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6 September 2023

Nexteq plc
("Nexteq" or the "Group")

Interim Results
Materially improved profit and cash generation

Nexteq (AIM: NXQ), a leading technology solutions provider to customers in selected industrial markets, is pleased to announce its unaudited interim results for the six months ended 30 June 2023.

	Six months to 30 June 2023	Six months to 30 June 2022	Change
Group revenue	\$56.3m	\$53.3m	6%
<i>Quixant revenue</i>	<i>\$34.3m</i>	<i>\$31.4m</i>	<i>9%</i>
<i>Densitron revenue</i>	<i>\$22.0m</i>	<i>\$21.9m</i>	<i>0%</i>
Group gross margin	34.2%	31.6%	260bps
Adjusted Group profit before tax ¹	\$5.9m	\$3.5m	70%
Group profit before tax	\$5.1m	\$2.8m	81%
Adjusted diluted earnings per share ¹	7.18c	4.05c	77%
Diluted earnings per share	6.31c	3.31c	91%
Net cash from / (used in) operating activities	\$6.2m	(\$3.6m)	nm
Net cash ¹	\$18.5m	\$12.9m ²	43%

¹For details on adjusted measures refer to note 1 and note 4 of the condensed consolidated financial statements.

²Balance as at 31 December 2022.

FINANCIAL HIGHLIGHTS:

- Group revenues up 6%:
 - Quixant revenues in the first half grew 9% driven by higher volumes.
 - Densitron revenues in line with H1 2022, with the Broadcast Technology sector growing 10%, tempered by softer demand in other industrial sectors.
- Gross margin improved by 260bps to 34.2%, benefitting from a focus on higher quality Densitron revenues and partial easing of supply chains.
- Adjusted profit before tax grew 70% to \$5.9m, a margin of 10.5% (H1 2022: 6.6%), ahead of both H1 and H2 2022. Reported profit before tax grew 81% to \$5.1m (H1 2022: \$2.8m).
- Net cash increased 43% to \$18.5m, reflecting improved cash generation from trading and effective management of working capital.

OPERATIONAL HIGHLIGHTS:

- Rebrand to Nexteq plc completed, reflecting evolution to a diversified business platform supplying multiple products into a range of industries.
- First deliveries of Quixant turnkey cabinet solutions completed in first half.
- Active stock management leading to improved working capital position.
- Broadcast delivering to plan with continued progression of pipeline of sales opportunities.
- Continued investment in teams across engineering, dedicated sales and product leadership roles.

CURRENT TRADING AND OUTLOOK:

- Profit expected to be in line with market expectations for full year on revenues broadly in line with prior year.
- Order book normalising from the high levels seen in 2021 and 2022, as customers seek to reduce their inventory levels.
- Strong balance sheet with net cash position and good operational liquidity; supported by good cash generation, positioning the Group for future organic and acquisitive growth.

Jon Jayal, CEO of Nexteq commented:

“The Group has delivered a solid first half performance with increased revenues across our strategic sectors together with materially improved profitability. Alongside this, we have seen evidence of our strategy to diversify across our customers, product offerings and markets paying off, with the first deliveries of our turnkey gaming cabinet solution during the period and a strengthening of our presence in the Broadcast market.

Through close cooperation and planning with our customers, we have helped them navigate through the supply chain challenges, cementing our position as a trusted technology outsource partner. Our value proposition continues to grow in reputation across our target verticals and we see a healthy pipeline of opportunities ahead.

Reflecting our ambitions to expand our solutions across new technology markets, we have completed our repositioning under the Nexteq brand during the period. Looking ahead, whilst we are cognisant of short-term market conditions, the strength of our customer relationships, healthy pipeline and product roadmap leaves us well placed to grow over the medium term in both new and existing markets.”

Investor Presentation

Nexteq is hosting an online presentation open to all investors on 8 September, at 1.00pm BST. Anyone wishing to connect should register here: <https://www.investormeetcompany.com/quixant-plc/register-investor>.

¹ The current range of forecasts for the year ended 31 December 2023 is revenue of between \$119.0m and \$120.1m with a consensus of \$119.6m and adjusted profit before tax of \$12.4m.

Nexteq plc

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About Nexteq

Nexteq (AIM: NXQ) is a strategic technology solutions provider to customers in selected industrial markets. Its innovative technology enables the manufacturers of global electronic equipment to outsource the design, development and supply of non-core aspects of their product offering. By outsourcing elements of their technology stack to Nexteq, customers can focus their product development effort on the most critical drivers of their business' success.

Our solutions are delivered through a global sales team and leverage the Group's electronic hardware, software, display and mechanical engineering expertise. Our operations in Taiwan are at the heart of Far Eastern supply networks and facilitates cost effective manufacturing and strategic supply chain management.

The Group operates in 7 countries and services over 500 customers across 50 countries.

Nexteq operates two distinct brands: Quixant, a specialised computer platforms provider, and Densitron, leaders in human machine interface technology, each with dedicated sales, account management and product innovation teams. Founded in 2005, and later floating on the London Stock Exchange's AIM stock market as Quixant plc, the Group rebranded to Nexteq in 2023.

Further information on Nexteq and its brands can be found at www.nexteqplc.com.

Chief Executive's Report

Nexteq overview – *Empowering Technology*

The Group delivered a strong performance in the first half of the year, posting revenue growth of 6%, improved gross margins and materially improved profitability. This reflects our strategic focus on a higher quality revenue mix and stabilisation of the prices of some components, which overall have driven a return of gross margins towards historic levels. As a result, adjusted profit before tax increased 70% to \$5.9m (H1 2022: \$3.5m) and reported profit before tax increased 81% to \$5.1m (H1 2022: \$2.8m).

During the first half of 2023, we saw the normalisation of our order book towards historically more typical levels of visibility. The extended component lead times and supply shortages seen in 2021 and 2022 drove exceptional order intake for our products to mitigate widespread electronic component market shortages. Whilst our end customers navigate evolving economic conditions and adopt a more cautionary stance to holding inventory, the value attributed to our technology and customer service is reflected in the consistently high customer satisfaction and retention rates.

Our core proposition, which centres on providing specialised outsourced solutions to enable customers to concentrate efforts on aspects of their business that deliver value, continues to resonate within our chosen markets resulting in a number of successful new customer acquisitions and a healthy pipeline of opportunities. To support our multi-vertical growth strategy and better reflect our value proposition and vision for the Group, whilst maintaining our strong brand recognition within our chosen markets, the Group rebranded from Quixant plc to Nexteq plc in May 2023.

The recovery in gross margin performance was a strong positive in the first half of the year. The last two years have seen an unprecedented level of supply disruption and price volatility in electronic components. We acted during this period to mitigate the effects by making forward strategic stock purchases and working with customers to pass on price inflation in the cost to manufacture our products. In the second half of 2022, these actions resulted in the recovery of some of our gross margin weakness and this improvement has continued into the first half of this year. Densitron's gross margins were boosted by the focus on high quality revenue and mix of business shifting towards the specialist broadcast product offerings. We expect continued gross margin progress as we execute in accordance with our strategy.

Improving cash generation remains a priority for the Group, so it is pleasing that we generated healthy operating cash of \$6.2m in the first half of the year, boosting our net cash position to \$18.5m at the period end (\$12.9m at 31 December 2022). This contrasts with a \$3.6m operating cash outflow during the first half of 2022, driven by increased working capital tied up in inventory used to mitigate long component lead times and supply shortages.

Whilst economic conditions remain challenging in the short-term, we remain focused on our vision and long-term growth strategy. We have progressed a number of our strategic priorities, including continued progression toward higher value products. Our strategic investment into the Broadcast sector continues to deliver results with double-digit growth and a building pipeline, and we remain well placed to deliver long-term sustainable growth through our portfolio of specialist outsource technology solutions focused on certain sectors.

Quixant overview

Gaming technology

We entered 2023 with a strong order book across our gaming customers which gave us excellent visibility of the first half. Despite some lingering supply disruption, the strategic stock purchases made in 2021 and 2022 enabled us to deliver against this order book, driving gaming sector revenue up by 9% to \$34.3m (H1 2022: \$31.4m). The majority of the growth in the first half of 2023 has been volume driven, complemented by modest price inflation. The number of computer boards shipped in the period increased by 13% to 25,900 (H1

2022: 21,800), comprising a greater proportion of entry level IQ and mid-range IQON products, with volumes increasing by 29% and 38% respectively.

Our growth continues to be underpinned by our programme of innovation and development. Accordingly, we are due to launch next-generation Intel variants of IQ and IQON over the next 12 months which will position us well for conversion of new business opportunities in the Amusement With Prize (“AWP”), Video Lottery Terminal (“VLT”), and route markets. These new products are embedded with our proven Quixant Software solutions and services which enable customers’ engineering teams to place an even greater emphasis on creating the best player experience possible. Alongside this, and completing the gaming computer range, the latest generation of our flagship QMAX product will enter mass production in the second half of 2023.

We received the first mass production order for our turnkey gaming cabinet products from Pilot Games in 2022 and made the first deliveries in the first half of 2023. We expect further deliveries through the rest of the year and are working with several prospective customers on opportunities to provide them with outsourced turnkey cabinet solutions.

Commercial casinos in the US continue to see resilient gross gaming revenues from their land-based operations, which have been broadly at a consistent level since Q2 2021¹. European markets finally recovered after COVID in 2022, showing a marked increase in land-based gross gaming revenues. The prediction going forward is for a low single digit revenue growth over the next five years². Asia, despite being heavily affected by the pandemic, remains a longer-term growth prospect, with the gaming equipment market forecast to grow by 5% annually out to 2029³. A push towards regulation and the wider spread adoption of online gaming is forecast to drive Latin America gross gaming revenues to nearly triple from 2022 to 2025⁴.

Against this market backdrop, we expect to see continued demand for capital investment into new machines, which in turn drives demand for our products. However, we anticipate that customers’ increased financing costs and elevated stock levels entering the year in anticipation of more buoyant economic conditions may lead to some short-term softness in demand.

Despite challenges in the broader economy, with a healthy new business pipeline combined with a refreshed Intel-based gaming computer product portfolio and turnkey gaming cabinet solutions, we continue to believe that the gaming sector presents a compelling growth opportunity.

Densitron overview

Broadcast technology

Our emerging broadcast technology offerings, which enable customers to outsource and enhance the human machine interface of equipment installed in production control rooms, have delivered another period of growth, with revenue increasing 10% to \$3.4m (H1 2022: \$3.1m) in the first half.

The growth in broadcast sector demand was driven by the ramp up of new customers which we have won over the last few years. After working with several broadcast customers for many years supplying them with Densitron industrial display components, we started targeting the sector as a focus market for the Group with an optimised range of human machine interface and control system solutions. These were developed to address the evolving adoption of touch screen technology in professional broadcast equipment. Adoption of touch technology, which has proliferated as the favoured human machine interface input technology in most applications elsewhere, was challenging for the broadcast sector because it lacked the tactile feedback and precision offered by mechanical buttons. The electronics and software required to drive graphical touch screen-based interfaces were also unfamiliar. Densitron is well positioned to address these problems.

¹ Source: American Gaming Association Commercial Gaming Revenue Tracker

² Source: European Gaming and Betting Association Key Figures 2022 Edition

³ Source: Stellar Market Research

⁴ Source: Statista Research

We have spent the last few years developing and integrating a range of hardware technologies which include:

- High-resolution colour TFT displays;
- High-precision touch screens with software integration support;
- Tactile objects which are installed inside the active display area to allow the ultimate in visual and tactile feedback upon interacting with the device;
- Patent pending haptic solutions; and
- Easy integration of tactile objects installed outside the active display area.

Alongside these, we also offer a full control system (“IDS”) which enables customers to drive this hardware and control a wide range of third-party devices from it with tried-and-tested software, which is used in some of the largest broadcast corporations globally.

Our Broadcast customer base has a conservative approach to innovation, mainly because of the mission-criticality of the equipment that is used. As such, adoption of our technology has been gradual, but we have seen a continued ramp up in integration of our solutions. This ramp up of existing and new customers is the driver behind the consistent double-digit growth seen for several reporting periods.

We have also made significant investments into the Broadcast team over the last twelve months to support the business. These include specialist engineering, dedicated sales and product leadership resources. We believe these actions support a continued growth of Broadcast sector revenues for the full year and beyond.

Industrial Display Components

Revenue from Densitron display components supplied into other industrial sectors was marginally down year on year with \$18.6m, compared to \$18.8m in H1 2022.

Our industrial display components are supplied to a wide range of markets, which in aggregate have seen weaker demand because of the wider challenging macroeconomic environment. Many customers forecasted higher demand for their products in 2023 and entered the year well-stocked to take advantage of this demand and had placed orders for further deliveries in the year. As we entered the second quarter, persistently weak macro-economic conditions drove softer demand for their products, and we have started to see requests for deliveries to be pushed out.

Whilst we have seen weaker demand, we maintained a strong focus on higher quality revenue to support Group margin performance which has pleasingly led to significant structural margin enhancement to record levels in the Densitron display component customer book.

Growth strategy

Nexteq delivers growth through identifying and investing in vertical markets which are undergoing a technology change bringing about a requirement for new, optimised solutions which are not met by standard technology. Having identified these markets our global engineering teams develop bespoke products, providing customers an opportunity to outsource their product development. We continually enhance this offering to increase the value proposition and become increasingly integrated into the value-chain.

When the company was founded in 2005, the management team identified the increasing use of personal computer (PC) technology to drive the new breed of video slot machines, however off the-shelf computer solutions failed to meet the regulatory requirements of most established gaming jurisdictions. Our computer boards enable manufacturers to outsource the computer platform to us, leaving our customers who design the gaming machines to focus on developing vibrant, captivating game content, and to deliver the ultimate customer experience. We have expanded on our computer board range by now offering a turnkey cabinet solution which provides a route for customers to fully outsource their land-based slot machine hardware to us.

A key focus for the Board is the diversification of the Group's revenue, both within the gaming sector across a larger number of customers and gaming markets, but also into new sectors where our value proposition and capabilities are valuable. Densitron was acquired in 2015 with a view to provide a platform for the Group to identify new non-gaming focus markets through the broad sector base into which display components are supplied. Within these sectors we seek to develop specialist technology offerings to support existing market participants as an outsource partner. The first of these focus markets identified beyond gaming is the broadcast sector. We also generate significant revenue from the medical sector mainly, comprising our industrial display component range.

Examples of progress against the Group's four pillar growth strategy are as follows:

- Identify target verticals: The first focus market identified beyond gaming is the broadcast sector, which grew double-digit in the period and has a pipeline of new customer opportunities.
- Acquire customers: The Group's value proposition continues to drive new interest with several new projects commencing production, such as Pilot Games.
- Innovation and R&D: In Gaming, the Group's recently launched turnkey cabinet solution provides a route for customers to fully outsource their land-based slot machine hardware to Quixant.
- Penetrate up the value-chain: Our higher value gaming support services and IDS broadcast control software solution are enabling us to be further integrated into the technology stack in our end markets.

When appropriate, the Board may complement its organic growth strategy with strategic acquisitions that enhance the Group's technical capabilities and market reach. The Group's return to healthy operating cash generation and net cash position puts it in a strong position to take advantage of such acquisitive growth opportunities.

Current Trading and Outlook

The business delivered revenue growth and a recovery in gross margin performance during the first six months, with strategic initiatives in recent years, such as new product innovation, and focus on high quality revenue, paying off.

The easing in lead times combined with customers who are seeking to reduce stock levels as a result of improvements in the supply chain has resulted in the normalisation of our order book, a trend we expect to continue in the short term. As we enter the fourth quarter we continue to monitor and navigate the shifting patterns and normalising of client orders but our focus on higher quality revenue supports our gross margin outlook in the short and medium term. We expect to deliver full year profit before tax in line with market expectations with revenues broadly in line with prior year. The Group continues to benefit from high customer retention and a healthy new business pipeline.

Longer-term, the Board believes Nexteq's growth strategy positions the business well for organic growth in its target sectors and its robust financial position supports acceleration of this strategy through acquisition.

Group Financial Review

Group revenues were up 6% year on year to \$56.3m (H1 2022: \$53.3m), with Quixant growing 9% to \$34.3m (H1 2022: \$31.4m) and Densitron in line with the prior year at \$22.0m (H1 2022: \$21.9m). The top 10 customers represented 52% of revenue in the first half of 2023, broadly in line with the prior year (H1 2022: 54%).

The increase in Quixant revenues was due to the elevated demand from our customer base, with 25,900 Quixant platforms shipped in the first half, an increase of 13% on H1 2022. Demand was strong across the entire Quixant range, and in particular the cost-effective range. Due to the greater proportion of cost-effective products sold in the first half, the average sales price was slightly lower compared with the prior year.

Densitron saw softer demand for some of its products as many customers look to reduce their inventory levels and faced slowdowns due to wider economic weakness. The Broadcast sector continued its impressive performance, with revenues up 10% compared to 2022, at elevated margins compared to the rest of the Densitron business, reflecting our focus and investment in that sector.

Gross margin in H1 2023 was 34.2%, up from the 31.6% achieved in H1 2022. The increase was mainly driven by improved Densitron margins, due to the focus on higher quality revenues. The first half of 2023 also saw further easing of supply chains and moderating component price inflation, further supporting gross margins.

Adjusted operating expenses increased by \$0.1m to \$13.4m (H1 2022: \$13.3m). The Group recognised translational foreign exchange rate gains of \$0.5m in H1 2023, compared with losses of \$1.1m in the prior year, a year-on-year positive impact of \$1.6m. This gain was offset by investments in headcount, increased travel and marketing expense and the impact of inflation. In the first half of 2023 the Group also recorded an impairment charge of \$0.5m related to in progress development projects (H1 2022: \$0.3m), where it was determined that the projects did not meet the criteria to capitalise product development cost as set out in IAS38.

Adjusted Profit before tax in the first half was \$5.9m, compared to the \$3.5m reported in H1 2022. Statutory profit before tax was \$5.1m (H1 2022: \$2.8m). The adjustments to statutory profit before tax of \$0.8m (H1 2022: \$0.7m) comprised a share-based payments expense of \$0.5m (H1 2022: \$0.2m) and amortisation of acquired intangibles of \$0.3m (H1 2022: \$0.5m).

Interest rate rises and increased cash balances contributed to finance income of \$0.1m (H1 2022: nil), whilst finance expense were in line with the prior year at \$0.1m (H1 2022: \$0.1m).

The tax charge on adjusted profit before tax was \$1.0m (H1 2022: \$0.8m), an effective tax rate of 17.2% (H1 2022: 22.6%), driven by the mix of profit across our regions in the first half. We expect the full year tax rate to be within a range of 16-19% (2022: -24.8%). The tax charge on reported profit was \$0.8m (H1 2022: \$0.6m).

Adjusted diluted earnings per share was 7.18c, an increase of 77% on H1 2022 (4.05c per share). Diluted earnings per share was 6.31c, an increase of 91% on H1 2022 (3.31c per share).

Valuation of Aruze debtors and inventory

As disclosed in its 2022 annual report, the Group, through its Quixant brand, has active contracts in place with Aruze Philippines Manufacturing Inc. ("APMI"), for the supply of display products and gaming boards. On 1 February 2023 Aruze Gaming America, Inc ("AGA"), a US based affiliate of APMI, filed a voluntary petition under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the State of Nevada.

As at the date of this interim report the Chapter 11 proceedings are still ongoing. AGA's operations and assets have been sold as part of the proceedings and AGA also closed its Las Vegas operations. APMI filed for voluntary liquidation on 22 August 2023 and a liquidation order was issued by the Philippine courts. As at the date of this interim report the liquidation proceedings were still ongoing.

Due to these recent developments, there remains uncertainty over the recoverability of balances related to APMI and Nexteq management evaluated their carrying value as at the balance sheet date.

As at 30 June 2023, APMI owed \$1.0m to the Group from the sale of goods. The amounts were impaired in full as at 30 December 2022 and due to the uncertainty referenced above remain fully impaired at 30 June 2023. We are continuing to take steps to recover these balances.

Inventory, consisting of raw materials with a book value of \$2.1m and finished goods with a book value of \$0.8m originally earmarked for use by APMI was included in the Nexteq Group's balance sheet as at 30 June 2023. The inventory can be used to manufacture products that can be sold to the Group's existing or new

customers or for use in the Group's turnkey cabinet offering. Management expects to fully recover the net book value of \$2.9m and considers that no provision against it was required as at 30 June 2023.

The Group balance sheet also includes capitalised development cost with a book value of \$0.4m related to the development of products for APMI's future use. Once development is completed, the product can be sold to the Group's existing or new customers. Based on their assessment of the future use of the product management expects to recover the book value of the capitalised development in full and no impairment was required at the balance sheet date.

Cash flow

Net cash was \$18.5m on 30 June 2023, compared with \$12.9m on 31 December 2022. The increase in net cash is largely due to improved profits and improved working capital levels leading to cash inflow from operating activities of \$6.2m, compared with a cash outflow of \$3.6m in H1 2022. Net working capital led to a cash outflow of \$1.5m, largely due to an expected decrease in trade and other payables as accruals held at December 2022 were settled in the first half. This cash outflow was partially offset by continued good cash collections reducing trade receivables. Inventory balances reduced by \$0.5m due to lower raw material and work in progress balances, partially offset by higher finished goods which are due for delivery in H2 2023.

Foreign exchange

The Group reports its results in US Dollars as this is the principal currency in which it trades with customers, with approximately 91% (H1 2022: 90%) of its revenues denominated in US Dollars.

The Group's reported results are impacted by US Dollar movements against currencies in the territories it operates, principally Pound Sterling, Euro and Taiwan Dollar. The average Pound Sterling to US Dollar exchange rate in H1 2023 was 1.23, a 5% appreciation against the H1 2022 average of 1.30. The average Euro to US Dollar exchange rate in H1 2023 was 1.08, a 1% appreciation against the H1 2022 average of 1.09. The average Taiwan Dollar to US Dollar exchange rate in H1 2023 was 0.033, a 6% appreciation against the H1 2022 average of 0.035.

The appreciation of the US Dollar against currencies in the territories the Group operates resulted in a \$0.6m favourable impact on adjusted operating expenses, when compared to H1 2022 average rates. The Group recognised translational foreign exchange rate gains of \$0.5m in H1 2023, compared with losses of \$1.1m in the prior year. This resulted in a net positive foreign exchange rate impact of \$2.2m on adjusted profit before tax for H1 2023 when compared to H1 2022.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2023 AND 30 JUNE 2022

	Note	Unaudited 30 June 2023 \$000	Unaudited 30 June 2022 \$000
Revenue	3	56,291	53,288
Cost of sales		(37,025)	(36,446)
Gross profit		19,266	16,842
Operating expenses		(14,215)	(13,940)
Operating profit		5,051	2,902
Finance income		139	-
Finance expense		(52)	(61)
Profit before tax	1	5,138	2,841
Taxation		(802)	(625)
Profit for the period		4,336	2,216
Other comprehensive expense for the period			
Foreign currency translation differences		(189)	(1,860)
Total comprehensive income for the period		4,147	356
Basic earnings per share	4	\$0.0652	\$0.0334
Diluted earnings per share	4	\$0.0631	\$0.0331

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

CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2023 AND AT 31 DECEMBER 2022

	Unaudited 30 June 2023 \$000	31 December 2022 \$000
Non-current assets		
Property, plant and equipment	5,511	5,668
Intangible assets	14,680	15,533
Right-of-use assets	1,626	1,694
Investment property	-	-
Deferred tax assets	2,729	2,636
Trade and other receivables	379	712
	24,925	26,243
Current assets		
Inventories	31,588	32,169
Trade and other receivables	21,260	24,047
Cash and cash equivalents	18,991	13,508
	71,839	69,724
Total assets	96,764	95,967
Current liabilities		
Loans and borrowings	(89)	(90)
Trade and other payables	(16,311)	(20,437)
Tax payable	(925)	(530)
Lease liabilities	(517)	(562)
	(17,842)	(21,619)
Non-current liabilities		
Loans and borrowings	(423)	(473)
Provisions	(366)	(350)
Deferred tax liabilities	(40)	(40)
Lease liabilities	(1,184)	(1,271)
	(2,013)	(2,134)
Total liabilities	(19,855)	(23,753)
Net assets	76,909	72,214
Equity attributable to equity holders of the parent		
Share capital	106	106
Share premium	6,747	6,708
Share based payments reserve	1,404	895
Retained earnings	70,374	66,038
Translation reserve	(1,722)	(1,533)
Total equity	76,909	72,214

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 2023, 31 DECEMBER 2022 AND 30 JUNE 2022**

	Share capital	Share premium	Translation reserve	Share based payments	Retained earnings	Total equity
	\$000	\$000	\$000	\$000	\$000	\$000
Balance at 1 January 2022	106	6,708	111	212	56,940	64,077
Total comprehensive income for the period						
Profit for the period	-	-	-	-	2,216	2,216
Other comprehensive expense	-	-	(1,860)	-	-	(1,860)
Total comprehensive income for the period	-	-	(1,860)	-	2,216	356
Transactions with owners, recorded directly in equity						
Share based payments	-	-	-	202	-	202
Total contributions by and distributions to owners	-	-	-	202	-	202
Unaudited balance at 30 June 2022	106	6,708	(1,749)	414	59,156	64,635
Unaudited balance at 1 July 2022	106	6,708	(1,749)	414	59,156	64,635
Total comprehensive income for the period						
Profit for the period	-	-	-	-	8,770	8,770
Other comprehensive income	-	-	216	-	-	216
Total comprehensive income for the period	-	-	216	-	8,770	8,986
Transactions with owners, recorded directly in equity						
Share based payments	-	-	-	416	-	416
Tax on share-based payment expense	-	-	-	65	-	65
Dividend paid	-	-	-	-	(1,888)	(1,888)
Total contributions by and distributions to owners	-	-	-	481	(1,888)	(1,407)
Balance at 31 December 2022	106	6,708	(1,533)	895	66,038	72,214
Balance at 1 January 2023	106	6,708	(1,533)	895	66,038	72,214
Total comprehensive income for the period						
Profit for the period	-	-	-	-	4,336	4,336
Other comprehensive expense	-	-	(189)	-	-	(189)
Total comprehensive income for the period	-	-	(189)	-	4,336	4,147
Transactions with owners, recorded directly in equity						
Share based payments	-	-	-	509	-	509
Exercise of share options	-	39	-	-	-	39
Total contributions by and distributions to owners	-	39	-	509	-	548
Unaudited balance at 30 June 2023	106	6,747	(1,722)	1,404	70,374	76,909

CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2023 AND 30 JUNE 2022

	Unaudited	Unaudited
	30 June	30 June
	2023	2022
	\$000	\$000
Cash flows from operating activities		
Profit for the period	4,336	2,216
Adjustments for:		
Depreciation and amortisation	1,348	1,322
Loss on disposal of property, plant and equipment	6	-
Impairment losses on intangible assets	506	267
Depreciation of leased assets	314	318
Movement in provisions	48	28
Taxation charge	802	625
Finance income	(139)	-
Finance expense	52	61
Unrealised exchange rate losses	496	700
Share-based payment expense	509	202
	8,278	5,739
Decrease/(Increase) in trade and other receivables	2,921	(1,716)
Decrease/(Increase) in inventories	486	(6,806)
(Decrease)/Increase in trade and other payables	(4,967)	408
	6,718	(2,375)
Interest paid	(1)	(7)
Lease liability interest paid	(45)	(46)
Income tax paid	(496)	(1,167)
Net cash from/(used in) operating activities	6,176	(3,595)
Cash flows from investing activities		
Addition of development costs	(683)	(1,246)
Purchase of property, plant and equipment	(91)	(236)
Addition of externally purchased intangible assets	(86)	(89)
Interest received	139	-
Net cash used in investing activities	(721)	(1,571)
Cash flows from financing activities		
Repayment of borrowings	(45)	(1,667)
Proceeds from loans	-	1,619
Mortgage interest paid	(6)	(8)
Payment of lease liabilities	(302)	(349)
Exercise of share options	39	-
Net cash used in financing activities	(314)	(405)
Net increase/(decrease) in cash and cash equivalents	5,141	(5,571)
Cash and cash equivalents at 1 January	13,508	18,347
Foreign exchange rate movements	342	(169)
Cash and cash equivalents at period end	18,991	12,607

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. The financial information shown for the year ended 31 December 2022 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. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2022 and any public announcements made by Nexteq Plc during the interim reporting period. The annual financial statements of the Group were prepared in accordance with UK adopted international accounting standards and the Auditor's Report on the annual report and accounts was unqualified.

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 2022. The reporting currency adopted by the Group is the US Dollar as this is the trading currency of 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 2023 are not necessarily indicative of the operating results for future operating periods.

After making enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the condensed consolidated interim financial report.

This condensed consolidated interim financial report was approved by the Board of Directors on 5 September 2023.

Reconciliation of adjusted measures

The Group uses certain alternative performance measures to evaluate performance and as a method to provide Shareholders with clear and consistent reporting. The Directors consider that these represent a more consistent measure of performance by removing items of income or expense which are considered significant by virtue of their size, nature or incidence or which have a distortive effect on current period earnings and are relevant to an understanding of the Group's financial performance. These measures include Adjusted Profit before tax, Adjusted Profit after tax, Adjusted Operating expenses, Adjusted Operating cash flow and Net cash. See below for analysis of the adjusting items in reaching adjusted performance measures.

Adjusted Profit before tax

	Six months ended 30 June 2023	Six months ended 30 June 2022
	\$000	\$000
Profit before tax	5,138	2,841
Adjustments:		
Amortisation of customer relationships, technology and order backlog ¹	291	460
Share-based payments expense ²	509	202
Adjusted Profit before tax	5,938	3,503

¹The amortisation of customer relationships, technology and order backlog has been excluded as it is not a cash expense to the Group.

²Share-based payments expense has been excluded as it is not a cash-based expense.

Adjusted Profit after tax

Profit after tax	4,336	2,216
Adjustments:		
Amortisation of customer relationships, technology and order backlog	291	460
Share-based payments expense	509	202
Non-recurring tax expense ¹	(200)	(166)
Adjusted Profit after tax	4,936	2,712

¹Tax on adjusted items relating to amortisation of customer relationships, technology and order backlog of \$0.3m (H1 2023: \$0.5m) and share-based payments expense of \$0.5m (H1 2023: \$0.2m).

Adjusted Operating expenses

Operating expenses	(14,215)	(13,940)
Adjustments:		
Amortisation of customer relationships, technology and order backlog	291	460
Share-based payments expense	509	202
Adjusted Operating expenses	(13,415)	(13,278)

Adjusted Operating cash flow

Net cash from/(used in) operating activities	6,176	(3,595)
Add back:		
Tax paid ¹	496	1,167
Adjusted Operating cash flow	6,672	(2,428)
Adjusted Operating Cash conversion % (Adjusted operating cash flow/Adjusted profit before tax)	112%	(69%)

¹Tax paid is excluded from Adjusted Operating cash flow as cash conversion is calculated on a pre-tax basis.

Net cash

Cash and cash equivalents	18,991	13,508
Loans and borrowings	(512)	(563)
Net cash	18,479	12,945

2. Business and geographical segments

The Chief Operating Decision Maker (CODM) in the organisation is an executive management committee comprising the Board of Directors. The segmental information is presented in a consistent format with management information. The Group assesses the performance of the segments based on a measure of revenue and profit before tax. The segmental split of the balance sheet is not reviewed by the CODM, and they do not look at assets/liabilities of each division separately but combined as a group. Therefore, this split for assets has not been included.

The operating segments applicable to the Group are as follows:

- Quixant – Design, development and manufacturing of gaming platforms, cabinets, and display solutions for the casino gaming and slot machine industry.
- Densitron – Sale of electronic display components to global industrial markets and custom Human Machine Interface (HMI) products to the Broadcast market. IDS is included in the Densitron reporting segment, due to the nature of IDS business, the products that are sold and the market that the business operates in are all consistent with that segment.

Reconciliation of segment results to profit after tax:

	Six months ended 30 June 2023	Six months ended 30 June 2022
	\$000	\$000
Quixant	8,242	7,673
Densitron	2,096	2,030
Segment results	10,338	9,703
Corporate cost	(5,287)	(6,801)
Operating profit	5,051	2,902
Finance income	139	-
Finance expense	(52)	(61)
Profit before tax	5,138	2,841
Taxation	(802)	(625)
Profit after tax	4,336	2,216

	Six months ended 30 June 2023			Six months ended 30 June 2022		
	\$000	\$000	\$000	\$000	\$000	\$000
	Quixant	Densitron	Total	Quixant	Densitron	Total
Other information						
Depreciation of owned assets	62	3	65	48	3	51
Amortisation of intangible assets	468	159	627	382	145	527
Impairment of intangible assets	28	478	506	3	264	267
	558	640	1,198	433	412	845

3. Analysis of turnover

	Six months ended 30 June 2023			Six months ended 30 June 2022		
	\$000	\$000	\$000	\$000	\$000	\$000
	Quixant	Densitron ¹	Total	Quixant	Densitron	Total
By primary geographical market						
Asia	1,115	5,327	6,442	1,772	4,667	6,439
Australia	3,637	36	3,673	2,003	34	2,037
UK	2,757	1,879	4,636	1,797	1,443	3,240
Europe excl. UK	5,637	8,590	14,227	6,464	6,182	12,646
North America	21,097	5,678	26,775	19,186	7,269	26,818
Rest of World	48	491	539	159	1,949	2,108
	34,290	22,001	56,291	31,381	21,907	53,288

¹Densitron Revenue from products splits into Densitron \$21.3m (H1 2022: \$21.4m) and IDS \$0.7m (H1 2022: \$0.5m).
IDS Revenue of \$0.2m (H1 2022: \$0.2m) recognised throughout the performance period.

The above analysis includes sales to individual countries in excess of 10% of total turnover of:

	Six months ended 30 June 2023	Six months ended 30 June 2022
	\$000	\$000
USA	26,111	24,824

Revenues of \$16.0m (H1 2022: \$15.6m) are derived from two customers (H1 2022: two customers) who individually accounted for more than 10% of Group revenues in H1 2023. These revenues are attributed to the Quixant segment.

4. Earnings per share

	Six months ended 30 June 2023 \$000	Six months ended 30 June 2022 \$000
Earnings		
Earnings for the purposes of basic and diluted EPS being net profit attributable to equity shareholders	4,336	2,216
Number of shares		
Weighted average number of ordinary shares for the purpose of basic EPS	66,488,872	66,450,060
Effect of dilutive potential ordinary shares:		
Share options	2,237,164	487,898
Weighted number of ordinary shares for the purpose of diluted EPS	68,726,036	66,937,958
Basic earnings per share	\$0.0652	\$0.0334
Diluted earnings per share	\$0.0631	\$0.0331

	Six months ended 30 June 2023 \$000	Six months ended 30 June 2022 \$000
Calculation of adjusted diluted earnings per share:		
Earnings		
Earnings for the purposes of basic and diluted EPS being net profit attributable to equity shareholders	4,336	2,216
Adjustments:		
Amortisation of customer relationships, technology and order backlog	291	460
Share-based payments expense	509	202
Tax effect of adjustments	(200)	(166)
Adjusted earnings	4,936	2,712
Adjusted diluted earnings per share	\$0.0718	\$0.0405

5. Related party transactions

During the period, the Group paid €15,600 (H1 2022: €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.