22 November 2023

SHEARWATER GROUP PLC

("Shearwater" or the "Group")

Interim Results for the six months ended 30 September 2023

Resilient performance despite the backdrop, with an encouraging pipeline across both divisions

Shearwater Group plc, the cybersecurity, advisory and managed security services group, announces its unaudited results for the six months ended 30 September 2023.

Financial summary

- Group revenue of £10.5m (H1 FY23: £10.8m).
- Adjusted EBITDA[1] of £0.6m (H1 FY23: £0.1m).
- Adjusted loss before tax[2] of £0.1m (H1 FY23: adjusted loss £0.5 million).
- Healthy balance sheet, with cash as at 30 September 2023 of £2.2m (H1 FY23: £0.9m).

Operational summary

- Customer engagement levels have remained high, winning 41 new clients in H1, notwithstanding the challenging market.
- Decisive action to streamline and optimise operations, emerging a leaner, more unified business:
  - GeoLang integrated into SecurEnvoy
  - Xcina integrated into Brookcourt Solutions
- Encouraging pipeline remains across the Services division with focus on building strategic and scalable relationships with major blue chip organisations.
- Integrated Software division now benefiting from enhanced opportunities, with full product set now introduced across the Group's global distribution network.
- Winner of five significant industry awards, serving as a testament to the value of the Group's offering.

Board Update

- Adam Hurst appointed as Interim CFO in October and appointed to the Board as an Executive Director in early November.

Outlook

- Board currently expects to meet full year management expectations based on the visibility of the sales opportunities, including securing remaining Services deals which were deferred from prior periods.
- Services pipeline underpinned by offering major corporates specialist solutions that assist in meeting their regulatory security obligations.
- Higher margin Software division pursuing a number of promising opportunities.
- Clear H2 objective of converting the pipeline of opportunities across both divisions.

1. *Adjusted EBITDA is defined as loss before tax, before one off exceptional items, share based payment charges, finance charges, impairment of intangible assets, other income, depreciation and amortisation.*
2. *Adjusted Loss Before Tax defined as net loss before tax, exceptional items, share based payments, other income and amortisation of acquired intangible assets.*

Phil Higgins, Chief Executive Officer of Shearwater Group PLC, commented: *"We have traded resiliently in the first half despite continuing to contend with a challenging market, and we are already seeing benefits from the recent operational enhancements we have implemented. We move into the second half strengthened by a healthy balance sheet and clearly focused on the conversion of our pipeline of opportunities across each division."*

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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

The first half of the financial year has seen the Group trade resiliently amidst a challenging backdrop. While we continue to see a healthy number of opportunities within our pipeline, we continue to experience hesitancy from some customers in the commencement of projects in response to continuing wider market uncertainty. While contracts in the Group's robust order book are continuing to be fulfilled, some timings continue to be deferred into future periods.

In the traditionally quieter first half, the Group delivered revenue of £10.5m (H1 FY23: £10.8m) and adjusted EBITDA of £0.6m (H1 FY23: £0.1m). Our underlying business remains robust and engagement levels are high, notwithstanding the current volatility in the market. We are pleased with the benefits already being seen from the recent operational enhancements, which have streamlined our offering and strengthened our positioning.

We continue to be supported by a healthy balance sheet, with cash as at 30 September 2023 of £2.2m (H1 FY23: £0.9m). The outflow since March is as expected by management and in line with previous years, due to the seasonal nature of contracting and impact on working capital flows.

Moving into the second half the Group is bolstered by an encouraging pipeline of opportunities, with revenues identified from either contracted, scheduled or existing contract renewals, including a £1.3m Government agency win in October, and other new projects identified from new and existing customers. Consequently the Board currently anticipates it will meet management's expectations for the full year.

Following the reorganisation of the business reported at the time of the full year results, our Services and Software divisions are now much better positioned to capitalise on the long-term growth opportunities we are seeing.

While customers continue to face unfavourable market conditions and the timing of orders is difficult to predict, we are encouraged that engagement levels remain high moving into the second half. Shearwater continues to provide a best-in class service and the underlying long-term drivers of the Group's end markets remain strong, providing confidence in delivery in the second half of the year and beyond.

Operational Review

The Group comprises two divisions, Services (89% revenue) and Software (11% revenue). We serve a number of multinational, blue-chip organisations with clients spanning a range of sectors.

Notwithstanding the current market conditions impacting short-term customer decision-making and ongoing uncertainty regarding contract timing, we are encouraged by the pipeline in both Services and Software, and continue to win new clients. We are continuing to benefit from renewals and cross-selling successes, especially from our penetration and consulting services where we are particularly pleased with the rate at which new business is being won.

Following the reorganisation of the business, with GeoLang now successfully integrated into SecurEnvoy and Xcina into Brookcourt, staff numbers have remained broadly consistent with the prior period, ensuring we are rightsized to capitalise on the long-term growth opportunities we are seeing.

Brookcourt has enlisted its inaugural commission-only sales representative to promote our proprietary SecurEnvoy software and strategic solutions. This innovative sales strategy complements our current approach, eliminating a fixed salary and relying solely on commissions, which are disbursed exclusively upon the successful conclusion of a sale. Our intention is to expand this initiative by bringing in more personnel.

As outlined in the Full Year results, the Group took decisive action to streamline and optimise its operations, in order to emerge a leaner, more unified business. The action taken has resulted in a strengthened positioning, with a robust pipeline of opportunities across our Services division and our integrated Software business benefiting from a global distribution network. While in the context of the slower decision-making of the corporates we work with, our resilient performance provides optimism moving forwards. Our clear H2 objective is to convert the opportunities across both divisions.

In the period, we are once again pleased to report the Group has continued to win significant awards which serve as a clear testament to the value of the Shearwater offering. SecurEnvoy was honoured as the Identity & Access Management Solution of the Year at the Computing Security Magazine Awards 2023, while also achieving recognition in the Security Software Solution of the Year category for Data Discovery. Brookcourt received the Customer Service Award at the same event. Earlier in the year Brookcourt won the Logo Acquisition

Award 2023 at Proofpoint channel event for the successful acquisition of an Enterprise bank over a three-year sales cycle. Finally, Pentest emerged as the winner at Pwn2Own Toronto for successfully compromising the Samsung Galaxy S23.

Services

Services revenue was generated from contract wins and renewals from the company's large customer base. In the first half Brookcourt Solutions delivered contracts across a diverse range of clients. These included a leading British mobile network operator, a prominent European Cyber Managed Security Services Provider (MSSP), an international retail chemist and cosmetics company and an essential security services contract for a UK government department. These clients generated a total contract value of £5.5m which is being recognised in FY24. It was particularly pleasing to add a new vertical to our customer base with the award of our first significant Government contract.

The merging of Xcina Consulting into Brookcourt Solutions has resulted in greater traction and new business opportunities which are being converted. Recent wins include a disaster recovery planning contract for a global manufacturing group in Germany, information security framework development for an Australian-based international mining group and PCI-DSS engagement for an ASX-listed food sector operator headquartered in the Netherlands.

Pentest has had a strong first half, ahead of management expectations. The Company continues to secure new business and uphold its prominent status and successfully fulfilled contracts that had been delayed from the previous financial year. Additionally the company achieved success with its Secure Code Workshop, acquiring a new client and securing ongoing onsite workshops for a large team of developers. The company has expanded its 'Internet of Things' testing capability, resulting in a growing number of engagements, and has secured 15 new accounts, including a leading financial services company, a global technology company in the energy sector, a prominent UK education business, and a significant win with a leading technology and services provider.

	H1 FY24	**H1 FY23**	**YOY**	**12 months to 31 March 2023**
	£000	**£000**	**%**	**£000**
Revenue	**9,334**	**9,136**	**+2%**	**23,830**
Gross profit	2,330	1,571	**+48%**	4,657
Gross profit margin %	25%	17%		20%
Overheads	(1,366)	(1,738)		(4,508)
Adjusted EBITDA	**964**	**(167)**		**149**
Adjusted EBITDA %	10%	(2%)		1%

Software

While the Software business has seen a softened performance against the prior period, renewals are tracking ahead of management expectations and we are already seeing the effects of integration and operational efficiencies following the merging of SecurEnvoy with Geolang to form a unified software division. The unified company is benefiting from 350 resellers across the world, with Geolang seeing an increase in opportunities now coming in through SecurEnvoy's reseller network, which had not been the case previously.

SecurEnvoy has maintained a consistently robust release schedule for its Access Management Solution since May 2023, highlighted by the notable V3.R3 update in October. This release not only fulfils elevated security standards essential for government and critical networks but also broadens deployment options to encompass On-Premise (Windows & LINUX) and Private Cloud (Azure & AWS). Additionally the introduction of an MSP edition caters to the escalating demand for managed services and streamlining of billing processes. The expansion of channel partnerships through new agreements further underscores SecurEnvoy's commitment to innovation and collaboration in the evolving landscape.

	H1 FY24	H1 FY23	YOY	12 months to 31 March 2023
	£000	**£000**	**%**	**£000**
Revenue	**1,167**	**1,654**	**-29%**	**2,856**
Gross profit	822	1,144	-28%	1,793
Gross profit margin %	70%	69%		63%
Overheads	(357)	(441)		(818)
Adjusted EBITDA	**465**	**703**		**977**
Adjusted EBITDA %	40%	43%		34%

Board Update

In September 2023, Paul McFadden, CFO, informed the Board of his decision to step down from the Board, remaining with the Group until his successor was appointed and for a short transition period. In October 2023, Adam Hurst was appointed Interim CFO and in early November Adam was appointed to the Board as Executive Director.

Current trading and outlook

Management continues to expect to meet its full year expectations based on the current sales pipeline and opportunities. From regular customer engagement, we remain confident in securing the Services deals which were deferred from previous periods, and in parallel we are encouraged by the opportunities for higher margin software deals which will have a meaningful impact on top line growth. We move into the second half with cautious optimism and our core objective for the remainder of the period will be to convert our pipeline of opportunities.

Phil Higgins
Chief Executive Officer
21 November 2023

Finance review

Revenue
Revenue of £10.5 million (H1 FY23: £10.8 million) was slightly behind the prior year with some growth in the Services business offset by the impact of lower sales in the Software division.

Adjusted EBITDA
Adjusted EBITDA of £0.6 million (H1 FY22: £0.1 million) was ahead of the prior year. The prior year was adversely impacted by a £0.9 million unrealised foreign exchange charge. Excluding this impact Adjusted EBITDA was slightly lower than the prior year, broadly in line with revenue performance.

The income statement below details both statutory and alternative measures which, in the Directors' opinion, provides additional relevant information to the reader in assessing the adjusted performance of the business.

	H1 FY24	H1 FY23	Change	12 months to 31 March 2023
	£000	£000	%	£000
Revenue	**10,501**	**10,790**	-3%	26,686
Gross profit	3,152	2,715	+16%	6,450
Gross profit margin %	*30%*	*25%*		*24%*
Overheads	(2,559)	(2,654)	-4%	6,651
Adjusted EBITDA	**593**	**61**		**(201)**
Adjusted EBITDA margin %	*6%*	*1%*		*-1%*
Finance charge (net)	(38)	(31)		(77)
Depreciation	(137)	(127)		(240)
Amortisation of intangible assets – computer software	(511)	(396)		(792)
Adjusted loss before tax	**(93)**	**(493)**		**(1,310)**
Amortisation of acquired intangible assets	(1,050)	(1,050)		(2,099)
Share based payments	(42)	(82)		(85)
Exceptional items	(202)	-		(6,139)
Loss before tax	**(1,387)**	**(1,625)**		**(9,633)**
Taxation credit	440	306		1,458
Loss after tax	**(947)**	**(1,319)**		**(8,175)**

Net finance charges
Net finance charges are slightly above the prior year due mainly to increased interest 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
Increased amortisation compared to the prior year reflects software developed in previous periods that has been released in the first half this year.

Adjusted loss before tax
Adjusted loss before tax of £0.1 million (H1 FY23: adjusted loss £0.5 million) is an improvement on the prior year due to the absence of a foreign exchange loss in the current year.

Amortisation of acquired intangible assets
Amortisation of acquired intangible assets of £1.1 million (H1 FY23: £1.1 million) is in line with the previous year.

Exceptional costs
Exceptional costs of £0.2 million were incurred in connection with completing the restructuring that commenced at the end of the previous financial year and largely comprises redundancy costs.

Share based payments
The share based payments charge relates to long-term incentive plans and is lower than the prior year due to fewer participants in the share schemes.

Loss before tax
Loss before tax in the period was £1.4 million (H1 FY23: £1.6 million) and recognises the year-on-year improvement in adjusted loss before tax partly offset by the exceptional item in the first half.

Taxation
The credit in the period was £0.4 million (H1 FY23: £0.3 million) giving an effective tax rate of 32% (H1 FY22: 19%). The tax rate benefited from the impact of enhanced allowances in the UK on research and development spend.

Earnings/Loss per share
Adjusted basic and diluted earnings per share was £0.01 (H1 FY23: loss per share £0.01) incorporates the year-on-year improvement in adjusted profit/(loss) after tax. Reported basic and diluted loss per share was £0.04 (H1 FY23: basic loss and diluted per share £0.06).

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 2023 of £1.4 million was an improvement on the £3.9 million outflow in the first half of the prior year, which arose mainly due to timing of cash receipts on certain large contracts arising in the previous year. Cash held at 30 September of £2.2 million compares to £0.9 million at the same point in the prior year and has been maintained at a similar level at the end of October 2023.

The Group continues to invest in the development of internally created software, with expenditure of £0.5 million in the period (H1 FY23: £0.7 million). This is slightly lower than the previous year due to efficiencies in the nature of spend arising from the increased use of internal staff and a reduction in external contracting.

	6 months to 30 September		**12 months to 31 March**
	H1 FY24 £000	**H1 FY23 £000**	**2023 £000**
Adjusted EBITDA	**593**	**61**	**(201)**
Movements in working capital and exceptional items	(1,989)	(3,959)	485
Cash used / generated from operations	**(1,396)**	**(3,898)**	**284**
Capital expenditure (net of disposal proceeds)	(528)	(686)	(1,337)
Tax received / (paid)	301	-	(285)
Interest paid	(31)	(26)	(83)
Payments of lease liabilities	(124)	(108)	(200)
FX and other	-	13	10
Movement in cash	**(1,778)**	**(4,705)**	**(1,611)**
Opening cash and cash equivalents	3,964	5,575	5,575
Closing cash and cash equivalents	**2,186**	**870**	**3,964**

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 APM's 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.

A full reconciliation between adjusted and reported results is detailed below:

Six months to 30 September	**H1 FY24 £000**	**H1 FY23 £000**
Adjusted EBITDA	593	61
Exceptional items	(202)	-
Share based payments charge	(42)	(82)
EBITDA	**349**	**(21)**
Adjusted loss before tax	(93)	(493)
Amortisation of acquired intangibles	(1,050)	(1,050)
Exceptional items	(202)	-
Share based payments charge	(42)	(82)
Reported loss before tax	**(1,387)**	**(1,625)**
Adjusted profit/(loss) after tax	152	(298)
Amortisation of acquired intangibles (net of tax)	(905)	(939)
Exceptional items (net of tax)	(152)	-
Share based payments charge	(42)	(82)
Reported loss after tax	**(947)**	**(1,319)**
	£	**£**
Adjusted basic & diluted earnings/(loss) per share	0.01	(0.01)
Amortisation of acquired intangibles	(0.04)	(0.04)
Exceptional items	(0.01)	-
Share based payments charge	(0.00)	(0.01)
Reported basic & diluted loss per share	**(0.04)**	**(0.06)**

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 2023, are all still considered to be valid.

Statement of Directors' responsibilities

We confirm that to the best 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).

Adam Hurst
Interim Chief Financial Officer
21 November 2023

Unaudited condensed consolidated statement of comprehensive income

for the 6 months to 30 September 2023

	Note	2023 £000	2022 £000
Revenue	3	**10,501**	**10,790**
Cost of sales		(7,349)	(8,075)
Gross profit		**3,152**	**2,715**
Administrative expenses		(2,803)	(2,736)
Depreciation and amortisation		(1,698)	(1,573)
Total operating costs		**(4,501)**	**(4,309)**
Operating loss		**(1,349)**	**(1,594)**
Adjusted EBITDA	3	**593**	**61**
Depreciation and amortisation		(1,698)	(1,573)
Exceptional items		(202)	-
Share-based payments		(42)	(82)
Operating loss		**(1,349)**	**(1,594)**
Finance cost	4	(43)	(31)
Finance income	4	5	-
Loss before taxation		**(1,387)**	**(1,625)**
Income tax credit	5	440	306
Loss for the period and attributable to equity holders of the Company		**(947)**	**(1,319)**
Other comprehensive income			
Items that may be classified to profit and loss:			
Exchange differences on translation of foreign operations		0	14
Total comprehensive loss for the period		**(947)**	**(1,305)**
Earnings / (Loss) per ordinary share attributable to the owners of the parent		**£**	**£**
			(Restated)
Basic (£ per share)	6	(0.04)	(0.06)
Diluted (£ per share)	6	(0.04)	(0.06)
Adjusted basic and diluted (£ per share)	6	0.01	(0.01)

Unaudited condensed consolidated statement of financial position

as at 30 September 2023

	Note	2023 £000	2022 (Restated) £000
Assets			
Non-current assets			
Intangible assets		43,901	51,779
Property, plant and equipment		388	213
Deferred tax		903	-
Trade and other receivables	7	4,151	8,326
Total non-current assets		**49,343**	**60,318**
Current assets			
Trade and other receivables	8	11,389	12,728
Cash and cash equivalents		2,186	870
Total current assets		**13,575**	**13,598**
Total assets		**62,918**	**73,916**
Liabilities			
Current liabilities			
Trade and other payables	9	9,806	10,573
Total current liabilities		**9,806**	**10,573**
Non-current liabilities			
Creditors: amounts falling due after more than one year	10	5,894	8,360
Total non-current liabilities		**5,894**	**8,360**
Total liabilities		**15,700**	**18,933**
Net assets		**47,218**	**54,983**
Capital and reserves			
Share capital	11	22,278	22,278
Share premium		34,581	34,581
Other reserves		23,484	24,468
Translation reserve		30	37
Accumulated losses		(33,155)	(26,381)
Equity attributable to owners of the Company		**47,218**	**54,983**
Total equity and liabilities		**62,918**	**73,916**

Unaudited condensed consolidated statement of changes in equity

for the 6 months to 30 September 2023

	Share capital	Share premium	Other reserves	Translation reserve	Accumulated losses	Total Equity
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
At 31 March 2022 (audited)	**22,278**	**34,581**	**24,386**	**23**	**(25,062)**	**56,206**
Loss for the period	-	-	-	-	(1,319)	(1,319)
Other comprehensive profit for the period	-	-	-	14	-	14
Total comprehensive loss for the period	**-**	**-**	**-**	**14**	**(1,319)**	**(1,305)**
Contributions by and distributions to owners						
Share-based payments	-	-	82	-	-	82
At 30 September 2022 (unaudited)	**22,278**	**34,581**	**24,468**	**37**	**(26,381)**	**54,983**
Loss for the period	-	-	-	-	(6,856)	(6,856)
Other comprehensive loss for the period	-	-	-	(7)	-	(7)
Expiry of share options	-	-	(1,029)	-	1,029	-
Total comprehensive loss for the period	**-**	**-**	**(1,029)**	**(7)**	**(5,827)**	**(6,863)**
Contributions by and distributions to owners						
Share-based payments	-	-	3	-	-	3
At 31 March 2023 (audited)	**22,278**	**34,581**	**23,442**	**30**	**(32,208)**	**48,123**
Loss for the period	-	-	-	-	(947)	(947)
Other comprehensive profit/loss for the period	-	-	-	-	-	-
Total comprehensive profit/loss for the period	**-**	**-**	**-**	**-**	**(947)**	**(947)**
Contributions by and distributions to owners						
Share-based payments	-	-	42	-	-	42
At 30 September 2023 (unaudited)	**22,278**	**34,581**	**23,484**	**30**	**(33,155)**	**47,218**

Unaudited condensed consolidated cash flow statement

for the 6 months to 30 September 2023

	2023 £000	2022 £000
Cash flows from operating activities		
Loss for the period	(947)	(1,319)
Adjustments for:		
Amortisation of intangible assets	1,561	1,446
Depreciation of right of use assets	113	101
Depreciation of property, plant and equipment	24	26
Share-based payment charge	42	82
Exceptional items	202	-
Finance costs	43	31
Finance income	(5)	-
Income tax	(440)	(306)
Cash flows from operating activities before changes in working capital	**593**	**61**
Decrease/(increase) in trade and other receivables	3,699	(726)
(Decrease)/increase in trade and other payables	(5,486)	(3,233)
Cash used in operations	**(1,194)**	**(3,898)**
Net foreign exchange movements	-	12
Finance costs paid	(31)	(26)
Tax received	301	-
Net cash used in operating activities before exceptional items	**(924)**	**(3,912)**
Net cash flows on exceptional items	(202)	-
Net cash used in operating activities	**(1,126)**	**(3,912)**
Investing activities		
Purchase of property, plant and machinery	(5)	(25)
Purchase of intangibles	(523)	(661)
Net cash used in investing activities	**(528)**	**(686)**
Financing activities		
Repayment of lease liabilities	(124)	(108)
Net cash used in financing activities	**(124)**	**(108)**
Net decrease in cash and cash equivalents	**(1,778)**	**(4,706)**
Foreign exchange movements on cash and cash equivalents	-	1
Cash and cash equivalents at the beginning of the period	3,964	5,575
Cash and cash equivalents at the end of the period	**2,186**	**870**

Notes

1. General information

The unaudited interim condensed consolidated financial information was authorised by the board of directors for issue on 22 November 2023. The information for the six-month period ended 30 September 2023 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 2024.

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

Prior year interim information has been restated, as follows:

- Diluted loss per share for the six month period to 30 September 2022 was previously reported as £0.05 per share. It has been restated to £0.06 per share as the potential dilutive shares were anti-dilutive for the period as the Group was loss making.
- On the Statement of Financial Position, consistent with the accounts to the year to 31 March 2023, Accrued income of £1,232,000 within Current Assets, Trade and Other Receivables has been reclassified to Accrued income within Non-Current Assets, Trade and Other Receivables; in addition, Accruals and Other Payables of £1,139,000 within Current Liabilities has been reclassified to Accruals and Other Payables within Non-Current Liabilities.

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 Group's £4.0 million 3-year revolving credit facility with Barclays Bank plc, signed on the 25 March 2021 remains in place which can provide working capital support if required. To date this facility remains unutilised.

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 2024 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. Costs have also been scaled back in line with the reduction in revenues. 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 2024.

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. 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 2023 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			
	2023 Revenue (unaudited) £000	**2023 Profit (unaudited) £000**	**2022 Revenue (unaudited) £000**	**2022 Profit (unaudited) £000**
Services	9,334	964	9,136	(167)
Software	1,167	465	1,654	703
Group total	**10,501**	**1,429**	**10,790**	**536**
Group costs		(836)		(475)
Adjusted EBITDA		**593**		**61**
Amortisation of intangibles		(1,561)		(1,446)
Depreciation		(137)		(127)
Share-based payments		(42)		(82)
Exceptional items		(202)		-
Finance costs (net)		(38)		(31)
Loss before tax		**(1,387)**		**(1,625)**

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	
	2023 (unaudited) £000	**2022 (unaudited) £000**
United Kingdom	6,532	6,888
Rest of Europe	2,364	2,667
North America	1,499	972
Rest of the world	106	263
	10,501	**10,790**

4. Finance costs and income

Finance costs	Six-month period ended 30 September 2023 (unaudited) £000	2022 (unaudited) £000
Revolving Credit Facility charges	31	26
Interest payable on lease liabilities	12	5
	43	**31**

Finance income in the period was £5k (H1 FY23: Nil)

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% (FY23: 19%)

6. Earnings/(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 2023 and six months ended 30 September 2022 as the Group was loss making.

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 2022 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 2023 (unaudited) £000	2022 (unaudited) £000
Net loss from total operations		
Loss for the purposes of basic and diluted earnings / loss per share being net loss attributable to shareholders:	(947)	(1,319)
Add/(remove)		
Amortisation of acquired intangibles (net of tax)	905	939
Share based payments	42	82
Exceptional items (net of tax)	152	-
Adjusted earnings for the purpose of adjusted earnings per share	152	(298)
Number of shares	**No**	**No (Restated)**
Weighted average number of ordinary shares for the purpose of basic and adjusted earnings per share	23,826,379	23,818,059
Weighted average number of ordinary shares for the purpose of basic and adjusted diluted earnings per share	23,826,379	23,818,059
Earnings/(Loss) per share	**£**	**£ (Restated)**
Basic loss per share	(0.04)	(0.06)
Diluted loss per share	(0.04)	(0.06)
Adjusted Basic and diluted earnings/(loss) per share	0.01	(0.01)

7. Non-current assets: Trade and other receivables

	Period ended 30 September 2023 (unaudited) £000	2022 (unaudited, restated) £000
Trade receivables	1,245	7,094
Accrued income	2,906	1,232
	4,151	**8,326**

8. Current assets: Trade and other receivables

	Period ended 30 September 2023 (unaudited) £000	2022 (unaudited, restated) £000
Trade receivables	6,946	10,043
Accrued income	4,098	2,035
Prepayments and other receivables	345	469
Deferred tax asset	-	181
	11,389	**12,728**

9. Trade and other payables

	Period ended 30 September 2023 (unaudited) £000	2022 (unaudited, restated) £000
Trade payables	837	2,757
Accruals and other payables	8,053	5,570
Other taxation and social security	606	1,261
Deferred income	203	454
Corporation tax	6	444
Lease liabilities	101	87
	9,806	**10,573**

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

	Period ended 30 September 2023 (unaudited) £000	2022 (unaudited, restated) £000
Deferred tax	3,341	3,744
Accruals and other payables	2,359	4,600
Lease liabilities	194	16
	5,894	**8,360**

11. Share capital

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

	Six-month period ended 30 September 2023	2022
In thousands of shares	**000**	**000**
In issue at 31 March	23,826	23,810
In issue at 30 September	**23,826**	**23,810**

Allotted, called up and fully paid	**£000**	**£000**
Ordinary shares of £0.10 each	2,382	2,382
Deferred shares of £0.90 each	19,896	19,896
	22,278	**22,278**

The Company did not issue any shares in the six-month period ended 30 September 2023.

12. Related party transactions

The Directors of the Group and their immediate relatives have an interest of 19% (H1 FY23: 18%) 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.