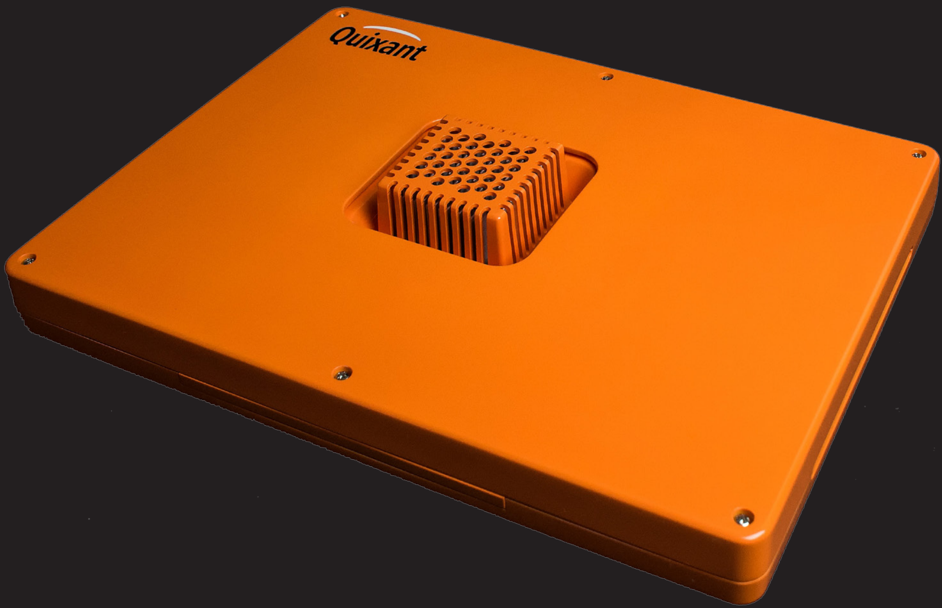
QUIXANT PLC

INTERIM REPORT 2015



Quixant

CHAIRMAN'S STATEMENT

I am pleased to report on the Company's performance for the six months ended 30 June 2015. We continue to exhibit growth in both turnover and profits, posting turnover of US$13.59 million and adjusted pre-tax profits of US$2.70 million during the first six months of the year.

We have continued to see progress in attracting the business of the largest of the industry's gaming machine manufacturers. It is pleasing that we frequently receive feedback from our customers that our product set, philosophy and business model are well aligned to their requirements for the supply of computer platforms. We are a key partner to our customers who recognise our specialist expertise and quality of service.

Quixant has evolved to excel at a range of key disciplines, combining innovation, commercial awareness, computer hardware, software and mechanical design capabilities. Together, this unique combination has made Quixant recognised as the leading supplier of advanced computer platforms for gaming machines. Our complementary monitor products, which were engineered with the same principles as our gaming boards are now also gathering traction in the market and it is pleasing to have received our first volume orders for these products, some of which have shipped since period end.

Quixant continues to occupy a small but growing share of the existing market. New opportunities also continue to arise through changes within existing gaming markets and new markets being opened to regulated gaming. We look to the future with confidence.

Michael Peagram
Chairman

Quixant

Introduction

I am delighted that we have continued to grow Quixant's revenue and profits in line with our expectations for the first six months of 2015. We have been efficient in delivering this growth, but have nonetheless invested to ensure we are well positioned as we enter the second half of the year, which has historically carried the higher weighting of sales.

New business

Sales from our established customer base remain buoyant and there is a breadth of exciting opportunities in the new business pipeline. Following a lengthy period of pitching for business, it is also very rewarding to have received volume orders from our first major customer for Quixant's monitor range. These monitor products are complementary to our gaming platforms and benefit from the same design principles and stable supply lifetime.

Industry consolidation

As previously reported, there was widespread M&A activity announced among the larger gaming machine manufacturers during 2014. Not surprisingly the effects of this consolidation continues to impact our market and we are gaining greater visibility on this as time progresses.

A common feature amongst the majority of the transactions was the announcement of significant synergistic cost savings to deliver earnings enhancement. From Quixant's perspective, whilst it is not surprising that in the short term these major customer changes have brought about challenges in terms of operating "business as usual", over the longer term we view the consolidation as having a positive effect on our prospects. We expect to start small scale shipments to some major manufacturers over the next few months.

Quixant supplies a key component of gaming machines which is expensive to develop but has little impact on the success of the machine in gaming venues. It is therefore reasonable to assume that, if Quixant can supply this component at a competitive price and reduce manufacturers R&D overhead, this plays well into the backdrop of customer cost savings. The consolidation activity appears to have forced the hand of several companies to consider the outsourced route.

New products

We have been working hard on an exciting new product tier which elevates the power of the computer platforms Quixant can offer to a new level. "QMax" draws on our extensive experience in mechanical and hardware design to bring together a product which offers processing and graphics performance at a significantly higher level to that available in Quixant's previous flagship products. It also offers greater thermal scalability to cater for higher powered future models. QMax brings high end graphics and processing performance previously only available using consumer-grade products to the slot machine market, along with all the other benefits which Quixant's products offer. We will be previewing QMax at the G2E trade show in Las Vegas, which starts at the end of September.

Enhanced software engineering and support centre

In July, we opened a new, significantly enhanced Italian office which has dedicated customer training facilities, a purpose built test lab, extensive meeting space and, crucially, space for expansion of the team in Italy. Our Italian engineers are a vital component in developing our products and IP, and also in ensuring our customers receive high quality, prompt responses to technical queries. Customers frequently cite our responsiveness and technical expertise as a major attraction to working with Quixant. We also regularly invite our customers' engineers to our office for training sessions which build strong collaborative relationships and also help fast-track customer development schedules.

Financial review

Adjusted pre-tax profits for the six months ended 30 June 2015 were US$2.70 million (1H 2014: US$2.25 million) and turnover for the period was US$13.59 million (1H 2014: US$12.35 million). Adjusted fully diluted earnings per share (EPS) for the period were US$0.032 (1H 2014: US$0.029). Profit before tax is adjusted to add back US$0.097 million (1H 2014: US$0.082 million) in respect of share based payments. Fully diluted EPS are adjusted by adding back US$0.097 million in respect of share based payments and subtracting the associated tax effect of US$0.019 million (1H 2014: US$0.082 million adjustment less tax effect of US$0.016 million).

Operations generated cash in the six months to 30 June 2015 of US$5.12 million (1H 2014: US$2.34 million). We reduced our debtors to US$6.58 million compared to US$10.05 million at the end of December 2014. The Company had a cash balance of US$8.03 million at 30 June 2015 (31 December 2014: US$4.72 million). This was after payment in May 2015 of a 1.2p per share dividend in respect of full year 2014, totalling US$1.18 million. Net cash was US$6.76 million at 30 June 2015 (31 December 2014: US$3.42 million).

Outlook

The Company is on track to meet the Board's full year expectations. We have a strong order book and healthy pipeline of new business. The round of M&A activity among the major manufacturers appears to have completed and we expect to benefit from their renewed focus on cost efficiencies. We look forward to delivering further strong performance during the second half of 2015 and beyond.

Nick Jarmany
Chief Executive

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CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2015 AND 2014 AND YEAR ENDED 31 DECEMBER 2014

	Note	**30 June 2015 Unaudited $000**	30 June 2014 Unaudited $000	31 December 2014 Audited $000
Revenue		**13,587**	12,346	31,919
Cost of sales		**(7,579)**	(6,705)	(17,857)
Gross profit		**6,008**	5,641	14,062
Operating expenses		**(3,395)**	(3,464)	(6,973)
Operating Profit		**2,613**	2,177	7,089
Financial expenses		**(11)**	(18)	(30)
Other income		**–**	14	–
Profit before tax		**2,602**	2,173	7,059
Taxation	2	**(549)**	(289)	(943)
Profit for the period		**2,053**	1,884	6,116
Basic earnings per share	4	**$0.0318**	$0.02915	$0.0946
Fully diluted earnings per share	4	**$0.0309**	$0.02832	$0.0922

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2015 AND 2014 AND YEAR ENDED 31 DECEMBER 2014

	$000	$000	$000
Profit for the period	**2,053**	1,884	6,116
Foreign currency translation differences	**(24)**	(44)	(183)
Total comprehensive income for the period	**2,029**	1,840	5,933

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2015 AND 2014 AND AT 31 DECEMBER 2014

	Note	**30 June 2015 Unaudited $000**	30 June 2014 Unaudited $000	31 December 2014 Audited $000
Non-current assets				
Property, plant and equipment		**5,220**	4,966	5,218
Intangible assets		**2,451**	1,592	2,231
Deferred tax asset		**63**	–	63
Total non-current assets		**7,734**	6,558	7,512
Current assets				
Inventories		**5,215**	5,462	5,505
Trade and other receivables		**6,579**	5,209	10,049
Cash and cash equivalents		**8,029**	6,459	4,722
Total current assets		**19,823**	17,130	20,276
Total assets		**27,557**	23,688	27,788
Current liabilities				
Other financial liabilities		**(94)**	(95)	(100)
Trade and other payables		**(4,322)**	(4,344)	(5,410)
Corporation tax payable		**(83)**	(1,277)	(211)
Total current liabilities		**(4,499)**	(5,716)	(5,721)
Non-current liabilities				
Other financial liabilities		**(1,171)**	(1,314)	(1,200)
Deferred tax liability		**(463)**	(349)	(388)
Total non-current liabilities		**(1,634)**	(1,663)	(1,588)
Total liabilities		**(6,133)**	(7,379)	(7,309)
Net assets		**21,424**	16,309	20,479
Equity				
Share capital	3	**104**	104	104
Share based payments reserve		**370**	195	273
Share premium		**5,181**	5,181	5,181
Retained earnings		**15,933**	10,830	15,061
Translation reserve		**(164)**	(1)	(140)
Total equity		**21,424**	16,309	20,479

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2015, 31 DECEMBER 2014 AND 30 JUNE 2014

	Share Capital $000	Share Based Payments $000	Share Premium $000	Retained Earnings $000	Translation Reserve $000	Total Equity $000
At 1 January 2014	104	113	5,181	10,035	43	15,476
Profit for the six months	–	–	–	1,884	–	1,884
Dividend paid	–	–	–	(1,090)	–	(1,090)
Share based payments	–	82	–	–	–	82
Other comprehensive income	–	–	–	–	(44)	(44)
At 30 June 2014	104	195	5,181	10,829	(1)	16,308
Profit for the six months	–	–	–	4,232	–	4,232
Share based payments	–	78	–	–	–	78
Other comprehensive income	–	–	–	–	(139)	(139)
At 31 December 2014	104	273	5,181	15,061	(140)	20,479
Profit for the six months	–	–	–	2,053	–	2,053
Share based payments	–	97	–	–	–	97
Dividend paid	–	–	–	(1,181)	–	(1,181)
Other comprehensive income	–	–	–	–	(24)	(24)
At 30 June 2015	**104**	**370**	**5,181**	**15,933**	**(164)**	**21,424**

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CONDENSED CONSOLIDATED CASH FLOW STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2015 AND 2014 AND YEAR ENDED 31 DECEMBER 2014

	30 June 2015 Unaudited $000	30 June 2014 Unaudited $000	31 December 2014 Audited $000
Cash flows from operating activities			
Profit for the period	**2,053**	1,884	6,116
Adjustments for:			
Depreciation	**135**	136	142
Amortisation	**208**	173	503
Financial expenses	**11**	18	30
Taxation expense	**549**	289	943
Share based payments expense	**97**	82	160
	3,053	2,582	7,894
Decrease/(increase) in trade and other receivables	**3,470**	730	(4,110)
Decrease/(increase) in inventories	**290**	(2,831)	(2,874)
(Decrease)/increase in trade and other payables	**(1,085)**	1,623	2,682
	5,728	2,104	3,592
Interest paid	**(11)**	(18)	(30)
Tax (paid)/refunded	**(602)**	251	(1,493)
Net cash from operating activities	**5,115**	2,337	2,069
Cash flows from investing activities			
Acquisition of property, plant and equipment	**(164)**	(548)	(938)
Acquisition of intangible assets	**(428)**	(512)	(1,481)
Net cash from investing activities	**(592)**	(1,060)	(2,419)
Cash flows from financing activities			
Dividend paid	**(1,181)**	(1,089)	(1,090)
Repayment of borrowings	**(35)**	(750)	(859)
Net cash from financing activities	**(1,216)**	(1,839)	(1,949)
Net increase/(decrease) in cash and cash equivalents	**3,307**	(562)	(2,299)
Cash and cash equivalents at 1 January	**4,722**	7,021	7,021
Cash and cash equivalents at period end	**8,029**	6,459	4,722

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General information and reporting entity

Quixant Plc ("Quixant") is a Public Limited Company incorporated and domiciled in England and Wales, whose shares are publically traded on the Alternative Investment Market (AIM) of the London Stock Exchange. The address of the Company's registered office is Aisle Barn, 100 High Street, Balsham, Cambridge, CB21 4EP. Quixant develops and supplies specialist computer systems. This condensed consolidated interim financial information for The Quixant Group comprises the Company, its branch in Taiwan and its subsidiaries (the "Group").

The condensed consolidated interim financial information is neither audited nor reviewed and the results of operations for the six months ended 30 June 2015 are not necessarily indicative of the operating results for future operating periods. The condensed consolidated interim financial information has not been reviewed under IRSE 2410.

The financial information shown for the year ended 31 December 2014 in the interim financial information does not constitute statutory financial statements as defined in Section 435 of the Companies Act 2006 and has been extracted from the Company's annual report and accounts. The Auditor's Report on the annual report and accounts was unqualified.

1. Principal accounting policies

Statement of compliance

This condensed consolidated interim financial report has been prepared in accordance with IAS 34 Interim Financial Reporting. Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the last annual consolidated financial statements as at and for the year ended 31 December 2014. This condensed consolidated interim financial report does not include all the information required for full annual financial statements prepared in accordance with International Financial Reporting Standards. The reporting currency adopted by the Quixant Group is US$ as this is the trading currency of the Group.

This condensed consolidated interim financial report was approved by the Board of Directors on 15 September 2015.

Judgements and estimates

Preparing the interim financial report requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The preparation of financial information requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Quixant Group accounting policies. The areas involving a higher degree of judgement and estimation continue to relate to determining the point at which the criteria for development cost capitalisation have been met and inventory allowances respectively.

Segmental analysis

The Quixant Group has determined that it only has one operating and reportable segment. The Quixant Group assesses the performance of that segment based on a measure of revenue, and profit/(loss) before interest, taxation, depreciation, amortisation and share based payments (adjusted EBITDA). All significant assets and liabilities are located within the UK, Taiwan and USA.

The segmental information is therefore presented in the Income Statement and Statement of Financial Position and has not been reproduced here.

A single customer accounted for 45%, 55%, and 58% of reported revenues in the six month period to 30 June 2015, the six month period to 30 June 2014 and year to 31 December 2014 respectively.

Significant accounting policies

The accounting policies applied by the Group in this condensed consolidated interim financial report are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2014.

2. Taxation

	6 months ended 30 June 2015 Unaudited $000	6 months ended 30 June 2014 Unaudited $000	12 months ended 31 December 2014 Audited $000
Analysis of charge in periods			
Current tax			
UK corporation tax	**413**	367	1,069
Foreign tax	**61**	(8)	101
Deferred tax	**75**	68	44
Prior periods			
UK corporation tax	**–**	(138)	(271)
Tax expense	**549**	289	943

3. Share capital

	Number	**6 months ended 30 June 2015 Unaudited $000**	6 months ended 30 June 2014 Unaudited $000	12 months ended 31 December 2014 Audited $000
Allocated, called up and fully paid				
At end of period	*64,634,782*	**104**	104	104

The Company paid a full year dividend of 1.2p per share for the year ended 31 December 2014 on 19 May 2015.

4. Earnings per ordinary share (EPS)

	6 months ended 30 June 2015 Unaudited $000	6 months ended 30 June 2014 Unaudited $000	12 months ended 31 December 2014 Audited $000
Earnings			
Earnings for the purposes of basic and diluted EPS being net profit attributable to equity shareholders	**2,053**	1,884	6,116
Number of shares			
Weighted average number of ordinary shares for the purpose of basic EPS	**64,634,782**	64,634,782	64,634,782
Effect of dilutive potential ordinary shares: – Share options	**1,770,000**	1,895,200	1,710,200
Weighted number of ordinary shares for the purpose of diluted EPS	**66,404,782**	66,529,982	66,344,982

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of shares outstanding during the period.

5. Related party transactions

There were no related party transactions, other than the operation of standard service agreements with key management personnel.

6. Subsequent events

There have been no significant events affecting the Company since 30 June 2015.

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