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Company Registration No. 3827293

AIXTRON LIMITED

Report and Financial Statements

31 December 2017

AIXTRON LIMITED

REPORT AND FINANCIAL STATEMENTS - 31 DECEMBER 2017

CONTENTS

AIXTRON LIMITED

OFFICERS AND PROFESSIONAL ADVISORS

DIRECTORS
Dr Bernd Schulte
Dr Felix Grawert

REGISTERED OFFICE
Anderson Road
Swavesey
Cambridge
CB24 4FQ

AUDITOR
Deloitte LLP
Statutory Auditor
Cambridge
United Kingdom

STRATEGIC REPORT

The directors present their strategic report for the year ended 31 December 2017. In preparing this strategic report the directors have complied with s414c of the Companies Act 2006.

BUSINESS REVIEW

The principal activity of the company is the manufacture, assembly and development of Chemical Vapour Deposition (CVD) equipment.

Aixtron's technology solutions are used by a diverse range of customers worldwide to build advanced components for electronic and opto-electronic applications based on compound, carbon or silicon materials. Such components are used in a broad range of innovative applications, technologies and industries. These include LED applications, display technologies, data storage, data transmission, energy management and conversion, communication, signalling and lighting as well as a range of other leading-edge technologies.

The company operates through the AIXTRON SE Group's sales and support organisations in Taiwan, China, South Korea, Japan, the USA and Germany as well as through distributors and agents in a number of countries.

The company continues to invest in research and development activities and offers a range of Metal-Organic Chemical Vapour Deposition (MOCVD) reactors which are based on the Close Coupled Showerhead (CCS) concept. Successful implementation of this technology has provided a wide range of susceptor-substrate options applicable to both research and development and high volume production of InP, GaAs and GaN materials.

Aixtron's product portfolio includes equipment based on AIXTRON Nanoinstruments "Black Magic" technology. These fully automated systems can operate in both thermal CVD and plasma enhanced CVD modes. This is highly important for carbon nanomaterials as it enables our equipment to produce virtually all variations and morphologies of carbon nanotubes and nanofibers.

For the deposition of III-V and II-VI semiconducting nanowires, systems based on CCS technology or Horizontal Flow reactor technology are used. These systems are capable of producing nanowires with sharp material transition interfaces along their axes, as well as coaxial nanowires.

As shown in the Income Statement, the company records revenue of £15.9 million (2016 - £17.7 million) and a profit before tax of £2.8 million (2016 - £3.1 million). The decrease in revenues of £1.8m is primarily due to the reduction in system shipments in the year. This has been offset by tight cost control in the year resulting in the decline in gross margin by £0.2m to £7.5m (2016 - £7.7m).

The year-on-year decline in profit before tax amounts to £0.3m, which is principally the result of the decline in gross margin, and increased administrative expenses of £0.1m to £4.8m (2016 - £4.7m). The increase in administrative expenses was a result of an increase in the number of employees in the year.

Aixtron Limited continues to utilise the patent box tax regime and RDEC tax scheme to support the high level of investment in technology research and design.

As shown on the balance sheet, the company has net assets of £10.6m (2016: £14.8m). This decrease of £4.2m is primarily due to the reduction in cash of £3.1m to £10.3m (2016: £13.4m). The decrease in cash was principally the result of operating cash inflows of £3.5m, offset by dividends of £6.6m.

The company's management uses key performance indicators (KPIs) to monitor the progress of the business.

KPIs	2017	2016
Sales per employee	£224k	£250k
Average number of employees	71	71
Operating margin	17.4%	17.3%
Net cash generation from operating activities	£3,492k	£4,868k

STRATEGIC REPORT

FUTURE DEVELOPMENTS

The directors believe the development of a sustainable LED lighting industry remains a significant medium and long term market opportunity. Additionally, the company continues to supply the research market. The present macro-economic climate has not favoured capital investment in MOCVD equipment; however, the directors remain clear that there is significant medium and long term demand for MOCVD equipment, and that Aixtron Limited remains the best supplier of that equipment. With the improving economic outlook, Aixtron Limited looks forward to the profitable growth of its core business.

PRINCIPAL RISKS AND UNCERTAINTIES

Competition risk
The company operates in a highly competitive market with significant product innovations. The company is subject to the threat of our competitors launching new products in our markets before we make corresponding updates and developments to our own range. This could render our products out of date and could result in rapid loss of market share. To reduce this risk, we invest in new product development to ensure that we have products at various stages of the product life cycle.

Warranty risk
The company's products have a high technical specification and have a 12 month warranty. The amount and timing of any warranty costs is inherently uncertain. Aixtron Limited regards quality as a key characteristic of our products. We maintain close control over the quality of our products; monitoring both inputs and outputs together with a comprehensive continuous improvement dialogue with our customers.

Foreign currency risk
The company has significant cash flows denominated in US dollars and Euros and, as such, is exposed to risks arising from the strength of sterling relative to the US dollar and Euro. To protect short-term cash flows against the high level of exchange rate risk, the company may use forward exchange contracts to hedge foreign exchange exposures arising on highly probable forecast US dollar and Euro receipts where management considers this prudent. However, these significant cash flows have not resulted in a significant foreign currency exposure and therefore no such forward exchange contracts were entered into in the current year or were outstanding at the balance sheet date. Please refer to note 16 of the financial statements where our financial risk management objectives and policies are described.

Credit risk
The company is subject to credit risk arising from its trade receivables. Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. In order to manage this risk, management regularly monitors all amounts that are owed to the company. Please refer to note 15 of the financial statements for further details.

Interest rate risk
Interest rate risk is split into two different types of risk - cash flow interest rate risk and fair value interest rate risk.

Cash flow interest rate risk is the risk that the future cash flows of financial instruments will fluctuate because of changes in market interest rates. As the company has variable rate bank deposits, it is exposed to cash flow interest rate risk.

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The company had no debt at the balance sheet date, so was not exposed to fair value interest rate risk.

As all trade and other payables and receivables are non-interest bearing, they do not expose the company to interest rate risk. The company does not use derivative instruments to hedge against interest rate risk.

Liquidity risk
Liquidity risk is the risk that the entity will encounter difficulty in raising funds to meet commitments associated with financial liabilities. This risk is managed through day to day monitoring of future cash flow requirements to ensure that the company has sufficient resources to repay all future amounts outstanding.

STRATEGIC REPORT

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

Going concern

The company's business activities, together with the factors likely to affect the future development, performance and financial position, along with the company's objectives, policies and processes for managing its exposures to financial risk are set out above. The directors have considered these risks and the effect of the current economic environment in its assessment of adopting the going concern basis of preparation in preparing these financial statements particularly surrounding volumes required by customers.

In making this assessment the directors have prepared cash flow forecasts for the foreseeable future which show that the company should be able to manage its working capital and existing resources to enable it to meet its liabilities as they fall due. The directors acknowledge that the impact of the current economic environment is uncertain and are managing this uncertainty and its impact on the forecasts on a regular basis.

This report was approved by the board of directors on 8 AUGUST 2018 and signed on its behalf by:

F Grawert
Director
Date: 8 AUGUST 2018

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 December 2017.

FINANCIAL INSTRUMENTS

Details of financial instruments can be found in the strategic report on page 3 and form part of this report by cross reference.

DIVIDENDS

One interim dividend of £6,611,605 (2016 - £1,309,973) was paid during the year. The directors do not recommend the payment of a final dividend (2016 - £nil).

RESEARCH AND DEVELOPMENT

The company continues to be committed to research and development in order to maintain its position in the market. The expenditure expensed for research in the year relates to investigation and development of new products and is included in note 6.

FUTURE DEVELOPMENTS

Details of future developments can be found in the strategic report on page 3 and form part of this report by cross reference.

CAPITAL STRUCTURE

Details of the authorised and issued share capital are shown in note 20. The company has one class of ordinary shares which carry no right to fixed income. Each share carries the right to one vote at general meetings of the company.

There are no specific restrictions on the size of a holding nor on the transfer of shares, which are both governed by the general provisions of the Articles of Association and prevailing legislation. The directors are not aware of any agreements between holders of the company's shares that may result in restrictions on the transfer of securities or on voting rights.

No person has any special rights of control over the company's share capital and all issued shares are fully paid.

With regard to the appointment and replacement of directors, the company is governed by its Articles of Association, the Companies Act and related legislation. The Articles themselves may be amended by special resolution of the shareholders.

Under its Articles of Association, the company has authority to issue 13,500,000 ordinary shares.

SHARE OPTIONS

No directors exercised share options in the year.

DIRECTORS

The directors, who served throughout the year and to the date of this report unless otherwise stated were as follows:

Dr Bernd Schulte
Martin Goetzeler (resigned 28 February 2017)
Kim Schindelhauer (appointed 1 March 2017; resigned 14 August 2017)
Dr Felix Grawert (appointed 14 August 2017)

DIRECTORS' REPORT

AUDITOR

Each of the persons who are directors at the date of approval of this annual report confirms that:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Deloitte LLP has expressed their willingness to continue in office as auditor and a resolution to reappoint them as auditor will be proposed at the forthcoming Annual General Meeting.

By order of the Board

F Grawert
Director
Date: 8 AUGUST 2018

DIRECTORS' RESPONSIBILITIES STATEMENT

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 company and of the profit or loss of the company for that period. In preparing these financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the company's ability to continue as a going concern.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AIXTRON LIMITED

Report on the audit of the financial statements

Opinion

In our opinion the financial statements:

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

We have audited the financial statements of Aixtron Limited (the 'company') which comprise:

- the income statement;
- the balance sheet;
- the statement of changes in equity;
- the cash flow statement; and
- the related notes 1 to 26.

The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs(UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AIXTRON LIMITED (continued)

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the 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 the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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 an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AIXTRON LIMITED (continued)

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report and the directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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 respect of these matters.

Julian Rae (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Cambridge, United Kingdom
10 August 2018

INCOME STATEMENT
Year ended 31 December 2017

	Note	2017 £	2016 £
Continuing operations			
Revenue	4,5	15,918,908	17,731,148
Cost of sales	6	(8,387,923)	(9,991,747)
Gross profit		7,530,985	7,739,401
Administrative expenses	6	(4,761,952)	(4,665,088)
Operating profit		2,769,033	3,074,313
Finance income	4,8	17,168	49,572
Finance costs	8	-	(882)
Profit before tax		2,786,201	3,123,003
Tax	9	(614,217)	(569,270)
Profit for the year	6,21	2,171,984	2,553,733
Attributable to:			
Owners of the Company		2,171,984	2,553,733

A statement of comprehensive income has not been presented, as all items of income and expenditure in the current year and preceding year are included in the income statement.

AIXTRON LIMITED

BALANCE SHEET
31 December 2017

	Note	2017 £	2016 £
Non-current assets			
Goodwill	11	5,678,719	5,678,719
Other intangible assets	12	14,170	66,082
Property, plant and equipment	13	527,127	672,318
Deferred tax asset	17	100,423	118,374
		6,320,439	6,535,493
Current assets			
Inventories	14	4,384,182	3,169,809
Trade and other receivables	15	1,486,076	4,974,319
Cash and cash equivalents	15	10,252,090	13,433,168
		16,122,348	21,577,296
Total assets		22,442,787	28,112,789
Current liabilities			
Trade and other payables	18	5,273,257	6,609,083
Current tax liabilities		32,585	5,533
Provisions	19	241,452	177,308
		5,547,294	6,791,924
Net current assets		10,575,054	14,785,372
Net assets		16,895,493	21,320,865
Equity			
Share capital	20	13,500,000	13,500,000
Retained profits	21	3,395,493	6,685,998
Reserve for share based payment	26	-	1,134,867
Total equity		16,895,493	21,320,865

The financial statements of Aixtron Limited, registered number 3827293, were approved by the board of directors and authorised for issue on 8 AUGUST 2018

They were signed on its behalf by:

F Grawert

Director

STATEMENT OF CHANGES IN EQUITY
Year ended 31 December 2017

	Share capital £	Retained profits £	Reserve for share based payments £	Total equity £
Balance at 1 January 2016	13,500,000	5,442,238	1,091,269	20,033,507
Profit for the year	-	2,553,733	-	2,553,733
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	-	2,553,733	-	2,553,733
Dividends (note 10)	-	(1,309,973)	-	(1,309,973)
Credit to equity for share based payments (note 26)	-	-	43,598	43,598
Balance at 31 December 2016	13,500,000	6,685,998	1,134,867	21,320,865
Profit for the year	-	2,171,984	-	2,171,984
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	-	2,171,984	-	2,171,984
Dividends (note 10)	-	(6,611,605)	-	(6,611,605)
Credit to equity for share based payments (note 26)	-	-	14,249	14,249
Transfer within equity	-	1,149,116	(1,149,116)	-
Balance at 31 December 2017	13,500,000	3,395,493	-	16,895,493

CASH FLOW STATEMENT
Year ended 31 December 2017

	Note	2017 £	2016 £
Net cash from operating activities	22	3,492,345	4,868,431
Investing activities			
Interest received		17,168	49,572
Purchases of property, plant and equipment		(64,411)	(33,219)
Purchases of other intangible assets		(14,575)	-
Net cash (used in) generated from investing activities		(61,818)	16,353
Financing activities			
Interest paid		-	(882)
Dividends paid		(6,611,605)	(1,309,973)
Net cash used in financing activities		(6,611,605)	(1,310,855)
Net (decrease) increase in cash and cash equivalents		(3,181,078)	3,573,929
Cash and cash equivalents at beginning of year		13,433,168	9,859,239
Cash and cash equivalents at end of year		10,252,090	13,433,168

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2017

1. GENERAL INFORMATION

Aixtron Limited is a company incorporated in the United Kingdom under the Companies Act. The Company is a private company limited by shares and is registered in England and Wales. The principal place of business and registered office is Buckingway Business Park, Anderson Road, Swavesey, Cambridge, Cambridgeshire CB24 4FQ. The nature of the company's operations and its principal activities are set out in the strategic report on page 2. The immediate and ultimate parent company is Aixtron SE, a company incorporated and domiciled in Germany and registered in the commercial register of the District Court ("Amtsgericht") of Aachen under HRB 16590.

These financial statements are presented in pounds sterling as that is the currency of the primary economic environment in which the company operates (its functional currency).

Adoption of new and revised standards

In the current year, the company has applied a number of amendments to IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2017. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses	*The company has adopted the amendments to IAS 12 for the first time in the current year. The amendments clarify how an entity should evaluate whether there will be sufficient future taxable profits against which it can utilise a deductible temporary difference. The application of these amendments has had no impact on the company's financial statements as the company already assesses the sufficiency of future taxable profits in a way that is consistent with these amendments.*
Annual Improvements to IFRSs 2014-2016 Cycle	*The company has adopted the amendments to IFRS 12 included in the Annual Improvements to IFRSs 2014 - 2016 Cycle for the first time in the current year. The other amendments included in this package are not yet mandatorily effective and they have not been early adopted by the company. IFRS 12 states that an entity need not provide summarised financial information for interests in subsidiaries, associates or joint ventures that are classified (or included in a disposal group that is classified) as held for sale. The amendments clarify that this is the only concession from the disclosure requirements of IFRS 12 for such interests.*

At the date of authorisation of these financial statements, the company has not applied the following new and revised IFRSs that have been issued but are not yet effective and had not yet been adopted by the EU:

IFRS 9	*Financial Instruments*
IFRS 15	*Revenue from Contracts with Customers (and the related Clarifications)*
IFRS 16	*Leases*
IFRS 17	*Insurance Contracts*
IFRS 2 (amendments)	*Classification and Measurement of Share-based Payment Transactions*
IFRS 4 (amendments)	*Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*
IAS 40 (amendments)	*Transfers of Investment Property*
Annual Improvements to IFRSs 2014 - 2016 Cycle	*Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards and IFRS 28 Investments in Associates and Joint Ventures*
IFRS 10 and IAS 28 (amendments)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
IFRIC 22	*Foreign Currency Transactions and Advanced Consideration*
IFRIC 23	*Uncertainty over Income Tax Treatments*

The directors do not expect that the adoption of the standards listed above will have a material impact on the financial statements of the company in future periods.

1. GENERAL INFORMATION (continued)

IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related Interpretations when it becomes effective for accounting periods beginning on or after 1 January 2016. The company is required to adopt IFRS 15 for the year ending 31 December 2018 and will adopt the modified retrospective approach without restatement of comparatives.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer.

Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

In April 2016, the IASB issued Clarifications to IFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The company recognises revenue from the following major sources:

- Sales of goods
- Income from services
- Licence fee income

The company intends to use the modified approach for transition and does not expect the impact of adopting IFRS 15 to be material to the financial statements.

IFRS 16 Leases

IFRS 16, which has not yet been endorsed by the EU, introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede the current lease guidance including IAS 17 Leases and the related interpretations when it becomes effective for accounting periods beginning on or after 1 January 2019. The company currently expects to adopt IFRS 16 for the year ending 31 December 2019. No decision has been made about whether to use any of the transitional options in IFRS 16.

IFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases (off balance sheet) and finance leases (on balance sheet) are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees (i.e. all on balance sheet) except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. Furthermore, the classification of cash flows will also be affected because operating lease payments under IAS 17 are presented as operating cash flows; whereas under the IFRS 16 model, the lease payments will be split into a principal and an interest portion which will be presented as financing and operating cash flows respectively.

1. GENERAL INFORMATION (continued)

IFRS 16 Leases (continued)

In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by IFRS 16.

As at 31 December 2017, the company has non-cancellable operating lease commitments of £1,643,375. IAS 17 does not require the recognition of any right-of-use asset or liability for future payments for these leases; instead, certain information is disclosed as operating lease commitments in note 23. A preliminary assessment indicates that these arrangements will meet the definition of a lease under IFRS 16, and hence the company will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of IFRS 16. The new requirement to recognise a right-of-use asset and a related lease liability is expected to have a significant impact on the amounts recognised in the company's financial statements and the directors are currently assessing its potential impact. It is not practicable to provide a reasonable estimate of the financial effect until the directors complete the review.

2. SIGNIFICANT ACCOUNTING POLICIES

Bases of accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted for use in the European Union.

The financial statements have been prepared using the historical cost convention, modified for certain items carried at fair value, as stated in the accounting policies. The principal accounting policies adopted are set out below.

Going concern

The company's business activities, together with the factors likely to affect the future development, performance and financial position, are set out in the Strategic Report on pages 2 to 4, along with the company's objectives, policies and processes for managing its exposures to financial risk. The directors have considered these risks and the effect of the current economic environment in its assessment of adopting the going concern basis of preparation in preparing these financial statements particularly surrounding volumes required by customers.

In making this assessment the directors have prepared cash flow forecasts for a period of no less than 12 months from the balance sheet date which show that the company should be able to manage its working capital and existing resources to enable it to meet its liabilities as they fall due. Based on these factors, the directors have a reasonable expectation that the company will be able to meet its liabilities as they fall due for a period of at least 12 months from the date of approval of these financial statements. Accordingly they have prepared these financial statements on the 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, net of discounts, VAT and other sales related taxes.

Revenue for the supply of equipment to customers is generally recognised in two stages, partly on delivery and partly on final installation and acceptance. The Company believes, based on past experience, that this method of recognising revenue fairly states the revenues of the Company. The judgements made by management include an assessment of the point at which substantially all of the risks and rewards of ownership have passed to the customer.

Revenue is generated from the sale and installation of equipment, spare parts and maintenance services and is recognised when the Company satisfies a performance obligation by transferring goods or services to the customer and it is probable that the economic benefits associated with the transaction will flow to the entity.

The sale of equipment involves customer acceptance tests at the production facility. After successful completion of this test, the equipment is dismantled and packaged for shipment. Upon arrival at the customer site the equipment is reassembled and installed, which is a service generally performed by AIXTRON engineers.

Revenues from the sale of products that have been demonstrated to meet product specification requirements are recognised upon shipment to the customer, if full customer acceptance tests have been successfully completed at the production facility and the significant risks and rewards of ownership has passed to the customer and the customer can benefit from the products either on its own or with other resources that are readily available.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Revenue relating to the installation of the equipment at the customer's site is recognised when the installation is completed and the final customer acceptance has been confirmed.

The portion of the contract revenue related to equipment deferred until completion of the installation services is determined based on either the fair value of the installation services or, if the company determines that there may be a risk that the economic benefits of installation services may not flow to the Company, the portion of the contract amount that is due and payable upon completion of the installation.

Fair value of the installation services is determined based on the price that would be received in an orderly transaction in the principal market for such equipment at the measurement date under current market conditions.

Revenue related to products where meeting the product specification requirements has not yet been demonstrated or the customer cannot benefit from the product either on its own or with other resources that are readily available, or where specific rights of return have been negotiated, is recognised only upon final customer acceptance.

Revenue on the sale of spare parts is recognised when title and risk passes to the customer, generally upon shipment.

Revenue from maintenance services is recognised as the services are provided.

The consideration from contracts which include combinations of different performance obligations such as equipment, spares and services is allocated to each performance obligation in an amount that depicts the amount of consideration to which the company expects to be entitled in exchange for transferring the goods or services to the customer. The company uses a combination of methods such as an estimated cost plus margin approach, and allocating discounts proportionately to each performance obligation when determining the consideration for each performance obligation.

Licence fee income

Licence fee income is recognised on an accruals basis in accordance with the substance of the relevant agreement (provided that it is probable that the economic benefits will flow to the company and the amount of income can be measured reliably).

Goodwill

Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the company's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the company's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2017

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment

Property, plant and equipment is stated at cost, net of depreciation and any provision for impairment. Depreciation is provided on cost less residual value in equal annual instalments over the estimated useful lives of the assets. The rates of depreciation are as follows:

Leasehold property and improvements	Remaining period of the lease
Motor vehicles	33% per annum
Office equipment, fixtures and fittings	10% - 33% per annum
Plant and equipment	10% - 33% per annum

No depreciation is provided on assets in the course of construction.

Internally-generated intangible assets - research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if all of the following conditions have been demonstrated:

- 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;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above.

Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Patents, know-how and software

Patents and know-how are measured initially at fair value at the date of their acquisition and are amortised on a straight-line basis over their estimated useful lives which do not exceed the remaining life of the patent registrations. Software is also measured initially at purchase cost and is depreciated over its estimated useful life, which is on average three years.

Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs. An intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. 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 which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of tangible and intangible assets excluding goodwill (continued)

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Operating lease rentals are charged to the profit and loss account in equal amounts over the lease term.

Operating profit

Operating profit is stated before investment income and finance costs.

Taxation

The tax expense represents the sum of current tax payable and deferred tax.

The current tax payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally 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 arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the company intends to settle its current tax assets and liabilities on a net basis.

Government grants

Government grants are not recognised until there is reasonable assurance that the company will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit and loss on a systematic basis over the periods in which the company recognises as expenses the related costs for which the grants are intended to compensate.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

Transactions in currencies other than the company's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

In order to hedge its exposure to certain foreign exchange risks, the company may enter into forward contracts and options (see below for details of the company's accounting policies in respect of such derivative financial instruments).

Provisions

Provisions are recognised when the company has a present obligation as a result of a past event and it is probable that the company will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date.

Retirement benefit costs

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

Financial instruments

Financial assets and financial liabilities are recognised on the company's balance sheet when the company becomes a party to the contractual provisions of the instrument.

Financial assets at FVTPL

Financial assets are classified as at fair value through the profit and loss account (FVTPL) where the asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near future; or
- it is part of an identified portfolio of financial instruments that the company manages together and has a recent actual pattern of short-term profit taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance evaluated on a fair value basis, in accordance with the Aixtron Group's risk management or investment strategy, and information about the group is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 *Financial Instruments: Recognition and Measurement* permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset. The fair value of foreign currency contracts is measured using market values provided by the company's bankers as at the balance sheet date.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Loans and trade receivables

Trade receivables and other receivables that have fixed or determinable payments that are not quoted on an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest rate method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the expected credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account.

When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all its liabilities. Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities are classified as either financial liabilities "at FVTPL" or "other financial liabilities".

Financial liabilities are classified as at FVTPL where the liability is either held for trading or it is designated as at FVTPL.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest rate method, with interest expense recognised on an effective yield basis. The effective interest rate method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Share based payments

The company's parent company issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the company's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions. The fair value of the employees' services received in exchange for the grant of options is recognised as an expense and additionally as a contribution to equity from the parent company.

Fair value is measured by use of a binomial model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

A liability equal to the portion of the goods or services received is recognised at the current fair value determined at each balance sheet date for cash-settled, share-based payments.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the company's accounting policies, which are described in note 2, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the Company's accounting policies

Critical judgements have been identified in respect of estimations that the directors have made in the process of applying the company's accounting policies. These have been discussed separately below.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Valuation of inventories

Inventories are stated at the lower of cost and net realisable value. This requires the directors to make judgements concerning the obsolescence of materials. Allowance for slow moving, excess and obsolete, and otherwise unsaleable inventory is recorded based primarily on either estimated forecast of product demand and production requirement or historical usage. When the estimated future demand is less than the inventory, the Company writes down such inventories. The carrying amount of inventories is disclosed in note 14.

As disclosed in note 6, the company incurred expenses of £nil (2016: £608,063) arising mainly from changes to past assumptions concerning net realizable value of inventories and excess and obsolete inventories. In future periods, write-downs of inventory may be necessary due to (1) reduced demand in the markets in which the company operates, (2) rapid movements of new products and technological improvements, or (3) changes in economic or other events and conditions that impact the market price for the company's products. These factors could result in adjustment to the valuation of inventory in future periods, and significantly impact the company's operating profits.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2017

4. REVENUE

An analysis of the company's revenue is as follows:

	2017	2016
	£	£
Continuing operations		
Sales of goods	13,596,588	15,371,552
Income from services	2,322,320	2,133,076
Licence fee income	-	226,520
	15,918,908	17,731,148
Other Operating Income		
Investment income	17,168	49,572
	15,936,076	17,780,720

5. GEOGRAPHIC SEGMENTS

The company's operations and assets are located in the UK. The following table provides an analysis of the company's sales by geographical market, irrespective of the origin of the goods/services:

	2017	2016
	£	£
UK	97,755	993,759
Germany	4,445,103	4,301,656
Rest of Europe	3,809,256	2,812,216
USA	268,670	1,055,105
Asia and Rest of the World	7,298,124	8,568,412
	15,918,908	17,731,148

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2017

6. PROFIT FOR THE YEAR

	2017	2016
	£	£
Profit for the year is arrived at after charging (crediting):		
Research and development costs	3,300,213	3,139,461
Government grants towards development projects	(645,138)	(745,945)
Depreciation of property, plant and equipment – included within cost of sales	79,973	93,992
Depreciation of property, plant and equipment – included within administrative expenses	129,629	205,229
Loss on disposal of property, plant and equipment	-	1,913
Amortisation of intangible assets – included within administrative expenses	66,487	88,110
Cost of inventories recognised as expense	5,272,736	6,123,378
Write down of inventories	(111,441)	608,063
Staff costs (see note 7)	4,162,071	3,971,737
Net foreign exchange gains	(37,500)	(219,454)

	2017	2016
The analysis of auditor's remuneration is as follows:		
Fees payable to the company's auditor for the audit of the company's annual accounts	43,590	61,050
Other services		
Tax compliance	-	22,450

7. STAFF COSTS

	2017	2016
	No	No
The average monthly number of employees (including executive directors) was:		
Direct	33	34
Administration, R&D and sales	38	37
	71	71
	£	£
Their aggregate remuneration comprised:		
Wages and salaries	3,449,703	3,283,724
Social security costs	363,789	331,794
Other pension costs	334,330	312,621
Share-based payments (see note 26)	14,249	43,598
	4,162,071	3,971,737

Remuneration of the company's directors and key management is disclosed in note 25.

Retirement benefits schemes - defined contribution schemes

The company operates defined contribution retirement benefit schemes (group personal pension schemes) for all qualifying employees. The assets of the schemes are held separately from those of the company.

8. INVESTMENT REVENUE AND FINANCE COSTS

	2017	2016
	£	£
Interest on bank deposits	17,168	49,572
Bank interest payable	-	882

9. TAX

	2017	2016
	£	£
Current tax		
United Kingdom corporation tax at blended standard rate of 19.25% (2016 - 20%)	(501,205)	(565,013)
Adjustment in respect of prior years	(95,061)	(25,063)
Total current tax	(596,266)	(590,076)
Deferred tax		
Origination and reversal of timing differences	(17,951)	20,806
	(614,217)	(569,270)

Corporation tax is calculated at 19.25% (2016 - 20%) of the estimated assessable profit for the year. Deferred tax liabilities are calculated at 17% (2016 - 20%).

The charge for the year can be reconciled to the profit per the income statement as follows:

	2017	2017	2016	2016
	%	£	%	£
Profit before tax	100.0	2,786,201	100.0	3,123,003
Tax at the UK corporation blended standard tax rate of 19.25% (2016 - 20%)	19.25	536,344	20.0	624,601
Factors affecting charge for the year:				
Expenses not deductible for tax purposes	0.20	5,497	0.3	9,725
Prior year adjustment	3.40	95,061	0.8	25,063
Patent box	(1.38)	(38,578)	(2.2)	(66,980)
Other differences	0.57	15,893	(0.7)	(23,139)
Tax expense and effective tax rate for the year	22.04	614,217	18.2	569,270

In recent years the UK Government has steadily reduced the rate of UK corporation tax, with the latest rates substantively enacted by the balance sheet date being 20% with effect from 1 April 2015, 19% effective from 1 April 2017 and 17% effective from 1 April 2020. The closing deferred tax assets and liabilities have been calculated at 17%, on the basis that this is the rate at which those assets and liabilities are expected to unwind.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2017

10. DIVIDENDS

	2017	2016
	£	£
Amounts recognised as distributions to equity holders in the year:		
Interim dividends for the year ended 31 December 2017 of £0.49 per share (2016 - £0.10 per share).	6,611,605	1,309,973

11. GOODWILL

	2017	2016
	£	£
Cost and carrying amount		
At 1 January and 31 December	5,678,719	5,678,719

The company tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired.

The company is required to allocate goodwill against each cash generating unit ('CGU') and then compile value in use calculations for each CGU. The company is regarded as one cash generating unit for the value in use calculation. The recoverable amount is determined from a value in use calculation. The value in use calculation is derived from the most recent financial budget approved by the Executive Board of Aixtron SE and covers a period of one year, therefore no growth rate or discount rate has been used in this calculation. The key assumptions for the fair value less cost to sell calculation are expected changes to selling prices and direct costs during the period and are management's expectations of future changes in the market.

Based on all of the above the directors have concluded that no impairment of goodwill is required to be recorded.

12. OTHER INTANGIBLE ASSETS

	Patents, products and know-how	Software	Total
	£	£	£
Cost			
At 1 January 2016 and 31 December 2016	2,491,894	25,785	2,517,679
Additions	-	14,575	14,575
At 31 December 2017	2,491,894	40,360	2,532,254
Accumulated amortisation and impairment			
At 1 January 2016	2,337,702	25,785	2,363,487
Charge for year	88,110	-	88,110
At 31 December 2016	2,425,812	25,785	2,451,597
Charge for year	66,082	405	66,487
At 31 December 2017	2,491,894	26,190	2,518,084
Carrying amount			
At 31 December 2017	-	14,170	14,170
At 31 December 2016	66,082	-	66,082

At 31 December 2017, the company had no contractual commitments for the acquisition of other intangible assets (2016 - £nil).

13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold property and imp-rovements	Motor vehicles	Office equipment, fixtures and fittings	Plant and equipment	Assets in the course of construc-tion	Total
	£	£	£	£	£	£
Cost						
At 1 January 2016	1,816,291	29,105	645,031	3,048,685	8,124	5,547,236
Additions	-	-	4,725	17,345	11,149	33,219
Transfers	-	-	1,209	6,915	(8,124)	-
Disposals	-	-	-	(321,031)	-	(321,031)
At 31 December 2016	1,816,291	29,105	650,965	2,751,914	11,149	5,259,424
Additions	9,636	-	4,005	48,130	2,640	64,411
Transfers	1,390	-	9,759	-	(11,149)	-
Disposals	(73,575)	-	(68,527)	(839,031)	-	(981,133)
At 31 December 2017	1,753,742	29,105	596,202	1,961,013	2,640	4,342,702
Accumulated depreciation						
At 1 January 2016	1,332,583	18,657	625,613	2,630,150	-	4,607,003
Charge for the year	95,729	5,970	19,656	177,866	-	299,221
Disposals	-	-	-	(319,118)	-	(319,118)
At 31 December 2016	1,428,312	24,627	645,269	2,488,898	-	4,587,106
Charge for the year	97,762	4,478	5,960	101,402	-	209,602
Disposals	(73,575)	-	(68,527)	(839,031)	-	(981,133)
At 31 December 2017	1,452,499	29,105	582,702	1,751,269	-	3,815,575
Carrying amount						
At 31 December 2017	301,243	-	13,500	209,744	2,640	527,127
At 31 December 2016	387,979	4,478	5,696	263,016	11,149	672,318

At 31 December 2017, the company had no contractual commitments for the acquisition of property, plant and equipment (2016 - £nil).

14. INVENTORIES

	2017	2016
	£	£
Raw materials	1,618,866	1,585,873
Work in progress	2,765,316	1,581,548
Finished goods	-	2,388
	4,384,182	3,169,809

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2017

15. OTHER FINANCIAL ASSETS

Trade and other receivables

	2017 £	2016 £
Amounts falling due within one year:		
Amount receivable for the sale of goods and services	382,079	3,506,109
Allowance for doubtful debts	(18,491)	-
	363,588	3,506,109
Amounts due from group undertakings	894,044	1,041,273
VAT receivable	-	147,783
Other debtors	66,342	24,657
Prepayments	162,102	254,497
	1,486,076	4,974,319

All trade and other receivables are short term and are non-interest bearing. No disclosure of fair value is required as the carrying amount is a reasonable approximation of fair value.

The average credit period taken on sales of goods is 29 days (2016 - 94 days). No interest is charged on receivables. Trade receivables that are past due are provided for based on estimated irrecoverable amounts determined by reference to past default experience or if there is an indication that the amount receivable may be impaired.

The company is exposed to credit risk from the granting of trade credit for sales to customers. The company mitigates this credit risk by obtaining payments in advance from customers for orders for equipment. In addition, a majority of sales contracts for equipment involve the customer providing a letter of credit as the method of payment.

Significant customer balance at year end:

	2017 %	2016 %
Customer A	51	-
Customer B	19	22
Customer C	10	-
Customer D	9	24
Customer E	-	17
Customer F	-	15

No other customers had balances of more than 10%. In determining concentrations of credit risk the company defines counterparties as having similar characteristics if they are connected entities.

Included in the company's trade receivables balance are debtors with a carrying amount of £158,050 (2016 - £687,567) which are past due at the reporting date for which the company has not provided as there has not been a significant change in the credit quality and the amounts are still considered recoverable. The company does not hold collateral over these balances.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2017

15. OTHER FINANCIAL ASSETS (continued)

Trade and other receivables (continued)

Receivables from the sale of goods can be analysed as follows:

	2017 £	2016 £
Amount receivable not past due	1,099,582	3,859,815
Amount receivable past due but not impaired	158,050	687,567
Amount receivable impaired (gross)	18,491	-
Less impairment	(18,491)	-
Total	1,257,632	4,547,382

Ageing of past due but not impaired receivables is as follows:

	2017 £	2016 £
1-90 days past due	106,296	672,379
More than 90 days past due	51,754	15,188
	158,050	687,567

Movement in the allowance for doubtful debts:

	2017 £	2016 £
Balance at the beginning of the year	-	5,073
Impairment losses recognised	18,491	-
Impairment losses reversed	-	(5,073)
Balance at the end of the year	18,491	-

Bank balances and cash comprise cash held by the company and short term deposits with an original term of three months or less and interest is calculated by reference to LIBOR. The carrying amounts of these assets approximates to their fair value. As such no disclosure of fair value is required.

Credit risk

The credit risk on liquid funds and derivative financial instruments is limited because the counterparty, Lloyds Banking Group plc, is a bank with a high credit rating.

Capital and liquidity risk management

The company manages its capital to ensure that it will be able to continue as a going concern. At both 31 December 2017 and 31 December 2016 the company had no borrowings and adequate cash and cash equivalent resources. Aixtron Limited is part of the Aixtron SE Group and any requirements for additional funding would be met through borrowings from Aixtron SE.

Externally imposed capital requirement

The company is not subject to externally imposed capital requirements.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2017

16. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2017	2016
	£	£
Financial assets		
Loans and receivables	1,342,465	4,572,039
Cash and cash equivalents	10,252,090	13,433,168
	11,594,555	18,005,207
Financial liabilities		
Trade and other payables at amortised cost	(5,273,257)	(6,609,083)

Financial risk management objectives

The Aixtron Group's central management co-ordinates access to domestic and international financial institutions and monitors and manages the financial risks relating to the operations of the Group, including Aixtron Limited, through internal risk reports which analyse exposure to risk by likelihood and magnitude. These risks cover all aspects of the business, including financial risks, and the risk management system is in accordance with the corporate governance recommendations specified in the German Corporate Governance Code.

The company seeks to minimise the effects of foreign exchange risk and may use derivative financial instruments to hedge its exposure. Any such use of these instruments is governed by the Aixtron SE Group's policies which are approved by the Group's central management. Exposure to foreign exchange risk and the use of financial instruments is monitored by regular reporting to Aixtron SE. The company does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

Market risk

The company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rate risks. The company does not use derivative financial instruments to manage its exposure to interest rate risk. Cash deposits are made with the company's bankers at the market rates prevailing at inception of the deposit for the period and currency concerned. The company may enter into a variety of derivative financial instruments to manage its exposure to foreign currency risk, including forward foreign exchange contracts, to hedge the exchange rate risk arising on the export of goods. However, no such instruments were entered into in the current year.

Foreign currency risk management

The company undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise. Exchange rate exposures to Euro and US dollar exchange rates are managed by using Euro and US dollar denominated bank accounts. The company may also use forward foreign exchange contracts, although no such instruments were entered into in the current year.

The carrying amounts of the company's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Liabilities		Assets	
	2017	2016	2017	2016
	£	£	£	£
US dollars	879,622	1,802,438	1,741,660	2,639,289
Euros	2,953,725	3,524,227	5,562,533	6,280,914
	3,833,347	5,326,665	7,304,193	8,920,203

16. FINANCIAL INSTRUMENTS (continued)

Foreign currency sensitivity analysis

At 31 December 2017, the company is mainly exposed to Euro exchange rate risk through sales to the European market and to Aixtron SE.

The following table details the company's sensitivity analysis to a 10% increase in the value of sterling against the Euro. 10% is the sensitivity rate used when reporting foreign currency risk internally to management and represents management's assessment of the reasonably possible change in foreign exchange rates. A positive number below indicates an increase in profit and other equity, a negative number indicates a reduction in profit and other equity.

	2017 £	2016 £
Profit or loss	(210,661)	(220,535)
Other equity	-	-

The reasons for the impact on profit or loss is because of a reduction in Euro denominated net assets of £260,881 (2016 - £275,669) and a tax effect of £50,220 (2016 - £55,134).

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

Forward foreign exchange contracts

The company may enter into forward foreign exchange contracts according to the group treasury policy. However, it did not enter into any such contracts in the current year.

Interest rate risk management

The company is not exposed to interest rate risk as it had no interest bearing financial liabilities at either balance sheet date. The company receives interest on its cash and cash equivalents.

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the company's short, medium and long-term funding and liquidity management requirements. The company manages liquidity risk by maintaining adequate reserves, banking facilities and by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Liquidity and interest risk tables

At 31 December 2017 and 31 December 2016 the company had no interest bearing financial liabilities.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2017

17. DEFERRED TAX

The following are major deferred tax liabilities and assets recognised by the company and movements thereon during the current and prior reporting period.

	Business combinations £	Decelerated tax depreciation £	Pensions £	Total £
At 1 January 2016	(27,307)	118,116	6,759	97,568
Credit to income	16,739	2,689	1,378	20,806
At 31 December 2016	(10,568)	120,805	8,137	118,374
Credit/ (charge) to income	12,256	(29,648)	(559)	(17,951)
At 31 December 2017	1,688	91,157	7,578	100,423

Certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes.

	2017 £	2016 £
Deferred tax asset	100,423	118,374

18. OTHER FINANCIAL LIABILITIES

Trade and other payables

	2017 £	2016 £
Amounts falling due within one year:		
Trade creditors	339,012	528,220
Amounts due to group undertakings	1,539,721	2,094,183
Advance payments from customers	2,812,993	3,456,976
Other taxes and social security	108,387	90,576
Accruals and deferred income	429,002	439,128
VAT payable	44,142	-
	5,273,257	6,609,083

Trade creditors and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 10 days (2016 - 15 days) and these are non-interest bearing.

The directors consider that the carrying amount of trade payables approximates to their fair value; as such no disclosure of fair value is required.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2017

19. PROVISIONS

	Warranty provision £	Other £	Total £
At 1 January 2017	177,308	-	177,308
Additional provision in the year	141,328	118,870	260,198
Utilisation of provision	(196,054)	-	(196,054)
At 31 December 2017	122,582	118,870	241,452

The warranty provision represents management's best estimate of the company's liability under warranties granted on equipment sold to customers, based on past experience.

Other provisions mainly consist of provisions associated with contracts where the unavoidable costs of meeting the contract obligations exceed the economic benefits expected to be received.

Both warranty and other provisions are expected to crystallise within 12 months, being the period in which the underlying transactions and events will arise.

20. CALLED UP SHARE CAPITAL

	2017 £	2016 £
Authorised		
13,500,000 ordinary shares of £1 each	13,500,000	13,500,000
Called up, allotted and fully paid		
13,500,000 ordinary shares of £1 each	13,500,000	13,500,000

The company has one class of ordinary shares which carry no right to fixed income.

21. RETAINED PROFITS

	2017 £	2016 £
Balance at 1 January	6,685,998	5,442,238
Dividends (note 10)	(6,611,605)	(1,309,973)
Profit for the financial year	2,171,984	2,553,733
Transfer within equity	1,149,116	-
Balance at 31 December	3,395,493	6,685,998

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2017

22. NOTES TO THE CASH FLOW STATEMENT

	2017 £	2016 £
Operating profit from continuing operations	2,769,033	3,074,313
Adjustments for:		
Depreciation of property, plant and equipment	209,602	299,221
Amortisation of intangible assets	66,487	88,110
Loss on disposal of plant and equipment	-	1,913
Increase / (decrease) in provisions	64,144	(386,102)
Share based payment expense	14,249	43,598
Operating cash flows before movements in working capital	3,123,515	3,121,053
(Increase) / decrease in inventories	(1,214,373)	143,167
Decrease / (increase) in receivables	3,488,243	(778,918)
(Decrease) / increase in payables	(1,335,826)	1,518,384
Cash generated by operations	4,061,559	4,003,686
Taxation	(425,520)	(250,000)
Research and Development Expenditure Credit	(143,694)	(100,000)
Patent box tax repayment	-	1,214,745
Net cash from operating activities	3,492,345	4,868,431

Cash and cash equivalents (which are presented as a single class of assets on the face of the balance sheet) comprise cash at bank and other short term highly liquid investments with a maturity of three months or less.

23. OPERATING LEASE ARRANGEMENTS

	2017 £	2016 £
Minimum lease payments under operating leases recognised in the income statement for the year	301,232	300,314

At the balance sheet date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Land and buildings	
	2017 £	2016 £
Within one year	319,750	298,000
In the second to fifth years inclusive	954,375	586,750
After five years	369,250	-
	1,643,375	884,750

Operating lease payments represent rentals payable by the company for its premises. The main lease expires in 2024.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2017

24. ULTIMATE HOLDING COMPANY

The immediate and ultimate parent company and controlling party is Aixtron SE, a company registered in Germany, and is the smallest and largest group into which the results of Aixtron Limited are consolidated.

The consolidated financial statements of AIXTRON SE are publicly available from Dornkaulstraße 2, 52134 Herzogenrath, Germany and a copy may be downloaded from the company website: http://www.aixtron.com/en/investors/financial-reports/.

25. RELATED PARTY TRANSACTIONS

Trading transactions

During the year the company entered into the following transactions with related parties who are members of the Aixtron SE Group:

Related party	Nature of transaction	Sales to related parties 2017 £	Sales to related parties 2016 £	Purchases from related parties 2017 £	Purchases from related parties 2016 £
Aixtron SE	Goods and services	3,963,399	3,136,257	1,500,011	2,243,652
Aixtron Inc.	Goods and services	268,670	1,055,105	8,929	30,501
Other fellow subsidiaries of Aixtron SE	Goods and services	27,814	721,992	54,107	131,107
		4,259,883	4,913,354	1,563,047	2,405,260

		Amounts owed by related parties 2017 £	Amounts owed by related parties 2016 £	Amounts owed to related parties 2017 £	Amounts owed to related parties 2016 £
Aixtron SE	Goods and services	654,399	-	1,538,658	2,083,930
Aixtron Inc.	Goods and services	239,645	1,018,577	-	5,755
Fellow subsidiaries of Aixtron SE	Goods and services	-	22,696	1,063	4,498
		894,044	1,041,273	1,539,721	2,094,183

Sales of goods to related parties were made at arm's length prices. Purchases were made at market price discounted to reflect the quantity of goods purchased and the relationships between the parties.

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No provisions have been made for doubtful debts in respect of the amounts owed by related parties.

Remuneration of key management personnel

The remuneration of the directors of the company is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures.

Related party	Nature of transaction	2017 £	2016 £
Directors	Short term employee benefits	-	-

All strategic decisions are made by the Executive Board who are remunerated by the ultimate parent company, therefore there are no remunerations for key management personnel within the company.

At 31 December 2017, none of the directors received any post-retirement benefits or share-based payments for their services to the company (2016 - £nil).

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2017

26. SHARE BASED PAYMENTS

Employees of the company participate in stock option plans of Aixtron SE. Aixtron SE has different fixed option plans which reserve shares of common stock for issuance to members of the Executive Board, management and employees of the group. The following is a description of these plans:

AIXTRON STOCK OPTION PLAN 2007

In May 2007, options were authorised to purchase 3,919,374 shares of common stock. 50% of the granted options may be executed after a waiting period of not less than two years, further 25% after three years and the remaining 25% after at least four years. The options expire 10 years after they have been granted. Under the terms of the 2007 plan, options were granted at prices equal to the average closing price over the last 20 trading days on the Frankfurt Stock Exchange before the grant date, plus 20%. Options to purchase 42,350 common shares were outstanding under this plan as of 31 December 2017 (2016 – 42,350).

AIXTRON STOCK OPTION PLAN 2012

In May 2012, options were authorised to purchase shares of common stock. The granted options may be exercised after a waiting period of not less than four years. The options expire 10 years after they have been granted. Under the terms of the 2012 plan, options are granted at prices equal to the average closing price over the last 20 trading days on the Frankfurt Stock Exchange before the grant date, plus 30%. Options to purchase 56,800 were outstanding under this plan as of 31 December 2017 (2016 - 60,200).

AIXTRON share options	Number of shares 2017	Average exercise price (EUR) 2017	Number of shares 2016	Average exercise price (EUR) 2016
Balance at 1 January	102,550	18.43	119,175	17.20
Granted during the year	-	-	-	-
Exercised during the year	-	-	(5,825)	3.83
Forfeited during the year	(3,400)	13.14	(10,800)	12.73
Outstanding at 31 December	99,150	18.61	102,550	18.43
Exercisable at 31 December	42,350	25.95	42,350	25.95

ASSUMPTIONS USED TO CALCULATE FAIR VALUES AND SHARE-BASED PAYMENT EXPENSES

The fair value of services received in return for stock options granted is measured by reference to the fair value of the stock options granted. The fair value of the stock options is determined on the basis of a mathematical model. In accordance with IFRS 2 the measurement includes only options which were granted after 7 November 2002.

In 2017 the personnel expenses from share-based payments, all of which were equity settled share based payments, were £14,249 (2016 - £43,598).

As of 31 December 2017 an amount of £32,777 relating to stock options granted prior to that date had not yet been recognised as a personnel expense. This amount will be charged over the periods to 2018. The expected allocation of the expense is as follows: 2018: £32,777.