22 September 2021

Quixant plc

("Quixant" or the "Group")

Interim Results

Double-digit revenue growth driven by strong recovery from impact of the pandemic

Quixant (AIM: QXT), a leading provider of innovative, highly engineered technology products principally for the global gaming and broadcast industries, is pleased to announce its unaudited interim results for the six months ended 30 June 2021.

	Six months to 30 June 2021	**Six months to 30 June 2020**	**Change**
	($m)	($m)	
Group Revenue	36.5	27.9	31%
Gaming Division Revenue	*18.4*	*11.9*	*55%*
Densitron Revenue	*18.1*	*16.0*	*13%*
Group Gross profit	11.1	8.9	25%
Adjusted profit / (loss) before tax[1]	1.3	-1.2	nm
Group profit / (loss) before tax	0.8	-3.0	nm
Adjusted diluted earnings per share[1]	$0.0199	-$0.0184	nm
Net cash from operating activities	1.1	-0.3	nm
Net cash	15.0	14.2	6%

[1]*For details on adjusted measures refer to note 1 and note 2 of the condensed consolidated financial statements*

OPERATIONAL HIGHLIGHTS

- Double-digit revenue growth across both divisions, demonstrating strong recovery in gaming market and strategic positioning of Densitron business for growth.
- Five new customer wins in Gaming, underpinning our confidence in future growth.
- Ongoing new product development in Densitron driving new business opportunities in Broadcast.
- Continued supply chain component shortages and price inflation requiring active management through strategic stock purchase programme.
- Good cash conversion despite strategic stock purchases to support demand.

CURRENT TRADING AND OUTLOOK

- Strong order intake provides 115% order coverage of full year management revenue expectations and visibility into 2022.
- First lease agreement with Gaming customer commenced in the second half of FY21.

- Component shortages and price inflation expected to persist and continue to cause temporary profit margin volatility; Board confident that long-term structural Group margin is intact.
- Long-term outlook is positive given mounting demand and the Group's strategic market positioning.

Jon Jayal, CEO of Quixant commented:

"We are delighted to report overall revenue growth of over 30 per cent, fueled by a buoyant recovery in the global gaming market and continued success through our strategic positioning of Densitron. Our focus on pragmatically supporting customers through the difficult period has yielded rewards through strong customer retention and conversion of new business.

Decisive action taken by the Board early in the year to invest in strategic inventory has mitigated the impact of the widespread electronic component shortages and enabled Quixant's customers to manage through the disruption with limited impact to their business.

Component shortages and price inflation remain a challenge and we do not anticipate significant improvement in the short term. While our customers have been accepting of essential price rises, nonetheless we expect a period of continued margin volatility. However, our strong cash position and good relationship with suppliers, built up over many years, help to mitigate the impact.

"Our 115% order coverage of management revenue expectations of c$70m gives us confidence in delivering adjusted profit before tax for the full year in line with management expectations. We are well positioned for further growth in 2022."

Investor Presentation

Quixant is hosting an online presentation open to all investors tomorrow, 23 September, at 4.30pm BST. Anyone wishing to connect should register here: https://www.investormeetcompany.com/quixant-plc/register-investor.

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About Quixant

Quixant, founded in 2005, designs and manufactures highly optimised computing solutions and monitors principally for the global gaming and broadcast industries. The Company is headquartered in Cambridge in the UK, with offices throughout Europe, North America and Asia. Quixant has its own manufacturing and engineering operation based in Taiwan and software engineering and customer support teams based in Italy and Slovenia. 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.

This announcement contains inside information for the purposes of Article 7 of the Market Abuse Regulation (EU) 596/2014 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 ("MAR"), and is disclosed in accordance with the company's obligations under Article 17 of MAR.

Business Overview

Quixant is a critical outsource technology and supply chain partner for major global industrial electronic equipment manufacturers, with a focus on specific vertical markets. The Group combines hardware, software, display and mechanical engineering expertise with detailed industry knowledge and a Far Eastern manufacturing base making it the ideal global strategic technology provider.

Quixant has a well-established and highly respected brand in the global casino gaming and slot machine market. The computer platform solutions we supply to the casino machine manufacturers combine optimised hardware and software elements which address the specialist needs of this highly regulated market. By outsourcing their computer platform to Quixant, manufacturers can focus their R&D on the game design, which has the greatest impact on their commercial success. They are also able to launch new products to market quicker.

Through Densitron, the Board executes its strategy to diversify into other focus vertical markets alongside gaming and migrate up the value chain in those markets. Densitron supplies display components to a wide range of industrial sectors, which makes it an excellent platform to identify new focus markets for the Group. We seek to understand each of these markets in depth and develop tailor-made products which are different to those readily available from broad-based technology corporations. In the broadcast market, we have made progress in developing unique human machine interface technology and control solutions which are already generating new revenue.

From time to time, the Board may complement its organic growth strategy with strategic acquisitions that enhance the Group's technical capabilities within a focus sector.

Chairman's Statement

When I joined the Board in January this year, the Group had successfully managed through an exceptionally difficult year. This reflected the quality and tenacity of the team at Quixant to emerge in a financially strong position with a loyal customer base and a range of new commercial opportunities. With the global gaming market continuing to recover and our presence in the broadcast sector building momentum, I am excited about the growth opportunities ahead for the Group.

While buoyant demand has returned to the Gaming Business and Densitron has seen a growth in trading, the Group has faced challenges due to the global shortage of electronic components. Early recognition of the issues and judicious use of our strong cash position has been essential to underpin supply to customers since the end of Q1. The strength of the Group's excellent Taiwanese procurement operation which has built strong supplier relationships over many years has been of critical importance over this challenging period. It is expected that the component shortages and associated price inflation will persist well into 2022, although we continue to mitigate the impact of this issue as far as possible.

Throughout the period, despite the allocation of cash to strategic stock, the Group maintained a robust financial position which provides a strong foundation and the flexibility to invest in the Group's expected future growth through continued product innovation.

During last year we focused on supporting our customers through the difficulties they faced as their markets closed. To help manage their capital outlay and elevate the value proposition of working with Quixant we devised a leasing option for our Gaming products under which shipments commenced during the third quarter. We will evaluate the success of this over the next few months and offer it to other manufacturers.

We are pleased to welcome Johan Olivier to the Board as Chief Financial Officer from 31 August 2021. This high calibre appointment will ensure we continue to have a robust finance function as we return to growth.

Chief Executive's Report

The Group's recovery from the unprecedented challenges faced in 2020 is clear from the trading results achieved in the first half of this year. We delivered double-digit revenue growth across both operating divisions during the period and profits which are comfortably in line with management expectations. A strong recovery in demand from our end markets and conversion of new business pipeline has driven this growth and led to exceptional order intake during the first half of the year, providing us with confidence in our second half performance. During this period, our book-to-bill has been considerably more than one.

Gaming Business Review

The pandemic resulted in the closure of many global gaming markets for some of 2020. The US market closure in March 2020 for much of the second quarter had a profound impact on Quixant with most of our customers stopping or severely reducing manufacturing gaming machines. Once gaming markets started to reopen in the middle of the year, activity in the market has rebounded, particularly so in the USA. The data coming out of the US gaming market, critical to Quixant's business, is remarkably positive. The American Gaming Association's *July 2021 Commercial Gaming Revenue* reports US commercial gaming revenues 17% higher over the year to end July 2021 compared to 2019 and 103% higher than the same period in 2020. The advent of widespread sports betting and online gaming in the US market has fueled some of this growth, but land-based slot gross gaming revenue is reported to be up 9% over the same period compared to 2019 and 96% versus 2020. Other territories, particularly Europe and Asia are seeing a less conclusive recovery at this point but indicate positive momentum towards pre-pandemic levels. While this growth in gaming revenues does not directly correlate with increased sales of machines incorporating our computer platforms, it certainly signals a buoyant market backdrop for our customers to sell into.

Through 2020, we intensively collaborated with customers to support them through an extremely difficult period. Our demonstrable partnership has fostered even closer relationships which have already delivered new business opportunities. Amid the component shortages being faced in 2021, we have demonstrated the importance of Quixant as a strong outsource technology partner with entrenched Asian supply chain channels. Our prompt response in January 2021 to the shortages was to undertake an ongoing programme of strategic stock purchases, which has buffered our customers from the impact and safeguarded product supply. Our collaborative approach with customers has also facilitated a smoother implementation of essential price rises in our products to mitigate reduction in our profit margins.

Conversion of five targets/prospects to new customers in the first half of 2021, increasing total new customer wins to 11 in the last 15 months, is indicative that more and more manufacturers are recognising the benefits of outsourcing. We commenced mass production shipments for four of these in the second half of 2021, underpinning our confidence in growth in 2022.

There can be no better demonstration of the regard we are held by our customers than the following quotes from two recent new business wins.

The first relates to a project we are working on to supply our new turnkey self-service betting terminals (SSBTs) to BetConstruct for their land-based betting offering. After delays in executing our SSBT strategy after demonstrating it at ICE in February 2020 due to COVID, it is pleasing to be making progress during 2021 in this regard.

"*I am happy to say that I am most pleased with the Quixant offerings. Your superior technology is known within the industry; what is not always apparent is your commitment to customer service which is paramount when contemplating a business relationship."* - Jeffrey Connor, CEO BetConstruct (North America).

It is a privilege to be recognised by the Chairman and Founder of Ortiz Gaming, a large, long-standing and highly respected gaming business predominantly operating in the video bingo market.

"Ortiz considers Quixant a key technology partner in our casino games business, providing not only high-quality hardware but also top of the line software and support in a very close relationship with our own technical teams." - Alejandro Ortiz, CEO Ortiz Gaming

We have previously announced our development of a lease offering for our computer platform products which we commenced deliveries on a pilot basis at the start of the second half of 2021. This represents a new way of machine manufacturers accessing computer platform technology in the industry.

Densitron Business Review

The Densitron business built from its resilient trading performance in 2020 to deliver 13% year-on-year revenue growth and very strong order intake. Amid the electronics component shortages, our strong competence in operations and supply chain was also evident in the fact that 98% of orders which were due to be shipped in the first half were delivered to customers.

We continued to make progress in our broadcast focus market, launching several strategic new product lines. One such product line is Tactila®, a patent pending technology which allows physical rotary controls to be placed in the active area of the display for mission-critical, precision control. Tactila® forms part of the foundation for our next generation human machine interface (HMI) solutions for broadcast equipment. The evaluation kit has now been made available for customer trials. We have 61 broadcast customers in final approval stage in our new business pipeline in broadcast, of which 36 are for Densitron Display Components, 7 for Densitron Control Surfaces and 18 for Densitron Control Systems.

The growing revenue and pipeline over the first half of 2021 positions us strongly for robust full year trading. The IDS business continued to suffer for most of H1 2021 with the COVID restrictions inhibiting installations in venues, but activity picked up towards the end of the half with both existing orders starting to be fulfilled and new business resuming.

Moderate investments into Densitron's core Display Components offering have also led to new product launches. Particularly relevant in the current climate are two technologies designed to address human machine interaction without physical contact: hover touch and antimicrobial cover glass. We believe these have widespread application in areas such as the medical sector and point-of-sale kiosks.

Group Financial Review

Group revenues were up 31% year on year to \$36.5m (H1 2020: \$27.9m), with Quixant Gaming growing 55% to \$18.4m (H1 2020: \$11.9m) and Densitron growing 13% to \$18.1m (H1 2020: \$16.0m).

Gross margin in H1 2021 was 30%, down from the 32% achieved in H1 2020. The decline reflected the impact of component price inflation due to the shortages experienced in obtaining key components, which has affected many industries globally. While we have successfully increased our prices across almost all customers in the business through the first half of the year, the volatility in component prices has increased our cost of sales ahead of these price increases. We expect the margin pressure we are seeing to be temporary and is due to the widespread current electronic component shortages rather than a structural shift in our business. The pass-through increases we have implemented will support our margin position as they start to flow through our income statement in the second half of 2021 and into 2022.

Operating expenses decreased by \$1.8m or 15% to \$10.1m (H1 2020: \$11.9m) due to cost saving measures the Group implemented in 2020, despite the weakening of the US Dollar (the Group's reporting and functional currency) versus most international currencies which has led to inflation in our reported costs.

Adjusted pre-tax profit during the first half was \$1.3m, a significant improvement on the adjusted pre-tax loss of \$1.2m during the H1 2020. Reported pre-tax profit was \$0.8m (H1 2020: loss of \$3.0m).

The Group generated cash from operations of $1.1m in the period, an increase of $1.4m from the cash used of $0.3m in the first half of 2020. This positive cash generation was despite the strategic investment in inventory the Group made during the year to support demand.

Net cash was $15.0m at 30 June 2021, compared with $17.4m at 31 December 2020. The Group returned $1.8m (H1 2020: nil) to shareholders in the form of a full year dividend for the 2020 financial year in May 2021.

Outlook

As we enter the second half, 115% order coverage of management revenue expectations together with a qualified pipeline of new opportunities is encouraging. The Board is therefore confident in growth in the second half, consistent with previous years, and delivering strong full year trading and adjusted profit before tax in line with management expectations. The Group continues to actively manage through supply chain challenges because of electronic component shortages and while these have placed some temporary pressure on gross margin, we believe that our long-term structural Group margin is intact. The long-term outlook is positive given increasing demand and the Group's strategic market positioning.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2021, 30 JUNE 2020 AND YEAR ENDED 31 DECEMBER 2020

	Note	**Unaudited 30 June 2021**	Unaudited 30 June 2020 (Restated*)	31 December 2020
		$000	$000	$000
Revenue		**36,543**	27,901	63,794
Cost of sales		**(25,466)**	(19,051)	(43,742)
Gross profit		**11,077**	8,850	20,052
Operating expenses		**(10,075)**	(11,858)	(21,904)
Operating profit / (loss)		**1,002**	(3,008)	(1,852)
Financial expenses		**(192)**	(40)	(151)
Profit / (Loss) before tax	1	**810**	(3,048)	(2,003)
Taxation		**(108)**	20	(955)
Profit / (Loss) for the period		**702**	(3,028)	(2,958)
Other comprehensive expense				
Foreign currency translation differences		**208**	(59)	788
Total comprehensive income for the period		**910**	(3,087)	(2,170)
Basic earnings per share	2	**$0.0106**	($0.0456)	($0.0445)
Fully diluted earnings per share	2	**$0.0105**	($0.0453)	($0.0445)

The above condensed consolidated statement of profit and loss and other comprehensive income should be read in conjunction with the accompanying notes.

* See note 4 – Prior year restatement

CONDENSED CONSOLIDATED BALANCE SHEET

AS AT 30 JUNE 2021, 30 JUNE 2020 AND AT 31 DECEMBER 2020

	Note	**Unaudited 30 June 2021 $000**	Unaudited 30 June 2020 $000	31 December 2020 $000
Non-current assets				
Property, plant and equipment		**5,883**	5,757	6,004
Right-of-use asset		**1,224**	251	1,276
Intangible assets		**16,079**	17,078	16,189
Investment property		**-**	-	-
Deferred tax assets		**1,958**	426	1,267
Total non-current assets		**25,144**	23,512	24,736
Current assets				
Inventories		**24,773**	22,857	21,601
Trade and other receivables		**18,365**	17,571	16,517
Cash and cash equivalents		**16,120**	15,842	18,804
Total current assets		**59,258**	56,270	56,922
Total assets		**84,402**	79,782	81,658
Current liabilities				
Other interest-bearing loans and borrowings		**(487)**	(953)	(695)
Trade and other payables		**(16,297)**	(13,783)	(12,913)
Tax payable		**(1,618)**	-	(1,022)
IFRS 16 lease liability		**(456)**	(279)	(386)
Total current liabilities		**(18,858)**	(15,015)	(15,016)
Non-current liabilities				
Other interest-bearing loans and borrowings		**(667)**	(724)	(712)
Provisions		**(371)**	(314)	(354)
Deferred tax liabilities		**(1,237)**	(1,469)	(1,322)
IFRS 16 lease liability		**(794)**	-	(901)
Total non-current liabilities		**(3,069)**	(2,507)	(3,289)
Total liabilities		**(21,927)**	(17,522)	(18,305)
Net assets		**62,475**	62,260	63,353
Equity attributable to equity holders of the parent				
Share capital		**106**	106	106
Share premium		**6,708**	6,698	6,708
Share based payments reserve		**1,631**	1,405	1,571
Retained earnings		**52,940**	54,016	54,086
Translation reserve		**1,090**	35	882
Total equity		**62,475**	62,260	63,353

The above condensed consolidated balance sheet should be read in conjunction with the accompanying notes.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2021, 31 DECEMBER 2020 AND 30 JUNE 2020

	Share capital	Share premium	Translation reserve	Share based payments	Retained earnings	Total equity
	$000	$000	$000	$000	$000	$000
Balance at 1 January 2020	106	6,698	94	1,345	57,044	65,287
Total comprehensive income for the period						
Loss	-	-	-	-	(3,028)	(3,028)
Other comprehensive expense	-	-	(59)	-	-	(59)
Total comprehensive income for the period	-	-	(59)	-	(3,028)	(3,087)
Transactions with owners, recorded directly in equity						
Share based payments	-	-	-	60	-	60
Total contributions by and distributions to owners	-	-	-	60	-	60
Unaudited balance at 30 June 2020	106	6,698	35	1,405	54,016	62,260
Unaudited balance at 1 July 2020	106	6,698	35	1,405	54,016	62,260
Total comprehensive income for the period						
Profit	-	-	-	-	70	70
Other comprehensive expense	-	-	847	-	-	847
Total comprehensive income for the period	-	-	847	-	70	917
Transactions with owners, recorded directly in equity						
Share based payments	-	-	-	166	-	166
Exercise of options	-	10	-	-	-	10
Total contributions by and distributions to owners	-	10	-	166	-	176
Balance at 31 December 2020	106	6,708	882	1,571	54,086	63,353
Balance at 1 January 2021	106	6,708	882	1,571	54,086	63,353
Total comprehensive income for the period						
Profit	-	-	-	-	702	702
Other comprehensive expense	-	-	208	-	-	208
Total comprehensive income for the period	-	-	208	-	702	910
Transactions with owners, recorded directly in equity						
Share based payments	-	-	-	60	-	60
Dividend paid	-	-	-	-	(1,848)	(1,848)
Total contributions by and distributions to owners	-	-	-	60	(1,848)	(1,788)
Unaudited balance at 30 June 2021	106	6,708	1,090	1,631	52,940	62,475

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2021, 30 JUNE 2020 AND YEAR ENDED 31 DECEMBER 2020

	Unaudited 30 June 2021	Unaudited 30 June 2020	31 December 2020
	$000	$000	$000
Cash flows from operating activities			
Profit / (Loss) for the period	**702**	(3,028)	(2,958)
Adjustments for:			
Depreciation, amortisation and impairment	**1,332**	2,869	3,084
Impairment losses on intangible assets	**-**	-	1,503
Depreciation of leased assets	**628**	229	473
Movement in provisions	**17**	(25)	(1,061)
Taxation (income) / expense	**108**	(20)	955
Lease liability interest expense	**138**	32	55
Financial expense	**54**	8	96
Equity settled share-based payments	**60**	60	226
Loan forgiven from prior year	**(117)**	-	-
	2,922	125	2,373
(Increase) / decrease in trade and other receivables	**(1,848)**	6,294	7,026
(Increase) / decrease in inventories	**(3,003)**	(2,489)	14
Increase / (decrease) in trade and other payables	**3,470**	(4,180)	(4,625)
	1,541	(250)	4,788
Interest paid	**(54)**	(8)	(96)
Lease liability interest expense	**(138)**	(32)	(55)
Tax (paid) / received	**(288)**	37	(663)
Net cash from operating activities	**1,061**	(253)	3,974
Cash flows from investing activities			
Acquisition of property, plant and equipment	**(99)**	(41)	(431)
Acquisition of intangible assets	**(984)**	(1,359)	(1,809)
Net cash used in investing activities	**(1,083)**	(1,400)	(2,240)
Cash flows from financing activities			
Proceeds from new loan	**672**	862	606
Repayment of borrowings	**(813)**	(44)	(19)
Lease liability paid	**(612)**	(277)	(526)
Dividends paid	**(1,848)**	-	-
Exercise of options	**-**	-	10
Net cash used in financing activities	**(2,601)**	541	71
Net (decrease) / increase in cash and cash equivalents	**(2,623)**	(1,112)	1,805
Cash and cash equivalents at 1 January	**18,804**	16,954	16,954
Foreign exchange rate movements	**(61)**	-	45
Cash and cash equivalents at period end	**16,120**	15,842	18,804

The above condensed consolidated cash flow statement should be read in conjunction with the accompanying notes.

1. Basis of preparation and accounting policies

As is permitted by the AIM rules for Companies, the directors have not adopted the requirements of IAS34 'Interim Financial Reporting' in preparing the interim financial statements. Accordingly, the interim financial statements are not in full compliance with IFRS. The reporting currency adopted by the Quixant Group is US Dollar as this is the trading currency of the Group. The financial information shown for the year ended 31 December 2020 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. The condensed consolidated interim financial information is neither audited nor reviewed and the results of operations for the six months ended 30 June 2021 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. This condensed consolidated interim financial report was approved by the Board of Directors on 21 September 2021.

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 2020.

Reconciliation of profit before tax
The Directors consider that disclosing alternative performance measures enhances shareholders' ability to evaluate and analyse the underlying financial performance of the Group. They have identified Adjusted Profit before tax as a measure that enables the assessment of the performance of the Group and assists in financial, operational and commercial decision-making.

In adjusting for this measure the Directors have sought to eliminate those items of income and expenditure that do not specifically relate to the normal operational performance of the Group in a specific year. The table below reconciles Profit / (Loss) before tax to Adjusted Profit / (Loss) before tax identifying those reconciling items of income and expense.

Profit / (Loss) before tax and Adjusted Profit / (Loss) before tax for the current and prior periods has been derived as follows:

	Six months ended 30 June 2021 $000	Six months ended 30 June 2020 $000	Year ended 31 December 2020 $000
Profit / (Loss) for the period	**702**	(3,028)	(2,958)
Adding back:			
Taxation expense / (income)	**108**	(20)	955
Profit / (Loss) before tax	**810**	(3,048)	(2,003)
Research & development derecognised[1]	**-**	1,307	1,503
Amortisation of customer relationships and order backlog[2]	**460**	449	920
Share based payments expense[3]	**60**	60	226
Restructuring costs[4]	**-**	-	674
Adjusted Profit / (Loss) before tax	**1,330**	(1,232)	1,320

1. To derecognise capitalised research & development due to one-off notifications by key suppliers to end-of-life key components utilised in our gaming products; citing changing market demands and supply chain issues brought about by the COVID-19 pandemic.
2. The amortisation of customer relationships and order backlog has been excluded as it is not a cash expense of the Group.

3. Share based payments expense has been excluded as they are not a cash expense of the Group.
4. Other items of income and expense – where other items of income and expense occur in a particular period and their inclusion in PBT 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 in respect of employee departures.

2. Earnings per share

	Six months ended 30 June 2021 $000	Six months ended 30 June 2020 $000	Year ended 31 December 2020 $000
Earnings			
Earnings for the purposes of basic and diluted EPS being net profit / (loss) attributable to equity shareholders	**702**	(3,028)	(2,958)
Number of shares			
Weighted average number of ordinary shares for the purposes of basic EPS	**66,450,060**	66,435,060	66,437,683
Effect of dilutive potential ordinary shares:			
Share options	**415,500**	460,290	154,375
Weighted number of ordinary shares for the purposes of diluted EPS	**66,865,560**	66,895,350	66,592,058
Basic earnings per share	**$0.0106**	($0.0456)	($0.0445)
Diluted earnings per share	**$0.0105**	($0.0453)	($0.0445)

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.

Calculation of adjusted diluted earnings per share:	**Six months ended 30 June 2021 $000**	Six months ended 30 June 2020 $000	Year ended 31 December 2020 $000
Earnings			
Earnings for the purposes of basic and diluted EPS being net profit / (loss) attributable to equity shareholders	**702**	(3,028)	(2,958)
Adjustments			
Research & development derecognised	**-**	1,307	1,503
Amortisation of customer relationships and order backlog	**460**	449	920
Share based payments expense	**60**	60	226
Restructuring costs	**-**	-	674
	1,222	(1,212)	365
Tax effect of adjustments	**108**	(20)	(631)
Adjusted earnings	**1,330**	(1,232)	(266)
Adjusted diluted earnings per share	**$0.0199**	($0.0184)	($0.0040)

3. Related party transactions

During the period the Group paid €15,600 (H1 2020: €15,600) for administrative services to Francesca Marzilli, the wife of Nicholas Jarmany. There were no other related party transactions, other than transactions with key management personnel, who are the Directors of the Company.

4. Prior year restatement

During the prior year, Quixant plc identified that a consolidation journal between operating expenses and cost of sales in respect of overheads absorbed in the production of finished goods, was omitted from the 2020 interim results.

As a result, the cost of sales previously recognised in H1 2020 of $17.9m has now increased by $1.1m whilst the operating expenses recognised in H1 2020 of $13.0m has now decreased by $1.1m. This adjustment has no effect on the profit before tax and profit for the year for H1 2020.