19 September 2018

Quixant plc

("Quixant" or the "Group")

Interim Results

Quixant (AIM: QXT), a leading provider of specialised computing platforms and monitors for gaming and slot machine applications, is pleased to announce its Interim Results for the six months ended 30 June 2018.

Group revenue and profit for H1 2018 is in line with management expectations and is on track to meet market consensus expectations for strong full year revenue and profit growth. Quixant's revenue has historically been second half-weighted, and management expect this trend to be reflected in full year 2018 results.

Financial highlights:

- Group revenue \$50.3m (1H 2017: \$56.9m)
    - Quixant Gaming division revenue \$31.4m (1H 2017: \$37.8m)
        - Gaming platforms revenue \$29.0m (1H 2017: \$30.2m)
        - Gaming monitors revenue \$2.4m (1H 2017: \$7.6m)
    - Densitron division revenue \$18.9m (1H 2017: \$19.1m)

- Group pre-tax profit \$6.1m (1H 2017: \$8.7m)

- Group adjusted pre-tax profit[1] \$7.1m (1H 2017: \$9.2m)

- Fully diluted EPS of \$0.0750/share (1H 2017: \$0.1105/share)

- Adjusted fully diluted EPS[2] of \$0.0870/share (1H 2017: \$0.1169/share)

- Net cash from operating activities of \$1.9m (1H 2017: \$4.3m)

- Net cash at 30 June 2018 of \$2.5m (31 December 2017: \$4.4m)

1. *Adjusted by adding back items included in the adjusted PBT reconciliation in note 1 totaling \$0.976m (H1 2017: \$0.513m).*
2. *Adjusted by adding back the items included in note 1 above and subtracting the associated tax effect totaling \$0.800m (H1 2017: \$0.421m).*

Operational highlights:

- Robust growth in shipments of computer platforms in the first half of 2018 to a previously announced major global manufacturer

- A significant project currently in the design phase which will result in Quixant ultimately supplying the same customer with all of its jackpot controller requirements.

- Continued development of business infrastructure, including key hires and establishment of divisional Boards for Gaming and Densitron.

- Three new patents applied for in gaming technology innovations

Jon Jayal, CEO of Quixant, commented:

"I am very pleased with the performance of the Group in the first six months of the year. The business is performing in line with management expectations and we are on track to achieve market expectations for the full year.

"The first six months of 2017 were unusually strong and reversed the second half weighting we have traditionally experienced. As previously indicated, this year we expect a return to a second half weighting. A robust Group performance in July and August, alongside our record sales pipeline, supports our expectation of second half sales in line with market expectations.

"Looking forward, over recent months we have seen positive regulatory developments in a number of key gaming markets, particularly Japan. We believe these will result in significant market growth over the medium term that Quixant is well placed to exploit.

"The market across all our customers in gaming remains buoyant, and with a strengthened senior management team, the technical expertise of our staff, and a strong balance sheet, Quixant is in an excellent position to continue to develop new opportunities."

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About Quixant

Quixant, founded in 2005, designs and manufactures highly optimised computing solutions and monitors principally for the global gaming industry. The Company is headquartered in Cambridge in the UK where the global sales function is based. North America sales and sales support is run from their subsidiary in Las Vegas. Quixant has its own manufacturing and engineering operation based in Taiwan and software engineering and customer support team based in Italy. All the specialised products software and manufacturing are produced in-house and Quixant owns all its own IP some of which is protected by patents and design rights.

In November 2015 Quixant acquired Densitron Technologies plc. Densitron has a strong heritage in the sale of electronic display solutions to global industrial markets. Through Densitron's experienced sales team, Quixant has a robust platform to build its business into wider industrial markets. In-depth information on the Company's products, markets, activities and history can be found on the corporate website at www.quixant.com.

The information communicated in this announcement contains inside information for the purposes of Article 7 of the Market Abuse Regulation (EU) No. 596/2014.

CHAIRMAN'S STATEMENT

Quixant has performed strongly over the period, and we are on track to continue our record of double-digit year-on-year growth for the full year in terms of both revenue and profit. Our strong relationships with our customers are at the heart of our success and we are pleased that we have maintained these relationships whilst securing new projects from existing and new customers. With a number of geographical regions progressing the introduction of regulated gaming, the market for gaming platforms continues to grow, and Quixant remains extremely well-placed technically and commercially to capitalise on this opportunity.

The success of Quixant has been built on a proven ability to provide innovative, IP-rich solutions which blend software and hardware to satisfy a technology requirement for gaming customers. These skills are transferable, and over the period we have taken steps to develop greater value products in both our gaming monitors business and in the Densitron division. Over time this will elevate the value of those product lines and support longer term sustainable growth.

We are pleased with the performance of our Densitron division, where we have been reinvesting profits into the development of more value-rich products which we expect to support increased margin over time. One of the additional goals of the purchase of Densitron was to acquire its expertise and contacts in other vertical markets, to identify and explore further growth opportunities. We see significant value from this expertise, and believe it continues to support our long-term growth capability.

As we grow we continue to strengthen the infrastructure of the business and our capacity to manage effectively a larger, more complex enterprise. Over the period we taken steps to underpin a robust divisional structure, including expansion and strengthening of our senior management team with some key hires. These hires will be invaluable in enabling effective administration and continuing growth of the business.

Under changes to the AIM Rules, Quixant is now required to implement a recognised corporate governance code. The Company is a member of the Quoted Companies Alliance and consequently we have chosen to adopt their corporate governance code, which is designed for small and mid-sized quoted companies. We will have implemented the code by 28 September 2018.

We have continued to monitor the progress of the Brexit discussions and their potential impact on the business, its customers, suppliers and employees. We recognise the continuing uncertainty surrounding Brexit but consider that the impact on the Group from Brexit is likely to be largely mitigated by our structure and operational footprint.

Quixant has delivered a good first half performance and the Board is confident that we will achieve full year market expectations and continue to grow into 2019 and beyond.

CHIEF EXECUTIVE'S REPORT

The first half of 2018 saw robust revenue and profit achieved across the Group with both the Quixant Gaming and the Densitron divisions performing well. The Group delivered revenues of $50.3m, and adjusted pre-tax profit of $7.1m, in line with management expectations.

The Group continues to focus on growing market share in its core gaming platforms business, constantly improving our technology to ensure we remain ahead of the curve with compelling solutions for our customers. This includes significant enhancements to our gaming monitors offering, which have historically lacked significant differentiation. We have also made significant investment into new product development within the Densitron division, to create differentiated value in the competitive marketplace in which it operates. Alongside the drive for increased sales and improved technology, Quixant has made great progress over the period, strengthening and restructuring the business, to ensure the Group continues to have the capability to grow strongly.

Gaming Division

Sales of our gaming platforms have been strong over the period and we have a record order book for the second half of the year. Last year many of our key customers brought forward orders for our gaming platforms into the first half of 2017 which resulted in them increasing stock levels above normal levels and resulting in a first half revenue weighting for Quixant. This year we have returned to more normal patterns of demand which, traditionally, have been second half weighted. Demand in July and August is following the pattern of the past and we are confident that we will continue our growth record for the full year. We continue to maintain our historically high customer retention rate across the gaming business.

We have deepened our relationships with the largest global gaming machine manufacturers and are delighted to see strong growth in sales to a major customer for a jackpot controller product, as previously announced. We are also in the closing stages of development of a second project with the same customer, which will result in us supplying all of their jackpot controller requirements globally. The customer saw the value in our flexible and harmonised Gaming Ecosystem®, which has enabled them to create more effective end-customer solutions based on a consistent software offering powered by Quixant. Our software-based value-add remains a critical and highly differentiated part of our proposition, which we will continue to focus on going forward. We have also applied for three new patents in the first half of the year and continue to invest in R&D to innovate and enhance our product range.

We launched our gaming monitors business in 2014, providing customers with a gaming-optimised product that complements our gaming computer platforms. Growth has been exceptional since the launch of this product line, and in the full year 2017 we achieved revenues of $16.3m, an increase of over 90% over 2016. We have always been aware of the competitiveness of the gaming monitor business and the margin pressures we knew we would face with a less differentiated product offering. Consequently, during the first half of 2018, we have rationalised some of the lower margin business we were supplying to avoid margin pressure from aggressive competitor pricing. In addition, we have replaced some of our lowest differentiated products with more bespoke, value-rich modular offerings. We believe this repositioning of the gaming monitor business is an essential component to drive long term sustainable growth at target margin levels. As a result of these decisions we expect full year gaming monitor revenues to be slightly below 2017 levels. Strong performance from gaming platforms and button decks, and a higher margin on gaming monitor products, have more than compensated for the lower revenues from low margin monitor products. We remain confident on the long-term potential for the gaming monitors business and our ability to expand our share of revenue in each machine through linkage into other components within our Gaming Ecosystem®.

In July 2018, the Japanese government completed the Integrated Resorts Act, clearing the way for the development of integrated casino resorts. The industry consensus is that Japan will have completed its first major casino development by 2021. Some commentators have suggested that Japan could become the second largest gaming market in Asia, behind Macau, and the scale of the pachinko machines market in Japan suggests that the domestic interest in gaming machines will be strong. The Group closely monitors all potential new geographic opportunities, to ensure we have the capacity and infrastructure in place to maintain our service levels. Our established Tokyo based office is a key aspect of our strategy to build business in this critical market.

Densitron Division

Densitron continued to perform in line with our expectations. When we acquired Densitron in November 2015 our aim was to ensure it was earnings enhancing for the Group whilst enabling us to investigate new market opportunities. By identifying the broadcast industry and starting the process of developing innovative products for that market, we are pleased to say that both aims have been achieved.

Revenues were largely flat in comparison to H1 2017, a good performance as we continue to focus our sales effort on the launch of new, vertically-optimised products. Alongside Densitron's existing display components business we have now developed and exhibited new products specifically for the broadcast market and have been encouraged by the reaction to our ideas. This includes winning TV Technology's "2018 Best of Show" award at the NAB exhibition in Las Vegas in April 2018 for our new UReady-16600 display. This is a long-term process and it will take time to fully refine our product offerings and generate significant orders. In line with the Quixant ethos, we are committed to developing truly differentiated, high-quality solutions for the market in partnership with our customers. We are excited by the opportunities available to us in this market and will continue to develop new products and build relationships with key customers.

Financial review

Revenue for the six months ended 30 June 2018 was $50.3m (1H 2017 $56.9m). Gaming Division revenue was $31.4m (H1 2017: $37.8m), comprising Gaming Platform revenue of $29.0m (H1 2017: $30.2m) and Gaming Monitors revenue of $2.4m (H1 2017: $7.6m). Densitron division revenue was $18.9m (H1 2017: $19.1m). The Group gross margin of 36% increased from 34% in H1 2017 as a result of the sales mix and reduction in proportion of gaming monitors which operate on a structurally lower margin.

Adjusted profit before tax for the six months was $7.1m (H1 2017: $9.2m). Adjusted EBITDA for the six months was $8.0m (H1: 2017 $10.1m). During 2018, we completed a group restructure which gave us a corporate head office with Gaming and Densitron operating divisions. This provides us with an excellent platform to more effectively manage rapidly growing, entrepreneurial operating divisions underpinned by a strong corporate function. Both measures are adjusted for the costs of this restructuring, together with the costs of share-based payments. Adjusted PBT is also adjusted for amortisation of intangibles arising from acquisitions. Unadjusted PBT was $6.1m (H1 2017: $8.7m) and unadjusted EBITDA was $7.4m (H1 2017: $10.1m).

The Group continues to maintain a strong balance sheet. Net assets at 30 June 2018 were $50.3m compared with $47.2m at 31 December 2017 and $41.1m at 30 June 2017. The global shortage of electronic components has persisted during 2018 and the Group have continued to make strategic purchases to ensure we can satisfy customer lead times and maintain our margins. As a result, the Group stock levels continue to be elevated, at $21m. Our debtors were also unusually high reflecting a strong billing month in June and $3.9m of overdue customer debt which has been collected in July and August. Consequently, the Group's cash generation was impacted, and net cash also reduced to $2.5m at 30 June 2018 (31 December 2017: $4.5m).

The Group continued with its progressive dividend policy, making a payment of 2.6p per share, totalling $2.3m in May 2018. This was in respect of the full year 2017 and represented the fifth dividend payment made by the Group.

Outlook

We are in line for 2018 to be another year of strong growth for the Group. As the only specialist outsourced provider of gaming platforms and monitors, we are well positioned to continue to grow our market share. The global gaming market presents new opportunities, not least the introduction of integrated casino resorts in Japan, which has resulted in our customers vying to capitalise on a potentially huge new market. We already have a presence in Japan and are positive about the long-term opportunities for the Group from this geography.

We are developing our gaming monitors business and Densitron, to embed them with Quixant's ethos of innovative, value-rich products. Where we have begun to introduce these products, we are encouraged by the feedback we have received. The long-term opportunity to grow revenues in both businesses, whilst maintaining or enhancing margins, remains strong and we are excited to continue exploring potential opportunities in new verticals.

With a wealth of growth opportunities available to the Group, a strong, focused senior management team, expert staff covering a breadth of engineering disciplines and a strong balance sheet, we believe Quixant is well placed to deliver long term strong sustainable growth.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT AND LOSS
FOR THE SIX MONTHS ENDED 30 JUNE 2018 AND 2017 AND YEAR ENDED 31 DECEMBER 2017

	Note	**30 June 2018 $000**	30 June 2017 $000	31 December 2017 $000
Revenue	2	**50,281**	56,903	109,238
Cost of sales		**(32,283)**	(37,405)	(72,269)
Gross profit		**17,998**	19,498	36,969
Operating expenses		**(11,744)**	(10,609)	(21,622)
Operating profit		**6,254**	8,889	15,347
Financial expenses		**(139)**	(156)	(302)
Profit before tax	2	**6,115**	8,733	15,045
Taxation	3	**(1,111)**	(1,359)	(1,899)
Profit for the period		**5,004**	7,374	13,146
Attributable to				
Equity shareholders		**5,004**	7,368	13,152
Non-controlling interests		**-**	6	(6)
Profit for the period		**5,004**	7,374	13,146
Basic earnings per share	5	**$0.0757**	$0.1124	$0.1999
Fully diluted earnings per share	5	**$0.0750**	$0.1105	$0.1972

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2018 AND 2017 AND YEAR ENDED 31 DECEMBER 2017

	30 June 2018 $000	30 June 2017 $000	31 December 2017 $000
Profit for the period	**5,004**	7,374	13,146
Other comprehensive income/(expense)			
Items that are or may be reclassified subsequently to profit and loss			
Foreign currency translation differences	**(55)**	775	869
Total comprehensive income for the period	**4,949**	8,149	14,015
Total comprehensive income attributable to:			
Equity shareholders	**4,949**	8,143	14,021
Non-controlling interests	**-**	6	(6)
Total comprehensive income for the period	**4,949**	8,149	14,015

BALANCE SHEET

AS AT 30 JUNE 2018 AND 2017 AND AT 31 DECEMBER 2017

	Note	**30 June 2018**	30 June 2017	31 December 2017
		$000	$000	$000
Non-current assets				
Property, plant and equipment		**6,070**	6,143	6,153
Intangible assets		**15,039**	14,102	14,278
Investment property		**665**	648	674
Deferred tax assets		**232**	291	195
Total non-current assets		**22,006**	21,184	20,896
Current assets				
Inventories		**21,080**	19,041	21,246
Trade and other receivables		**23,772**	23,342	20,095
Cash and cash equivalents		**9,504**	10,079	11,194
Total current assets		**54,356**	52,462	52,535
Total assets		**76,362**	73,646	73,835
Current liabilities				
Other interest-bearing loans and borrowings		**(6,092)**	(2,210)	(5,811)
Trade and other payables		**(16,152)**	(20,627)	(16,854)
Provisions		**(750)**	-	(750)
Tax payable		**(766)**	(1,335)	(931)
Total current liabilities		**(23,760)**	(24,172)	(24,346)
Non-current liabilities				
Other interest-bearing loans and borrowings		**(868)**	(6,153)	(924)
Provisions		**-**	(750)	-
Deferred tax liabilities		**(1,369)**	(1,385)	(1,305)
Total non-current liabilities		**(2,237)**	(8,288)	(2,229)
Total liabilities		**(25,997)**	(32,460)	(26,575)
Net assets		**50,365**	41,186	47,260
Equity attributable to equity holders of the parent				
Share capital	4	**106**	106	106
Share premium		**6,482**	6,034	6,102
Share based payments reserve		**1,082**	851	991
Retained earnings		**42,336**	33,875	39,647
Translation reserve		**359**	320	414
		50,365	41,186	47,260
Non-controlling interest		**-**	-	-
Total equity		**50,365**	41,186	47,260

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2018, 31 DECEMBER 2017 AND 30 JUNE 2017

	Share capital	Share premium	Translation reserve	Share based payments	Retained earnings	Total parent equity	Non-controlling interests	Total equity
	$000	**$000**	**$000**	**$000**	**$000**	**$000**	**$000**	**$000**
Balance at 1 January 2017	105	5,676	(455)	782	28,192	34,300	6	34,306
Total comprehensive income for the period								
Profit	-	-	-	-	7,374	7,374	(6)	7,368
Other comprehensive income	-	-	775	-	-	775	-	775
Total comprehensive income for the period	-	-	775	-	7,374	8,149	(6)	8,143
Transactions with owners, recorded directly in equity								
Share based payments	-	-	-	69	-	69	-	69
Dividend paid	-	-	-	-	(1,691)	(1,691)	-	(1,691)
Exercise of options	1	358	-	-	-	359	-	359
Total contributions by and distributions to owners	1	358	-	169	(1,691)	(1,263)	-	(1,263)
Balance at 30 June 2017	106	6,034	320	851	33,875	41,186	-	41,186
Balance at 1 July 2017	106	6,034	320	851	33,875	41,186	-	41,186
Total comprehensive income for the period								
Profit	-	-	-	-	5,772	5,772	-	5,772
Other comprehensive income	-	-	94	-	-	94	-	94
Total comprehensive income for the period	-	-	94	-	5,772	5,866	-	5,866
Transactions with owners, recorded directly in equity								
Share based payments	-	-	-	140	-	140	-	140
Dividend paid	-	-	-	-	-	-	-	-
Exercise of options	-	68	-	-	-	68	-	68
Total contributions by and distributions to owners	-	68	-	140	-	208	-	208
Balance at 31 December 2017	106	6,102	414	991	39,647	47,260	-	47,260
Balance at 1 January 2018	106	6,102	414	991	39,647	47,260	-	47,260
Total comprehensive income for the period								
Profit	-	-	-	-	5,004	5,004	-	5,004
Other comprehensive income	-	-	(55)	-	-	(55)	-	(55)
Total comprehensive income for the period	-	-	(55)	-	5,004	4,949	-	4,949
Transactions with owners, recorded directly in equity								
Share based payments	-	-	-	91	-	91	-	91
Dividend paid	-	-	-	-	(2,315)	(2,315)	-	(2,315)
Exercise of options	-	380	-	-	-	380	-	380
Total contributions by and distributions to owners	-	380	-	91	(2,315)	(1,844)	-	(1,844)
Balance at 30 June 2018	106	6,482	359	1,082	42,336	50,365	-	50,365

CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2018 AND 2017 AND YEAR ENDED 31 DECEMBER 2017

	30 June 2018 $000	30 June 2017 $000	31 December 2017 $000
Cash flows from operating activities			
Profit for the period	**5,004**	7,374	13,146
Adjustments for:			
Depreciation, amortisation and impairment	**1,160**	1,214	2,422
Taxation expense	**1,111**	1,359	1,899
Financial expense	**139**	156	302
Equity settled share-based payment expenses	**91**	69	209
	7,505	10,172	17,978
(Increase)/decrease in trade and other receivables	**(3,677)**	(2,339)	908
Decrease/(Increase) in inventories	**166**	(6,141)	(8,346)
(Decrease)/Increase in trade and other payables	**(715)**	3,981	(100)
	3,279	5,673	10,440
Interest paid	**(139)**	(156)	(302)
Tax paid	**(1,249)**	(1,196)	(2,076)
Net cash from operating activities	**1,891**	4,321	8,062
Cash flows from investing activities			
Acquisition of property, plant and equipment	**(202)**	(253)	(409)
Acquisition of intangible assets	**(1,669)**	(951)	(1,861)
Net cash used in investing activities	**(1,871)**	(1,204)	(2,270)
Cash flows from financing activities			
Proceeds from new loan	**225**	-	-
Repayment of borrowings	**-**	(559)	(2,187)
Dividends paid	**(2,315)**	(1,691)	(1,691)
Exercise of options	**380**	359	427
Net cash used in financing activities	**(1,710)**	(1,891)	(3,451)
Net increase in cash and cash equivalents	**(1,690)**	1,226	2,341
Cash and cash equivalents at 1 January	**11,194**	8,853	8,853
Cash and cash equivalents at period end	**9,504**	10,079	11,194

General information and reporting entity

Quixant Plc ("Quixant") is a Public Limited Company incorporated and domiciled in England and Wales, whose shares are publicly traded on the AIM Market of the London Stock Exchange. The address of the Company's registered office is Aisle Barn, 100 High Street, Balsham, Cambridge, CB21 4EP. Quixant is a leading provider of innovative, highly engineered technology products principally for the global gaming industry. The Group designs and manufactures highly optimised computing solutions and monitors. In November 2015 Quixant acquired Densitron Technologies, which has a strong heritage in the sale of electronic display solutions to global industrial markets. 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 2018 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 2017 in the interim financial information does not constitute full statutory financial statements as defined in Section 434 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 2017. 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 the US dollar as this is the trading currency of the Group.

This condensed consolidated interim financial report was approved by the Board of Directors on 19 September 2018.

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 and bad debt provisions respectively. In addition, management considers the recoverable amount of goodwill and the assessment of the contingent consideration payable to be judgemental areas. Goodwill is reviewed for impairment at each reporting date or when indicators of impairment arise.

Segmental analysis

The Quixant Group determines and presents operating segments based on the information that internally is provided to the executive management team, the body which is considered to be the Quixant Group's Chief Operating Decision Maker ("CODM"). An operating segment is a component of the Quixant Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Quixant Group's other components. The operating segments' operating results are reviewed regularly by the CODM to make decisions about resources to be allocated to the segment, to assess its performance and for which discrete financial information is available. The financial information of the operating segments is set out in Note 2.

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 2017 except for the following changes adopted from 1 January 2018.

IFRS 15 Revenue from Contracts with Customers – this new accounting standard changes requires a change in the Group's accounting policy for revenue recognition. However, due to the nature of the revenues within the business the application of this standard has not resulted in a change in the amount of revenue recognised in the current or comparative periods.

IFRS 9 Financial Instruments – the application of this standard requires the adoption of an "expected credit loss" (ECL) model for the impairment of receivables. The adoption of this standard has not had an impact on the level of impairment of receivables in the current or previous periods. No other impacts have resulted on transition to IFRS 9 as this currently only focuses on one element of the standard.

Full details of the changes to the accounting policies will be disclosed in the Annual Report for the year to 31 December 2018.

Standards issued not yet effective

IFRS 16 Leases – this standard comes into effect for periods beginning on or after 1 January 2019. It introduces a single, on balance sheet model for accounting for leases. A lessee is required to recognise a lease as a right of use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. The annual lease payment which is currently recognised through the profit and loss account as incurred is replaced by depreciation of the right of use asset and an interest charge on the lease liability.

The Group has completed an initial assessment of the potential impact on its financial statements but has not yet completed a detailed assessment. The initial conclusion is that the change in standard will not have a material impact on annual profit before tax. However, with future minimum payments under non-cancellable operating leases in excess of $1.1 million on an undiscounted basis the impact on assets and liabilities will be material.

Reconciliation of earnings before interest, tax, depreciation and amortisation (EBITDA) and profit before tax (PBT)

EBITDA, adjusted EBITDA, PBT and adjusted PBT for the current and prior periods has been derived as follows:

	EBITDA			PBT		
	6 months ended 30 June 2018	6 months ended 30 June 2017	12 months ended 31 December 2017	**6 months ended 30 June 2018**	6 months ended 30 June 2017	12 months ended 31 December 2017
	$000	$000	$000	**$000**	$000	$000
Profit for the period	**5,004**	7,374	13,146	**5,004**	7,374	13,146

Adding back:						
Taxation expense	**1,111**	1,359	1,899	**1,111**	1,359	1,899
Financial expenses	**139**	156	302	**-**	-	-
Depreciation	**254**	293	512	**-**	-	-
Amortisation of intangible assets	**527**	477	1,088	**-**	-	-
Amortisation of customer relationships and order backlog	**379**	444	822	**-**	-	-
EBITDA/PBT	**7,414**	10,103	17,769	**6,115**	8,733	15,045
Amortisation of customer relationships and order backlog[1]	**-**	-	-	**379**	444	822
Share based payments expense[2]	**91**	69	209	**91**	69	209
Costs arising on the replacement of faulty DRAM component[3]	**-**	-	1,633	**-**	-	1,633
Restructuring costs[3]	**506**	-	-	**506**	-	-
Adjusted EBITDA/PBT	**8,011**	10,172	19,611	**7,091**	9,246	17,709

1. The amortisation of customer relationships and order backlog has been excluded as it is not a cash expense of the Group.
2. Share based payments expense has been excluded as they are not a cash based expense.
3. Other items of income and expense – where other items of income and expense occur in a particular period and their inclusion in PBT and EBITDA meant that a period on period comparison of operational results is not a consistent basis the directors will exclude them from the adjusted numbers. During the periods under review the directors have excluded restructuring costs and the costs arising from the replacement of faulty DRAM component due to their exceptional size and incomparability with comparative periods.

2. Business and geographical segments

The Chief Operating Decision Maker in the organisation is an executive management committee comprising the Board of Directors. They have determined the operating segments detailed within this report on which the business is managed. The Group assesses the performance of the segments based on a measure of revenue and PBT. The principal divisions are the Quixant division, which is the core gaming business, and the Densitron division, which comprises the Densitron operating segments in Europe, America, France and Japan. The operating segments applicable to the Group are as follows:

- Quixant – A single customer accounted for 25% of the reported revenues for the 6 months to 30 June 2018 (25.1% for the year to 31 December 2017).
- Densitron Europe
- Densitron America
- Densitron France
- Densitron Japan

	Quixant	Densitron Europe	Densitron America	Densitron France	Densitron Japan	Total
	$000	$000	$000	$000	$000	$000
6 months to 30 June 2018						
Revenue	**31,339**	**6,372**	**7,053**	**2,915**	**2,602**	**50,281**
Profit/(loss) before tax	**5,024**	**(20)**	**470**	**362**	**279**	**6,115**
As at 30 June 2018						
Assets	**61,130**	**5,125**	**4,292**	**3,154**	**2,661**	**76,362**
Liabilities	**(16,625)**	**(5,654)**	**(1,584)**	**(1,417)**	**(717)**	**(25,997)**
Net assets/(liabilities)	**44,505**	**(529)**	**2,708**	**1,737**	**1,944**	**50,365**
6 months to 30 June 2017						
Revenue	37,811	5,652	7,390	3,302	2,748	56,903
Profit/(loss) before tax	7,584	(333)	806	449	227	8,733
As at 30 June 2017						
Assets	58,900	5,343	4,310	2,772	2,321	73,646
Liabilities	(22,168)	(6,350)	(1,920)	(1,438)	(584)	(32,460)
Net assets/(liabilities)	36,732	(1,007)	2,390	1,334	1,737	41,186
12 months to 31 December 2017						
Revenue	71,132	11,034	15,595	6,083	5,394	109,238
Profit/(loss) before tax	12,941	(637)	1,759	497	485	15,045
As at 31 December 2017						
Assets	58,545	5,494	4,935	2,493	2,368	73,835
Liabilities	(16,236)	(6,724)	(2,155)	(1,028)	(432)	(26,575)
Net assets/(liabilities)	42,309	(1,230)	2,780	1,465	1,936	47,260

3. Taxation

	6 months ended 30 June 2018	6 months ended 30 June 2017	Year ended 31 December 2017
	$000	$000	$000
Analysis of charge in periods			
Current tax			
UK corporation tax	**767**	708	780
Foreign tax	**317**	749	1,498
Adjustments for prior periods	**-**	-	(296)
Current tax	**1,084**	1,457	1,982
Deferred tax charge/(credit)			
Origination and reversal of temporary differences	**27**	(98)	(83)
Deferred tax charge/(credit)	**27**	(98)	(83)
Total tax expense	**1,111**	1,359	1,899

4. Share capital

	6 months ended 30 June 2018		6 months ended 30 June 2017		Year ended 31 December 2017	
	Number	**$000**	Number	$000	Number	$000
Allocated, called up and fully paid						
Balance at 1 January 2018	**66,034,982**	**106**	65,364,782	105	65,364,782	105
Issue of new shares as a result of exercise of employee share options	**313,100**	**-**	565,200	1	670,200	1
Balance at 30 June 2018	**66,348,082**	**106**	65,929,982	106	66,034,982	106

The Company paid a dividend of 2.6p per share for the year ended 31 December 2017 on 18 May 2018.

5. Earnings per share

	6 months ended 30 June 2018	6 months ended 30 June 2017	Year ended 31 December 2017
	$000	$000	$000
Earnings			
Earnings for the purposes of basic and diluted EPS being net profit attributable to equity shareholders	**5,004**	7,368	13,146
Number of shares			
Weighted average number of ordinary shares for the purposes of basic EPS	**66,123,336**	65,542,773	65,756,667
Effect of dilutive potential ordinary shares:			
Share options	**569,314**	1,123,407	909,513
Weighted number of ordinary shares for the purposes of diluted EPS	**66,692,650**	66,666,180	66,666,180
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.			

6. Related party transactions

In June 2016, two directors entered into a related party transaction. The wife of G P Mullins rented a house to a subsidiary company at a rent of £2,500 per calendar month. The rent payable is determined on an arm's length basis. The subsidiary company provides the house rent free for the use of J F Jayal. It was agreed between Mrs. Mullins and Mr Jayal to terminate the agreement in March 2018.

During the period the Group paid €15,600 (2017: €31,200) for administrative services to Francesca Marzilli, the wife of Nicholas Jarmany. In addition, the Group paid £nil (2017: £3,976) to Ruth Jayal for administrative services, the wife of Jon Jayal.

There were no other related party transactions, other than transactions with key management personnel, who are the Directors of the Company.