

26 November 2024

This announcement contains inside information for the purposes of Article 7 of EU Regulation 596/2014 (as amended), which forms part of domestic UK law pursuant to the European Union (Withdrawal) Act 2018. Upon publication of this announcement via a Regulatory Information Service, this inside information is now considered to be in the public domain.

Shearwater Group plc
("Shearwater", or the "Group")

Contract win and Interim Results for the six months ended 30 September 2024

Resilient financial performance and continued operational progress

Shearwater Group plc, the cybersecurity, advisory and managed security services group, announces a significant new contract win together with its interim results for the six months ended 30 September 2024.

Contract Win

Group company Brookcourt Solutions ("Brookcourt"), has secured a 12.8m, five-year contract, with a leading global mobile telecommunications company. Revenue will be phased across the contract duration, with c. 3.5m expected to fall within the current financial year.

Under the terms of the contract, Brookcourt will provide hardware, software and support services that will enable our client to enhance its monitoring capacity, allowing for improved services and performance for its subscribers. The deal aligns with the telco's long-term growth strategy, supporting its ambition to expand and innovate within the telecommunications industry, particularly in the deployment and expansion of cutting-edge 5G networks.

Interim Results

Financial Highlights

- Group revenue of £11.3m (H1 FY24: £10.5m) during typically quieter H1 period, with growth driven by Services business
- Adjusted EBITDA¹ loss of £(0.4m) (H1 FY24: profit of £0.6m)
- Adjusted loss before tax² of £(1.1m) (H1 FY24: loss before tax² of £(0.1m))
- Healthy balance sheet with net cash as at 30 September 2024 of £3.0m (H1 FY24: £2.2m)
- Reduced profitability in period, reflecting:
 - Reduction in gross margin resulting from a lower % of revenue coming from the Group's Software and Pentest businesses and the impact of a high-value sale, at a lower margin to a strategically significant account
 - Reduced impact of FX gains on retranslation of forward balances, which had benefited the FY24 H1 results

Operational Highlights

- Notable contract wins and renewals in Services with blue-chip organisations across the telecoms, media, software and banking sectors
- Customer engagement levels continue to improve, although timelines for decision making and contracting remain extended
- Ongoing development of AI integration within the Group's offerings further strengthens our market positioning, ensuring cutting-edge protection for clients and differentiating us from competitors
- Continued improvement of our product portfolio across the Software division, including the release of upgraded cloud-based Access Management product during H1

Board Update

- Jonathan Hall appointed as CFO and joined the Board on 24 September, with Adam Hurst stepping down following completion of his tenure as Interim CFO.

Outlook

- Strong start to H2 with £3.7m sale delivered to leading media and telecoms business in October 2024 and 12.8m multi-year contract with global teleco business announced today
- Post-period end, Brookcourt achieved 'approved supplier' status to central and local government departments under the G-Cloud 14 framework, opening up considerable scope for expansion into the public sector
- Sector outlook remains strong, driven by an increasingly complex threat environment. Group is well positioned to capitalise on this through its market leading reputation, expertise, client relationships and proprietary IP
- Strong pipeline provide pathway to delivery of full year results in line with market expectations and driving sustainable growth into the coming years

¹ Adjusted EBITDA is defined as profit before tax, before one off exceptional items, share based payment charges, finance charges, impairment of intangible assets, depreciation and amortisation.

² Adjusted Loss Before Tax defined as net profit before tax, exceptional items, share based payments and amortisation of acquired intangible assets.

Phil Higgins, CEO of Shearwater Group, commented: "This period has been one of continued progress in a broad range of sectors, building a robust foundation for delivering growth in both revenue and profitability in FY25. We have achieved significant multi-year wins across our Services division, strengthened relationships with global blue-chip clients and enhanced our products across our Software business. This momentum has continued into H2, as highlighted by the contract wins secured post period end.

"Becoming an approved supplier on the G-Cloud portal marks a significant moment in the Group's strategy, unlocking a multitude of opportunities with government departments as they look to approved providers like Shearwater for their cybersecurity needs. Our cutting-edge cybersecurity solutions, within the backdrop of a high growth market, position us well to meet evolving demands and deliver long-term value for all stakeholders."

"Alongside our interim results, we are delighted to announce a significant 12.8 million deal with a global leader in mobile telecommunications. This partnership is a testament to the strength of our solutions and our shared commitment to driving innovation. By enhancing the client's capacity, we are proud to support its growth strategy and the continued rollout of 5G technology. This win underscores our dedication to delivering value to our clients and solidifies our position as a trusted partner in the telecom sector."

Investor Presentation

Shearwater Group's CEO, Phil Higgins and CFO, Jonathan Hall, will host an investor presentation via the Investor Meet Company platform on Wednesday 27 November 2024 at 1.30pm.

Investors can sign up to Investor Meet Company for free and add to meet Shearwater Group via:
<https://www.investormeetcompany.com/shearwater-group-plc/register-investor>

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About Shearwater Group plc

Shearwater Group plc is an award-winning group providing cyber security, managed security and professional advisory solutions to create a safer online environment for organisations and their end users.

The Group's differentiated full service offering spans identity and access management and data security, cybersecurity solutions and managed security services, and security governance, risk and compliance. Its growth strategy is focused on building a scalable group that caters to the entire spectrum of cyber security and managed security needs, through a focused buy and build approach.

The Group is headquartered in the UK, serving customers globally across a broad spectrum of industries. Shearwater shares are listed on the London Stock Exchange's AIM under the ticker "SWG". For more information, please visit www.shearwatergroup.com.

Chief Executive's review

Overview

This period has been one of resilient financial performance and strong operational progress for the Group. This was largely driven by notable multi-year Services division wins with blue-chip organisations across telecommunications, financial services and media with the new addition of central government.

In the typically quieter first half, performance was in line with expectations, with the Group delivering revenue of £11.3m (H1 FY24: £10.5m) and an adjusted EBITDA loss of £(0.4m) (H1 24: profit of £0.6m) We continue to be supported by a healthy balance sheet with cash as at 30 September 2024 of £3.0m (H1 FY24: £2.2m).

Customer engagement levels have continued to improve, however, with a continuing high level of economic uncertainty, sales cycles have remained extended. Post-period end, we have seen an uplift in high-value contracts, including two significant wins with leading media and telecoms businesses. The combination of strong customer engagement, a growing client base, and our innovative solutions provides a solid foundation for future success.

Market Opportunity

The continued growth of the global cyber-security market is supported by several key macro-economic trends that reinforces the need for the Group's solutions. The technological landscape is advancing at pace, with the rapid deployment of Artificial Intelligence (AI) and a significant increase in decentralised working practises and cloud-based systems, creating more areas of vulnerability for clients. As a result, the number of cybersecurity breaches continue to rise, with 50% of all businesses and 74% of large businesses having experienced some form of cybersecurity breach or attack in the last 12 months^[1].

As well as the direct threat to security, businesses are increasingly aware of tightening regulation around data and more severe penalties for companies that experience breaches. As such, companies are increasingly investing in cybersecurity, demonstrated by the rapid growth of the global cybersecurity industry which is estimated to be worth 268bn in 2024, rising to 878bn in the next 10 years.^[2] To mitigate against the risk, organisations look to integrate advanced cybersecurity solutions that are trusted, in turn ensuring the long-term growth drivers of the Group remain strong.

Services

	H1 FY25	H1 FY24	12 months to 31
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	(unaudited)	(unaudited)	YOY	March 2024
	£m	£m	%	£m
Revenue	10.2	9.3	+10%	20.2
Gross profit	1.7	2.3	-26%	5.4
Gross profit margin %	17%	25%		27%
Overheads	(1.6)	(1.3)		(3.9)
Adjusted EBITDA	0.1	1.0		1.5
Adjusted EBITDA %	1%	10%		7%

The Services division delivered revenue of £10.2m in H1 (H1 FY24: £9.3m), generated from contract wins across new and existing clients. This included a significant three-year contract with a leading British telecommunications company, worth 4.8 million. This has been followed post period end with a further contract valued at £3.7m secured in October 2024, together with the contract win announced today for an estimated 12.8m.

Further to these confirmed contract wins, following the period end, it was also announced that Brookcourt achieved 'approved supplier' status with the Crown Commercial Service. Under the G-Cloud 14 framework, Brookcourt is now recognised as an official supplier to central and local government departments and agencies, and is able to provide a broad array of cybersecurity services to these public sector organisations. This progress opens up considerable scope for expansion into the public sector, a key pillar of the Group's growth strategy.

Margins in the period were impacted by an increased weighting towards licensing of third-party software and a reduced contribution from the Group's Pentest business, in which H1 FY24 results were boosted by a £1.1m one-off contract with a major North American software business, which hasn't repeated in the current period. During H1, however, Pentest secured a £0.5m contract with a European Software company, delivery of which will commence in H2.

The Group continues to benefit from the strategic advantages resulting from the successful integration of Xcina into Brookcourt Solutions last year, including improved internal efficiencies and streamlined operations. We are currently integrating in-house AI solutions that enable us to improve efficiencies, drive productivity, and optimise sales and marketing techniques. These solutions are currently being trialled at Brookcourt and are set to launch in H2.

Incorporating AI both internally and as part of our offering allows us to ensure cutting-edge protection for our clients and strengthen our overall market position. We continue to expand our AI-based cybersecurity solutions already on offer to our customer base, to personalise customer experiences and improve product development. We already provide AI based technologies as part of our solutions to clients and we are continuously looking for innovative opportunities to optimise our solutions, using AI tools that will empower our customers with the most advanced security tools.

As a result of this strong operational progress and the commercial wins achieved, both during H1 and subsequently, the Services business is positioned well for strong growth in H2 and beyond.

Software

	H1 FY25 (unaudited)	H1 FY24 (unaudited)	YOY	12 months to 31 March 2024
	£m	£m	%	£m
Revenue	1.1	1.2	-3%	2.4
Gross profit	0.8	0.8	0%	1.7
Gross profit margin %	67%	70%		71%
Overheads	(0.3)	(0.3)		0.8
Adjusted EBITDA	0.4	0.5		0.9
Adjusted EBITDA %	39%	40%		38%

The Software division has delivered a resilient performance in H1. Revenue of £1.1m, represented a 3% reduction on the equivalent period in the prior year (H1 FY24: £1.2m), generating £0.4m of adjusted EBITDA.

The demand for existing products remains robust as businesses increasingly turn to trusted solutions in line with the growing need for secure data protection. During H1, the Group launched upgraded versions of its Access Management and Data Discovery products, with significant feature enhancements. Offering both On-Premise and Private Cloud solutions sets Shearwater apart and allows us to cater to a broad customer base, both strengthening our market position and expanding the range of services we can offer our customers. As a result, customer engagement continued to improve in H1, and new customer acquisitions increased with a total of 19 new customers in H1 (H124: 14), serving as material evidence of the continued recognition of our services in the market.

New channel partner registrations were up 18% year on year which serves as a promising indicator of momentum building into the second half of FY25 as new partner relationships open up growth avenues.

Key client wins in the period included a three-year contract to provide our multi-factor authentication solution for securing remote access for a major supplier to the UK Ministry of Defence, serving thousands of users, along with sales to a number of financial services institutions and a leading online betting provider. These are principally related to the ability to deploy an on-premise multi-factor authentication solution.

We continue to strengthen and expand our product portfolio across the Software division. AI is already being leveraged to enhance SecurEnvoy's offering with advanced threat detection and response mechanisms. The plan to offer the Access Management product line on the AWS Marketplace in North America is on track to go live in the second half of FY25, making SecurEnvoy available to over 180,000 active customers on the platform. We have also been advancing new updates across Access Management and Data Discovery to ensure state of the art protection for our clients. Geographically, the Middle East & Africa continues to be an area of strategic focus for the Group, demonstrating strong progress this period with 20 new deal registrations, up 111% from this period last year.

Board update

As previously announced, Jonathan Hall was appointed as Chief Financial Officer and joined the Company on 28 August 2024 and the Board on 24 September 2024.

Following a successful transition period, Interim Chief Financial Officer, Adam Hurst, completed his tenure and stepped down from the Board on 24 September 2024.

Current Trading and Outlook

Momentum is building through the second half of FY25 highlighted by the two large deals secured post period end, supporting the group's ability to deliver results for the full year in line with current market expectations

supporting the group's ability to deliver results for the full year in line with current market expectations.

Becoming an approved supplier on the G-Cloud portal marks a significant moment in the Group's strategy, unlocking a multitude of opportunities with government departments and agencies as they look to approved providers like Shearwater for their cybersecurity needs. It enables the acceleration of our expansion into the public sector, a key area of growth potential for the Group, which we expect to have a material impact on our sales pipeline for Services. Looking to the next half and FY26 we are looking to invest in this space, to ensure the best resources are in place to capitalise on this new growth avenue.

In the context of the global shift to cloud-based technology and rapid adoption of AI, cyber security breaches continue to rise more rapidly than ever. With our next-generation technology offering a unique toolset, our trusted reputation, and a large growth market, the Group looks to H2 and beyond with optimism.

Philip Higgins
CEO

26 November 2024

Financial review

The six-month period to September 2024 saw revenue grow by 8%, driven by an increase within the Services segment of the business. A significant proportion of this growth resulted from a material contract with a major UK media and telecoms business, which included a significant element of licensing of third-party software, reducing the gross margin. This, aligned with a reduction in revenue from the Group's Pentest business, where H1 FY24 results benefited from one significant contract, which did not repeat in FY25, meant that the gross margin within the Services segment of the business dropped from 25% to 17%, bringing the overall Group gross margin down from 30% to 22%.

As a result, despite the increase in revenue, the Group recorded an Adjusted EBITDA loss for the period of £0.4m (H1 FY24 profit of £0.6m).

Heading into H2, the Group has a strong pipeline, which has already started to convert into revenue as demonstrated by two material contract wins. As a result, directors are confident in seeing strong revenue growth and a return to EBITDA profitability in H2 and on into FY26.

Revenue

Revenue of £11.3m represented an increase of 8% on the equivalent period in the prior year (FY24 H1: £10.5m), driven by an increase in licensing revenue within the Services business. This more than offset a small reduction in the Software business.

Adjusted EBITDA

An adjusted EBITDA loss for the period of £0.4m (H1 FY24: profit of £0.6m), primarily reflected a reduction in gross margin from 30% to 22%, which in turn reflected the mix of revenues in the year, with a higher proportion of revenues generated from the licensing of third-party software solutions within the Services segment of the business.

Overheads of £2.9m include a gain of £0.1m from FX movements on forward contracts. In H1 FY24, the equivalent value was a £0.3m gain. Excluding the impact of this, Administrative expenses increased 3% year on year.

	H1 FY25	H1 FY24	Change	12 months to 31 March 2024
	£m	£m	%	£m
Revenue	11.3	10.5	+8%	22.6
Gross profit	2.5	3.2	-22%	6.9
Gross margin (%)	22%	30%		
Overheads	(2.9)	(2.6)	-8%	(6.0)
Adjusted EBITDA	(0.4)	0.6		0.9
Adjusted EBITDA margin %	(3%)	6%		4%
Finance charge (net)	(0.1)	(0.1)		(0.1)
Depreciation	(0.1)	(0.1)		(0.2)
Amortisation of intangible assets - computer software	(0.6)	(0.5)		(1.2)
Adjusted loss before tax	(1.1)	(0.1)		(0.6)
Amortisation of acquired intangible assets	(1.0)	(1.1)		(2.1)
Exceptional items & Share-based payments	(0.02)	(0.2)		(0.6)
Loss before tax	(2.1)	(1.4)		(3.3)
Taxation credit	0.5	0.5		1.1
Loss after tax	(1.6)	(0.9)		(2.2)

Finance charge (net)

Net finance charges in the period show a slight reduction on the prior year, as interest on increased cash deposits in the period offset interest charged on capitalised leases.

Depreciation

Depreciation, which includes Right of Use assets, is broadly in line with the previous year.

Amortisation of intangibles assets - computer software

Amortisation showed a slight increase in the period, reflecting software development expenditure, with enhanced versions of the Group's Access Management and Data Discovery products launched in the period.

Adjusted loss before tax

The adjusted loss before tax of £1.1m compares to a figure of £0.1m in H1 FY24. This principally reflects the revised margin profile experienced during H1, which in turn reflected the mix of revenues during the period, with an increased weighting towards lower-margin licensing of third party software.

Amortisation of acquired intangible assets

Amortisation of acquired intangible assets of £1.0 million (H1 FY24: £1.1 million) is broadly in line with the previous

year.

Exceptional costs and share based payments

There were minimal costs incurred during the period in respect of exceptional items and share based payments (H1 FY24: £0.1m), with no material restructuring activities undertaken in the period and the cost of options granted between 2017 and 2020 now largely accounted for.

Loss before tax

The net impact of all the points outlined above resulted in a Loss before tax of £2.1m (H1 FY24: £1.4m).

Taxation

The credit in the period was £0.5 million (H1 FY24: £0.4 million) giving an effective tax rate of 23% (H1 FY24: 32%).

Loss per share

Adjusted basic and diluted loss per share was £0.03 (H1 FY24: earnings per share £0.01). Reported basic and diluted loss per share was £0.07 (H1 FY23: basic and diluted loss per share £0.04).

Statement of Cash flow

The second half weighted trading performance of the Group in recent years has typically resulted in an expected cash outflow in the first half of the year. The operating cash outflow to September 2024 of £1.3 million remained flat YoY.

The Group retains a healthy balance sheet with cash held at 30 September of £3.0 million (H1 FY24: £2.2m). This balance has remained at a similar level since the period end.

The Group continues to invest in the development of internally created software, with expenditure of £0.5 million in the period (H1 FY24: £0.5 million). This is in line with the previous year. A tax receipt of £0.3m in respect of expenditure on research and development was received in November 2024, following the period end. In the prior period £0.3m had been received during H1.

	6 months to 30 September H1 FY25 (unaudited) £m	6 months to 30 September H1 FY24 (unaudited) £m	12 months to 31 March 2024 £m
Adjusted EBITDA	(0.4)	0.6	0.9
Movements in working capital and exceptional items	(1.0)	(2.0)	1.1
Cash used / generated from operations	(1.4)	(1.4)	2.0
Capital expenditure (net of disposal proceeds)	(0.5)	(0.5)	(1.1)
Tax received / (paid)	0.0	0.3	0.3
Interest paid	0.03	(0.03)	(0.1)
Payments of lease liabilities	(0.1)	(0.1)	(0.2)
Movement in cash	(2.0)	(1.8)	1.0
Opening cash and cash equivalents	5.0	4.0	4.0
Closing cash and cash equivalents	3.0	2.2	5.0

Alternative performance measures

This review includes alternative performance measures ('APMs') alongside the standard IFRS measures. The Directors believe that alternative measures provide additional relevant information regarding the adjusted performance of the business. APMs are used to enhance the comparability of information between reporting periods by adjusting for one off exceptional and other items that affect the IFRS measure. Consequently, the Directors and management use APMs in addition to IFRS measures to assess the adjusted performance of the business.

Alternative performance measures used include:

- Adjusted EBITDA
- Adjusted loss before tax
- Adjusted loss after tax
- Adjusted earnings/loss per share

Adjusting items include:

Exceptional items which are one off by their nature such as acquisition costs or re-organisation costs and do not form part of the underlying operational cost of the business.

Share based payment charges awarded from long-term remuneration incentives to certain staff. Despite the plans not having a cash cost to the business, a share-based payment charge is taken to the statement of comprehensive income which the directors believe does not form part of the underlying operating cost of the business.

Amortisation of identified intangible assets acquired as part of an acquisition is charged to the statement of comprehensive income but does not form part of the underlying operating cost of the business.

Principal risks and uncertainties

The Group works to minimise its exposure to operational, financial and other risks, however in pursuit of achieving its growth strategy there will always be an element of risk that needs to be considered. The Group's principal risks and uncertainties, as detailed in the financial statements for the year ended 31 March 2024, are all still considered to be valid.

Statement of Directors' responsibilities

We confirm that to the best of our knowledge that:

- The condensed interim set of financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the United Kingdom;
- The interim report includes a fair review of information required by DTR 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and
- The interim report includes a fair review of the information required by DTR 4.2.8R (disclosure of related parties transactions and any change therein).

Unaudited condensed consolidated statement of comprehensive income

for the 6 months to 30 September 2024

		H1 FY 25	H1 FY24
	Note	£m	£m
Revenue	3	11.3	10.5
Cost of sales		(8.8)	(7.3)
Gross profit		2.5	3.2
Administrative expenses		(2.9)	(2.8)
Depreciation and amortisation		(1.7)	(1.7)
Total operating costs		(4.6)	(4.5)
Operating loss		(2.1)	(1.3)
Adjusted EBITDA	3	(0.4)	0.6
Depreciation and amortisation		(1.7)	(1.7)
Exceptional items		-	(0.2)
Share-based payments		-	-
Operating loss		(2.1)	(1.3)
Finance cost	4	-	(0.1)
Finance income	4	-	-
Loss before taxation		(2.1)	(1.4)
Income tax credit	5	0.5	0.4
Loss for the period and attributable to equity holders of the Company		(1.6)	(0.9)
Other comprehensive loss			
Items that may be classified to profit and loss:			
Exchange differences on translation of foreign operations		-	-
Total comprehensive loss for the period		(1.6)	(0.9)
(Loss) per ordinary share attributable to the owners of the parent		£	£
Basic (£ per share)	6	(0.07)	(0.04)
Diluted (£ per share)	6	(0.07)	(0.04)
Adjusted basic and diluted (£ per share)	6	(0.03)	(0.01)

Unaudited condensed consolidated statement of financial position

as at 30 September 2024

		H1 FY25	H1 FY24
	Note	£m	£m
Assets			
Non-current assets			
Intangible assets		41.6	43.9
Property, plant and equipment		0.4	0.4
Deferred tax		1.5	0.9
Trade and other receivables	7	-	4.1
Total non-current assets		43.5	49.3
Current assets			
Trade and other receivables	8	8.4	11.4
Cash and cash equivalents		3.0	2.2
Total current assets		11.4	13.6
Total assets		54.9	62.9
Liabilities			
Current liabilities			
Trade and other payables	9	7.4	9.8
Total current liabilities		7.4	9.8
Non-current liabilities			

Non-current liabilities			
Creditors: amounts falling due after more than one year	10	3.1	5.9
Total non-current liabilities		3.1	5.9
Total liabilities		10.5	15.7
Net assets		44.4	47.2
Capital and reserves			
Share capital	11	22.3	22.3
Share premium		34.6	34.6
Other reserves		23.1	23.5
Translation reserve		-	-
Accumulated losses		(35.6)	(33.2)
Equity attributable to owners of the Company		44.4	47.2
Total equity and liabilities		54.9	63.0

Unaudited condensed consolidated statement of changes in equity

for the 6 months to 30 September 2024

	Share capital £000	Share premium £000	Other reserves £000	Translation reserve £000	Accumulated losses £000	Total Equity £000
At 31 March 2023 (audited)	22.3	34.6	23.4	0	(32.2)	48.1
Loss for the period	-	-	-	-	(0.9)	(0.9)
Other comprehensive profit for the period	-	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	-	(0.9)	(0.9)
Contributions by and distributions to owners						
Share-based payments	-	-	-	-	-	-
At 30 September 2023 (unaudited)	22.3	34.6	23.5	-	(33.2)	47.2
Loss for the period	-	-	-	-	(1.2)	(1.2)
Other comprehensive loss for the period	-	-	-	-	-	-
Expiry of share options	-	-	(0.4)	-	0.4	-
Total comprehensive loss for the period	-	-	(0.4)	-	(0.8)	(1.2)
Contributions by and distributions to owners						
Share-based payments	-	-	-	-	-	-
At 31 March 2024 (audited)	22.3	34.6	23.1	-	(34.0)	46.0
Loss for the period	-	-	-	-	(1.6)	(1.6)
Other comprehensive profit/loss for the period	-	-	-	-	-	-
Total comprehensive profit/loss for the period	-	-	-	-	(1.6)	(1.6)
Contributions by and distributions to owners						
Share-based payments	-	-	-	-	-	-
At 30 September 2024 (unaudited)	22.3	34.6	23.1	-	(35.6)	44.4

Unaudited condensed consolidated cash flow statement

for the 6 months to 30 September 2024

	H1 FY25 £m	H1 FY24 £m
Cash flows from operating activities		
Loss for the period	(1.6)	(0.9)
Adjustments for:		
Amortisation of intangible assets	1.6	1.6
Depreciation of right of use assets	0.1	0.1
Depreciation of property, plant and equipment	-	-

Share-based payment charge	-	-
Exceptional items	-	0.2
Finance costs	-	-
Finance income	-	-
Income tax	(0.5)	(0.4)
Cash flows (used in)/ from operating activities before changes in working capital	(0.4)	0.6
Decrease/(increase) in trade and other receivables	4.8	3.7
(Decrease)/increase in trade and other payables	(5.7)	(5.5)
Cash used in operations	(1.3)	(1.2)
Net foreign exchange movements	-	-
Finance costs paid	-	-
Tax received	-	0.3
Net cash used in operating activities before exceptional items	(1.3)	(0.9)
Net cash flows on exceptional items	-	(0.2)
Net cash used in operating activities	(1.3)	(1.1)
Investing activities		
Purchase of property, plant and machinery	-	-
Purchase of intangibles	(0.5)	(0.5)
Net cash used in investing activities	(0.5)	(0.5)
Financing activities		
Repayment of lease liabilities	(0.2)	(0.2)
Net cash used in financing activities	(0.2)	(0.2)
Net decrease in cash and cash equivalents	(2.0)	(1.8)
Foreign exchange movements on cash and cash equivalents	-	-
Cash and cash equivalents at the beginning of the period	5.0	4.0
Cash and cash equivalents at the end of the period	3.0	2.2

Notes

1. General information

The unaudited interim condensed consolidated financial information was authorised by the board of directors for issue on 25 November 2024. The information for the six-month period ended 30 September 2024 has not been audited and does not constitute statutory accounts as defined in section 434 of the Companies Act 2006, and should therefore be read in conjunction with the audited consolidated financial statements of the Company and its subsidiaries for the year ended 31 March 2023, which have been prepared in accordance with UK Adopted International Accounting Standards (IFRS) and filed with the Registrar of Companies. The Independent Auditor's Report on that Annual Report and Financial Statements for 2023 was unqualified, did not draw attention to any matters by way of emphasis, and did not contain a statement under 498(2) or 498(3) of the Companies Act 2006.

2. Accounting policies

a) Basis of preparation

These unaudited interim condensed consolidated financial statements have been prepared on the historical cost accounting basis, in accordance with UK adopted International Accounting Standards ('IFRS') and with those parts of the Companies Act 2006 applicable to companies reported under IFRS and are consistent with those that are expected to be adopted in the annual statutory financial statements for the year ended 31 March 2025.

The interim consolidated financial information does not comply with IAS 34 *Interim Financial Reporting*, as permissible under the rules of AIM.

b) Going concern

After making enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for at least twelve months from the date of publication of these interim financial statements. Accordingly, they continue to adopt the going concern basis in preparing these consolidated financial statements.

The Directors have reviewed the Group's going concern position taking into account its current business activities, performance to date against budgeted targets and the factors likely to affect its future development which include the Group's strategy, principal risks and uncertainties and its exposure to credit and liquidity risks.

The Directors have reviewed a detailed reforecast of trading which includes a cash flow forecast for a period which covers a period of trading to December 2025 and have challenged the assumptions used to create these forecasts. This forecast demonstrates that the Group is able to pay its debts as they fall due during this period.

The Directors have reviewed a highly sensitised stress test which has factored in what the Directors believe would be an extreme scenario which incorporates a significant reduction in new business revenues across both segments of the Group, a reduction of renewal rates in our software division and a scaling back of revenues within our Services division. Overall, the sensitised cash flow forecast demonstrates that the Group will be able to pay its debts as they fall due for the period to at least 31 December 2025.

c) Critical accounting judgements estimates and assumptions

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for income and expenses during the year and that affect the amounts reported for assets and liabilities at the reporting date.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements.

Revenue recognition

Management make judgements, estimates and assumptions in determining the revenue recognition of material contracts sold by the Group's Services division. The Group work with large enterprise clients, providing services and solutions to support the clients' needs. In many cases a third-party's products or services will be provided as part of a solution.

Support the client's request in many cases a third party's presence or services may be provided as part of a solution. Management will consider the implications around timing of recognition, with factors such as determining the point control passes to the client and the subsequent fulfilment of the Group's performance obligations. In addition to this management will consider if it is acting as agent or principal.

Impairment of goodwill, intangible assets and investment in subsidiaries

Management make judgements, estimates and assumptions in supporting the fair value of goodwill, intangible assets and investments in subsidiaries. The Group carry out annual impairment reviews to support the fair value of these assets. In doing so management will estimate future growth rates, weighted average cost of capital and terminal values.

Leases

Management make judgements, estimates and assumptions regarding the life of leases. Management continue to review all existing leases, which all relate to office space, and will look to reduce the number of offices across the Group if they are not sufficiently utilised. For this reason management have assumed that the life of leases does not extend past the current contracted expiry date. A judgement has been taken with regard to the incremental borrowing rate based upon the rate at which the Group can borrow money.

3. Segmental information

In accordance with IFRS 8, the Group's operating segments are based on the operating results reviewed by the Board, which represents the chief operating decision maker. The Group reports its results in two segments as this accurately reflects the way the Group is managed.

The Group is organised into two reportable segments based on the types of products and services from which each segment derives its revenue - software and services.

Segment information for the 6 months ended 30 September 2024 is presented below and excludes intersegment revenue, as it is not material, and assets as the Directors do not review assets and liabilities on a segmental basis.

	Six-month period ended 30 September			
	2024	2024	2023	2023
	Revenue	Profit	Revenue	Profit
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	£m	£m	£m	£m
Services	10.2	0.1	9.3	1.0
Software	1.1	0.4	1.2	0.5
Group total	11.3	0.5	10.5	1.5
Group costs		(0.9)		0.8
Adjusted EBITDA		(0.4)		0.6
Amortisation of intangibles		(1.6)		(1.6)
Depreciation		(0.1)		(0.1)
Share-based payments		-		-
Exceptional items		-		(0.2)
Finance costs (net)		-		(0.1)
Loss before tax		(2.1)		(1.4)

The Group is domiciled in the United Kingdom and currently the majority of its revenues come from external customers that are transacted in the United Kingdom. A number of transactions which are transacted from the United Kingdom represent global framework agreements, meaning our services, whilst transacted in the United Kingdom, are delivered globally. The geographical analysis of revenue detailed below is on the basis of country of origin in which the master agreement is held with the customer (where the sale is transacted).

	Six-month period ended 30 September	
	2024	2023
	(unaudited)	(unaudited)
	£m	£m
United Kingdom	10.0	6.5
Rest of Europe	0.6	2.4
North America	0.6	1.5
Rest of the world	0.1	0.1
	11.3	10.5

4. Finance costs and income

	Six-month period ended 30 September	
	2024	2023
	(unaudited)	(unaudited)
	£m	£m
Finance costs		
Revolving Credit Facility charges	-	0.1
Interest payable on lease liabilities	-	-
	-	0.1

Finance income in the period was £28k (H1 FY24: 5k)

5. Income Tax

The tax credit recognised reflects management estimates of the tax for the period and has been calculated using the estimated average tax rate of UK corporation tax for the financial period of 25% (FY24: 25%)

6. (Loss) per share

Basic loss per share is calculated by dividing the loss attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period. For diluted loss per share, the weighted average number of shares in issue is adjusted to assume conversion of all the potential dilutive ordinary shares. The potential dilutive shares were anti-dilutive for the six months ended 30 September 2024 and six months ended 30 September 2023 as the Group was loss making.

Adjusted earnings per share has been calculated using adjusted earnings calculated as profit after taxation but before

Adjusted earnings per share has been calculated using adjusted earnings calculated as profit after taxation but before amortisation of acquired intangibles after tax, share based payments, impairment of intangible assets and exceptional items after tax. The potential dilutive shares were anti-dilutive for the six months ended 30 September 2023 as the Group was loss making.

The calculation of the basic and diluted earnings per share from total operations attributable to shareholders is based on the following data:

	Six-month period ended 30 September	
	2024	2023
	(unaudited)	(unaudited)
	£000	£000
Net loss from total operations		
Loss for the purposes of basic and diluted loss per share being net loss attributable to shareholders:	(2.1)	(0.9)
Add/remove		
Amortisation of acquired intangibles (net of tax)	1.1	0.9
Share based payments	-	0.04
Exceptional items (net of tax)	-	0.2
Adjusted earnings for the purpose of adjusted earnings per share	(1.0)	0.2
Number of shares	No	No
Weighted average number of ordinary shares for the purpose of basic and adjusted earnings per share	23,826,379	23,826,379
Weighted average number of ordinary shares for the purpose of basic and adjusted diluted earnings per share	23,826,379	23,826,379
(Loss) per share	£	£
Basic loss per share	(0.07)	(0.04)
Diluted loss per share	(0.07)	(0.04)
Adjusted Basic and diluted (loss) per share	(0.03)	(0.01)

7. Non-current assets: Trade and other receivables

	Period ended 30 September	
	2024	2023
	(unaudited)	(unaudited)
	£m	£m
Trade receivables	-	1.2
Accrued income	-	2.9
	-	4.1

8. Current assets: Trade and other receivables

	Period ended 30 September	
	2024	2023
	(unaudited)	(unaudited)
	£m	£m
Trade receivables	2.0	6.9
Accrued income	6.1	4.1
Prepayments and other receivables	0.3	0.3
Deferred tax asset	-	-
	8.4	11.4

9. Trade and other payables

	Period ended 30 September	
	2024	2023
	(unaudited)	(unaudited)
	£m	£m
Trade payables	0.7	0.8
Accruals and other payables	5.9	8.1
Other taxation and social security	0.5	0.6
Deferred income	0.2	0.2
Corporation tax	-	-
Lease liabilities	0.1	0.1
	7.4	9.8

10. Creditors: amounts falling due after more than one year

	Period ended 30 September	
	2024	2023
	(unaudited)	(unaudited)
	£m	£m
Deferred tax	2.9	3.3
Accruals and other payables	-	2.4
Lease liabilities	0.2	0.2
	3.1	5.9

11. Share capital

The table below details movements in share capital during the year

The table below details movements in share capital during the year:

	Six-month period ended 30 September	
	2024	2023
	000	000
In thousands of shares		
In issue at 31 March	23,826	23,826
In issue at 30 September	23,826	23,826
Allotted, called up and fully paid	£m	£m
Ordinary shares of £0.10 each	2.4	2.4
Deferred shares of £0.90 each	19.9	19.9
	22.3	22.3

The Company did not issue any shares in the six-month period ended 30 September 2024.

12. Related party transactions

The Directors of the Group and their immediate relatives have an interest of 19% (H1 FY24: 19%) of the voting shares of the Group.

13. Events after the reporting date

There are no material events after the reporting period to report.

14. Cautionary statement

This Interim Report has been prepared solely to provide additional information to shareholders to assess the Company's strategies and the potential for these strategies to succeed. The Interim Report should not be relied on by any other party or for any purpose. The Interim Report contains certain forward-looking statements with respect to the financial condition, results of operations and businesses of the Company. These statements are made in good faith based on the information available to them up to the time of their approval of this report. However, such statements should be treated with caution as they involve risk and uncertainty because they relate to events and depend upon circumstances that will occur in the future. There are a number of factors that could cause actual results or developments to differ materially from those expressed or implied by these forward-looking statements. The continuing uncertainty in global economic outlook inevitably increases the economic and business risks to which the Company is exposed. Nothing in this announcement should be construed as a profit forecast.

[1] GOV.UK [Cyber security breaches survey 2024 - GOV.UK](#)

[2] Precedence research



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