QUIXANT PLC ANNUAL REPORT & ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2013

Quixant

CHIEF EXECUTIVE'S REPORT

I am pleased to report on a very successful first year on the AIM market for Quixant. I am delighted with the performance of the Company, the progress we have made over the past year and our positioning going into 2014. We have delivered growth in both revenue and profits through disciplined execution of our corporate strategy and have put in place the foundations for continued growth over future years as a public company.

During the year, we grew our revenue by 12% from $21.6m to $24.2m, adjusted EBITDA by 25% from $5.1m to $6.4m and our profit before tax by 20% from $5.0m to $6.0m. We have remained strongly cash generative, and during the year our operations generated cash of $2.5m, which, combined with proceeds from the issuance of new share capital at IPO of $5.9m ($4.8m after expenses), left the company with a healthy net cash balance of $4.9m at the end of the year. We have also made material investment into our business and grown our employee headcount from 50 to 63 over the year.

When we embarked on the process of listing Quixant on AIM one of the key drivers behind this decision was the Directors' view that the Company would benefit from the heightened profile, credibility and security it would offer among major customers and prospects, many of whom are large public listed companies. We have already seen evidence that the additional profile of the business following our AIM listing has reaped rewards in terms of the business opportunities which have evolved over 2013 and the recognition the Company has received by major game machine manufacturers.

Quixant's core products, highly optimised computer platforms which are designed to drive pay-to-play gaming machines, are a crucial and complex component within these machines and customers depend on us as a trusted supplier. Once our product has been designed into their machines customers require a stable supply for many years. They therefore place significant emphasis, as part of their due diligence process, on the long term stability of suppliers of these key components. We believe our listing on AIM gives them considerable comfort.

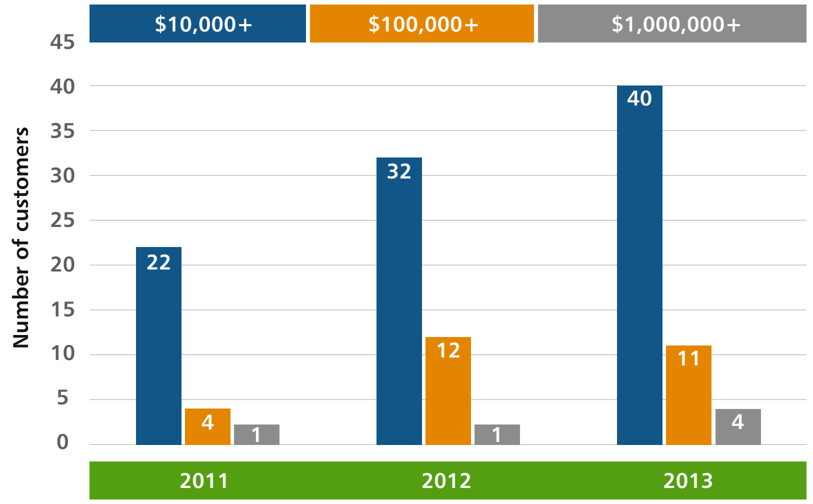
Dynamic towards outsourcing

Due to the specialist requirements of the gaming market historically many of the larger game machine manufacturers had no choice other than to develop their own computer platform technology in-house, and in doing so this could give them a competitive edge. However, Quixant's cutting edge computer platforms, which are specifically designed for gaming, enable game machine manufacturers to focus on developing the most popular games. The vital ingredient to ensuring a successful machine is manufacturers having better game revenues than their competitors, which is the principal metric that site owners assess in deciding which machines to install on their floors. It is therefore vitally important that manufacturers focus their resources on these key areas of game development and innovative cabinet design.

An outsourcing model provides many additional benefits, the commoditisation of the computer platforms providing all manufacturers, big and small, access to the same hardware technology.

Quixant Corporate Headquarters UK

Smaller manufacturers are already well progressed on the transition to outsourced computer platforms as they do not typically have the scale of R&D teams or the purchasing power to be able to develop or manufacture their own solutions.



Quixant's design expertise and knowledge of the global gaming market combined with our Far Eastern manufacturing capability enables us to deliver platforms that provide optimised solutions using the latest technology which are cost competitive compared to the in-house alternative. Quixant's market opportunity is therefore driving this trend for outsourcing with the larger, global game machine manufacturers.

Broadened customer base

During 2013, we made good progress in penetrating and securing new major customers. An analysis of our customer revenue attribution reveals an increase in the number of customers contributing over $1 million revenue from one to four in the year. We have also increased our total number of customers from 63 to 82 in the year, demonstrating the strength of the sales pipeline and the headroom we have to materially grow our market share.

We classify our customers and prospects in terms of three tiers of manufacturer: "Tier 1" incorporates the largest gaming machine manufacturers, typically producing over 25,000 machines per annum. "Tier 2" typically produce between 5,000 and 25,000 machines per annum, and "Tier 3" typically produce less than 5,000 machines per annum. We completed the "design-in" of our products with two new "Tier 2" customers and commenced volume shipments during 2013. We also formalised our arrangement with one of these Tier 2 customers in December 2013 with the signing of a three year supply agreement.

Towards the latter part of the year we commenced the design-in process with another Tier 2 customer in Europe and delivered first product samples in early 2014. The design-in phase involves significant interaction between Quixant and customer engineering teams to evaluate our products' fit for their needs and aspects of our standard hardware and software are tailored to meet any unique requirements. Typically this design-in process takes several months but is a key part of Quixant's value proposition in serving not simply as a supplier but also as a collaborative development partner for customers.

ICE Totally Gaming ExCeL London

G2E Las Vegas

Marketing

We believe we have developed a strong brand in Quixant. It is our belief that the Quixant name can be developed to be synonymous with computer gaming platforms for driving pay-to-play gaming machines. We have spent considerable time in developing the brand in terms of product styling and presentation, marketing collateral and high quality, high profile presence at exhibitions globally.

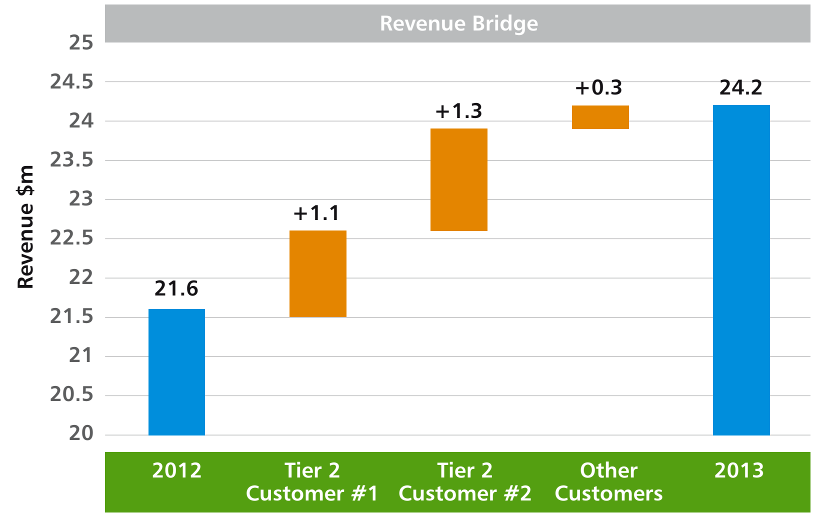
In 2013, we made significant investments in our presence at the two major global trade events: ICE Totally Gaming in London and G2E in Las Vegas with very positive results.

Current trading outlook

Quixant has grown strongly over the year but we still have a very small percentage of the total available market. Our confidence in the business model, the strength of our products and our scope to grow has meant we have always taken a long-term approach to the business. We believe by investing in being the leading supplier of computer platforms for gaming we will achieve much greater penetration in all tiers of customer on a global basis. Whilst there are cycles in individual markets there is no doubting the strength of the demand for gaming globally and the need of governments to collect taxes on gaming revenues. This combination ensures the long-term future of gaming. We shipped around 21,800 boards in 2013, up from around 18,500 in 2012. We believe there have typically been around 450,000-500,000 new or replacement machines installed in the market in recent years so we maintain less than a 5% market share.

The new financial year has started in line with expectations with volume sales commencing from one of our new Tier 2 customers. Our current order book is strong and as of the end of March 2014 was over double that as at end of March last year. We look forward to another year of strong growth.

Nicholas Jarmany **Chief Executive**



FINANCIAL REVIEW

Revenue

Revenues in 2013 grew to $24.2m (2012: $21.6m), with continued progress made in broadening our customer base. The greatest contribution to this growth was the commencement of volume shipments to the two new Tier 2 customers which each represented around 5% of total 2013 revenue. Sales to Ainsworth remained strong in the year, but the revenues developed from the Tier 2 customers resulted in Ainsworth's contribution to total revenue falling to 72%. The year followed our typical trend of being second half revenue weighted.

Profit

Adjusted EBITDA increased 25% to $6.4 million (2012: $5.1 million) and profit before tax increased 20% to $6.0 million (2012: $5.0 million) over 2013.

Whilst we invested in our people over 2013, increasing out headcount from 50 to 63, we successfully leveraged our resources to deliver profit growth in excess of revenues. We remain committed to continued investment in the business, and over 17% of gross profit was reinvested into product development expenses, which we believe is vital to ensure we maintain a market leading product portfolio. Of the development costs, $871,000 (2012: $410,000) was capitalised.

There was a tax charge for the year of $1.22m (2012: $1.20m). The Group takes advantage of tax reliefs available in respect of research and development expenditure. Deferred tax has been provided at 20% which is the expected rate applicable when these liabilities will crystallise.

Cash flow

Our business is cash generative and in 2013 we netted $2.5m of cash from operating activities (2012: $1.9m). Combined with the cash raised from new share issuance as part of the Company's flotation, we have a healthy cash balance of in excess of $7m with net cash of $4.9m. Our borrowings are low and primarily comprise mortgages on properties which house our operations.

The Group spent $1.9m on investing activities (2012: $1.0m), which was composed largely of our investment into an expanded and improved facility in North America, and

7 Creditors: amounts falling due after more than one year

	2013 $000	2012 $000
Bank loans	1,986	2,187

The bank loans are secured by a charge over the Company's freehold land and buildings and the personal guarantee of a Director.

The maturity analysis of bank loans is as follows:

	2013 $000	2012 $000
Within one year	173	92
In the second to fifth years	1,046	1,029
Over five years	940	1,158
	2,159	2,279

The interest rates and repayment terms of loans payable in more than 5 years are shown below:

Loan	Repayment Terms	Interest Rate	2013 $000	2012 $000
Property loan	2 year interest-only period, then repayable over 13 years	1.80%	940	1,158
			940	1,158

8 Provisions for liabilities

	Provision For Warranty Costs $000	Deferred Taxation $000
At beginning of year	124	15
Transfer to Quixant UK Limited	(124)	-
Charge to profit and loss for the year	-	15
At end of year	-	30

Analysis of deferred tax

	2013 $000	2012 $000
Difference between accumulated depreciation and amortisation and capital allowances	30	15

9 Called up share capital

Allotted, called up and fully paid shares

	2013 No.	2013 $000	2012 No.	2012 $000
At beginning of the year				
Ordinary shares of 5p each	276,000	27	276,000	27
Bonus issue of 828,000 shares of 5p each	828,000	63	-	-
20,000 shares of 5p each issued	20,000	1	-	-
	1,124,000	91	276,000	27
Share sub-division into 56,200,000 shares of 0.1p each	56,200,000			
8,434,782 ordinary shares of 0.1p issued	8,434,782	13	-	-
At 31 December	64,634,782	104	276,000	27

On 4 February 2013 a bonus issue of three shares for every one share held was awarded to the shareholders by a transfer from the share premium account to share capital of £41,400. In March 2013, a further issue of 20,000 ordinary shares was subscribed.

On 25 April 2013, the Company subdivided the existing 5p ordinary shares into 56,200,000 ordinary shares of £0.001 each.

On 21 May 2013 the Company was listed on the AIM market and issued an additional 8,434,782 ordinary shares of 0.1p for an aggregate consideration of £3,880,000 ($5,887,000). Share issue expenses totalling $1,134,000 were deducted from the share premium account.

Share based payments

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

Options have been issued over 1,895,200 shares, with an exercise price of £0.49. Options issued under the scheme expire 10 years from grant date.

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

	31 December 2013	31 December 2012
Fair value at grant date	£0.19	-
Share price	0.46p	-
Exercise price	0.49p	-
Expected volatility	50%	-
Expected option life	5 years	-
Risk-free interest rate	0.9%	-

The fair value at grant date of £0.19 was converted at the exchange rate on the grant date to give a fair value of $0.29 per option. The total amount recognised in the period in respect of share options is $113,000. Of this, $53,000 relates to options granted to employees of subsidiary companies as has been capitalised within the cost of investment as shown in Note 3. The remaining element of $60,000 has been recognised as an expense. There is no arrangement in place to recharge the cost of group share based payment arrangements between entities.