements of Quixant plc ("the Company") for the year ended 31 December 2022 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 and Consolidated and Company Cash Flow Statements, and the related notes, including the accounting policies in note 1.




### In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 December 2022 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

<b>MATERIALITY:</b> group financial statements as a whole	\$405k (2021: \$367k) 4.6% (2021: 4.3%) of Group profit before tax (2021: Group profit before tax normalised by averaging over the last five years)
<b>COVERAGE</b>	82% (2021: 87%) of group profit before tax
<b>KEY AUDIT MATTERS</b>	<b>VS 2021</b>
<b>RECURRING RISKS</b>	<p>Recoverability of Group goodwill and acquisition related intangibles in the IDS Cash Generating Unit (CGU) </p> <p>Measurement of inventory at the lower of cost and NRV in the Quixant Gaming CGU and the parent Company </p>
<b>EVENT DRIVEN</b>	<b>New:</b> Disclosure of events after the reporting period 

# INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF QUIXANT PLC

## 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
<p><b>Measurement of inventory in the Quixant Gaming CGU and the parent Company at the lower of cost and NRV</b></p> <p>Parent company inventory: \$22.7m (2021: \$20.7m)</p> <p>Quixant Gaming CGU inventory: \$26.0m (2021: \$26.9m)</p> <p><i>Refer to page 44 (Audit and Risk Committee Report), page 73 (Accounting Policy) and Note 1 of the financial statements.</i></p>	<p><b>Subjective estimate:</b></p> <p>The measurement of the inventory balance in the Quixant Gaming CGU and the parent Company at the lower of cost and NRV is subjective due to the inherent uncertainty involved in forecasting future sales.</p> <p>The risk continues to be higher in the current year as the Group and parent company's Gaming segment continue to make strategic inventory purchases to counter industry wide component shortages.</p> <p>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 Gaming 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.</p> <p>The financial statements (note 1) disclose the sensitivity estimated by the Group for the measurement of inventory.</p> <p>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.</p> <p>Our procedures included:</p> <ul style="list-style-type: none"><li>– <b>Review of policy:</b> 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.</li><li>– <b>Test of detail:</b> We assessed the key assumptions underlying the sales forecasts prepared by the Group for reasonableness by inspecting the committed orders in the pipeline.</li><li>– <b>Test of detail:</b> 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, selecting a risk focussed sample of inventory items that were not provided against and challenging management on whether this was appropriate.</li><li>– <b>Test of detail:</b> We tested a sample of items to purchase and sales invoices to ensure that stock is held at the lower of cost and net realisable value.</li><li>– <b>Assessing transparency:</b> 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.</li></ul>



## THE RISK

## OUR RESPONSE

**Recoverability of Group goodwill and acquisition related intangibles in the IDS CGU**

Goodwill:  
\$0.7m (2021: \$0.7m)

Acquisition related intangibles:  
\$0.3m (2021: \$0.6m)

Refer to page 44 (Audit and Risk Committee Report), page 73 (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 IDS CGU, the size of the balance, and in the case of goodwill, the requirement to test for impairment on an annual basis, makes this a core area on which our audit focused.

The effect of these matters is that, as part of our risk assessment, we determined that the value in use of the above mentioned CGU had a high degree of estimation uncertainty due to the CGU's performance in previous years, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole. In conducting our final audit work, we reassessed the degree of estimation uncertainty to be less than materiality.

The financial statements (Note 11) disclose the sensitivity estimated by the Group for this CGU.

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. 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 budgets and conversion of sales pipeline opportunity.
- **Sensitivity analysis:** We performed our own sensitivity analysis on the key assumptions within the cashflow forecast, such as compound annual revenue growth rate, gross profit margins and operating cost escalation rate. 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.

# INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF QUIXANT PLC

## THE RISK

## OUR RESPONSE

### Disclosure of events after the reporting period

Refer to page 44 (Audit and Risk Committee Report), page 73 (Accounting Policy) and Note 1 of the financial statements.

### Subjective estimate:

Subsequent to the end of the reporting period, the Group identified that an affiliate of one of its customers filed a voluntary petition under the Chapter 11 Bankruptcy Code in the United States Bankruptcy Court for the State of Nevada. Whilst the Group does not trade directly with the affiliate that has made the bankruptcy filing in the US, the Group has received notification that its customer is directly reliant on that affiliate for its financial resources, and this creates uncertainty over the recoverability of certain balances held at the balance sheet date.

The Group have determined that the circumstances meet the conditions of an adjusting event. Accordingly, the Group have evaluated the carrying value of trade receivables, inventory and capitalised development costs related to the impacted customer held at the balance sheet date in light of this uncertainty.

There is judgement involved in determining whether the circumstances represent an adjusting event, and in determining the recoverable amount of the affected assets.

The disclosures in the financial statements are key to explaining the judgements made by the Group in this regard.

We perform 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:

#### – Test of detail:

- (i) We critically assessed the judgement made as to whether the events after the reporting period constituted an adjusting event.
- (ii) We critically assessed the judgements made by the Group in determining the recoverable amount of trade receivables, inventory and capitalised development costs related to the impacted customer.
- (iii) We created our own independent expectation of the amount of any provision required.

– **Assessing transparency:** We assessed the adequacy of the disclosures in respect of the judgement made in relation to the events after the reporting period.

### 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 \$405k (2021: \$367k), determined with reference to a benchmark of Group profit before tax, of which it represents 4.6% (2021: 4.3% Group profit before tax, normalised by averaging over the last five years).

Materiality for the parent Company financial statements as a whole was set at \$370k (2021: \$362k), determined with reference to a benchmark of Company total assets, of which it represents 0.6% (2021: 0.6% of 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% (2021: 65%) of materiality for the financial statements as a whole, which equates to \$263k (2021: \$239k) for the Group and \$240k (2021: \$235k) for the parent Company. We applied this percentage in our determination of performance materiality based on the level of identified misstatements and control deficiencies during the prior period.

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding \$20k (2021: \$18k), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the Group's 12 (2021: 12) reporting components, we subjected 6 (2021: 7) 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% (2021: 9%) of total Group revenue, 18% (2021: 13%) of total profits and losses that made up group profit before tax and 13% (2021: 5%) of total Group assets is represented by 6 (2021: 5) reporting components, none of which individually represented more than 8% (2021: 6%) 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.

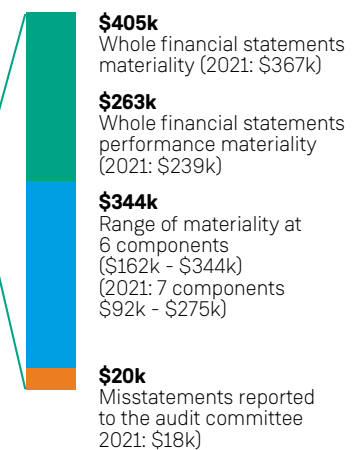
#### Group materiality

\$8,801k (2021: \$8,447k based on a 5 year average Group profit before tax)

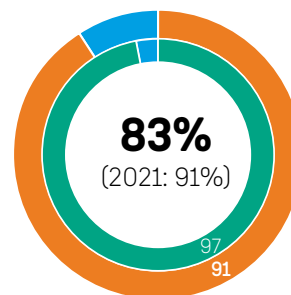


#### Group materiality

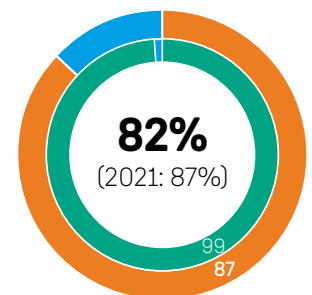
\$405k (2021: \$367k)



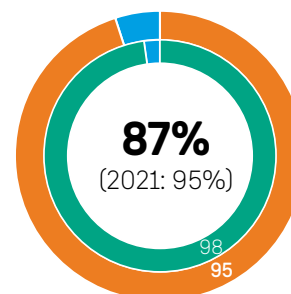
#### Group revenue



#### Total profits and losses that made up group profit before tax



#### Group total assets



- Full scope for group audit purposes 2022
- Full scope for group audit purposes 2021
- Residual components

# INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF QUIXANT PLC

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 \$162k to \$344k (2021: \$92k to \$275k), having regard to the mix of size and risk profile of the Group across the components.

The work on 1 of the 12 components (2021: 2 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.

## 4. Going concern

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

approval of the financial statements ("the going concern period").

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 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 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 assessing the Directors' sensitivities over the level of available financial resources indicated by the Group's financial forecasts taking account of severe, but plausible adverse effects that could arise from these risks individually and collectively.

Our procedures also included:

- 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;

- 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 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 Company will continue in operation.

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

### **Identifying and responding to risks of material misstatement due to fraud**

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

Our risk assessment procedures included:

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

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

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

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.

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

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;
- Assessing whether the judgements made in making accounting estimates are indicative of a potential bias.

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

We identified areas of laws and regulations that could reasonably be expected to have a material

effect on the financial statements from our general commercial and sector experience and through discussion with the directors (as required by auditing standards), and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

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

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

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

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most



# INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF QUIXANT PLC

likely to have such an effect: GDPR, health and safety, gaming regulation, anti-bribery and corruption, employment law, export control, environmental protection legislation, 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 noncompliance 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 noncompliance 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 56, 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](http://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  
Botanic House  
100 Hills Road  
Cambridge  
CB2 1AR

20 March 2023

# CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEARS ENDED 31 DECEMBER 2022 AND 2021

	Note	2022 Total \$000	2021 Total \$000
<b>Revenue</b>	3	<b>119,873</b>	87,128
Cost of sales		<b>(81,319)</b>	(61,224)
<b>Gross profit</b>		<b>38,554</b>	25,904
Operating expenses	4	<b>(29,622)</b>	(21,361)
<b>Operating profit</b>		<b>8,932</b>	4,543
Finance income	7	-	534
Finance expense	7	<b>(131)</b>	(157)
<b>Profit before tax</b>		<b>8,801</b>	4,920
Taxation	8	<b>2,185</b>	(1,356)
<b>Profit for the year</b>		<b>10,986</b>	3,564
<b>Other comprehensive expense for the year, net of income tax</b>			
Items that are or may be reclassified subsequently to profit or loss:			
Foreign currency translation differences		<b>(1,644)</b>	(771)
<b>Total comprehensive income for the year</b>		<b>9,342</b>	2,793
Basic earnings per share	9	<b>\$0.1653</b>	\$ 0.0536
Diluted earnings per share	9	<b>\$0.1616</b>	\$ 0.0533

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 73 to 122 form part of the financial statements.

# CONSOLIDATED AND COMPANY BALANCE SHEETS

AS AT 31 DECEMBER 2022 AND 2021

	Note	Group		Company	
		2022 \$000	2021 \$000	2022 \$000	2021 \$000
<b>Non-current assets</b>					
Property, plant and equipment	10	5,668	5,874	3,750	3,888
Intangible assets	11	15,533	16,027	652	949
Right-of-use assets	24	1,694	1,924	745	1,000
Investment property	12	-	-	-	-
Investments in Group companies and associated undertakings	13	-	-	9,244	9,125
Deferred tax assets	14	2,636	116	2,389	238
Trade and other receivables	16	712	336	-	18,798
		<b>26,243</b>	<b>24,277</b>	<b>16,780</b>	<b>33,998</b>
<b>Current assets</b>					
Inventories	15	32,169	29,085	22,717	20,725
Trade and other receivables	16	24,047	22,960	10,917	8,933
Cash and cash equivalents	17	13,508	18,347	9,042	6,604
		<b>69,724</b>	<b>70,392</b>	<b>42,676</b>	<b>36,262</b>
<b>Total assets</b>		<b>95,967</b>	<b>94,669</b>	<b>59,456</b>	<b>70,260</b>
<b>Current liabilities</b>					
Loans and borrowings	18	(90)	(99)	(90)	(99)
Trade and other payables	19	(20,437)	(25,510)	(15,176)	(22,325)
Tax payable		(530)	(1,756)	(274)	(470)
Lease liabilities	18	(562)	(609)	(329)	(351)
		<b>(21,619)</b>	<b>(27,974)</b>	<b>(15,869)</b>	<b>(23,245)</b>
<b>Non-current liabilities</b>					
Loans and borrowings	18	(473)	(621)	(473)	(621)
Provisions	21	(350)	(335)	-	-
Deferred tax liabilities	14	(40)	(302)	-	(118)
Lease liabilities	18	(1,271)	(1,360)	(441)	(668)
		<b>(2,134)</b>	<b>(2,618)</b>	<b>(914)</b>	<b>(1,407)</b>
<b>Total liabilities</b>		<b>(23,753)</b>	<b>(30,592)</b>	<b>(16,783)</b>	<b>(24,652)</b>
<b>Net assets</b>		<b>72,214</b>	<b>64,077</b>	<b>42,673</b>	<b>45,608</b>
<b>Equity attributable to equity holders of the parent</b>					
Share capital	22	106	106	106	106
Share premium	22	6,708	6,708	6,708	6,708
Share-based payments reserve		895	212	895	212
Retained earnings		66,038	56,940	35,085	37,533
Translation reserve		(1,533)	111	(121)	1,049
<b>Total equity</b>		<b>72,214</b>	<b>64,077</b>	<b>42,673</b>	<b>45,608</b>

The Company's loss for the year was \$0.6m (2021: loss of \$3.7m).

These financial statements were approved and authorised for issue by the Board of Directors on 20 March 2023 and were signed on behalf of the Board by:

**JON JAYAL**

Chief Executive Officer

Company registered number: 04316977

Notes on pages 73 to 122 form part of the financial statements.

# CONSOLIDATED AND COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEARS ENDED 31 DECEMBER 2022 AND 2021

## Group

	Share Capital \$000	Share Premium \$000	Translation Reserve \$000	Share-Based Payments \$000	Retained Earnings \$000	Total Equity \$000
<b>Balance at 1 January 2021</b>	106	6,708	882	1,571	54,086	63,353
<b>Total comprehensive income for the year</b>						
Profit for the year	-	-	-	-	3,564	3,564
Other comprehensive expense	-	-	(771)	-	-	(771)
<b>Total comprehensive income/ (expense) for the year</b>	-	-	(771)	-	3,564	2,793
<b>Transactions with owners, recorded directly in equity</b>						
Share-based payment credit	-	-	-	(221)	-	(221)
Reserve transfer <sup>1</sup>	-	-	-	(1,138)	1,138	-
Dividend paid	-	-	-	-	(1,848)	(1,848)
<b>Total contributions by and distributions to owners</b>	-	-	-	(1,359)	(710)	(2,069)
<b>Balance at 31 December 2021</b>	<b>106</b>	<b>6,708</b>	<b>111</b>	<b>212</b>	<b>56,940</b>	<b>64,077</b>
	Share Capital \$000	Share Premium \$000	Translation Reserve \$000	Share-Based Payments \$000	Retained Earnings \$000	Total Equity \$000
<b>Balance at 1 January 2022</b>	106	6,708	111	212	56,940	64,077
<b>Total comprehensive income for the year</b>						
Profit for the year	-	-	-	-	10,986	10,986
Other comprehensive expense	-	-	(1,644)	-	-	(1,644)
<b>Total comprehensive income/ (expense) for the year</b>	-	-	(1,644)	-	10,986	9,342
<b>Transactions with owners, recorded directly in equity</b>						
Share-based payment expense	-	-	-	618	-	618
Tax on share-based payment expense	-	-	-	65	-	65
Dividend paid	-	-	-	-	(1,888)	(1,888)
<b>Total contributions by and distributions to owners</b>	-	-	-	683	(1,888)	(1,205)
<b>Balance at 31 December 2022</b>	<b>106</b>	<b>6,708</b>	<b>(1,533)</b>	<b>895</b>	<b>66,038</b>	<b>72,214</b>

<sup>1</sup> Share-based payment charge is recognised against the share-based payment reserve over the vesting period based on the Group's estimate of equity instruments that will vest. In the prior year the Group revised the estimated vesting for share awards downwards based on expected achievement of performance conditions for previous financial periods, which should have been revised in previous periods. This resulted in a transfer of reserves to retained earnings.



# CONSOLIDATED AND COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEARS ENDED 31 DECEMBER 2022 AND 2021

## Company

	Share Capital \$000	Share Premium \$000	Translation Reserve \$000	Share-Based Payments \$000	Retained Earnings \$000	Total Parent Equity \$000
<b>Balance at 1 January 2021</b>	106	6,708	1,364	1,571	42,040	51,789
<b>Total comprehensive loss for the year</b>						
Loss for the year	-	-	-	-	(3,663)	(3,663)
Other comprehensive expense	-	-	(315)	-	-	(315)
<b>Total comprehensive expense for the year</b>	-	-	(315)	-	(3,663)	(3,978)
<b>Transactions with owners, recorded directly in equity</b>						
Share-based payment credit	-	-	-	(355)	-	(355)
Reserve transfer <sup>1</sup>	-	-	-	(1,004)	1,004	-
Dividend paid	-	-	-	-	(1,848)	(1,848)
<b>Total contributions by and distributions to owners</b>	-	-	-	(1,359)	(844)	(2,203)
<b>Balance at 31 December 2021</b>	<b>106</b>	<b>6,708</b>	<b>1,049</b>	<b>212</b>	<b>37,533</b>	<b>45,608</b>
	Share Capital \$000	Share Premium \$000	Translation Reserve \$000	Share-Based Payments \$000	Retained Earnings \$000	Total Parent Equity \$000
<b>Balance at 1 January 2022</b>	106	6,708	1,049	212	37,533	45,608
<b>Total comprehensive loss for the year</b>						
Loss for the year	-	-	-	-	(560)	(560)
Other comprehensive expense	-	-	(1,170)	-	-	(1,170)
<b>Total comprehensive expense for the year</b>	-	-	(1,170)	-	(560)	(1,730)
<b>Transactions with owners, recorded directly in equity</b>						
Share-based payment expense	-	-	-	618	-	618
Tax on share-based payment expense	-	-	-	65	-	65
Reserve transfer	-	-	-	-	-	-
Dividend paid	-	-	-	-	(1,888)	(1,888)
<b>Total contributions by and distributions to owners</b>	-	-	-	683	(1,888)	(1,205)
<b>Balance at 31 December 2022</b>	<b>106</b>	<b>6,708</b>	<b>(121)</b>	<b>895</b>	<b>35,085</b>	<b>42,673</b>

<sup>1</sup> Share-based payment charge is recognised against the share-based payment reserve over the vesting period based on the Group's estimate of equity instruments that will vest. In the prior year the Group revised the estimated vesting for share awards downwards based on expected achievement of performance conditions for previous financial periods, which should have been revised in previous periods. This resulted in a transfer of reserves to retained earnings.

Notes on pages 73 to 122 form part of the financial statements.

# CONSOLIDATED AND COMPANY CASH FLOW STATEMENTS

FOR THE YEARS ENDED 31 DECEMBER 2022 AND 2021

	Note	Group		Company	
		2022 \$000	2021 \$000	2022 \$000	2021 \$000
<b>Cash flows from operating activities</b>					
<b>Profit/(Loss) for the year</b>		<b>10,986</b>	3,564	<b>(560)</b>	(3,663)
<b>Adjustments for:</b>					
Depreciation and amortisation	4	2,652	2,529	687	584
Loss on disposal of property, plant and equipment		5	-	4	-
Impairment losses on intangible assets	4	509	-	-	-
Loss on disposal of intangible assets		-	7	-	-
Depreciation of leased assets	4	660	701	413	433
Provision for doubtful debts		722	-	-	-
Movement in provisions		43	(15)	-	-
Taxation (credit) / charge		(2,185)	1,356	(1,776)	588
Finance income		-	(534)	-	-
Finance expense		131	157	86	43
Exchange rate gains		(403)	-	(371)	-
Share-based payment expenses/(credit)		618	(221)	499	(355)
<b>Operating cash flows before movement in working capital</b>		<b>13,738</b>	7,544	<b>(1,018)</b>	(2,370)
(Increase)/Decrease in trade and other receivables		(2,017)	(6,737)	16,940	3,944
Increase in inventories		(4,633)	(7,735)	(2,980)	(6,932)
(Decrease)/Increase in trade and other payables		(4,439)	11,982	(6,774)	11,001
		<b>2,649</b>	5,054	<b>6,168</b>	5,643
Interest paid		(42)	(63)	(41)	-
Lease liability interest paid		(89)	(94)	(45)	(40)
Tax paid		(1,716)	(492)	(648)	(83)
<b>Net cash from operating activities</b>		<b>802</b>	4,405	<b>5,434</b>	5,520
<b>Cash flows from investing activities</b>					
Addition of development costs	11	(1,817)	(1,676)	-	-
Purchase of property, plant and equipment	10	(545)	(160)	(407)	(78)
Addition of externally purchased intangible assets	11	(418)	(330)	(108)	(61)
Proceeds from investments		-	-	-	258
<b>Net cash (used in)/from investing activities</b>		<b>(2,780)</b>	(2,166)	<b>(515)</b>	119
<b>Cash flows from financing activities</b>					
Reduction/repayment of borrowings	18	(6,922)	(132)	(6,922)	(88)
Repayment of government loans	18	-	(476)	-	-
Proceeds from loans	18	6,842	415	6,842	-
Payment of lease liabilities	18	(546)	(666)	(405)	(188)
Dividends paid		(1,888)	(1,848)	(1,888)	(1,848)
<b>Net cash used in financing activities</b>		<b>(2,514)</b>	(2,707)	<b>(2,373)</b>	(2,124)
Net (decrease)/increase in cash and cash equivalents		(4,492)	(468)	2,546	3,515
Cash and cash equivalents at 1 January		18,347	18,804	6,604	3,080
Foreign exchange rate movements		(347)	11	(108)	9
<b>Cash and cash equivalents at 31 December</b>	17	<b>13,508</b>	18,347	<b>9,042</b>	6,604

Notes on pages 73 to 122 form part of the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

## 1. Principal accounting policies

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

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

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

### Basis of preparation

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 profit/(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 IDS CGU, valuation of Quixant CGU inventory and capitalisation of 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 IDS CGU

The estimated recoverable amount of the IDS CGU has 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 CGU. See Note 11 for further details.

#### Inventory valuation in the Quixant CGU and 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 and the Parent Company 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.

# NOTES TO THE FINANCIAL STATEMENTS

## 1. Principal accounting policies continued

As at 31 December 2022, the total inventory in the Quixant CGU is \$26.0m (2021: \$26.9m) and in the Parent Company is \$22.7m (2021: \$20.7m). The provision against slow-moving and obsolete inventory for the Quixant Group as at 31 December 2022 is \$2.1m (2021: \$1.6m) and in the Parent Company is \$1.5m (2021: \$1.0m). A difference of 0.2% in the provision as a percentage of gross inventory would give rise to a difference of +/- \$0.1m in gross margin. The choice of a 0.2% change for the determination of sensitivity represents the change to the level of provisioning for the prior year.

### Significant judgements

#### Capitalised development costs

The impact on the financial statements of a change in judgement with respect to the development cost criteria, such as the commercial viability of a product, could affect the value capitalised in respect of intangible assets and the corresponding profit and loss effect. If the criteria had not been met in the current year, the impact would have been to expense \$1.8m (2021: \$1.7m) of development costs.

#### Valuation of Aruze debtors and inventory

As a result of events subsequent to the balance sheet date, the consolidated statement of profit and loss includes a charge amounting to \$0.9m relating to uncertainty of the recoverability of balances owed by Aruze Philippines Manufacturing Inc. ("APMI").

The Quixant Group, through its Gaming division, has 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. In the filing AGA stated that this action was a part of AGA's efforts to seek financial restructuring in the wake of a recent garnishment judgement against AGA resulting from a separate judgement against AGA's shareholder. Furthermore, AGA stated that it intended to continue operating normally and utilize Chapter 11 protections to provide for an orderly consideration of the relative rights of AGA's creditors, customers, and employees.

The Quixant Group did not have a direct relationship with AGA at 31 December 2022, or during the 2022 financial year. As AGA is the main customer of APMI the Chapter 11 filing has resulted in APMI having to delay payment of outstanding debts to Quixant until they have received payment from AGA and rework its business plans and production schedules. Due to the uncertainty caused by this Quixant management evaluated the carrying value of balances related to its relationship with APMI as at the balance sheet date as the bankruptcy of AGA is considered an adjusting post balance sheet event, as the circumstances leading to the bankruptcy petition existed at 31 December 2022.

Trade receivables at the balance sheet date included an amount of \$0.7m owed by APMI. It is Quixant's intention to seek collection of all amounts and APMI has confirmed its intention to settle this amount, however the AGA Chapter 11 filing raised doubts over the Group's ability to recover the trade receivable. Management considered that due to the uncertainty inherent in an insolvency proceeding the debt owed by APMI at the balance sheet was fully impaired. An impairment loss of \$0.7m was recorded within operating expenses.

Inventory, consisting of raw materials with a book value of \$2.4m and finished goods with a book value of \$1.1m was included in the Quixant Group's balance sheet as at 31 December and earmarked for use by APMI. Post year-end finished goods with a book value of \$0.2m was shipped to APMI as part of Quixant's normal operations. Management has assessed the remaining \$3.3m to determine alternative uses for the inventory. The inventory can be used to manufacture products that can be sold to the Group's existing or new customers or for use in the Group's turnkey cabinet offering. Management expects to fully recover the net book value of \$3.3m and considers that no provision against it was required as at 31 December 2022. Inventory that was shipped to APMI post balance sheet date has been provided for in full, as the recoverability of this amount is dependent on Quixant receiving cash payment, which is considered uncertain as noted above.

The Group balance sheet also included capitalised development cost with a book value of \$0.4m related to the development of products for APMI's future use. Once development is completed, the product can be sold to the Group's existing or new customers if APMI is unable to purchase these products. Based on their assessment of the future use of the product management expects to recover the book value of the capitalised development in full and no impairment was required at the balance sheet date.

The total charge to the consolidated statement of profit and loss amounts to \$0.9m, with \$0.7m charged to operating expenses and \$0.2m charged to cost of sales.

## 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 28.

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

- A second year of double-digit growth in Gaming and Densitron revenues;
- Resilient cash generation, despite investing in working capital to support growth and good liquidity position; and
- Net cash position and good operational liquidity.

In undertaking a going concern review, the Directors have reviewed financial projections for a period of at least 12 months (the review period) and have additionally prepared projections through to 31 December 2024. Management prepared a base case scenario based on the approved budget for 2023 and forecasts for 2024. Management also prepared a severe but plausible downside scenario, using the following key assumptions:

- A 25% reduction in 2023 and 2024 Gaming revenues to replicate the impact that a downturn similar to that experienced in 2019 would have on the Group's revenues; and
- The Group remains committed to making last time buy purchases of key components and these purchases continue and are in addition to the regular supplier payments made in the normal course of business.

The impact of these assumptions is mitigated by:

- Reduction in operating expenses to reflect reduction in bonuses, delay, or suspension of new headcount additions and other cost-saving measures consistent with the actions management took in response to the COVID-19 pandemic in 2020;
- No dividend paid in 2023 or 2024; and
- Reduction of discretionary capital expenditure spend.



# NOTES TO THE FINANCIAL STATEMENTS

## 1. Principal accounting policies continued

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 represent the significant majority of the Group revenue, is recognised in the income statement when:

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

Consideration is payable based on contractual payment terms which are usually 30 days after the performance obligation has been met. Transaction prices are set up front for each contract based on standalone selling prices. The Group has an active contract, which includes a financing component and consideration is payable in 36 months, however it has not identified any contracts which 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 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 (CGU) 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.

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.

# NOTES TO THE FINANCIAL STATEMENTS

## 1. Principal accounting policies continued

### Investment property

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

### Intangible assets – customer relationships, order backlog, technology

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

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

### Intangible assets – development costs

The 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; and
- The ability to measure reliably the expenditure attributable to the intangible asset during its development.

Development costs not meeting these criteria and all research costs are expensed in the Consolidated 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
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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.

## Foreign currencies

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

On consolidation, results of overseas subsidiaries are translated using the average exchange rate for the period. The Balance Sheets of overseas subsidiaries 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.

## Government grants

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

The COVID-19 government assistance loans' interest is classified as finance charge and waiver of interest, or the principal loan balance are treated as finance income in the Statement of Profit and Loss.

## Share capital and share premium

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

## Leases, right of use assets and lease liabilities

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

## 1. Principal accounting policies continued

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

### Income tax

The charge for current income tax is based on the results for the year as adjusted for items which are not taxed or disallowed. 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).



## 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 comprise interest receivable on funds invested, dividend income, interest income on lease receivables.

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

## 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.

# NOTES TO THE FINANCIAL STATEMENTS

## 1. Principal accounting policies continued

### 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 payment 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 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.

### Applicability of IFRS standards effective in 2022

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

- IFRS 17 Insurance Contracts, Amendments to IFRS 17 and Initial Application of IFRS17 and IFRS9 – Comparative information (effective date 1 January 2023)
- 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 to be confirmed)
- Amendments to IAS 8 Accounting Policies, changes in Accounting Estimates and Errors to introduce a new definition for accounting estimates (effective date 1 January 2023)
- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements (effective date 1 January 2023)
- Amendments to IAS 12 Income Taxes – Deferred Tax related to Assets and Liabilities Arising from a Single Transaction (effective date 1 January 2023).

Management decided to adopt the applicable amendments from the effective dates of application. We do not expect these amendments to have a material impact.

### 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 which 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.

## Adjusted Profit before tax

	2022 \$000	2021 \$000
<b>Profit before tax</b>	<b>8,801</b>	4,920
<b>Adjustments:</b>		
Amortisation of customer relationships, technology and order backlog <sup>1</sup>	751	920
Share-based payments expense/(credit) <sup>2</sup>	618	(221)
Restructuring credit <sup>3</sup>	-	(190)
<b>Adjusted Profit before tax</b>	<b>10,170</b>	5,429

## Adjusted Profit after tax

	2022 \$000	2021 \$000
<b>Profit after tax</b>	<b>10,986</b>	3,564
<b>Adjustments:</b>		
Amortisation of customer relationships, technology and order backlog <sup>1</sup>	751	920
Share-based payments expense/(credit) <sup>2</sup>	618	(221)
Restructuring credit <sup>3</sup>	-	(190)
Non-recurring tax benefits <sup>4</sup>	(260)	(97)
<b>Adjusted Profit after tax</b>	<b>12,095</b>	3,976

## Adjusted Operating expenses

	2022 \$000	2021 \$000
<b>Operating expenses</b>	<b>(29,622)</b>	(21,361)
<b>Adjustments:</b>		
Amortisation of customer relationships, technology and order backlog <sup>1</sup>	751	920
Share-based payments expense/(credit) <sup>2</sup>	618	(221)
Restructuring credit <sup>3</sup>	-	(190)
<b>Adjusted Operating expenses</b>	<b>(28,253)</b>	(20,852)

<sup>1</sup> The amortisation of customer relationships, technology and order backlog has been excluded as it is not a cash expense to the Group.

<sup>2</sup> Share-based payments expense/(credit) has been excluded as it is not a cash-based expense or credit. The credit is related to the reversal of the options charge for the grants in prior periods, triggered mainly by forfeiture of performance conditions and exercise of options in the past.

<sup>3</sup> Restructuring credit – This related to the reversal of provision, set aside in the past, which settled in the prior period for lower than the estimated provision.

<sup>4</sup> Tax on adjusted items relating to amortisation of customer relationships, technology and order backlog of \$0.8m (2021: \$0.9m), share-based payment expense of \$0.6m (2021: credit of \$0.2m), restructuring credit of \$Nil (2021: \$0.2m).

# NOTES TO THE FINANCIAL STATEMENTS

## 1. Principal accounting policies continued

### Adjusted Operating cash flow

	2022 \$000	2021 \$000
<b>Net cash from operating activities</b>	<b>802</b>	4,405
<b>Add back:</b>		
Tax paid	<b>1,716</b>	492
<b>Adjusted Operating cash flow</b>	<b>2,518</b>	4,897
<b>Adjusted Operating Cash conversion % (Adjusted operating cash flow/Adjusted profit before tax)</b>	<b>25%</b>	90%

## 2. Business and geographical segments

The Chief Operating Decision Maker (CODM) in the organisation is an Executive management committee comprising the Board of Directors. The segmental information is presented in a consistent format with management information. The Group assesses the performance of the segments based on a measure of revenue and 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:

- Gaming – 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, due to 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:

	2022 \$000	2021 \$000
Gaming	<b>17,348</b>	9,807
Densitron	<b>5,165</b>	4,597
<b>Segment results</b>	<b>22,513</b>	14,404
Corporate cost	<b>(13,581)</b>	(9,861)
<b>Operating profit</b>	<b>8,932</b>	4,543
Net finance (expense) / income	<b>(131)</b>	377
<b>Profit before tax</b>	<b>8,801</b>	4,920
Taxation	<b>2,185</b>	(1,356)
<b>Profit after tax</b>	<b>10,986</b>	3,564

	Year to 31 December 2022			Year to 31 December 2021		
	\$000 Gaming	\$000 Densitron	\$000 Total	\$000 Gaming	\$000 Densitron	\$000 Total
<b>Other information</b>						
Depreciation of owned assets	92	5	97	97	4	101
Amortisation of intangible assets	804	291	1,095	670	213	883
	<b>896</b>	<b>296</b>	<b>1,192</b>	767	217	984

### 3. Analysis of turnover

	2022			2021		
	\$000 Gaming	\$000 Densitron <sup>1</sup>	\$000 Total	\$000 Gaming	\$000 Densitron	\$000 Total
<b>By primary geographical market</b>						
Asia	3,306	10,353	13,659	1,822	8,264	10,086
Australia	4,958	66	5,024	4,597	47	4,644
UK	4,373	3,474	7,847	2,021	2,443	4,464
Europe excl. UK	12,483	13,067	25,550	7,865	13,722	21,587
North America	48,123	16,162	64,285	30,595	13,540	44,135
Rest of World	839	2,669	3,508	399	1,813	2,212
	<b>74,082</b>	<b>45,791</b>	<b>119,873</b>	47,299	39,829	87,128

<sup>1</sup> 2022 Densitron Revenue from products splits into Densitron \$44.7m (2021: \$39.0m) and IDS \$1.1m (2021: \$0.8m). IDS revenue included revenue of \$0.5m (2021: \$0.3m) recognised throughout the performance period.

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

	2022 \$000	2021 \$000
USA	<b>61,019</b>	42,136

Revenues of \$40.4m (2021: \$15.4m) are derived from two customers (2021: one customer) who individually accounted for more than 10% of Group revenues in 2022. These revenues are attributable to the Gaming segment.



# NOTES TO THE FINANCIAL STATEMENTS

## 4. Expenses

Included in profit before tax are the following:

	2022 \$000	2021 \$000
Restructuring credit	-	(190)
Loss/(gain) on foreign exchange transactions	1,645	(357)
Research and development expenditure	4,823	4,668
Of which capitalised	(1,817)	(1,676)
Impairment of capitalised development cost	509	-
Depreciation of owned assets	456	364
Depreciation of leased assets	660	701
Amortisation of intangible assets	2,196	2,165

### Auditor's remuneration:

	2022 \$000	2021 \$000
Amounts receivable by the Company's auditor and its associates in respect of:		
Audit of the consolidated and Parent Company financial statements	460	386
Additional audit fee charged in relation to the prior year financial statements	33	283
Audit of the subsidiary Company financial statements	44	33
Non-audit services <sup>1</sup>	21	27

<sup>1</sup> The policy for the approval of non-audit fees is set out in the Audit and Risk Committee Report on pages 44 to 51. Non-audit services related to tax related services provided in Taiwan.

## 5. Directors' remuneration

The remuneration of the Directors is set out on pages 36 to 42 within the Directors' Remuneration Report described as being audited and forms part of these financial statements.

Directors' remuneration comprises:

	2022 \$000	2021 \$000
Wages and salaries	1,575	937
Social security costs	11	-
Contributions to defined contribution plans	38	36
	1,624	973

## 6. Staff costs

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

	2022 Number	2021 Number
Production and manufacturing	43	38
Research and development	88	83
Sales and marketing	51	45
Central functions	46	41
	<b>228</b>	207

The aggregate payroll costs of these persons were as follows:

	2022 \$000	2021 \$000
Wages and salaries	17,595	14,270
COVID-19 support <sup>1</sup>	-	(18)
Share-based payments expense/(credit) (See Note 20)	618	(221)
Social security costs	1,311	1,113
Contributions to defined contribution plans	663	676
	<b>20,187</b>	15,820

<sup>1</sup> The Group has received government grants to support payroll costs during the COVID-19 pandemic. This includes \$18k for Quixant UK Ltd in 2021.

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

	2022 \$000	2021 \$000
Wages and salaries	1,436	1,639
Bonus	1,138	293
Pension Contribution	102	98
<b>Total</b>	<b>2,676</b>	2,030

# NOTES TO THE FINANCIAL STATEMENTS

## 7. Net finance (expense)/income

	2022 \$000	2021 \$000
Total interest expense on financial liabilities measured at amortised cost	(131)	(157)
USA COVID-19 loans forgiven	-	534
<b>Net finance (expense)/income</b>	<b>(131)</b>	<b>377</b>

## 8. Taxation

### Recognised in the profit and loss account

	2022 \$000	2021 \$000
<b>Current tax expense</b>		
UK corporation tax	-	-
Foreign tax	1,483	2,057
Adjustments for prior years	(934)	(832)
<b>Current tax expense</b>	<b>549</b>	<b>1,225</b>
<b>Deferred tax (Note 14)</b>		
Origination and reversal of temporary differences	(2,262)	(303)
Adjustments for prior years	(599)	-
Change in deferred tax rate to 25%	127	434
<b>Deferred tax</b>	<b>(2,734)</b>	<b>131</b>
<b>Total tax (credit)/expense in the income statement</b>	<b>(2,185)</b>	<b>1,356</b>

## Reconciliation of effective tax rate

	2022 \$000	2021 \$000
<b>Profit for the year</b>	<b>10,986</b>	3,564
Total taxation (credit)/expense	<b>(2,185)</b>	1,356
<b>Profit excluding taxation</b>	<b>8,801</b>	4,920
<b>Tax using the UK corporation tax rate of 19% (2021: 19%)</b>	<b>1,672</b>	935
Non-deductible expenses	<b>246</b>	46
Fixed asset differences	<b>7</b>	-
Enhanced research and development relief	<b>(399)</b>	(363)
Patent box tax relief	<b>(897)</b>	(382)
Foreign tax expensed	<b>392</b>	-
Change in deferred tax rate to 25%	<b>(64)</b>	433
Effect of tax rates in foreign jurisdictions	<b>273</b>	501
Exercise of share options	<b>-</b>	6
Recognition of previously unrecognised tax losses <sup>1</sup>	<b>(1,815)</b>	-
Unrecognised deferred tax on losses	<b>-</b>	1,009
Deferred tax credited directly to equity	<b>65</b>	-
Change to estimates related to prior years <sup>2,3</sup>	<b>(1,533)</b>	(832)
Other	<b>(132)</b>	3
<b>Total taxation (credit)/expense in statement of profit and loss</b>	<b>(2,185)</b>	1,356

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

	2022 \$000	2021 \$000
Deferred tax asset – share-based payments	<b>(65)</b>	-
<b>Total</b>	<b>(65)</b>	-

<sup>1</sup> In 2022, management recognised the tax effect of \$9.6m of previously unrecognised tax losses in Quixant Plc and Quixant UK Limited because management considered it probable that future 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 reflect the continued improvement in trading conditions in 2021 and 2022 which has led to an increase in future profitability within the UK.

<sup>2</sup> The 2020 tax provision included a reversal of enhanced research and development relief due to uncertainty over whether the relief would be granted. In 2021 the Group completed the necessary actions to ensure relief may be claimed and filed a tax return on that basis, leading to the adjustment to the 2021 tax provision.

<sup>3</sup> The 2022 tax provision includes 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.

## 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 will increase the company's future current tax charge accordingly. The deferred tax asset at 31 December 2022 (2021: Liability) has been calculated based on these rates, reflecting the expected timing of reversal of the related temporary differences.

# NOTES TO THE FINANCIAL STATEMENTS

## 9. Earnings per ordinary share (EPS)

	2022 \$000	2021 \$000
<b>Earnings</b>		
Earnings for the purposes of basic and diluted EPS being net profit attributable to equity Shareholders	10,986	3,564
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic EPS	66,450,060	66,450,060
Effect of dilutive potential ordinary shares:		
Share options	1,531,052	425,500
<b>Weighted number of ordinary shares for the purpose of diluted EPS</b>	<b>67,981,112</b>	66,875,560
Basic earnings per share	\$0.1653	\$0.0536
Diluted earnings per share	\$0.1616	\$0.0533
<b>Calculation of adjusted diluted earnings per share:</b>		
	\$000	\$000
<b>Earnings</b>		
Earnings for the purposes of basic and diluted EPS being net profit attributable to equity Shareholders	10,986	3,564
<b>Adjustments</b>		
Amortisation of customer relationships, technology and order backlog	751	920
Share-based payments (credit)/expense	618	(221)
Restructuring credit	-	(190)
	12,355	4,073
Tax effect of adjustments	(260)	(97)
Adjusted earnings	12,095	3,976
Adjusted diluted earnings per share	\$0.1779	\$0.0595



## 10. Property, plant and equipment – Group

	Land and Buildings \$000	Plant and Equipment \$000	Total \$000
<b>Cost</b>			
Balance at 1 January 2021	5,970	3,355	9,325
Additions	68	92	160
Effect of movements in foreign exchange	73	25	98
<b>Balance at 31 December 2021</b>	<b>6,111</b>	<b>3,472</b>	<b>9,583</b>
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)
<b>Balance at 31 December 2022</b>	<b>5,867</b>	<b>3,608</b>	<b>9,475</b>
<b>Depreciation</b>			
Balance at 1 January 2021	755	2,566	3,321
Depreciation charge for the year	121	243	364
Effect of movements in foreign exchange	8	16	24
<b>Balance at 31 December 2021</b>	<b>884</b>	<b>2,825</b>	<b>3,709</b>
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)
<b>Balance at 31 December 2022</b>	<b>856</b>	<b>2,951</b>	<b>3,807</b>
<b>Net book value</b>			
At 1 January 2021	5,215	789	6,004
At 31 December 2021 and 1 January 2022	5,227	647	5,874
<b>At 31 December 2022</b>	<b>5,011</b>	<b>657</b>	<b>5,668</b>

# NOTES TO THE FINANCIAL STATEMENTS

## 10. Property, plant and equipment – Company

	Land and Buildings \$000	Plant and Equipment \$000	Total \$000
<b>Cost</b>			
Balance at 1 January 2021	3,943	2,356	6,299
Additions	57	21	78
Disposals	-	-	-
Effect of movements in foreign exchange	30	14	44
<b>Balance at 31 December 2021</b>	<b>4,030</b>	<b>2,391</b>	<b>6,421</b>
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)
<b>Balance at 31 December 2022</b>	<b>3,828</b>	<b>2,489</b>	<b>6,317</b>
<b>Depreciation</b>			
Balance at 1 January 2021	496	1,828	2,324
Depreciation charge for the year	73	122	195
Disposals	-	10	10
Effect of movements in foreign exchange	4	-	4
<b>Balance at 31 December 2021</b>	<b>573</b>	<b>1,960</b>	<b>2,533</b>
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)
<b>Balance at 31 December 2022</b>	<b>507</b>	<b>2,060</b>	<b>2,567</b>
<b>Net book value</b>			
At 1 January 2021	3,447	528	3,975
At 31 December 2021 and 1 January 2022	3,457	431	3,888
<b>At 31 December 2022</b>	<b>3,321</b>	<b>429</b>	<b>3,750</b>

## 11. Intangible assets – Group

	Goodwill \$000	Customer Relationships, Technology and Order Backlog \$000	Computer Software \$000	Internally Generated Capitalised Development Costs \$000	Total \$000
<b>Cost</b>					
Balance at 1 January 2021	7,683	7,096	2,530	12,358	29,667
Additions – internally developed	-	-	-	1,676	1,676
Additions – externally purchased	-	-	61	269	330
Disposals	-	-	(7)	-	(7)
Effect of movements in foreign exchange	-	-	12	-	12
<b>Balance at 31 December 2021</b>	<b>7,683</b>	<b>7,096</b>	<b>2,596</b>	<b>14,303</b>	<b>31,678</b>
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)
<b>Balance at 31 December 2022</b>	<b>7,683</b>	<b>7,096</b>	<b>2,583</b>	<b>15,917</b>	<b>33,279</b>
<b>Amortisation and impairment</b>					
Balance at 1 January 2021	-	4,390	1,246	7,842	13,478
Amortisation for the year	-	920	391	854	2,165
Disposals	-	-	-	-	-
Effect of movements in foreign exchange	-	-	8	-	8
<b>Balance at 31 December 2021</b>	<b>-</b>	<b>5,310</b>	<b>1,645</b>	<b>8,696</b>	<b>15,651</b>
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)
<b>Balance at 31 December 2022</b>	<b>-</b>	<b>6,061</b>	<b>1,924</b>	<b>9,761</b>	<b>17,746</b>
<b>Net book value</b>					
At 1 January 2021	7,683	2,706	1,284	4,516	16,189
At 31 December 2021 and 1 January 2022	7,683	1,786	951	5,607	16,027
<b>At 31 December 2022</b>	<b>7,683</b>	<b>1,035</b>	<b>659</b>	<b>6,156</b>	<b>15,533</b>

# NOTES TO THE FINANCIAL STATEMENTS

## 11. Intangible assets – Group continued

### Impairment testing

Goodwill and acquisition related intangibles have been allocated to cash generating units (CGUs) as follows:

	Goodwill		Acquisition related intangibles	
	2022 \$000	2021 \$000	2022 \$000	2021 \$000
Quixant Gaming	1,363	1,363	-	-
IDS	744	744	267	610
Densitron Europe	2,873	2,873	263	362
Densitron US	2,076	2,076	442	729
Densitron France	485	485	63	85
Densitron Japan	142	142	-	-
	<b>7,683</b>	7,683	<b>1,035</b>	1,786

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 2023, together with a four-year forecast to 2027. 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 based on a reasonable and consistent basis. 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 2022 or 31 December 2021.

### Key assumptions

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

CGU	31 December 2022			31 December 2021		
	Revenue growth rate*	Pre-tax discount rate	Terminal growth rate	Revenue growth rate*	Pre-tax discount rate	Terminal growth rate
Quixant Gaming	9.3%	18.4%	1.0%	15.0%	15.7%	1.0%
IDS	15.0%	21.2%	1.0%	15.0%	17.7%	1.0%
Densitron Europe	7.4%	18.9%	1.0%	11.5%	14.5%	1.0%
Densitron US	7.4%	19.4%	1.0%	12.2%	16.2%	1.0%
Densitron France	7.4%	18.8%	1.0%	12.0%	15.9%	1.0%
Densitron Japan	7.4%	17.7%	1.0%	13.6%	15.8%	1.0%

\* Compound annual growth rate for 2023 to 2027.

Revenue growth rates used in the estimation process are consistent with the approved budget for 2023, outlook for 2024 and 2025 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 increase from 2021 to 2022 reflects the impact of higher interest rates globally on risk free rates and cost of debt used in the discount rate calculation.

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 IDS, Densitron US and Densitron Europe CGUs are sensitive to a reasonably possible change in key assumptions which could cause impairment.

### Densitron Europe CGU

The estimated recoverable amount of the CGU exceeded its carrying amount by approximately \$1.7m (2021: \$2.8m). Management has identified that a reasonable 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	
	2022	2021
Revenue growth rate for the period 2023 to 2027	(260bps)	(250bps)
Gross profit margin	(170bps)	(200bps)

### Densitron US CGU

The estimated recoverable amount of the CGU exceeded its carrying amount by approximately \$4.8m (2021: \$5.1m). Management has identified that a reasonable possible change in the Gross profit margin assumption could cause the carrying amount to exceed the recoverable amount. The following table shows the amount by which the Gross profit margin assumption would need to change 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	
	2022	2021
Gross profit margin	(350bps)	(240bps)

### IDS CGU

With the challenging periods resulting from COVID-19 lockdowns behind the IDS business, 2022 was a period allowing implementation on customers' sites to recommence enabling significant revenue growth. With a healthy pipeline of projects, the Directors believe the revenue growth rate assumed for the IDS CGU is achievable. The estimated recoverable amount of the CGU exceeded its carrying amount by approximately \$0.6m (2021: \$0.1m).

Management has identified that a reasonably possible change in revenue growth could cause the carrying amount to match the recoverable amount. The following table shows the amount by which this assumption would need to change individually for the estimated recoverable amount to be equal to the carrying amount.

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

	Change required for carrying amount to equal recoverable amount	
	2022	2021
Revenue growth rate for the period 2023 to 2027	(350bps)	(40bps)



# NOTES TO THE FINANCIAL STATEMENTS

## 11. Intangible assets – Company

	Computer Software \$000	Internally Generated Capitalised Development Costs \$000	Total \$000
<b>Cost</b>			
Balance at 1 January 2021	2,508	3,763	6,271
Additions – externally purchased	61	-	61
Disposals	(7)	-	(7)
Effect of movements in foreign exchange	13	-	13
<b>Balance at 31 December 2021</b>	<b>2,575</b>	<b>3,763</b>	<b>6,338</b>
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)
<b>Balance at 31 December 2022</b>	<b>2,557</b>	<b>3,763</b>	<b>6,320</b>
<b>Amortisation</b>			
Balance at 1 January 2021	1,228	3,763	4,991
Amortisation for the year	389	-	389
Disposals	-	-	-
Effect of movements in foreign exchange	9	-	9
<b>Balance at 31 December 2021</b>	<b>1,626</b>	<b>3,763</b>	<b>5,389</b>
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)
<b>Balance at 31 December 2022</b>	<b>1,905</b>	<b>3,763</b>	<b>5,668</b>
<b>Net book value</b>			
At 1 January 2021	1,280	-	1,280
At 31 December 2021 and 1 January 2022	949	-	949
<b>At 31 December 2022</b>	<b>652</b>	<b>-</b>	<b>652</b>

## 12. Investment property

	Group		Company	
	2022 \$000	2021 \$000	2022 \$000	2021 \$000
Balance at 1 January	-	-	-	-
Impairment	-	-	-	-
Balance at 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 which restricts this. The fair value of the investment property was previously determined by external, independent property valuers, having appropriate professional qualifications and recent experience in the location and category of the property being valued. The previous carrying value 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 2022), the Directors performed a desktop review to ascertain the fair value of the investment property.

# NOTES TO THE FINANCIAL STATEMENTS

## 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 2022 and 2021
Quixant USA, Inc.	1	Sales of specialist computer systems	Ordinary	100%
Quixant 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%
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%
Quixant 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%
Densitron Technologies Limited	10	In liquidation	Ordinary	100%
Densitron Land Limited	10	In liquidation	Ordinary	100%
Densitron Computer Solutions Limited	10	In liquidation	Ordinary	100%
IDS Control Solutions Limited	10	In liquidation	Ordinary	100%

\* Subsidiary of Quixant UK Limited

\*\* Subsidiary of Densitron Corporation of America

<sup>1</sup> 2147 Pama Lane, Bldg 6, Las Vegas, NV 89119, USA

<sup>2</sup> Aisle Barn, 100 High Street, Balsham, Cambridge, CB21 4EP, UK

<sup>3</sup> Contrada Case Bruciate, 1, Torrita Tiberina (RM), 00060, Italy

<sup>4</sup> Aichiya Building 2F, 1-26-2, Omori-kita, Ota-ku, Tokyo 143-0016, Japan

<sup>5</sup> 2330 Pomona Road, Corona, CA 92880, USA

<sup>6</sup> 3 Rue de Tasmanie, 44115 Basse-Goulaine, France

<sup>7</sup> Prinzregentenstrabe 20, 83022 Rosenheim, Germany

<sup>8</sup> Kotnikova ulica 5, 1000 Ljubljana, Slovenia

<sup>9</sup> 1209 Orange Street, Wilmington, DE 9801, USA

<sup>10</sup> 30 Finsbury Square, London, EC2A 1AG, UK

## Investments in subsidiaries

	Company	
	2022 \$000	2021 \$000
Balance at 1 January	9,125	9,376
Group-settled share-based payment charge/(credit)	119	(251)
<b>Balance at 31 December</b>	<b>9,244</b>	<b>9,125</b>

## 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	
	2022 \$000	2021 \$000	2022 \$000	2021 \$000
Property, plant and equipment	-	-	259	27
Intangible assets – capitalised development costs	-	-	1,225	1,375
Intangible assets – acquired in business combinations	-	-	259	446
Share-based payments	(112)	-	-	63
Trade and other receivables	(34)	(7)	-	-
Inventories	(547)	(291)	-	-
Tax losses carried forward	(3,564)	(1,469)	-	-
Other	(82)	-	-	42
Deferred tax (assets)/liabilities before set-off	<b>(4,339)</b>	<b>(1,767)</b>	<b>1,743</b>	<b>1,953</b>
Set-off of tax	<b>1,703</b>	<b>1,651</b>	<b>(1,703)</b>	<b>(1,651)</b>
Net deferred tax (assets)/liabilities	<b>(2,636)</b>	<b>(116)</b>	<b>40</b>	<b>302</b>

# NOTES TO THE FINANCIAL STATEMENTS

## 14. Deferred tax assets and liabilities – Group continued

### Movement in deferred tax during the 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 <sup>1</sup>	-	(2,100)	-	(2,100)
Other	79	(161)	(4)	(86)
	186	(2,734)	(48)	(2,596)

### Movement in deferred tax during the prior year

	1 January 2021 \$000	Recognised In Profit & Loss \$000	Recognised In Equity \$000	31 December 2021 \$000
Property, plant and equipment	31	(11)	-	20
Intangible assets – capitalised development costs	831	(851)	-	(20)
Intangible assets – acquired in business combinations	460	(257)	-	203
Share-based payments	(163)	163	-	-
Trade and other receivables	(7)	-	-	(7)
Inventories	(164)	75	-	(89)
Tax losses carried forward <sup>1</sup>	(841)	841	-	-
Other	(92)	171	-	79
	55	131	-	186

<sup>1</sup> 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 2022 the Group had unutilised tax losses of \$nil (31 December 2021: \$1,009k) 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	
	2022 \$000	2021 \$000	2022 \$000	2021 \$000
Property, plant and equipment	-	-	261	81
Intangible assets – capitalised development costs	-	-	7	-
Share-based payments	(68)	-	-	37
Inventories	(360)	(201)	-	-
Foreign exchange	-	(37)	-	-
Losses	(2,287)	-	-	-
Other	-	-	58	-
Deferred tax (assets)/liabilities before set-off	(2,715)	(238)	326	118
Set-off of tax	326	-	(326)	-
Net deferred tax (assets)/liabilities	(2,389)	(238)	-	118

### Movement in deferred tax during the 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)
Foreign exchange	(37)	37	-	-
Inventory provisions	(201)	(125)	24	(302)
Losses	-	(2,019)	-	(2,019)
Deferred tax (assets)/liabilities	(120)	(2,265)	(4)	(2,389)

# NOTES TO THE FINANCIAL STATEMENTS

## 14. Deferred tax assets and liabilities – Group continued

### Movement in deferred tax during the prior year

	1 January 2021 \$000	Recognised In Profit & Loss \$000	31 December 2021 \$000
Property, plant and equipment	76	5	81
Share-based payments	(183)	220	37
Inventories	(130)	(71)	(201)
Foreign exchange	(1)	(36)	(37)
	(238)	118	(120)

## 15. Inventories

	Group		Company	
	2022 \$000	2021 \$000	2022 \$000	2021 \$000
Raw materials and consumables	<b>21,304</b>	19,226	<b>19,766</b>	18,207
Work in progress	<b>2,258</b>	2,122	<b>2,142</b>	2,016
Finished goods	<b>8,607</b>	7,737	<b>809</b>	502
	<b>32,169</b>	29,085	<b>22,717</b>	20,725

Raw materials, consumables and movement in finished goods and work in progress recognised as cost of sales in the year amounted to \$70,803,621 (2021: \$51,784,551).

The cost of inventories recognised as an expense includes \$811,371 (2021: \$217,298) in respect of write downs of inventory to net realisable value.

As at 31 December 2022 inventories of \$839,000 were held at net realisable value (31 December 2021: \$443,000).

## 16. Trade and other receivables

	Group		Company	
	2022 \$000	2021 \$000	2022 \$000	2021 \$000
<b>Non-current</b>				
Trade receivables	712	336	-	-
Amounts receivable from subsidiary undertakings	-	-	-	18,798
	712	336	-	18,798
<b>Current</b>				
Trade receivables	20,682	19,952	-	1
Amounts receivable from subsidiary undertakings	-	-	8,702	6,735
Other receivables	3,365	3,008	2,215	2,197
	24,047	22,960	10,917	8,933
	24,759	23,296	10,917	27,731

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 \$908,025 has been provided as at 31 December 2022 (31 December 2021: \$185,573). The Directors have considered the nature of the customers, the historic levels of bad debts and the payment profile of customer contracts in reaching the value of the expected credit losses above. See Note 23 for further disclosure regarding the credit quality of the Group's trade debtors. Management have also considered the expected credit losses in relation to amounts owed from subsidiary undertakings and has considered it to be immaterial.

As at 31 December 2022, 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	
	2022 \$000	2021 \$000	2022 \$000	2021 \$000
30 - 60 days	1,205	1,306	-	-
61 - 90 days	55	736	-	-
Over 90 days	1,756	469	-	-
	3,016	2,511	-	-

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

# NOTES TO THE FINANCIAL STATEMENTS

## 17. Notes to the consolidated cash flow statement

	Group		Company	
	2022 \$000	2021 \$000	2022 \$000	2021 \$000
<b>Analysis of cash and cash equivalents</b>				
Cash and cash equivalents per balance sheet	13,508	18,347	9,042	6,604
Cash and cash equivalents per cash flow statement	13,508	18,347	9,042	6,604

	Group		Company	
	2022 \$000	2021 \$000	2022 \$000	2021 \$000
<b>Analysis of net debt</b>				
Cash and bank balances	13,508	18,347	9,042	6,604
Bank loans falling due within one year	(90)	(99)	(90)	(99)
Bank loans falling due after more than one year	(473)	(621)	(473)	(621)
<b>Net cash</b>	<b>12,945</b>	<b>17,627</b>	<b>8,479</b>	<b>5,884</b>

## 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	
	2022 \$000	2021 \$000	2022 \$000	2021 \$000
<b>Non-current liabilities</b>				
Secured bank loans	473	621	473	621
	473	621	473	621
<b>Current liabilities</b>				
Current portion of secured bank loans	90	99	90	99
	90	99	90	99

## Terms and debt repayment schedule

	Currency	Nominal Interest Rate	Year of Maturity	Group		Company	
				Face Value 2022 \$000	Carrying Amount 2022 \$000	Face Value 2021 \$000	Carrying Amount 2021 \$000
Loan secured on the Group's freehold property in Taiwan	NTD	1.45%	2028	563	563	720	720
				563	563	720	720

## Reconciliation of liabilities arising from financing activities

### Group

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

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

	2020						2021	
	\$000	Additions \$000	Repay- ments \$000	Interest \$000	Foreign Exchange \$000	Release \$000	Reclass- ification \$000	\$000
<b>Current liabilities</b>								
Other interest-bearing loans and borrowings	695	415	(509)	-	32	(534)	-	99
Lease liabilities (Refer to Notes 23 & 24)	386	1,221	(572)	94	-	(61)	(459)	609
	1,081	1,636	(1,081)	94	32	(595)	(459)	708

	2020						2021	
	\$000	Additions \$000	Repay- ments \$000	Interest \$000	Foreign Exchange \$000	Release \$000	Reclass- ification \$000	\$000
<b>Non-current liabilities</b>								
Other interest-bearing loans and borrowings	712	-	(99)	-	8	-	-	621
Lease liabilities (Refer to Notes 23 & 24)	901	-	-	-	-	-	459	1,360
	1,613	-	(99)	-	8	-	459	1,981

# NOTES TO THE FINANCIAL STATEMENTS

## 18. Loans and borrowings continued

### Reconciliation of liabilities arising from financing activities

#### Company

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

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

	2020						2021	
		Additions	Repay-ments	Interest	Foreign Exchange	Release	Reclass-ification	
<b>Current liabilities</b>	\$000	\$000	\$000	\$000	\$000	\$000	\$000	
Other interest-bearing loans and borrowings	96	197	(195)	-	1	-	-	99
Lease liabilities (Refer to Notes 23 & 24)	200	1,001	(228)	43	3	-	(668)	351
	296	1,198	(423)	43	4	-	(668)	450

	2020						2021	
		Additions	Repay-ments	Interest	Foreign Exchange	Release	Reclass-ification	
<b>Non-current liabilities</b>	\$000	\$000	\$000	\$000	\$000	\$000	\$000	
Other interest-bearing loans and borrowings	712	1,297	(1,388)	-	-	-	-	621
Lease liabilities (Refer to Notes 23 & 24)	-	-	-	-	-	-	668	668
	712	1,297	(1,388)	-	-	-	668	1,289



## 19. Trade and other payables

	Group		Company	
	2022 \$000	2021 \$000	2022 \$000	2021 \$000
<b>Current</b>				
Trade payables	15,025	21,333	12,028	19,838
Other payables and accrued expenses	5,412	4,177	2,624	2,273
Amounts payable to subsidiary undertakings <sup>1</sup>	-	-	524	214
	<b>20,437</b>	25,510	<b>15,176</b>	22,325

<sup>1</sup> The amounts payable to subsidiary undertakings are interest free and repayable on demand.

## 20. Employee benefits

### Defined contribution plans

The Group operates a number of defined contribution pension plans. The total expense relating to these plans in the current year was \$662,585 (2021: \$676,396).

### Share-based payments – Group and Company

The Group operates two equity-settled share-based payment plans.

#### 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 10 years from grant date.

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

	Weighted Average Exercise Price 2022	Number Of Options 2022	Weighted Average Exercise Price 2021	Number Of Options 2021
Outstanding at the beginning of the period	£1.47	1,213,290	£1.21	687,290
Granted during the period	-	-	£1.57	728,500
Lapsed during the period	£1.49	(30,000)	£1.73	(202,500)
Exercised during the period	-	-	-	-
Outstanding at the end of the period	£1.47	1,183,290	£1.47	1,213,290

# NOTES TO THE FINANCIAL STATEMENTS

## 20. Employee benefits continued

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 2022	Share options 31 December 2021
22 May 2013 <sup>1</sup>	22/05/2023	£0.49	64,000	64,000
16 April 2015 <sup>1</sup>	16/04/2025	£1.59	43,790	43,790
23 March 2016 <sup>1</sup>	23/03/2026	£1.63	40,500	40,500
05 October 2020	15/10/2030	£1.13	255,500	261,500
15 October 2020	15/10/2030	£0.01	75,000	75,000
20 May 2021	20/05/2031	£1.59	579,500	603,500
06 October 2021	06/10/2031	£1.90	100,000	100,000
06 October 2021	06/10/2031	£0.01	25,000	25,000
<b>Total</b>			<b>1,183,290</b>	1,213,290
Weighted average remaining contractual life of options outstanding at end of period			<b>7.4 years</b>	8.4 years

<sup>1</sup> 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	£1.59	£0.01	£0.01
Expected volatility <sup>1</sup>	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%

<sup>1</sup> Volatility was estimated based on the historical volatility prior to grant date.

## b. Quixant Plc 2022 Long-Term Incentive Plan Awards (The “LTIP Awards 2022”)

The LTIP was approved by Shareholders on 5 May 2022. A total of 1,112,092 options were granted in 2022 under the LTIP.

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.

### Restricted Share Awards

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

	Weighted Average Exercise Price 2022	Number Of Options 2022	Weighted Average Exercise Price 2021	Number Of Options 2021
Outstanding at the beginning of the period	-	-	-	-
Granted during the period	£1.53	70,488	-	-
Lapsed during the period	-	-	-	-
Exercised during the period	-	-	-	-
Outstanding at the end of the period	£1.53	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 2022	Share options 31 December 2021
06 May 2022	06/05/2032	£0.01	70,488	-
<b>Total</b>			<b>70,488</b>	-
Weighted average remaining contractual life of options outstanding at end of period			<b>9.3 years</b>	0 years

# NOTES TO THE FINANCIAL STATEMENTS

## 20. Employee benefits continued

### Executive Committee Performance Share Awards

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

	Weighted Average Exercise Price 2022	Number Of Options 2022	Weighted Average Exercise Price 2021	Number Of Options 2021
Outstanding at the beginning of the period	-	-	-	-
Granted during the period	£1.53	727,732	-	-
Lapsed during the period	-	-	-	-
Exercised during the period	-	-	-	-
Outstanding at the end of the period	£1.53	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 2022	Share options 31 December 2021
06 May 2022	06/05/2032	£0.01	727,732	-
<b>Total</b>			<b>727,732</b>	-
Weighted average remaining contractual life of options outstanding at end of period			<b>9.3 years</b>	0 years

### General Performance Share Awards

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

	Weighted Average Exercise Price 2022	Number Of Options 2022	Weighted Average Exercise Price 2021	Number Of Options 2021
Outstanding at the beginning of the period	-	-	-	-
Granted during the period	£1.54	313,872	-	-
Lapsed during the period	-	-	-	-
Exercised during the period	-	-	-	-
Outstanding at the end of the period	£1.54	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 2022	Share options 31 December 2021
06 May 2022	06/05/2032	£0.01	186,353	-
08 September 2022	06/05/2032	£0.01	127,519	-
<b>Total</b>			<b>313,872</b>	-
Weighted average remaining contractual life of options outstanding at end of period			<b>9.3 years</b>	0 years

## 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 - 6 May 2022	General Performance Share Awards - 8 September 2022
Options granted	70,488	727,732	186,353	127,519
Fair value at grant date	£1.41	£1.41	£1.41	£1.44
Model used	Black-Scholes model	Black-Scholes model	Black-Scholes model	Black-Scholes model
Assumptions used:				
Share price	£1.53	£1.53	£1.53	£1.57
Exercise price	£0.01	£0.01	£0.01	£0.01
Expected volatility <sup>1</sup>	46.00%	46.00%	46.00%	46.00%
Expected option life	3 years	3 years	3 years	2 years 8 months
Expected dividend yield	1.57%	1.57%	1.57%	1.53%
Risk-free interest rate	0.90%	0.90%	0.90%	3.07%

<sup>1</sup> Volatility was estimated based on the historical volatility prior to grant date.

# NOTES TO THE FINANCIAL STATEMENTS

## 21. Provisions

### Group

	2022 \$000	2021 \$000
<b>Balance at 1 January</b>	<b>335</b>	354
Provisions made during the period	94	80
Provisions used during the period	(79)	(99)
<b>Balance at 31 December</b>	<b>350</b>	335

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

## 22. Capital and reserves

### Share capital

Fully paid ordinary shares of 0.1p per share

	Ordinary shares Number	Share Capital \$000	Share Premium \$000
<b>Balance at 1 January 2022 and 31 December 2022</b>	<b>66,450,060</b>	<b>106</b>	<b>6,708</b>
<b>Balance at 1 January 2021 and 31 December 2021</b>	<b>66,450,060</b>	<b>106</b>	<b>6,708</b>

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 2022 of 3.0p (31 December 2021: 2.4p) per share which is not recognised as a distribution to equity holders during the period.

The following dividends were recognised during the year:

	2022 \$000	2021 \$000
2.4p (2021: 2.0p) per qualifying ordinary share	<b>1,888</b>	1,848
Total dividends recognised in the year	<b>1,888</b>	1,848



## 23. Financial instruments – Group and Company

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

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

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

### Financial risks

The Group's activities expose it to a number of financial risks including credit risk, 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 \$908,025 has been provided in respect of expected credit losses as at 31 December 2022 (31 December 2021: \$185,573). The Directors have considered the nature of the customers, the historic levels of bad debts and the payment profile of customer contracts in reaching the value of the expected credit losses above. Management have also considered the expected credit losses in relation to amounts owed from subsidiary undertakings and has considered it to be immaterial.

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

The Group is exposed to credit-related 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.

# NOTES TO THE FINANCIAL STATEMENTS

## 23. Financial instruments – Group and Company *continued*

### 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, whilst 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 number 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	
	2022 \$000	2021 \$000	2022 \$000	2021 \$000
Total equity	72,214	64,077	42,673	45,608
Cash and cash equivalents (Note 17)	(13,508)	(18,347)	(9,042)	(6,604)
Capital	58,706	45,730	33,631	39,004

	Group		Company	
	2022 \$000	2021 \$000	2022 \$000	2021 \$000
Total equity	72,214	64,077	42,673	45,608
Other financial liabilities (Note 18)	563	720	563	720
Total financing	72,777	64,797	43,236	46,328

### 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	
	2022 \$000	2021 \$000	2022 \$000	2021 \$000
Cash and cash equivalents	13,508	18,347	9,042	6,604
Trade and other receivables – non-current	712	336	-	18,798
Trade and other receivables – current	20,682	19,952	8,702	6,736
	<b>34,902</b>	<b>38,635</b>	<b>17,744</b>	<b>32,138</b>

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

	Group		Company	
	2022 \$000	2021 \$000	2022 \$000	2021 \$000
Australia	307	907	-	-
North America	15,163	8,352	-	-
Asia	1,509	1,448	-	1
Europe	4,339	8,871	-	-
Rest of World	76	710	-	-
	<b>21,394</b>	<b>20,288</b>	<b>-</b>	<b>1</b>

The Group's credit risk exposure in relation to trade receivables is set out in the provision matrix as follows:

	Current	1-30 days	31-60 days	61-90 days	91-120 days	>120 days	Total
At 31 December 2021	-	-	-	-	-	186	186
<b>At 31 December 2022</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>908</b>	<b>908</b>

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

	2022	2021
Beginning of financial year	186	147
Loss allowance recognised in profit or loss during the year	952	168
Release of loss allowance previously recognised	(230)	(129)
End of the financial year	<b>908</b>	<b>186</b>

## 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.

# NOTES TO THE FINANCIAL STATEMENTS

## 23. Financial instruments – Group and Company *continued*

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.

	Trade and Other Payables \$000	Loans and Borrowings \$000	Lease Liabilities \$000	Total \$000
<b>Group</b>				
<b>31 December 2022</b>				
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
<b>Group</b>				
<b>31 December 2021</b>				
Carrying amount	21,333	720	1,969	24,022
Contractual cash flows				
6 months or less	21,333	50	305	21,688
6 to 12 months	-	49	304	353
More than 12 months	-	621	1,360	1,981
	21,333	720	1,969	24,022
<b>Company</b>				
<b>31 December 2022</b>				
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
<b>Company</b>				
<b>31 December 2021</b>				
Carrying amount	20,052	720	1,019	21,791
Contractual cash flows				
6 months or less	20,052	50	176	20,278
6 to 12 months	-	49	175	224
More than 12 months	-	621	668	1,289
	20,052	720	1,019	21,791

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

	Group		Company	
	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000
<b>Current assets</b>				
Cash and cash equivalents	13,508	18,347	9,042	6,604
Trade and other receivables – non-current	712	336	–	18,798
Trade and other receivables – current	20,682	19,952	8,702	6,736
	<b>34,902</b>	<b>38,635</b>	<b>17,744</b>	<b>32,138</b>

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

<b>Current liabilities</b>				
Trade and other payables	(15,025)	(21,333)	(12,552)	(20,052)
Loans and borrowings	(90)	(99)	(90)	(99)
Lease liabilities	(562)	(609)	(329)	(351)
	<b>(15,677)</b>	<b>(22,041)</b>	<b>(12,971)</b>	<b>(20,502)</b>
<b>Non-current liabilities</b>				
Loans and borrowings	(473)	(621)	(473)	(621)
Lease liabilities	(1,271)	(1,360)	(441)	(668)
	<b>(17,421)</b>	<b>(24,022)</b>	<b>(13,885)</b>	<b>(21,791)</b>

All of the above relate to the IFRS 9 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:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- 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); and
- Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

As at 31 December 2022 \$'000	Level 1	Level 2	Level 3	Total
Derivative financial instruments	178	–	–	178
As at 31 December 2021 \$'000				
Derivative financial instruments	–	–	–	–

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.

# NOTES TO THE FINANCIAL STATEMENTS

## 23. Financial instruments – Group and Company continued

### 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	GBP	EUR	TWD	JPY	Total
<b>At 31 December 2022</b>						
<b>Financial assets</b>						
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
	<b>29,795</b>	<b>1,477</b>	<b>2,017</b>	<b>2,210</b>	<b>2,768</b>	<b>38,267</b>
<b>Financial liabilities</b>						
Loans and borrowings	-	-	-	(90)	-	(90)
Trade payables	(14,514)	(290)	(181)	(4)	(36)	(15,025)
Other payables	(1,164)	(1,972)	(510)	(1,670)	(97)	(5,413)
Lease liabilities	(123)	(73)	(8)	(329)	(29)	(562)
	<b>(15,801)</b>	<b>(2,335)</b>	<b>(699)</b>	<b>(2,093)</b>	<b>(162)</b>	<b>(21,090)</b>
<b>Net financial assets/(liabilities)</b>	<b>13,994</b>	<b>(858)</b>	<b>1,318</b>	<b>117</b>	<b>2,606</b>	<b>17,177</b>
Less: Currency forwards	-	4,465	-	-	-	4,465
<b>Currency profile</b>	<b>13,994</b>	<b>3,607</b>	<b>1,318</b>	<b>117</b>	<b>2,606</b>	<b>21,642</b>
Financial liabilities/(assets) denominated in the respective entities' functional currencies	(24,184)	-	(763)	(116)	(2,606)	(27,669)
<b>Currency exposure of financial assets/(liabilities)</b>	<b>(10,190)</b>	<b>3,607</b>	<b>555</b>	<b>1</b>	<b>-</b>	<b>(6,027)</b>



	USD	GBP	EUR	TWD	JPY	Total
<b>At 31 December 2021</b>						
<b>Financial assets</b>						
Trade receivables	17,816	153	1,330	1	988	20,288
Other receivables	385	533	346	1,295	449	3,008
Cash and cash equivalents	13,968	1,301	2,123	543	411	18,346
	<b>32,169</b>	<b>1,987</b>	<b>3,799</b>	<b>1,839</b>	<b>1,848</b>	<b>41,642</b>
<b>Financial liabilities</b>						
Loans and borrowings	-	-	-	(99)	-	(99)
Trade payables	(20,389)	(317)	(543)	(4)	(80)	(21,333)
Other payables	(1,210)	(1,300)	(279)	(1,343)	(45)	(4,177)
Lease liabilities	(107)	(85)	(23)	(351)	(42)	(608)
	<b>(21,706)</b>	<b>(1,702)</b>	<b>(845)</b>	<b>(1,797)</b>	<b>(167)</b>	<b>(26,217)</b>
<b>Net financial assets/(liabilities)</b>	<b>10,463</b>	<b>285</b>	<b>2,954</b>	<b>42</b>	<b>1,681</b>	<b>15,425</b>
Less: Currency forwards	-	-	-	-	-	-
<b>Currency profile</b>	<b>10,463</b>	<b>285</b>	<b>2,954</b>	<b>42</b>	<b>1,681</b>	<b>15,425</b>
Financial liabilities/(assets) denominated in the respective entities' functional currencies	(22,191)	-	(2,657)	(42)	(1,681)	(26,571)
<b>Currency exposure of financial assets/(liabilities)</b>	<b>(11,728)</b>	<b>285</b>	<b>297</b>	<b>-</b>	<b>-</b>	<b>(11,146)</b>

If the GBP and EUR change against USD by 10% and 11% respectively (2021: GBP -22%, EUR -4%) 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:

	2022 Profit after tax	2021 Profit after tax
<b>GBP against USD</b>		
- Strengthened	361	63
- Weakened	(361)	(63)
<b>EUR against USD</b>		
- Strengthened	61	11
- Weakened	(61)	(11)

# NOTES TO THE FINANCIAL STATEMENTS

## 23. Financial instruments – Group and Company continued

### 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 2022 were negligible due to the current economic climate (2021: 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 \$18,237 were incurred in 2022 (2021: \$197,073) on leases excluded because they are short-term (less than one year) or low value (asset is less than \$5,000). The following table summarises the IFRS 16 disclosures for the Group and Company:

\$000	Group		
	Land & Building	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	Group		
	Land & Building	Motor Vehicles	Total
2021			
Balance at 1 January	1,255	21	1,276
Additions to right-of-use assets	1,324	25	1,349
Depreciation charge	(683)	(18)	(701)
Balance at 31 December	1,896	28	1,924

\$000	Company	
	Land & Building	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

\$000	Company	
	Land & Building	Total
2021		
Balance at 1 January	200	200
Additions to right-of-use assets	1,233	1,233
Depreciation charge	(433)	(433)
Balance at 31 December	1,000	1,000

	Group		Company	
	2022 \$000	2021 \$000	2022 \$000	2021 \$000
<b>Profit &amp; Loss Account</b>				
Depreciation	660	701	413	433
Lease interest expenses	89	94	45	43
Expenses on excluded leases (short term or low value)	18	197	17	171

## 25. Commitments

The Group has entered into last time buy purchase orders with AMD, a key supplier. 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 \$8.4m, with payments running from Q4 2021 through to 2023.

## 26. Contingencies

Neither the Group nor Company had any contingencies existing at 31 December 2022 (2021: none).

# NOTES TO THE FINANCIAL STATEMENTS

## CONTINUED

## 27. Related parties

### Group

During the year, the Group paid €31,200 (2021: €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		Balance outstanding included in Trade and other receivables	
	2022 \$000	2021 \$000	2022 \$000	2021 \$000
<b>Income</b>				
Sales to other Group Companies	84,955	64,881	1,684	6,735
Dividend income in respect of legal restructure from other Group companies	-	-	-	15,008
Fees recharged to Group companies	3,278	-	3,278	-
<b>Other loan balance due from Group companies</b>				
Loan balances due from Group companies essentially related to funding to the establishment of overseas offices	-	-	3,216	3,575
<b>Expenses</b>				
Salary recharges from Group companies	-	94	-	-

## 28. Post balance sheet event

As a result of events subsequent to the balance sheet date, the consolidated statement of profit and loss includes a charge amounting to \$0.9m relating to uncertainty of the recoverability of balances owed by a customer. Further details are set out in Note 1 to these financial statements.

# COMPANY INFORMATION

<b>Directors</b>	F D Small N C L Jarmany G P Mullins J F Jayal G C van Zwanenberg J J Olivier D J Penny C Thompson
<b>Company Secretary</b>	S M Wallace
<b>Registered office</b>	Aisle Barn 100 High Street Balsham Cambridge CB21 4EP
<b>Auditor</b>	KPMG LLP Dragonfly House 2 Gilders Way Norwich NR3 1UB
<b>Nominated advisor and Broker</b>	Finncap 1 Bartholomew Close London EC1A 7BL
<b>Joint Broker</b>	Canaccord Genuity 88 Wood Street London EC2V 7QR
<b>Financial PR</b>	Alma PR 71-73 Carter Lane London EC4V 5EQ
<b>Registrars and CREST settlement agents</b>	Neville Registrars Neville House Steelpark Road Halesowen B62 8HD
<b>Registered number</b>	04316977
<b>Website</b>	<a href="http://www.quixantplc.com">www.quixantplc.com</a>
<b>Ticker</b>	London: QXT



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