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Panoply Holdings PLC (The)
09 December 2019

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The Panoply Holdings PLC
("The Panoply", or the "Group")

Interim results for H1 FY2020

The Panoply, a digitally native technology services company, announces its results for the six month period ended 30 September 2019.

Financial highlights

- Revenue up 33% to £13.4m (H1 2019: £10.1m[2])
- Adjusted EBITDA[1] of £0.9m (H1 2019: £0.9m[2]), reflecting significant investments made into new Group capabilities
- Adjusted EBITDA[1], removing the impact of investments into start-ups totalling £0.4m, was up 37.8% to £1.3m (H1 2019: £0.9m[2])
- Profit after tax of £0.3m (H1 2019: £(0.7)m)
- Basic earnings per share of 0.01p
- Cash at bank of £4.3m as at 30 September 2019 (H1 2019: £0.3m)
- Sales Backlog[3] of £12.8m to 31 March 2020 and £12.2m beyond 31 March 2020

Operational highlights

- Continued growth in customer base with 209 billed in H1 2020 (H1 2019: 90)[4]
- 78% of customers billed in H1 2020 were also billed in 2019 and 2018 demonstrating our long-standing client relationships
- Reduction in reliance on top ten clients which represented 42% of revenue (FY 2019: 54%)
- Clients where two or more Group companies were involved in their engagement totalled £2m, representing 15% of total revenue
- Acquisition of FutureGov completed. Largest acquisition to date, strengthening our position in the public sector and expanding our digital transformation capability
- Now established as a challenger brand in digital transformation in public services with 59% of revenue coming from that sector in the period
- £5m three year revolving credit facility entered into with HSBC to be used for future acquisitions and working capital. £3.55m currently drawn

Outlook

Significant investments were made in the period into new Group capability around robotic process automation, conversational interfaces and Microsoft .NET development. All these areas have great long-term potential for the Group. They are already generating revenues and we expect them to become material practices for the Group over the coming years. This, combined with our sales backlog and strong pipeline of business built across the rest of the Group, underpins the expectation that full year forecasts will be achieved.

Neal Gandhi, Chief Executive Officer, commented:

"It has been a very busy period for the Group, and we are delighted that with the acquisition of FutureGov and the increasing collaboration between our group businesses, The Panoply companies are aligning around a clear proposition: a strong digital transformation services provider to the Public Services sector in the UK. Thanks to the unique end-to-end offering we are able to provide to this market, we have won several major clients from across the sector over the period and taking further market share will continue to be a key focus in the second half and beyond.

Our investments into businesses that focus on conversational interfaces and robotic process automation have hit the ground running and are already generating revenues for the Group. Both are set to benefit from significant structural growth trends, and the calibre of clients won so far demonstrate that the offerings we've built are best of breed."

[1] *Adjusted EBITDA is a non-IFRS measure that the Company uses to measure its performance and is defined as earnings before interest, taxation, depreciation and amortisation and after add back of exceptional items related to acquisitions made by the Group, fair value adjustments, share based payment charges and pre IFRS 16 adjustments. Further details are set in the Income Statement below.*

[2] *Pro forma results relating to the period prior to the IPO and initial acquisitions adjusted for normalised salaries and bonuses to provide a like for like basis and the same central costs as reported in the current year.*

[3] *The value of contracted revenue that has yet to be recognised.*

[4] *Comparative based on clients billed by four companies acquired at IPO.*

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About The Panoply

The Panoply is a digitally native technology services company, built to service clients' digital transformation needs. Founded in 2016, with the aim of identifying and acquiring best-of-breed specialist information technology, design and innovation consulting businesses across Europe, the Group collaborates with its clients to deliver the technology outcomes they're looking for at the pace that they expect and demand.

www.thepanoply.com

Chief Executive's review

I am pleased to report our H1 2020 results, with revenue up 33% to £13.4m, and like-for-like adjusted EBITDA, prior to investments, up 37.8% to £1.3m versus the same period in the prior year.

This is the first full period since IPO and we are pleased that 15% of revenue has been generated from clients where two or more group companies have been involved in delivery.

The pivotal acquisition of FutureGov, completed in June 2019, means that the Group now has an integrated end-to-end digital transformation offering in Public Services. This marks the creation of a true challenger brand in a category that will have a total addressable market of £20bn by 2025[5]. On a run rate basis, these sectors now account for nearly 60% of Group revenue. We now have true critical mass and the ability to pursue significantly larger opportunities compared with those that any single group company could have bid for prior to joining the Group. During the period, the Group won numerous new clients across sectors including local government (Essex, North East Lincolnshire), central government (Food Standards Agency, UK Hydrographics Office), housing (Hackney, Rochdale), health and social care (NHS Digital), higher education (Brunel, UCL, University of York) and not for profits (WWF, Young Epilepsy).

At the same time our work with commercial sector clients remains strong, contributing £5.5m in the period (H1 2019: £5.6m) with key wins including Cargill, Tails (part of Nestlé) and growth with News UK (part of News International). This is a strong result when taking into account the end of a significant contract in July 2018. The pipeline for this division is strong for the second half of the financial year.

Adjusted EBITDA[1] post central costs and including investments for the period was £0.9m. This reflects the Group's first full reporting period as a listed business with associated PLC-related costs, which includes the cost of salary normalisation of our group company owner-managers, as well as the significant investments made into the business over the first half. These investments have already begun to deliver for the Group and support the statement we made at the time of our preliminary results that profitability in the current financial year was likely to be second half weighted, as well as creating exciting future organic growth opportunities. Like-for-like Adjusted EBITDA[1], removing the impact of these investments, was up 37.8% to £1.3m.

209 clients were invoiced during the period, up 132% on H1 2019, and the Group is now significantly de-risked with the largest client responsible for 14% of revenue (FY 2019: 24%). Our top ten clients now represent 42% of revenue (54% during FY19).

[5] http://www.public.io/wp-content/uploads/2017/07/Public_GovTech_market.pdf

Growth strategy

Our strategy remains to build a panoply of experts that together empower positive, sustainable digital transformation. We foster an environment where each of our Group companies remains able to attract high calibre practitioners. Our ability to create teams made up of a collection of capabilities, cultures, ideas and opinions means our clients achieve outstanding outcomes at the pace that they expect, all the while upskilling their own staff members. This delivers the kind of diverse teams our clients value and sets us apart from our competitors. We believe that it is this that will drive growth over the longer term.

Crystallising our go to market proposition for key target verticals

The acquisition of FutureGov in June 2019 greatly enhanced the Group's offering in the Public Sector. FutureGov's capabilities in the discovery and alpha phases of Government Digital Services projects marries perfectly with Notbinary's experience in the Beta and Live phases giving us for the first time a true end to end proposition.

Alongside this, FutureGov's CEO, Dominic Campbell became UK Managing Director for Public Sector across the Group, with a remit to take our end-to-end value proposition out to the sector. This gives us the ability to pitch for more valuable mandates than we have previously been able to and, in so doing, gives us an exciting opportunity to further accelerate organic growth.

Looking forward in the UK, we will drive organic growth further by pursuing this integration of our go-to-market positioning in the Public Sector, bringing our entire capability to market.

Investing to build out key capabilities

In the UK, we have continued to focus on investing in areas that we believe will deliver exceptional growth opportunities over the longer term. During the period, we invested in both our robotic process automation (RPA) and conversational AI businesses with both rapidly securing important client wins. Between them they have generated £0.38m revenue in the half year. We see huge opportunity for these businesses and are considering further investment in sales capacity to take advantage of the great demand they are generating.

Our RPA business, human+, leverages Blue Prism with a view towards becoming a premier professional services partner in the Public Sector. The business has secured a number of recent strategic wins with NHS Wales (in health), UCL (in higher education) and L&Q (in housing). UCL is worthy of particular mention in that, post period, they have appointed human+ as RPA provider of choice following a competitive tendering process with a plan to automate as many as 15-20 processes. We believe this to be one of the largest RPA roll outs in higher education in the UK and is the second time human+ has converted an initial proof of value engagement into a significantly larger engagement.

Our conversational AI company, GreenShoot Labs, is equally exciting, having secured a major strategic win with the Defence Science and Technology Laboratory with our start up fending off competition from Accenture and IBM Watson. The company also continued to work with global audit firm BDO and won a highly scalable opportunity with Brunel University to create a "clearing bot".

Other investments include the launch of a new .Net practice for Manifesto, which became immediately revenue generating. We also appointed Lesley Seary, previously CEO of Islington Council, as a Non-executive Director on the FutureGov board.

Continued scope to enhance Group competencies both organically and by acquisition

We will further grow our capabilities either through acquisitions or by helping existing staff to launch new propositions, supporting entrepreneurialism and innovation from the edges of our organisations.

During the period we established our own internal M&A origination team and that has resulted in an acquisition pipeline that at period end had 30 companies in it with a combined annual revenue of £150m. We also entered into a three year £5m revolving credit facility with HSBC in June 2019, of which £3.55m is currently drawn, putting us in a strong financial position to pursue future opportunities.

We will look to add further capabilities around the Microsoft stack, CRM and enterprise CMS. We will consider acquisitions that add scale to our existing companies. More widely, our network is growing as is our reputation and as a consequence our acquisition pipeline includes companies from Europe and further afield.

Outlook

Current trading is robust, despite the uncertainty around Brexit, and we continue to see our group businesses working ever more closely together. Our go-to market strategies for our key sectors are becoming increasingly aligned across the Group, and this will be a key focus over the second half of the year and beyond. We have created a very powerful offering, with which we will continue to challenge our 20th century competitors.

In line with all of the commentary that we are seeing we expect spending patterns to return to normal or stronger once we have a clearer political backdrop. Both of the main political parties have committed to substantial further expenditure, which bodes well for the future. There can of course be no guarantees on whether the pre-election commitments translate into actual spending nor indeed on the timing of any such spending.

We have a sales backlog of £25m committed, £12.8m of which is expected to fall in the current financial year.

Our acquisition pipeline is healthy and we continue to see a number of opportunities to grow The Panoply, each of which will be explored on its own merits.

Digital transformation is reaching the stage where it is so all-encompassing that some market commentators believe we are entering a 'post-digital' era, and into an era of 'continuous next'. Embracing change has become mission critical to all enterprises and therefore our strength in digital consultancy services positions us well. We look forward to updating shareholders on our progress.

Financial review

The Panoply achieved revenue of £13.4m (H1 19: £10.1m) representing an increase of 33%. Growth was underpinned by an increase in our Public Services revenue from £4.6m to £7.9m, representing 59% of group revenue.

Significant investments in the period in Greeshoot Labs and human+ reflect the Group's commitment to innovation. We also invested heavily in our central team in order to build a business that can scale further through acquisition and organic growth. Despite these significant investments, the Group has reported Adjusted EBITDA[1], including the cost of these and central costs, of £0.9m.

FutureGov was acquired on 12 June 2019 via a combination of cash and share consideration. A revolving credit facility of £5m was entered into with HSBC in order to fund the deal as well as utilisation of cash within the Group. This has had an impact on the cash balance which has moved from £5.7m as at 31 March 2019 to £4.3m as at 30 September 2019. This is still a strong cash balance reflecting the cash generative nature of our subsidiary businesses. Indeed net cash flow from operations was £1.4m compared with £(1.2)m for the year ended 31 March 2019. At the end of the reporting period, the Group had debt of £3.6m resulting in a net cash position of £0.7m.

Goodwill of £10.7m and intangible assets of £1.6m has been recognised from the acquisition of FutureGov. These are unaudited preliminary figures and final figures will be presented in the 31 March 2020 financial statements.

The exceptional charge of £0.3m primarily represents one-off costs associated with the acquisition of FutureGov in the period.

The half year accounts are presented on a basis consistent with policies to be adopted for the Annual Report & Accounts for the year ending 31 March 2019. The new accounting standard, IFRS 16: Leases, has been adopted for the first time, adding £1.2m to tangible fixed assets and lease liabilities and a £25k negative impact to operating profits for the 6 months to 30 September 2019.

Earnout relating to acquisitions

As at 30 September 2019 further consideration of £10.9m is payable as earn out consideration in ordinary shares in the Group in respect of the first four acquisitions completed at IPO based on results to 31 March 2019. These shares are to be issued at the higher of 74p (being our price at IPO) and the prevailing share price at the time of issue. The ordinary share consideration is payable over twenty-four months following publication of the Group's preliminary results earlier this year subject to certain performance targets being met. At present these targets have not been met and as a result the consideration payments have not yet been made.

As a result of the exceptional performance of Deeson for the 12 months to 30 September 2019 further consideration of £0.96m is also payable in respect of the acquisition of Deeson Group Holdings Limited in ordinary shares in the Group. These shares are to be issued at the higher of 82.5p and the prevailing market price at the time. This is payable in four tranches over the next 18 months, with the initial tranche of £0.25m payable on publication of these results. In order to incentivise the management team of Deeson we have increased the cap of total consideration from £3.6m to £4.1m. An application will shortly be made for the admission of the 291,065 new ordinary shares to trading on AIM.

Finance costs of £96k reflect the impact of IFRS 16 as well as costs associated with the revolving credit facility.

Consolidated statement of comprehensive income

	Notes	**6 months to 30 September 2019 Statutory Unaudited £'000**	6 months to 30 September 2018 Statutory Unaudited £'000	12 months to 31 March 2019 Statutory Audited £'000
Revenue		**13,425**	-	8,152
Cost of sales		**(8,385)**	-	(4,811)
Gross profit		**5,040**	-	3,341
Administrative expenses		**(4,892)**	(721)	(4,992)
Other income		**29**	-	24
Operating profit / (loss)		**177**	(721)	(1,627)
Adjusted EBITDA		**1,161**	(251)	402
Amortisation of intangible assets		**(657)**	-	(339)
Depreciation		**(343)**	-	(45)
Gain/(Loss) on fair value movement contingent consideration		**279**	-	(54)
Share-based payments		**(9)**	-	(239)
Exceptional items -costs directly attributable to the business combination and listing*		**(254)**	(470)	(1,352)
Operating profit / (loss)		**177**	(721)	(1,627)
Finance income		**-**	-	5
Finance costs		**(96)**	(1)	(14)
Net finance costs		**(96)**	(1)	(9)
Profit / (loss) before tax		**81**	(722)	(1,636)
Taxation		**247**	-	(41)
Profit / (loss) for the period		**328**	(722)	(1,677)
Other comprehensive income				
Exchange differences on translation of foreign operations		**36**	-	(38)
Total comprehensive profit / (loss) for the period		**364**	(722)	(1,715)
Earning / (Loss) per share				
Basic	**7**	**0.01p**	**(0.05)p**	**(9.22)p**
Fully diluted	**7**	**0.01p**	**(0.05)p**	**(9.22)p**

*Exceptional items relating to listing is applicable for prior year only

Consolidated statement of financial position

	30 Sept 2019 Statutory	30 Sept 2018 Statutory	31 Mar 2019 Statutory
	Unaudited	Unaudited	Audited
	£'000	£'000	£'000
Non-current assets			
Goodwill	**31,321**	-	20,585
Intangible assets	**6,306**	-	5,214
Property, plant and equipment	**1,466**	-	280
Deferred tax asset	**16**	-	14
Total non-current assets	**39,109**	-	26,093
Current assets			
Trade and other receivables	**4,391**	46	3,918
Contract asset	**573**	-	232
Cash and cash equivalents	**4,275**	258	5,650
Total current assets	**9,239**	304	9,800
Total assets	**48,348**	304	35,893
Current liabilities			
Trade and other payables	**1,331**	333	2,210
Other taxes and social security costs	**2,529**	13	1,539
Lease liability	**532**	-	-

Deferred and contingent consideration	**6,934**	-	3,270
Contract liability	**635**	-	406
Borrowings	**7**	-	-
Total current liabilities	**11,968**	346	7,425
Non-current liabilities			
Deferred tax liabilities	**1,305**	-	925
Borrowings	**3,556**	-	-
Lease liability	**667**	-	-
Deferred and contingent consideration	**5,442**	-	8,292
Total non-current liabilities	**10,970**	-	9,217
Total liabilities	**22,938**	346	16,642
Net assets	**25,410**	(42)	19,251
EQUITY			
Issued share capital	**489**	-	423
Share premium	**26,499**	1,130	20,779
Other reserves	**251**	-	206
Retained earnings	**(1,829)**	(1,172)	(2,157)
Total equity	**25,410**	(42)	19,251

Consolidated statement of changes in equity

	Share capital	Share premium	Capital redemption reserve	Foreign exchange reserve	Share option reserve	Retained earnings	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 April 2018	**-**	**490**	**-**	**-**	**-**	**(480)**	**10**
Loss and total comprehensive income for the period	-	-	-	-	-	(692)	(692)

Transactions with owners							
Shares issued	-	650	-	-	-	-	650
Share issue costs	-	(10)	-	-	-	-	(10)
Balance at 30 September 2018	-	1,130	-	-	-	(1,172)	(42)
Loss for the period	-	-	-	-	-	(985)	(985)
Exchange difference on translation of foreign operations	-	-	-	(38)	-	-	(38)
Transactions with owners							
Share cancellation	(5)	-	5	-	-	-	-
Shares issued	428	19,893	-	-	-	-	20,321
Share issue costs	-	(244)	-	-	-	-	(244)
Share based payments	-	-	-	-	239	-	239
Balance at 31 March 2019	**423**	**20,779**	**5**	**(38)**	**239**	**(2,157)**	**19,251**
Profit for the period	-	-	-	-	-	328	328
Exchange difference on translation of foreign operations	-	-	-	36	-	-	36
Transactions with owners							
Share cancellation	-	-	-	-	-	-	-
Shares issued	66	5,720	-	-	-	-	5,786
Share issue costs	-	-	-	-	-	-	-
Share based payments	-	-	-	-	9	-	9
Balance at 30 September 2019	**489**	**26,499**	**5**	**(2)**	**248**	**(1,829)**	**25,410**

Consolidated Statement of cash flow

	6 months to 30 September 2019 Unaudited £'000	6 months to 30 September 2018 Unaudited £'000	12 months to 31 March 2019 Audited £'000
Cash flows from operating activities:			
(Loss) / profit before tax	**81**	(722)	(1,636)
Depreciation of property, plant and equipment	**343**	-	45
Amortisation	**657**	-	339
Share-based payments	**9**	-	239
Profit on disposal of property, plant and equipment	**-**	-	2
Foreign exchange losses/(gains)	**(3)**	-	7
Net finance expense	**96**	1	9
Movement in fair value consideration	**(279)**	-	54
	904	(721)	(941)
Working capital adjustments			
Increase in trade and other receivables	**(758)**	6	384
Decrease/(increase) in trade and other payables	**1,102**	210	(650)
Increase in inventory	**(10)**	-	-
	1,238	(507)	(1,207)
Tax credit	**104**	-	27
Net cash generated from operating activities	**1,342**	(507)	(1,180)
Cash flows from investing activities:			
Acquisition of subsidiaries (paid)	**(6,560)**	-	(5,613)
Cash inherited from acquisition of subsidiary	**2,151**	-	6,978
Purchase of property, plant and equipment	**(60)**	-	(33)
Addition of intangible assets	**(120)**	-	-
Payment of lease liabilities	**(241)**	-	-
Interest received	**-**	-	5
Net cash used in investing activities	**(4,830)**	-	1,337
Net cash used from financing activities			
Issue of ordinary share capital	**-**	640	5,659
Cost relating to the issue of shares	**-**	-	(254)
Repayment of deferred consideration	**(863)**	-	-
Repayment of borrowings	**(507)**	-	(24)
New borrowings	**3,556**	-	-
Interest paid	**(73)**	(1)	(14)
Net cash generated from/ (used) in financing activities	**2,113**	639	5,367

Net (decrease) / increase in cash and cash

equivalents	**(1,375)**	132	5,524
Cash and cash equivalents at beginning of the period	**5,650**	126	126
Cash and cash equivalents at end of the period	**4,275**	258	5,650

1. General information

The Panoply Holdings Plc is the Group's ultimate parent company. It is a public limited company incorporated and domiciled in England and Wales with registered office number 10533096. The Company's shares are publicly traded on the AIM Market of the London Stock Exchange.

The address of the registered office is 141-143 Shoreditch High Street, London, England, England, E1 6JE. The principal activity of the Group is the provision of digitally native technology services to clients within the commercial, government and non-government organisation ("NGO") sectors.

The interim financial information is unaudited.

2. Basis of preparation

The Group has not applied IAS 34 *Interim Financial Reporting*, which is not mandatory for UK AIM listed companies, in the preparation of this half-yearly report.

This consolidated interim financial information for the six months ended 30 September 2019 does not, therefore, comply with all the requirements of IAS 34 *Interim financial reporting* as adopted by the European Union. The consolidated interim financial information should be read in conjunction with the annual financial statements of The Panoply plc for the year ended 31 March 2019, which have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS").

This consolidated interim financial information does not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 March 2019 were approved by the Board of directors on 30 August 2019 and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under sections 498 (2) or (3) of the Companies Act 2006.

The interim financial statements are presented in pound sterling (GBP), which is the functional currency of the parent company.

The interim financial statements present comparative periods 6 months to 30 September 2018 and 12 months to 31 March 2019.

3. Basis of consolidation

These interim consolidated financial statements consolidate the financial statements of the Company and its subsidiary undertakings as at 30 September 2019. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control may cease. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

4. Accounting policies

The accounting policies used in the preparation of the interim consolidated financial information for the six months ended 30 September 2019 are in accordance with the recognition and measurement criteria of IFRS and are consistent with those which were adopted in the annual statutory financial statements for the year ended 31 March 2019, except for those that relate to new standards which have become effective this year, as set out below.

IFRS 16 'Leases'

IFRS 16 *Leases* replaces IAS 17 *Leases* along with three Interpretations (IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC 15 *Operating Leases-Incentives* and SIC 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*). The new standard has been applied using the modified retrospective approach.

For contracts in place at the date of initial application, the Group has elected to apply the definition of a lease from IAS 17 and IFRIC 4 and has not applied IFRS 16 to arrangements that were previously not identified as lease under IAS 17 and IFRIC 4.

The Group has elected not to include initial direct costs in the measurement of the right-of-use asset for operating leases in existence at the date of initial application of IFRS 16, being 1 April 2019. At this date, the Group has also elected to measure the right-of-use assets at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments that existed at the date of transition.

Instead of performing an impairment review on the right-of-use assets at the date of initial application, the Group has relied on its historic assessment as to whether leases were onerous immediately before the date of initial application of IFRS 16.

On transition, for leases previously accounted for as operating leases with a remaining lease term of less than 12 months and for leases of low-value assets the Group has applied the optional exemptions to not recognise right-of-use assets but to account for the lease expense on a straight- line basis over the remaining lease term.

For those leases previously classified as finance leases, the right-of-use asset and lease liability are measured at the date of initial application at the same amounts as under IAS 17 immediately before the date of initial application.

On transition to IFRS 16 the weighted average incremental borrowing rate applied to lease liabilities recognised under IFRS 16 was 5.54%.

The Group has benefited from the use of hindsight for determining lease term when considering options to extend and terminate leases.

The following is a reconciliation of total operating lease commitments at 31 March 2019 (as disclosed in the financial statements to 31 March 2019) to the lease liabilities recognised at 1 April 2019:

	Total £'000
Total operating lease commitments disclosed at 31 March 2019	1,571
Short term lease commitments straight-line expensed under IFRS 16	(9)
Discounted using incremental borrowing rate	(364)
Total lease liabilities recognised under IFRS 16 at 1 April 2019	**1,198**

The following tables show the reconciliation of adjusted EBITDA and profit for the period pre and post application of IFRS 16. Overall, the Group has recognised IFRS 16 depreciation and interest costs of £303k versus IAS17 operating lease expenses of £277k.

	£'000
Adjusted EBITDA pre application of IFRS 16	884
Reversal of IAS 17 operating lease expenses	277
Adjusted EBITDA post application of IFRS 16	**1,161**

	£'000
Adjusted profit for the period pre application of IFRS 16	354
Reversal of IAS 17 operating lease expenses	277
Addition of IFRS 16 depreciation and finance charges	(303)
Adjusted profit for the period post application of IFRS 16	**328**

5. Business combinations

On 12 June 2019, the Group acquired 100% of the issued share capital and voting rights of FutureGov Limited (FutureGov), a company based in the United Kingdom and a leader in digital service design for the public sector and health sector (the "Acquisition").

The Acquisition transformed the shape of The Panoply, with circa 45% of Group revenue, on a proforma basis, originating from the health and public sectors following completion. The combination of FutureGov's wealth of experience and The Panoply's extended capabilities creates a very strong disrupter in these sectors, challenging the status-quo of larger organisations. The Group is now able to offer public sector clients an end-to-end service from discovery through to live digital transformation programmes, which is entirely tailored to the needs of the industry.

The Group has performed an initial review of FutureGov's assets and liabilities which have been included in this set of interim statements. The finalised valuation will be reported within its next published financial statements.

The preliminary fair values of the identifiable intangible assets have been determined provisionally as £1.6m at 30 September 2019, because the acquisition was completed late in the period. The Group is currently obtaining the information necessary to finalise its valuation.

The goodwill of £10.7m that arose on the combination can be attributed to the value of the workforce of FutureGov which cannot be recognised as an intangible asset. Goodwill has been provisionally allocated to cash-generating units at 30

September 2019 and is attributable to the Consulting segment. The amortisation of the goodwill that arose from this business combination is not expected to be deductible for tax purposes.

From the date of the acquisition to 30 September 2019, FutureGov contributed £2.3m and £0.2m to the Group's revenues and profits, respectively. Had the acquisition occurred on 1 April 2019, the Group's revenue for the period to 30 September 2019 would have been £14.9m and the Group's profit for the period would have been £2.6m.

6. Borrowings

The Group entered into a three year £5m revolving credit facility ("RCF") with HSBC UK Bank Plc ("HSBC") on 11 June 2019. On the same day, £3.55m was drawn-down to pay a proportion of the cash consideration payable pursuant to the acquisition of FutureGov Group. HSBC has taken security over The Panoply and all of the Group's material subsidiaries and their assets in connection with the RCF Facility. The RCF Facility contains customary terms and covenants, including financial covenants.

7. Earnings per share

	30 September 2019 £'000	30 September 2018 £'000	31 March 2019 £'000
Profit / (loss) attributable to ordinary shareholders	328	(722)	(1,677)

Basic earnings per share	Number	Number	Number
Weighted average number of ordinary shares in issue	46,269,812	15,679,267	18,186,006
Basic earnings / (loss) per share	0.01p	(0.05)p	(9.22)p

Diluted earnings per share	Number	Number	Number
Weighted average number of ordinary shares in issue used in basic earnings per share calculation	46,269,812	15,679,267	18,186,006
Dilutive shares	13,166,212	-	-
Diluted earnings / (loss) per share	0.01p	(0.05)p	(9.22)p

8. Dividends

The Board of directors do not recommend the payment of a dividend for the interim period (31 March 2019: £Nil, 2018: £Nil)

9. Events after the reporting date

There have been no significant events after the reporting date that would materially impact these interim financial statements.

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