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Panoply Holdings PLC (The)
30 July 2020

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The Panoply Holdings PLC

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

Unaudited preliminary results for the year ended 31 March 2020

Cementing the Group's position in the public sector

The Panoply (AIM: TPX), the digitally-enabled technology services group focused on digital transformation, is pleased to announce its unaudited results for the year ended 31 March 2020.

Financial highlights

- Revenue up 43% to £31.5m (FY2019: £22.1m[1])
- Normalised adjusted EBITDA[2] increased 62% to £3.4m (FY2019[1]: £2.1m), and excluding central costs, up 30% to £5.2m (FY2019[2]: £4.0m)
- Adjusted profit after tax[3] of £2.7m (FY2019[3]: £0.2m)
- Statutory loss after tax of £3.0m (FY2019: £1.7m)
- Adjusted diluted earnings per share[4] of 3.6p (FY2019: 0.7p)
- Cash conversion of 91% and cash at bank of £4.6m as at 31 March 2020. This has since risen to £6.8m[8] as at 30 June 2020
- Sales Backlog[5] as at 1 April 2020 of £15.0m to 31 March 2021 (Sales Backlog as 30 September 2019 of £12.8m to 31 March 2020)

Operational highlights

- Position as a leading alternative provider in digital transformation to the public sector continued to grow with 64% of revenue from that sector in the period (FY2019: 56%), strengthened by the acquisition of FutureGov
- Secured a number of high profile, multi-disciplinary contracts through group collaboration including NHSx, Food Standards Agency and Camden Council
- Recurring revenue from commercial work remained stable at 36% of total revenue
- Acquisitions of FutureGov and Ameo completed in June 2019 and March 2020 respectively
- £5m three year revolving credit facility entered into with HSBC and fully drawn down for the acquisitions of FutureGov and Ameo.
- Acquisition of Arthurly completed post period-end, in June 2020, adding to the group's depth of capabilities in hyperscale cloud projects
- £13m of new contracts signed in Q1 FY21
- Record performance for the Group in Q1 FY21, with unaudited revenue and Adjusted EBITDA[2] at £10.1m and £1.7m respectively. This compares with Q1 FY20 unaudited revenue and Adjusted EBITDA on a statutory basis of £6.3m and £0.5m and a like-for-like basis[7] of £9.2m and £1.1m respectively

KPIs

- Continued growth of customer base with 265 billed in FY2020 (FY2019: 191)[6]
- 70% of customers billed in FY 2020 were also billed in FY2019
- Top ten clients generating 31% of revenue (FY2019: 54%), reducing concentration risk

Neal Gandhi, Chief Executive Officer, commented:

"It has been a year of continued growth and expansion for the Group, as clients recognise the unique proposition we offer in our blend of truly collaborative and end-to-end digital transformation services.

The past year has seen the cementing of our position in the public sector, enabled through the acquisitions of FutureGov and Ameo, which have substantially enhanced our ability to target and win clients in this area. This is supported by further investments made in our businesses to enhance this offering. Post-period end, the acquisition of Arthurly continues this momentum. We have also embedded collaboration as a way of life for all group companies which allows us to embark upon the next stage of our growth plan.

Looking forward, and accelerated by the impact of Covid-19, we are increasingly seeing digital transformation services embraced across local government, healthcare, and the other key public sector areas in which we operate. With a confidence in the distinct model and ethos that sets The Panoply apart, we are in an excellent position to capitalise on the demand for a truly modern, technologically-driven public sector fit for the new world we live in."

The Group will be hosting webinars for analysts and retail investors today at 09:00am and 11:30am, respectively.

If you would like to register for the analyst webinar, please contact panoply@almapr.co.uk.

Retail investors can sign up for free using the Investor Meet Company platform, and add to meet The Panoply via https://www.investormeetcompany.com/the-panoply-holdings-plc/register-investor. Investors who have already registered and added to meet the Company will be automatically invited.

1 *Normalised results are prepared on the assumption that the four initial companies acquired at IPO were owned for full period and the results* *of subsequent acquisitions from the date of completion adjusted for normalised salaries and bonuses and the same central costs as reported in the current year. Normalised numbers are used where the Directors believe it provides a more appropriate measure when comparing the year on year performance of the Group.*

2 *Normalised 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 costs related to acquisitions, restructuring and other one off costs made by the Group, fair value adjustments, share based payment charges and pre IFRS 16 adjustments.*

3 *Adjusted profit after tax is calculated is a non-IFRS measure and is more representative of the underlying performance of the Group. To arrive at adjusted profit after tax, adjustments made include the add back of acquisition , restructuring and other one off costs, amortisation related to acquired intangibles, share-based payments, the impact of fair value adjustments and IFRS 16 adjustments and the tax impact of these adjustments.*

4 *Adjusted diluted earnings per share is calculated based on adjusted profit before tax as defined above. An adjusted diluted share count is calculated by taking the weighted average basic shares and including the maximum shares to be issued in respect of contingent consideration to be paid based on performance measures met in the period, together with the maximum share options outstanding.*

5 *The value of contracted revenue that has yet to be recognised*

6 *Comparative based on clients billed by four companies acquired at IPO*

7. Like-for-like is a non-GAAP/IFRS measure that presents the first quarter of the prior year being restated to show the unaudited numbers of the existing and acquired businesses consolidated for the same months as in FY21.

8 Actual cash at £8.8m taking into account £2m of deferred tax (VAT and National Insurance) that is being paid down in the current quarter.

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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, the Group collaborates with its clients to deliver the technology outcomes they're looking for at the pace that they expect and demand.

The Group is being increasingly recognised as a leading alternative digital transformation provider to the UK public services sector, with c. 70% of its client base representing the public sector and c. 30% representing the commercial sector.

More information is available at www.thepanoply.com

Chairman's statement

I am delighted with the continued progress that the Group has made this year. As set out in last year's annual report, the Group's strategy was to scale up the business through accretive acquisitions, whilst investing in the group companies to accelerate our competitive edge. I am pleased to confirm that we have executed on this strategy well, as demonstrated through our enhanced services offering, notable new contract wins and good financial performance.

We acquired best-of-breed businesses FutureGov and Ameo in the year, adding technology services business Arthurly to the Group post period. Through these actions, together with continual internal development, we have cemented The Panoply's position in the public sector. We provide a truly compelling offering in this space, with the breadth of capability and expertise to be able to take on the most well-regarded industry heavyweights, and to win.

The digital transformation market has continued to develop throughout the year and has undoubtedly accelerated since March 2020 as companies respond to the Covid-19 crisis. We are at the cutting edge of new developments with strength in many key technologies of the future, such as conversational AI and robotic process automation, and have seen these grow in importance. As a progressive, future-facing company we will continue to embrace new ideas.

Our purpose

The Panoply continues to be a purpose-driven company, seeking to help people and organisations navigate the challenges presented in the modern era. It is increasingly important for companies to take responsibility for their actions in supporting environmental and social mobility and change for the better. I am proud to say that the motivation to help our clients achieve this is a huge driver for our teams and a key differentiator from many of our peers.

The Group's entire Board fully supports this purpose and endorses initiatives such as The Panoply's employee volunteer programmes and annual Community Action Day, which provides staff with the skills and time that they need to contribute to a purpose that they feel strongly about.

As stated last year, the Group focuses on four key areas within its Sustainable Futures work. The four areas are: helping communities to thrive in a digital future; making the tech industry fair and accessible; putting employee wellbeing first; and minimising our environmental impact. In order to provide transparency and accountability, the Group will publish the targets set in 2019 and the progress made against them in 2020 within our annual report. It was particularly pleasing to see that 116 of our employees logged a total of 904 hours of donated work across 37 different community investment activities over the year.

We are looking to build on the success of our purpose led approach to date through closer alignment to the UN Sustainability Development Goals (SDGs) going forward.

Corporate governance
The Group's risk management is up to date and appropriate and the Board will continue to monitor its principal risks as events concerning Covid-19 and the wider economy unfold. The Panoply's Board has committed to a corporate governance approach commensurate with more mature businesses and has applied the principles set out in the QCA code to the Group.

We highly value our shareholders, for whom we are ultimately seeking to deliver value which has been achieved with purpose. Therefore, we deem it a priority to keep all shareholders up-to-date and engaged and we are committed to transparency in all our corporate communications.

People
I would like to take this opportunity to thank our team for their continued commitment throughout this year, and to welcome the FutureGov, Ameo and Arthurly teams to the Group. The growth of the business has undoubtedly been assisted by the dedication of our staff, whilst the continued high level of new contract wins and cross-selling of services is testament to the strength of our service offering, talented consultants and customer relationships.

Despite the difficult period that the world has recently entered, our team has worked tirelessly to continue to service customers, in a safe and efficient manner, and I am extremely grateful for everyone's effort and ongoing support.

Outlook
At the time of writing this, the Covid-19 pandemic has altered the world as we know it. The Group has done very well to not only withstand this extreme period of market uncertainty, but also to grow during this time. We are pleased to have continued to win new clients and to deliver a high levels of work to our existing clients.

Looking forward, as The Panoply benefits from the growth and enhanced service offering it has created, we have a clear opportunity to take on our monolithic competitors with projects on an even greater scale, delivered at speed and to an outstanding quality. We also continue to look for best-in-class companies to join the Group through acquisition.

I am confident that we have the right resources and management team in place to enable the Company to deliver growth in line with our commercial vision, which will ultimately create greater value for all our stakeholders.

Mark Smith
Chairman

Chief Executive's review

The year to 31 March 2020 was transformative for the Group, as we made great strides to cement our position as a leading alternative provider of digital transformation to the UK public services sector. It was our first full 12 month period as a public company, and as such sets the benchmark for which all future performance can be compared, with full PLC and central costs for the whole period, along with normalised market salaries for the incoming entrepreneurs. The year also proved our collaboration model with £8.9m of revenue (28% of total) spread across 51 client projects involving two or more group companies. Collaboration is now a way of life across the group and paves the way for the next phase of our journey, described in more detail below.

Alongside our strategic progress we delivered a robust financial performance with both revenue and adjusted EBITDA up 5% on consensus forecasts. Our acquisition strategy produced significant revenue growth, up 43% to £31.5m in the year, with normalised adjusted EBITDA up 62% to £3.4m (2019: £22.1m[1] revenue and £2.1m adjusted EBITDA). Had both the acquisition of Ameo and FutureGov been included from the beginning of the year, revenue would be up 79% and adjusted EBITDA up 136% against 2019 normalised numbers.

The statutory loss after tax increased by 76% to £3.0m (2019: £1.7m). The adjusted profit after tax was £2.7m (2019: £0.2m). The Directors believe that this 'adjusted profit after tax' measure is most representative of the underlying performance of the Group. To arrive at adjusted results, adjustments made include acquisition expenses, amortisation related to acquired intangibles and share-based payments the impact of fair value adjustments and IFRS 16 adjustments along with the corresponding tax impact of the adjustments.

Net cash generated from operations before tax and including IFRS 16 lease payments was £2.1m, delivering a cash conversion ratio of 91%. Adjusted EBITDA margin for the year was 18% after accounting for investments made in our automation businesses (human+ and GreenShoot Labs).

Following a year of major developments to our operations, we now have all the right pieces in place to execute on our exciting growth strategy. We also now take this opportunity to lay out our commercial vision, detailed further below, based around the core ambition to achieve significant profitable growth over the next three years.

Growth strategy

From inception, the vision of the Group was to bring together a panoply of companies and skills in order to provide an entrepreneurial, full service capability at scale to deliver outcomes to large clients at a fraction of the cost and time of their traditional suppliers. This year saw us deliver on that vision with a headcount at year end of 381 people and capabilities ranging from hyperscale cloud transformations, robotic process automation and AI, through to organisation and service design. During the Covid-19 pandemic, the Group is proud to have not furloughed any staff and kept all staff on full pay.

It is clear we are now at a scale where we are trusted to deliver mission critical programmes of work and we see that credibility increasing as we grow further. It is clear to us that our time is now, as the UK Government recognises that it is time to address the stranglehold of the incumbent suppliers to deliver better outcomes for service users and better value for taxpayers.

As always, we foster an environment where we will continue to attract high calibre practitioners and where the entrepreneurialism of our leadership teams continues to flourish. We work with clients in a way which is both end-to-end and collaborative, separating ourselves from our peers.

Cementing our position in the public sector
We completed two major acquisitions in the year, both predominantly in the public sector:

- FutureGov Limited, a leader in digital service design; and
- Ameo Professional Services Ltd, a consultancy specialising in delivering business change

Following these acquisitions we are now in a position to offer a true end to end offering to our clients, particularly in public services, ranging from strategy and organisational and service design through to a full complement of technology skills including full stack software development, data, AI and automation.

Financially, both have performed in line with expectations since acquisition but their true value has been far higher. With reference clients such as Buckinghamshire Council, Camden Council, MHCLG, Food Standards Agency, DVLA, UK Hydrographics Office, NHS, UCL and many others, we are now able to prove that we are an alternative to the incumbent suppliers and provide much needed innovation in a sector now eager to embrace new models of delivery and new partners to assist them.

64%, (£20.1m) of revenue in the year came from the public sector (2019: 56%, £12.3m Normalised) from a wide range of projects ranging from hyperscale cloud migration programmes through to high level organisational change initiatives. This would have reached 68% of 2020 revenues if Ameo and FutureGov were included for the full year.

Example projects include:

- Transitioning legacy on premise systems to an open source cloud based model for the Ministry of Housing, Communities and Local Government
- Launching a public service modernisation programme for Trafford Council
- Automating pharmacy processes for NHS Wales
- Implementation of a chatbot based Clearing process for Brunel University
- Building an audience centred digital strategy for NSPCC

Consolidating our end to end propositions under two full stack brands: FutureGov and Foundry4

Now that we can offer an end-to-end service and provide case studies of our experience in doing so, we have been working to position FutureGov (FG) as our change-led brand and introduce Foundry4 (F4) as our technology-led brand. Both are positioned to win larger, multi-million pound opportunities by presenting the entire capability of the Group under a single brand but with distinct messaging selling to differing audiences. In FutureGov's case, the audience is typically CEO/COO type economic buyers looking at digital transformation through the lens of organisational change and end-to-end service design including technology, whereas Foundry4 is focused on CTO/CIOs looking to enable digital transformation through the adoption of hyper scale cloud, data analytics, machine learning and automation. The two brands will have their own distinct messaging and brand promise aimed at those two sets of buyers.

Our other brands will continue to operate in their own right but will assist with sales opportunities that both FG and F4 uncover as required. Both FG and F4 and all other brands will adopt a visual identity that provides a strong family link between each other to facilitate even greater levels of leverage and collaboration.

Winning large scale, high profile engagements

Over the period we have won and delivered numerous high profile engagements, several with public sector clients. It is important to note that many of these contracts are multi-disciplinary and could only have been won through several group companies working together interchangeably.

Examples of collaborative projects with wide reaching impact include work with NHSx, the Food Standard Agency, Camden Council, British Film Institute and many others. Over the year more than one company worked on a client engagement for over 51 customers out of a total of 265, representing 19% of clients and £8.9m of revenue.

Post period end we have seen our teams secure contracts which will extend our influence even further. For example, through the previously announced US$5.2m contract with a large, global philanthropic organisation, which will see FutureGov advising EU capital cities, and our work on the Government's major Towns Fund project, which will impact 100 towns across the UK. Our brand strategy as outlined above is designed to further facilitate the winning of these types of larger engagements.

Robust, recurring performance in commercial sector

36% of revenue came from the commercial sector in the period (reducing to 32% of revenues when a full year of FutureGov and Ameo's revenue is included). Of that, approximately two thirds is recurring revenue from clients like News UK, Funding Circle, Cargill and Dow Jones (post period end win). The roster of recurring revenue clients has now successfully transitioned from largely SMEs 2-3 years ago to mainly large scale corporate clients today.

Post period end we were contracted to help build Times Radio as part of a £1.5m contract over the next 12 months. This demonstrates the scale of commercial work the Group is involved with, co-creating with its clients and working alongside client team members but also taking responsibility for specific workstreams.

Previous investments demonstrating strong progress

In the previous financial year we invested in GreenShoot Labs (conversational AI) and human+ (robotic process automation). Both of these businesses have since gained excellent momentum and together generated £1.4m revenue in the year, over 600% up on the previous year (FY2019: £0.2m). Clients include UCL, NHS Wales, Defence Science and Technology Lab, Avaya and Mitel to name but a few.

Their achievements demonstrate the success of The Panoply's strategy to expand its portfolio of complementary businesses, both organically and through targeted investments, offering a diversified range of services and creating synergies to maximise value. We anticipate that these two startups will together generate meaningful revenues during the current financial year, from a standing start in April 2019.

Our Covid-19 response

Of course, a key event came in the latter part of the financial year as the Covid-19 crisis hit. Having flagged the risk relatively early and putting the welfare of our teams first, the Group instigated work from home plans during the week commencing 8 March, two clear weeks ahead of UK Government instructions to do so. As expected from a cloud native 21st century company, the transition was straightforward, and we saw no loss in productivity during that time. The head start over our clients enabled us to perfect how we would deliver remote workshops so projects could continue as normal. Staff utilisation remained stable at approximately 70%.

We are also proud to have assisted in the Covid-19 emergency effort, building a personal protective equipment ("PPE") stock level dashboard for North East London NHS Trust, building a system to bring manufacturers together to manufacture ventilators, creating a system and processes for Camden Council to ensure shielding residents received the assistance they needed and supporting the Competition and Markets Authority via the Department for Business, Energy & Industrial Strategy to create a system which allows businesses to be held to account for unfair behaviour during the crisis.

To support our teams, we set up an employee assistance programme, and encouraged any under-utilised staff to volunteer in their communities. We have not furloughed any staff and have kept all staff on full pay. Thanks to our robust performance we were able to make the decision not to take government aid and believe this will provide us with greater financial flexibility in the future, particularly around potential for introducing a progressive dividend policy.

The Group continues to closely monitor and manage its costs in a prudent fashion. As at 31 March 2020 the Group's financial position showed retained cash reserves of approximately £4.6m and a net debt[6] position of £ 0.4m. As of 30 June 2020 the Group held £6.8m of cash and cash generation is expected to remain strong. As one might expect with high quality clients such as those the Group works with, we have not suffered from any bad debts and all debtors in the year to date are within their usual payment profiles. As the Covid-19 crisis started and following the year end the Group has agreed a £1.5m overdraft facility with HSBC which is currently unutilised.

The impact on digital transformation

As businesses across the globe are now finding out, digital transformation goes beyond simply working from home. It means genuine changes to your operating model and ongoing strategic delivery, inextricably linked with embracing new technologies.

We believe that the impact of the pandemic will be to accelerate widespread understanding and demand for our services. During the pandemic we have proven our ability to complete entire projects, from design through to delivery, in an agile way over a very short timeframe. Once clients have seen our teams' capacity to do this, they cannot unsee it. They will not go back to being satisfied with the long and unwieldy projects offered by our monolithic competitors. This is a change for the long term. Indeed, this has already been recognised at the highest levels of HM Government. At his Ditchley Lecture, delivered on 27 June 2020, **The Rt Hon Michael Gove MP** said:

> ***"It is a cliché to say of Government that no-one ever lost their job for recommending the contract go to IBM…We need to move to a system where those who propose the innovative, the different, the challenging, are given room to progress and, if necessary, fail. But we must then ensure that we learn quickly, adjust and respond."***

Evidence indeed that sufficient public sector buyers are aware that the best outcome are often delivered by engaging mid-sized partners. This is distinct from small who are typically too small, or very large, who more often than not are slow, expensive and do not deliver.

Commercial vision

We take this opportunity to lay out a six step commercial vision which we aspire to achieve over the next three years:

1. We aim to produce 10% to 15% organic revenue growth per annum
2. We aim for c.70% of operating profit dropping through into positive cash flow to generate significant cash reserves
3. We aim to use this cash to set up a progressive dividend policy for shareholders at approximately 15%-20% of net income
4. We aim to use a mixture of positive cash flow and our listed shares to make further earnings enhancing acquisitions to add more than £35m of revenue
5. Given our size and scale we believe that liquidity is important and will therefore aim to keep leverage low at below 1x EBITDA
6. On this basis we aim to achieve a run rate revenue of £100m by March 2023 and deliver £12m-£14m EBITDA

Current trading and outlook

Coming into the current financial year, the Group had a confirmed backlog deliverable in the year, including annualised recurring revenue, of approximately £15m. The first quarter of FY2021 has been strong, and, as previously reported, we saw £13m of new contracts signed in the three months to 30 June 2020. Revenue for the first three months was £10.1m with adjusted EBITDA of £1.7m, up 10% and 54% respectively on a true like-for-like basis. Cash balances as at 30 June 2020 was £6.8m (after taking into account £2m of deferred statutory tax that is being paid down in the current quarter) with £2.3m cash inflow in the period.

With our operating system and our two full stack brands in place, we are now in a very strong position to address the market opportunity ahead of us and drive true like-for-like organic growth.

In addition, we will continue to target acquisitions that will add to our capabilities or help us further strengthen our position within the UK public services market. As mentioned above, all future capabilities, brought into the Group either through acquisitions or through internal investment, will immediately be made available through either the FG or F4 brands to further facilitate integration.

We face the future with a great deal of excitement over what is to come. Having completed 10 acquisitions and launched one start up over the last 20 months, we have the breadth of capability and sufficient size to become a true challenger in the UK public services sector. Our attention now turns to the build phase, dialling in predictable organic growth, improving margins and ensuring strong cash conversion. We will continue to look for acquisitions that add to our capabilities or our reach in a particular sub-sector of UK public services, although moving forwards, they will be integrated more fully to further leverage our scale benefits, yet all the while retaining that all important entrepreneurialism. We are convinced that our time is now.

Neal Gandhi
Chief Executive Officer

Financial Review

The results for the year reflect the first full year of The Panoply as a revenue generating entity having completed the IPO and its first four acquisitions eight months into the prior period. As such numbers for the current year are compared against normalised numbers (referenced as "Normalised") or statutory numbers (referenced as "Stat") as most appropriate. Normalised numbers are used where the Directors believe it provides a more appropriate measure when comparing the year on year performance of the Group. All numbers are also reported before the impact of IFRS 16.

The Panoply reported revenue of £31.5m (2019: 22.1m Normalised) representing an increase of 43%. The increase in revenue reflects organic growth as well as the acquisitions of FutureGov in June 2019 and Ameo in March 2020. 64% of revenue in the period related to public services, up from 56% in the prior period on a normalised basis.

We continued to see a large amount of repeat business from customers, with 70% of customers billed in FY2020 also billed in FY2019.

Gross Margins remained strong at 38% against prior year 41%. The reduction was largely as a result of a strong performance of our dedicated teams business that whilst providing longer term contracts also attracts lower gross margins than other parts of the Group as well as investments made into Human+ and Greenshoot Labs.

Adjusted EBITDA was £3.4m up from £2.1m in 2019 (Normalised). After removing the investments into loss making subsidiaries, normalised adjusted EBITDA pre central costs was up 65% to £3.8m (2019: £2.3m Normalised).

Central costs in the period were £1.9m meaning that the underlying EBITDA of our subsidiaries after removing investments into loss making subsidiaries was up 73% to £5.7m (2019: £3.3m Normalised).

The statutory loss after tax pre IFRS 16 increased by 76% to £3.0m (2019: £1.7m Stat). The Directors believe that an 'adjusted profit before tax' measure is more representative of the underlying performance of the Group. To arrive at adjusted results, adjustments made include acquisition expenses, amortisation related to acquired intangibles and share-based payments the impact of fair value adjustments and IFRS 16 adjustments along with the corresponding tax impact of the adjustments.

The following table summarises the adjustments:

	2020 £'000s	**2019 £'000s**
Statutory loss before tax	(3,140)	(1,636)
Amortisation of intangible assets relating to acquisitions	1,558	339
Loss on fair value movement of contingent consideration	3,764	54
Share based Payments	129	239
Costs relating to acquisition, restructuring and listing	591	1,352
IFRS 16 adjustment	31	-
Adjusted profit before tax	**2,933**	**348**
Tax (including impact of amortisation and costs relating to acquisition, restructuring and listing adjustments)	(230)	(105)
Adjusted profit after tax	**2,703**	**243**

As a result of the acquisitive nature of the Group and it's earn out model, the Directors believe that an adjusted share count for the purposes of calculating earnings per share is required. As such the Directors calculate an adjusted diluted share number by taking the weighted average basic shares and including the maximum shares to be issued in respect of contingent consideration to be paid based on performance measures met in the period, together with the maximum share options outstanding. The following table summarises the adjustments:

	2020 000s	**2019 000s**
Weighted average basic shares	48,162	18,186
Shares relating to future contingent consideration	22,774	14,666
Shares relating to share options	3,885	3,928
	74,821	**36,780**
Adjusted diluted earnings per share (pence)	3.6	0.7

Based on these alternative non GAAP measures the Group achieved adjusted profit after tax of £2.7m (2019: £0.2m) resulting in earnings per share of 3.6p (2019: 0.7p). The statutory loss per share for the period was 6.3p (2019: 9.2p Stat).

Net cash generated from operations before tax and including IFRS 16 lease payments was £2.1m. Cash conversion, calculated by reference to the adjusted profit before tax but after deducting costs relating to acquisition and restructuring was 91%. This is despite record debtor and accrued income levels as at 31 March 2020 caused by an incredibly strong final quarter.

In total, cash decreased in the year from £5.7m to £4.6m as a result of the acquisitions of Ameo and FutureGov. The cash consideration for the acquisitions was £9.6m with £2.4m respectively being funded from the Group's cash reserves, £2.2m funded from cash acquired and £5.0m funded through a new revolving credit facility put in place during the year with HSBC. This results in the Group having a small net debt at year end of £0.4m.

Additional consideration

As a result of the strong performance of Group companies during the current and prior period, further consideration is payable and will be satisfied through the issue of new ordinary shares. The total value of consideration that is currently payable is £17.1m resulting in maximum further shares to be issued totalling 22.8m which reduces to 18.5m based on the closing share price as at 29 July 2020.

Value £'000	Minimum share price	Max shares to be issued '000
15,262	0.74	20,624
219	0.825	265
1,649	0.875	1,885
17,130		**22,774**

Oliver Rigby
Chief Financial Officer

Consolidated Income Statement

For the year ended 31 March 2020

	Note	Unaudited 2020 £'000	Audited 2019 £'000
Revenue		**31,533**	8,152
Cost of sales		**(19,526)**	(4,811)
Gross profit		**12,007**	3,341
Administrative expenses		**(15,149)**	(4,992)
Other income		**184**	24
Operating (loss)		**(2,958)**	(1,627)

Adjusted EBITDA		**3,846**	402
Amortisation of intangible assets		**(1,583)**	(339)
Depreciation		**(737)**	(45)
Loss on fair value movement contingent consideration		**(3,764)**	(54)
Share-based payments		**(129)**	(239)
Costs relating to business restructuring		**(155)**	-
Costs directly attributable to business combination		**(436)**	(1,352)
Operating (loss)		**(2,958)**	(1,627)

Finance income		**7**	5
Finance costs		**(189)**	(14)
Net finance expense		**(182)**	(9)
Loss before taxation		**(3,140)**	(1,636)
Taxation		**96**	(41)
Loss for the period		**(3,044)**	(1,677)
Other comprehensive income			
Exchange differences on translation of foreign operations		**104**	(38)
Total comprehensive loss for the period		**(2,940)**	(1,715)
Loss per share			
Basic and fully diluted	3	**(6.32) p**	(9.22) p

Consolidated Statement of Financial Position

For the year ended 31 March 2020

	Unaudited 31 March 2020 £'000	Audited 31 March 2019 £'000
Non-current assets		
Goodwill	**35,672**	20,585
Intangible assets	**8,591**	5,214
Property, plant and equipment	**290**	280
Right-of-use assets	**1,045**	-
Deferred tax asset	**-**	14
Total non-current assets	**45,598**	26,093
Current assets		
Trade and other receivables	**8,590**	3,918
Contract asset	**1,413**	232
Other taxes and social security costs	**206**	-

Cash and cash equivalents	**4,614**	5,650
Total current assets	**14,823**	9,800
Total assets	**60,421**	35,893
Current liabilities		
Trade and other payables	**(4,343)**	(2,210)
Other taxes and social security costs	**(3,001)**	(1,539)
Deferred and contingent consideration	**(10,685)**	(3,270)
Lease liabilities	**(609)**	-
Borrowings	**(29)**	-
Contract liability	**(1,454)**	(406)
Total current liabilities	**(20,121)**	(7,425)
Non-current liabilities		
Deferred tax liability	**(1,623)**	(925)
Deferred and contingent consideration	**(5,998)**	(8,292)
Borrowings	**(5,000)**	-
Provisions - Dilapidations	**(23)**	-
Lease liabilities	**(390)**	-
Total non-current liabilities	**(13,034)**	(9,217)
Total liabilities	**(33,155)**	(16,642)
Net assets	**27,266**	19,251
Equity		
Share capital	**551**	423
Share premium account	**31,477**	20,779
Capital redemption reserve	**5**	5
Other reserves	**434**	201
Retained earnings	**(5,201)**	(2,157)
Total equity	**27,266**	19,251

Consolidated Statement of Changes in Equity

For the year ended 31 March 2020

	Share capital £'000	Share premium £'000	Capital redemption £'000	Foreign exchange reserve £'000	Share option reserve £'000	Retained earnings £'000	Total £'000
At 1 April 2018 (Audited)	-	490	-	-	-	(480)	10
Loss for the period	-	-	-	-	-	(1,677)	(1,677)
Exchange differences on translation of foreign operations	-	-	-	(38)	-	-	(38)
Transactions with owners							
Shares cancellation	(5)	-	5	-	-	-	-
Shares issued	428	20,543	-	-	-	-	20,971
Share issue costs	-	(254)	-	-	-	-	(254)
Share based payments	-	-	-	-	239	-	239
Equity at 31 March 2019 (Audited)	**423**	**20,779**	**5**	**(38)**	**239**	**(2,157)**	**19,251**

	Share capital £'000	Share premium £'000	Capital redemption £'000	Foreign exchange reserve £'000	Share option reserve £'000	Retained earnings £'000	Total £'000
At 1 April 2019 (Audited)	423	20,779	5	(38)	239	(2,157)	19,251
Loss for the period	-	-	-	-	-	(3,044)	(3,044)
Exchange differences on translation of foreign operations	-	-	-	104	-	-	104
Transactions with owners							
Shares issued	128	10,698	-	-	-	-	10,826
Share based payments	-	-	-	-	129	-	129

Equity at 31 March 2020 (Unaudited)	**551**	**31,477**	**5**	**66**	**368**	**(5,201)**	**27,266**

Consolidated Statement of Cash Flows

For the year ended 31 March 2020

	Unaudited	Audited
	2020 £'000	2019 £'000
Cash flows from operating activities		
Loss before taxation	**(3,140)**	(1,636)
Adjustments for:		
Depreciation	**737**	45
Amortisation	**1,583**	339
Share-based payments	**129**	239
Loss on disposal of property, plant and equipment	**-**	2
Foreign exchange losses	**104**	7
Finance expense	**189**	14
Finance income	**(7)**	(5)
Movement in fair value contingent consideration	**3,764**	54
	3,359	(941)
Working capital adjustments:		
(Increase) / decrease in trade and other receivables	**(2,586)**	384
Increase / (decrease) in trade payables, accruals and contract liability	**1,978**	(650)
Net cash generated / (consumed) by operations	**2,751**	(1,207)
Tax (paid) / received	**(44)**	27
Cash flows from investing activities		
Acquisition of subsidiaries (paid)	**(9,587)**	(5,613)
Acquisition of subsidiary cash inherited from acquisition	**3,711**	6,978
Deferred consideration paid	**(1,088)**	-
Purchase of property, plant and equipment	**(131)**	(33)
Additions to intangibles	**(196)**	-
Interest received	**8**	5
Net cash (consumed) / generated from investing activities	**(7,283)**	1,337
Cash flows from financing activities		
Issue of ordinary share capital	**-**	5,659
Cost relating to the issue of shares	**-**	(254)
New borrowings	**5,000**	-
Costs relating to the issue of new borrowings	**(148)**	-
Repayment of borrowings	**(507)**	(24)
Payment of lease liabilities	**(629)**	-
Finance costs	**(176)**	(14)
Net cash generated from financing activities	**3,540**	5,367
Net (decrease) / increase in cash	**(1,036)**	5,524
Cash at bank and in hand at beginning of period	**5,650**	126
Cash at bank and in hand at end of period	**4,614**	5,650
Comprising:		
Cash at bank and in hand	**4,614**	5,650

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

1. General information

The Panoply Holdings plc is a public limited company incorporated in England and Wales under the Companies Act 2006 with registered 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, 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 financial information set out in this announcement does not comprise the Group's statutory accounts as defined in section 434 of the Companies Act 2006 for the year ended 31 March 2020.

The statutory accounts for the year ended 31 March 2020 have not yet been delivered to the Registrar of Companies, nor have the auditors yet reported on them. The preliminary announcement does not constitute statutory accounts under Section 435 of the companies Act 2006.

1 Basis of preparation

The Consolidated Financial Statements have been prepared in accordance with applicable International Financial Reporting Standards (IFRSs) as adopted by the EU and in accordance with the Companies Act 2006 and the AIM rules for Companies. The measurement bases and principal accounting policies of the Group are set out below. These policies have been consistently applied to all years presented unless otherwise stated.

After reviewing the budgets and cash projections for the next twelve months and beyond, the Directors believe that the Group and the Company have adequate resources to continue operations for the foreseeable future and for this reason they have adopted a going concern basis in preparing these financial statements.

In considering the business activities for the forthcoming 12 months, the directors have assessed the impact of principal risks and uncertainties through scenario modelling. This includes an assessment of the impact of Covid-19 by assessing the impact on our services, sector, customers and through looking at trends in the digital transformation sector. We have the ability to draw on a pre-agreed overdraft with HSBC of £1.5m and strong cash reserves within the Group.

After performing all the above assessments and through modelling scenarios, it is concluded that we would maintain sufficient undrawn capacity and satisfy all borrowing facility covenants in the next 12 months.

The financial statements include the financial results of the subsidiaries listed below for the full year except for the acquisitions in the year which have been incorporated from the date of acquisition. All subsidiaries are incorporated in the UK unless otherwise stated:

- Bene Agere Norden AS (incorporated in Norway)
- Manifesto Digital Limited
- Manifesto Digital Pty Limited (ceased trading in the year)
- Not Binary Limited
- Human Plus Limited
- Questers Global Group Limited
- Questers Resourcing Limited
- Questers Bulgaria EOOD
- Questers Techpark RS Limited (ceased trading in the year)
- Deeson Group Holdings Limited
- Deeson Group Limited
- iDisrupted Limited
- Greenshoot Labs Limited
- FutureGov Limited - acquired on 11 June 2019
- FutureGov Australia Pty Limited - acquired on 11 June 2019 (incorporated in Australia)
- US Creates Limited - acquired on 11 June 2019
- Ameo Professional Services Limited - acquired on 10 March 2020

2. Principal accounting policies

a) Basis of consolidation

The Group financial statements consolidate those of the Company and all of its subsidiary undertakings drawn up to 31 March 2020. Subsidiaries are entities over which the Group has the power to control the financial and operating policies so as to obtain benefits from its activities. The Group obtains and exercises control through voting rights.

Unrealised gains on transactions between the Group and its subsidiaries or associates are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Acquisitions of subsidiaries are dealt with using the purchase method. The purchase method involves the recognition at fair value of all identifiable assets and liabilities, including contingent liabilities of the subsidiary, at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition. On initial recognition, the assets and liabilities of the subsidiary are included in the Consolidated Statement of Financial Position at their fair values, which are also used as the cost bases for subsequent measurement in accordance with the Group accounting policies.

The consideration transferred in the acquisition is measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in the profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities. The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts, to the extent that they exceed the settlement amounts, are generally recognised in the profit or loss. Any deferred contingent consideration payable is measured at fair value at the acquisition date. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured, and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

Goodwill is stated after separating out identifiable intangible assets. Goodwill represents the excess of consideration payable over the fair value of the Group's share of the identifiable net assets of the acquired subsidiary at the date of acquisition.

b) Goodwill

The Group measures goodwill at the acquisition date as:

• the fair value of the consideration transferred; plus

• the recognised amount of any non-controlling interests in the acquiree; plus, if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less

• the net recognised amount of the identifiable assets acquired, and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Costs related to acquisition, other than those associated with the issue of debt or equity securities that the Group incurs in connection with a business combination, are expensed as incurred.

If the contingent consideration is classified as equity, it is not remeasured, and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss. Goodwill is carried at cost less accumulated impairment losses.

Impairment review is carried out annually. If there is an impairment, the cost is reduced by the accumulated impairment amount.

c) Revenue and revenue recognition

Revenue consists of the value of work delivered to clients during the year exclusive of VAT and is recognised as performance obligations are met in accordance with the terms of the contract which are primarily on a time and materials basis. Revenue is wholly attributable to the principal activities of the Group. The Group adopt IFRS 15 principles in recognising the revenue. Revenue recognised in excess of invoices raised is included within contract asset. Where amounts have been invoiced in excess of revenue recognised, the excess is included within contract liability.

The majority of the services are provided on a time and material basis where clients are billed monthly for the time spent on a project which corresponds directly with the value to the customer of the entity's performance completed to date and accordingly revenue is recognised at the amount billed. For fixed-price contracts where criteria to recognise performance obligations over time have been met, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided. This is determined by actual labour hours and cost incurred relative to the total expected labour hours and cost. The use of labour hours and costs is a faithful depiction of the transfer of services as it directly relates to the effort required to satisfy the performance obligation. Only inputs relating directly to the performance in transferring the services are included when measuring progress to date. Due to changing circumstances, extent of progress and completion may be revised which may affect revenue and costs. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

Majority of the contracts are on single performance obligation. However, some contracts include multiple deliverables. In most cases, the deliverable is separately identifiable from other promises in the contract; therefore, it is accounted for as a separate performance obligation. In this case, the transaction price will be allocated to each performance obligation based on the stand-alone selling prices.

Standard terms of payment within 30 or 60 days are typically adopted. There is therefore no financing component.

Revenue is recognised when the Group satisfies the performance obligations, the timing of which is set out in Note 3.2. For the majority, contracts are for performance obligations that are satisfied over time. However, there are some contracts which contain performance obligations that are only satisfied at a point in time. The revenue for these contracts is recognised when the performance obligation has been satisfied, for project development work this occurs when the customer accepts the final output.

When the customer has a right to return the product within a given period, the entity is obliged to refund the purchase price. For instance, if potential candidates put forward are considered unsuitable by the client and no one is recruited. The contract stipulates reimbursement of 50% - 100% of the fee, under the agreed terms of contract. Under IFRS15, revenue is only recognised to the extent it is highly probable there will not be a significant reversal of revenue in a future period and is usually therefore recognised only when a successful candidate is recruited.

A small number of contracts have variable consideration associated with it, whereby a bonus is paid if certain cost savings are made by the client. These are recognised using the 'most likely amount method' once it has been identified that a significant reversal in the amount of cumulative revenue will not occur.

d) Intangible assets acquired as part of a business combination and amortisation

In accordance with IFRS 3 "Business Combinations", an intangible asset acquired in a business combination is recognised at fair value at the acquisition date. A fair value calculation is carried out based on evaluating the net recurring income stream from each type of intangible asset. Intangibles are initially recognised at fair value, and are subsequently carried at this fair value, less accumulated amortisation and impairment. The following items were identified as part of the acquisitions of entities by the Group and were still owned at 31 March 2020:

- brand amortised over two to five years;
- customer lists amortised over three to six years;
- database over five years; and
- Intellectual property over ten years.

The allocation of fair values to the tangible assets and the identification and valuation of intangible assets affect the calculation of goodwill recognised in respect of an acquisition and as such represent a key source of estimation uncertainty.

f) Leases

Under IFRS 16

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for annual lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful economic lives of the right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liabilities comprise the following:

- Fixed payments, including in-substance fixed payments
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date
- Amounts expected to be payable under a residual value guarantee; and
- The exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonable certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising for a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in the profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases of machinery that have a lease term of 12 months or less and leases of low value assets including IT equipment. Assets with a value less than £5k are considered low value. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Under IAS 17

In the comparative period, as a lessee the Group held operating leases that were not recognised in the Group's statement of financial position. Payments made under operating leases were recognised in profit and loss on a straight -line basis over the term of the leases. Lease incentives were recognised as an integral part of the total lease expense, over the term of the lease.

3. Earnings Per Share

	Unaudited	Audited
	2020	2019
	£'000	£'000
Loss attributable to ordinary shareholders	**(3,044)**	**(1,677)**

	2020	2019
	Number	Number
Weighted average number of Ordinary Shares in issue, basic	**48,162,078**	18,186,006
Basic and diluted loss per share	**(6.32)p**	(9.22)p

Earnings per ordinary share has been calculated using the weighted average number of shares in issue during the year.

There is no difference between basic loss per share and diluted loss per share as the share options are anti-dilutive.

The Group have a number of share-based payments and share purchase agreements where the terms and conditions could affect the measurement of basic and diluted earnings per share. A number of shares that were issued during the period are contingent on certain conditions being met and therefore these have been excluded from the calculation of the weighted average number of Ordinary Shares in issue.

4. Post-balance sheet events

The Panoply Holdings plc acquired the entire issued share capital of Arthurly Limited, a technology services business with strength in the Microsoft Technology Stack on the 10 June 2020. Arthurly Limited, company registration number 11560054 is incorporated in England and Wales. Its registered office is 17 Sunnybank Road, Griffithstown, Pontypool, United Kingdom, NP4 5LT.

The initial consideration for the acquisition was £0.4m, satisfied though the payment of circa £0.2m cash and the issue of 365,853 new ordinary shares in The Panoply. Further consideration may be payable based on revenue generated for the 16 months to 30 September 2021. The total consideration payable by The Panoply in respect of the acquisition is capped at a maximum of £1.5m.

The Group is currently performing a fair value review of Arthurly's assets and liabilities and will report these within its next published financial statements.

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