



# The Panoply.

Annual Report & Financial Statements



## Empowering positive, sustainable digital transformation.

We are a digital transformation company, helping forward-looking organisations unlock the opportunities of tomorrow. With specialist experts spanning the public sector, health, not for profits, education and the commercial sector, we activate and accelerate positive change – consciously, and at scale.

### Our values

The Panoply is a values-driven business, and we focus on 'doing the right thing' over bureaucracy.

Our values are the glue that bonds us together; a shared outlook on the world that underpins our culture, our principles, and everything we do.

### Entrepreneurial

We set out to create a culture of entrepreneurialism where everyone's voice is equal. New ideas can (and do) come from anyone within the group, and we provide the tools to make them happen. It's an approach that keeps us constantly innovating, and delivering transformative work for our clients.

### Creative

We're tireless in our pursuit of new ways to look at old problems (and old ways to look at new ones). We explore new paths, look around corners, and delight in finding elegant, simple solutions to complex problems – always asking, "is there a better way"?

### Ego-Free

Egos are needed, and let us take pride in our work. But they have their place, and that usually means leaving them at the door. Our success comes from doing the right thing – collectively as a group, and as individuals. Which also means admitting when we're wrong, and learning from the experience.

### Conscious

We don't jump to conclusions or see the world in black and white. We're socially conscious and do the right thing wherever possible. This means decision-making is driven by the collective needs of stakeholders: fair, measured and mindful, but with conviction and purpose.

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# Financial Highlights<sup>1</sup>

Revenue up 42% to

**£22.1m**

(FY2018: £15.6m)

Adjusted EBITDA<sup>2</sup> up 30%,  
ahead of market expectations, to

**£3.5m**

(FY2018: £2.7m) representing an Adjusted EBITDA margin of 16% (FY2018: 17%)

**38% organic growth**

(based on the original four companies acquired at IPO)

4% growth as a result of acquisitions made post-IPO

Adjusted EBITDA<sup>2</sup> excluding central costs up 37% to

**£4.4m**

(FY2018: £3.0m), representing an Adjusted EBITDA excluding central costs margin of 20% (FY2018: 19%)

## Operational Highlights

- 191 customers billed in the year (162 customers billed in the 12 months to 31 March 2018)<sup>3</sup>
- Growing number of long-term customer relationships, providing increased visibility for the Group with 45% of customers billed in the year to 31 March 2017 and 68% of customers billed in 2018 also billed in 2019<sup>3</sup>
- Particularly strong growth in the public sector, which accounted for 33% of total revenue in the period, and following the post-period acquisition of FutureGov is expected to rise further.

1. All figures are reported proforma and on a similar basis as in The Panoply's recent Admission Document on the assumption that Manifesto Digital Limited, Not Binary Limited, Questers Global Group Limited and Bene Agere Norden AS were owned for the full period and Deeson Group Holdings Limited, iDisrupted Limited and Greenshoot Labs from the date of acquisition. The information was prepared in this way in order to provide investors with a clearer picture of the performance of the entities on a combined basis.
2. 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 the IPO and acquisitions made by the Group, share based payments and fair value movements.
3. Based on all companies acquired during the year.

# Overview



## Neal Gandhi, Chief Executive Officer, commented:

'I am very pleased to be reporting our first year end results as a public company, delivered ahead of our expectation at the time of our IPO in December 2018. Since we joined the market, our existing businesses have experienced strong continued growth and in the period we successfully completed a further three acquisitions, bringing two leading companies in key technologies, and D/SRUPTION into the Group. We also launched human+, enabling The Panoply Group to deliver robotic process automation to our clients.

Post-period, we completed our eighth and largest acquisition to date with the purchase of FutureGov. The Panoply now operates as a very strong disrupter to the large IT services incumbents in the public and health sectors, and we are excited to be driving forward the Group's development in this field.

We are very excited by the opportunity ahead, particularly as we begin to combine our offerings into specific vertical markets. We are beginning to reach critical mass in the public sector, health and not for profit sectors and at the same time are beginning to win substantially larger commercial sector clients. All of this bodes well for continued organic growth across the Group. We continue to focus on M&A that strengthens our business. As a result of both strategies running in parallel, we are confident that the Group will be able to sustain momentum over the year and achieve market expectations for FY2020.'

*Bene Agere* **Deeson.** D/SRUPTION

**FUTUREGOV**  **GreenShoot**  
LABS human<sup>+</sup>

**MANIFESTO** NOTBIN~~ARY~~ **Questers**



## Mission

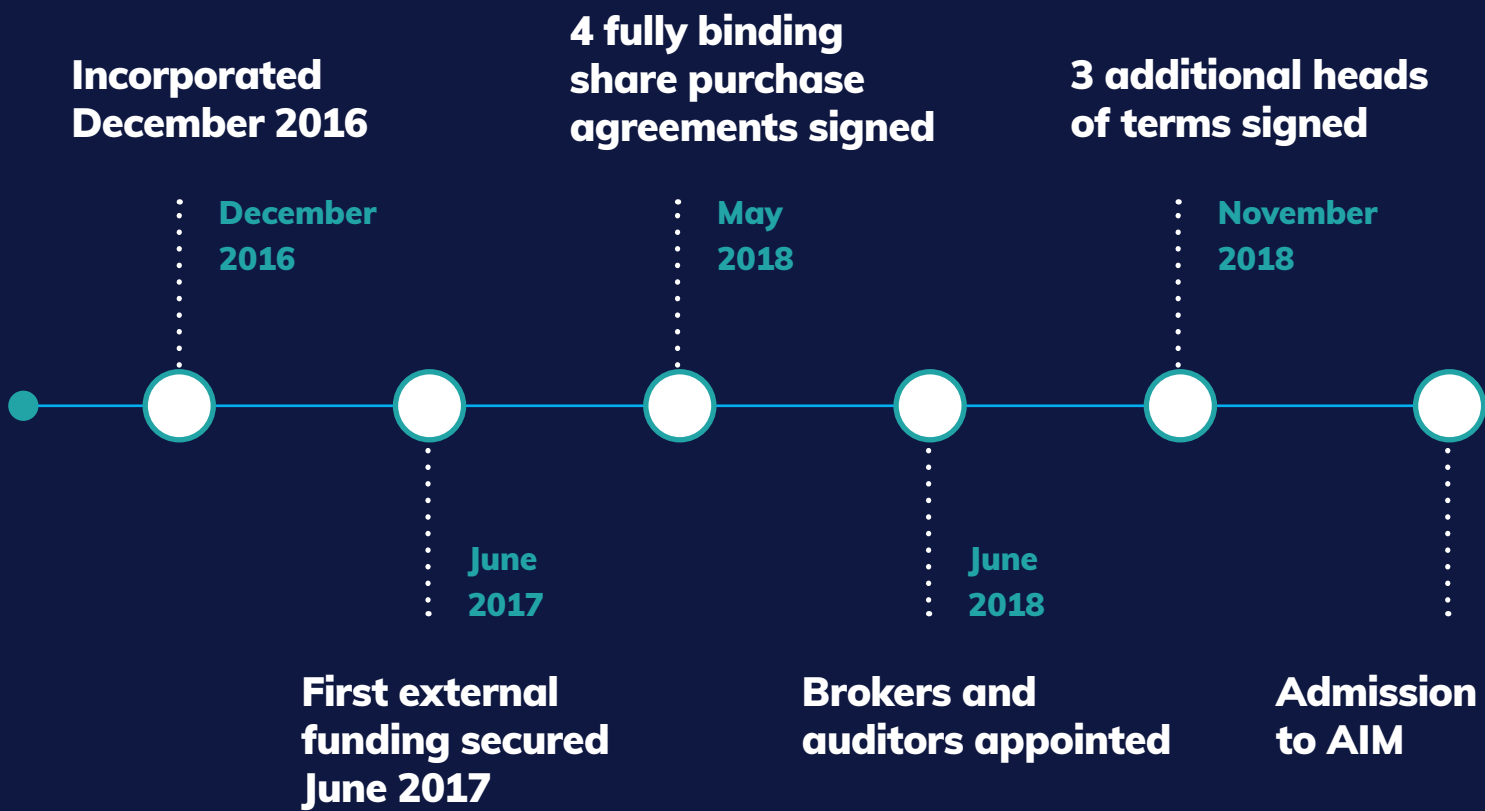
To become the purpose driven alternative to the 20th century monolithic providers in digital transformation.

## Vision

To help people and organisations to successfully navigate the fourth industrial revolution.

# Overview

## Panoply at a Glance



### Acquisition of Deeson

December 2018



December 2018



Interim results announced

### Acquisition of D/SRUPTION

January 2019



December 2018

Launch of human+ and acquisition of Greenshoot Labs

### Acquisition of FutureGov\*

June 2019



February 2019

\* post-period acquisition

## Overview

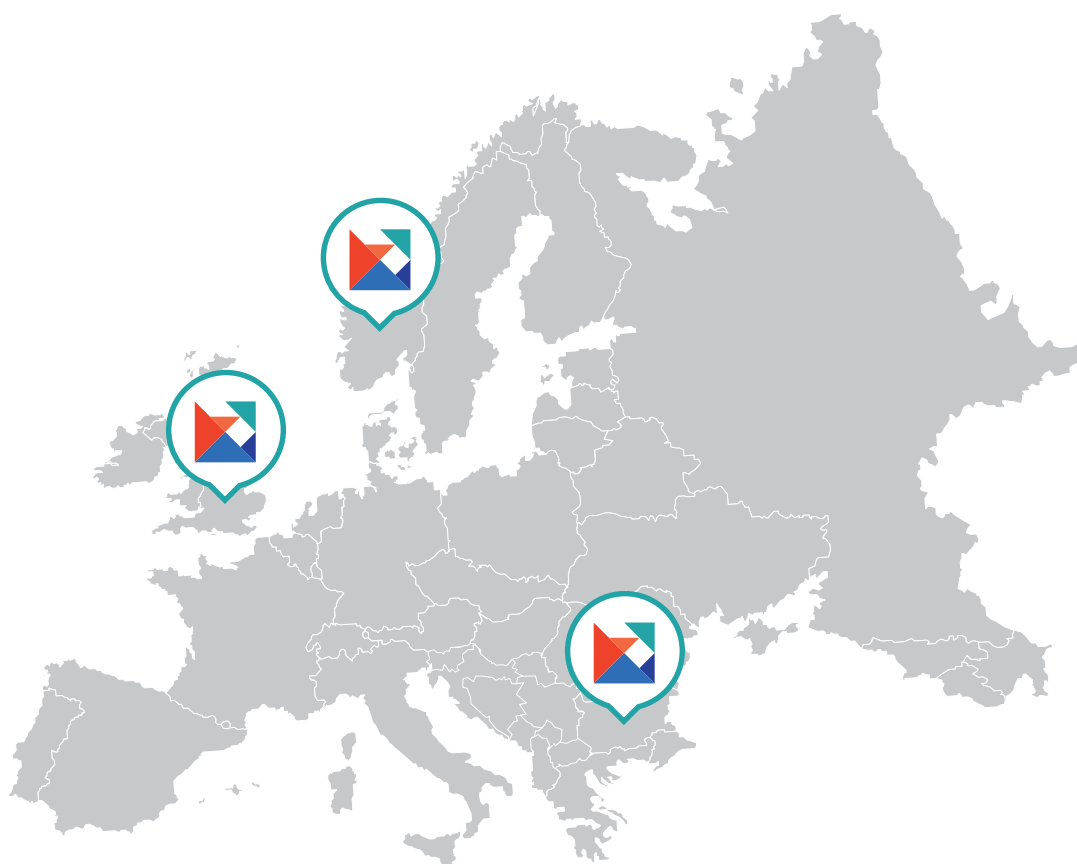
### Panoply at a Glance continued

## Geographical Footprint

We're an expanding global organisation, assembled from the very best businesses in their field.

Our strategy is to build regional clusters of complementary companies which together offer the full suite of digital transformation services, and to help those companies achieve accelerated organic growth by creating integrated vertical market offerings.

We currently have businesses based in the UK, Bulgaria and Norway.





## Market Overview

### Digital transformation

Digital transformation has become a synonym for organisational transformation and business strategy. It is both about leveraging technology to make a business more efficient as well as changing the culture and working approaches of an organisation so as to enable innovation that ultimately seeks to lead to new products, services and business models.

Digital transformation is about maintaining a competitive advantage, leveraging data and managing the threat of disruption.

In our view, digital transformation is effected via five levers:

**Digital data** – including capturing, processing and analysing digital data to improve predictions and support the decision-making process;

**Automation** – combining traditional technologies with artificial intelligence to create systems that work autonomously and organise themselves;

**Connectivity** – connecting the value chain to high-bandwidth telecom networks to synchronise supply chains, and reduce both production lead times and the length of innovation cycles;

**Digital consumer access** – providing new ways of reaching consumers through the internet; and

**Education** – providing coaching, skills and change management to help organisations and their workforces to think and operate differently.

The Directors believe that organisations that fail to transform themselves digitally risk losing their competitive edge or becoming inefficient compared with their peers. This move to digital transformation is in turn creating a dramatic shift in the way organisations procure IT services. IDC forecast that the market for digital transformation services in EMEA (Europe, Middle East, Asia) will increase from \$45 billion in 2017 to \$82 billion in 2021<sup>1</sup>.

### The IT outsourcing services

Between 2000 and 2014, the value of global IT outsourcing deals grew from \$46 billion to \$105 billion<sup>2</sup>. This trend enabled the rise of large IT services companies. A recent Statista report showed that the value of global IT outsourcing deals dropped to \$77 billion in 2016, the second consecutive annual drop<sup>3</sup>.

The Directors believe the reason for this is that traditional outsourcing deals lead client organisations to lose their internal technology capability and reduce agility.

Another major structural change is occurring in deal size. The most recent ISG Sourcing Index for Q2 2018 shows that the number of EMEA (Europe, Middle East, Asia) contract awards in the €4 million to €8 million range rose to 61 per cent of all contracts, up from 43 per cent a decade earlier<sup>4</sup>. In the same time period, the number of contracts valued between €8 million and €32 million dropped from 44 per cent to 32 per cent and the number of those valued greater than €32 million dropped from 12.8 per cent to 7 per cent<sup>5</sup>.

The Directors believe that these structural changes in the IT services landscape towards insourcing, combined with the move to smaller contract values, create an opportunity for a new kind of services company that is able to win and deliver smaller contracts.

The Panoply operates as a services company that is culturally aligned with clients to work alongside them rather than for them, at the fast pace that clients now require.

1. IDC Futurescapes: 'Worldwide Digital Transformation Professional Services Forecast, 2017-2021'
2. Statista (2016) – <https://www.statista.com/statistics/189788/global-outsourcing-market-size/>
3. *ibid*
4. 63rd Quarterly ISG Index
5. *ibid*

# Our Services

## Business and Revenue Model

We offer ambitious, forward-thinking clients an alternative to the cumbersome and out-moded corporate consultancy model.

Our agile approach lets us outmanoeuvre the traditional large suppliers by providing end-to-end collaboration that delivers transformative thinking, rapid innovation and fast, best-in-class delivery



Using customer-centered insight in the design and creation of digital products and services, we help organisations plan and improve the experience of their customers, and initiate the projects and programmes to transform this at scale.



We provide access to the talent, platforms and methodologies that allow organisations to scale innovation and realise efficiency, repeatability and reliability in their core operations.

This is underpinned by key technology capabilities such as Amazon Web Services, Microsoft Azure, Google Cloud Platform and Acquia.



We enable intelligent business through helping organisations make decisions through gathering, analysing and interpreting their data. From straightforward business intelligence and management information through to machine learning, artificial intelligence and predictive and prescriptive analysis.





## Transformation

Partnering with organisations to help them increase their digital maturity and become truly digital businesses, we help them replace legacy platforms, introduce new working methodologies and completely reinvent products, services and business models.



## Automation

We enable business growth and drive efficiency through automation. Marketing automation technology is used to interpret large volumes of data, create customer segments based on previous interactions, and deliver highly-targeted communications across multiple channels. Using Robotic Process Automation (RPA) technology, existing business processes can be automated using a digital workforce, freeing staff from highly-repetitive tasks.



### Our revenue model

The majority of services are provided on a 'time and materials' basis, where clients are billed monthly for the time spent on a project, at a day rate plus additional expenses incurred. A limited number of projects have been charged on a fixed price or 'milestone' basis, as certain defined deliverables are provided. Charges for milestones are agreed in advance and are based on estimates of the amount of work required to deliver them.

We also provide certain services where we charge our clients an initial fee and then a monthly fee for ongoing services. These fees are normally paid in advance.

# Our Business

## Our key strengths



Under The Panoply's 'murmuration of starlings' model, companies are left to operate autonomously. They retain their creativity and entrepreneurialism yet are highly focused on collaborating to secure bigger deals from larger clients. Clients enjoy the speed and agility that comes from working with entrepreneurial teams yet gain comfort from the combined scale and listed status of the group.

### Decentralised operating model

Giving our group companies the freedom to operate autonomously allows for considerable agility while minimising business administration overhead. Governance, guidance and oversight is provided by a non-executive director appointed to the board of each group company.

The organisational strategy is supported by a matching information strategy: central systems are kept lightweight, easy to adapt and standards based. They should be easy to use and easy for a business to integrate with their platforms of choice - negating the need for complex and expensive group-wide implementation of software.

The benefits are better outcomes, faster execution and lower cost for higher quality work.

### Significant market opportunity

Independent research house, International Data Corporation (IDC), estimates that the market for digital transformation services in EMEA will rise from \$45 billion in 2017 to \$82 billion by 2021.

### Group platform

We provide a platform for group companies to accelerate their organic growth through collaborative cross-selling and by leveraging The Panoply brand, network, listed status and balance sheet.

### Alignment of interests

Our Acquisition Formula involves a significant proportion of the consideration for an acquisition being issued in Ordinary Shares, which ensures alignment of interests with existing shareholders.

### Profitable and cash-generative

We are profitable, cash-generative and we only intend to make accretive acquisitions going-forward.

### Focused growth strategy

Our Acquisition Formula is designed to attract ambitious companies, confident in their ability to grow profitably. It rewards cross-selling and collaboration. Our management has an extensive network which helps identify, attract and execute future acquisitions.

### Experienced Management and Board with proven track record

We are managed by highly experienced executive and non-executive directors. They combine strong sector, public company and international mergers and acquisitions expertise with a successful track record of building, growing and exiting services companies.



## A murmuration

Our operating model aims to replicate the same agility as a murmuration of starlings: independent companies in a tight formation, acting as one, moving in together in real time, unencumbered by slow, bureaucratic command-and-control structures.

## Chairman's statement



I am delighted to be reporting on an eventful and successful year for The Panoply, with the team having reached a number of milestones in just twelve short months. Most seminal of those was our successful IPO in December 2018, which saw The Panoply take shape, and our four initial Group companies acquired.

Following the IPO, strong momentum has been maintained with four further key events taking place in the period, including the acquisition of a leading digital agency and an artificial intelligence business, the launch of human+, an early stage investment into the high growth area of robotic process automation, and the acquisition of D/SRUPTION. Post-period a further, transformational deal was completed with the purchase of FutureGov, which opens up additional opportunities for all of our Group companies and means that The Panoply now offers an end-to-end solution to public sector and health clients as an alternative to the big systems integrators.

Alongside the growth of the UK cluster, The Panoply's central offering has been significantly developed over the period, with the M&A team strengthened and our Group marketing platform created through the acquisition and progression of D/SRUPTION.

It has been a particularly exciting period for those of us who have been with The Panoply since inception, seeing the team grow from a group of just three individuals with an ambitious vision to change the digital service consultancy model, to a Group which, as at 30 June 2019, now employs over 300 people and is at work delivering value for end clients every day.

### Corporate governance

Despite having been incorporated less than three years ago, The Panoply 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.

Alongside our central governance function, a non-executive director is appointed by the Board to the board of each Panoply Group Company to provide governance support. All new acquisitions go through a 100 day integration plan which covers areas such as back office finance functions and KPI reporting. This is designed to provide the central Group with the ability to impose robust standards on all Group companies.

As an early-stage business, it is a priority to keep all our shareholders up-to-date and engaged. The IPO attracted investment from both private and institutional investors. We appreciate that they share our longer-term ambition and we are committed to transparency in all our corporate communications.

### People

The different companies' teams working under The Panoply umbrella are connected by shared values; they strive to be entrepreneurial, creative, ego-free and conscious in all that they do. Alongside this we have a management team who have clearly shown their dedication, ambition and skill in their execution of these encouraging results.

## Purpose

Since inception, we have made it clear that The Panoply is a purpose driven Group that wants to leave the world a better place than it found it.

This represents a key differentiating factor for our staff, and the businesses which choose to work with us. Over the last few months our focus has been on identifying exactly how we can make the maximum positive impact possible, in a way which benefits all our stakeholders and the wider community.

We are in the business of innovation, but we understand that change is not always good for everyone. Therefore, we are committed to building sustainable futures. By collaborating with clients, colleagues and communities to drive positive change, we help them to thrive tomorrow and beyond.

The Group has standalone impact strategies, which focus on People, Planet and Communities. We will be publishing targets in each of these areas and progress against those targets each year in the annual report.

## Outlook

The Group has made huge strides in a very short space of time to create a business that can address the evolving needs of its customers, whilst serving a clear purpose and delivering tangible benefits to all stakeholders.

The current year has started well, and we are confident in meeting our full year ambitions. With the investments made in new service areas not expected to deliver returns until later in the year and taking into consideration the enlarged central cost base of the Company following IPO, we would expect profitability for the year to be largely second half weighted.

We continue to have a strong pipeline of potential acquisitions and as our success builds, believe we will become an increasingly attractive home for well run, entrepreneurial businesses keen to displace the incumbent model in the market.

**Mark Smith**  
Non-Executive Chairman  
30 August 2019

# Chief Executive Officer's statement



I am very pleased to be reporting our first full year results, delivered ahead of our expectations set at the time of our IPO in December 2018.

Having listed with just under four months remaining in our financial year, it was at this point that we could begin in earnest the execution of our growth strategy through the pursuit of complementary acquisitions and cultivation of collaboration between Group companies. We made considerable progress in both these areas, with seven acquisitions successfully completed, including the initial four on IPO, and multiple collaborations seen across Group companies.

At an operational level, we have begun the bedding in of our differentiated, 21st Century operating model and building a central team capable of overseeing further growth.

The level of market demand for The Panoply's services is continuing to grow at pace as we extend the capabilities and reach of the Group. The opportunities available are larger in scale than expected at inception and we will be focused on delivering against this growing opportunity in the year ahead.

## Admission to AIM

Our IPO led to the formation of The Panoply and gives us the financial strength and stability to grow our business. This stability gives clients the confidence to trust us with ever more strategic and high value engagements. It provides us with the necessary working capital to invest in each of our business units, as well as providing an equity base to achieve our acquisition ambitions.

## Growth strategy

The Panoply Group's strategy comprises of two primary elements: to acquire best-in-class technology service businesses in order to build regional clusters of complementary companies which together offer the full suite of digital transformation services; and to help those acquired companies to achieve accelerated organic growth through cross selling, upselling and creating joint propositions, as well as investing in new growth opportunities where there is a clear demand.

The Group is targeting the acquisition of companies providing certain services in key emerging technologies. It aims to acquire businesses that buy into the values of the Group and provide one or more of the below:

- additional capability
- entry to new sectors
- scale

The Group also invests into new teams, new practices, and supports either internal or external start-ups where there is clear demand. At the heart of our strategy is the Group's acquisition formula, which is designed to attract ambitious companies, confident in their ability to grow profitably.

We support acquired companies to achieve enhanced long-term organic growth through access to listed status, cross-selling opportunities, enhanced marketing and an improved ability to attract talent.



## Overview of performance

The year to March 2019 relates to a time period both before and after we became a public company. On a pro forma basis the Group has delivered combined revenue growth for the year of £22.1m, an increase of 42% over the corresponding period last year. Pro forma adjusted EBITDA also saw strong growth, increasing 30%.

This growth was driven by an increase in customer numbers across our constituent companies, up 18% to 191 again on a pro forma basis. Notable customers include DVLA, Ministry for Housing, Communities and Local Government, News UK and the National Trust.

The Group saw particularly strong growth from the not-for-profit, health and public sectors. This increase was mostly organic, driven by the strong presence Group companies have in these markets. Following The Panoply's post-period acquisition of FutureGov, we expect circa 45% of Group revenue, on a proforma basis, to originate from the health and public sectors. With Public suggesting the UK GovTech market could be worth £20 billion by 2025 (Unlocking the Potential of Start-ups to solve public problems, Public.io report 2017). The Group is excited about its ability to offer a truly differentiated proposition to the incumbent larger systems integrators in this industry and grow market share.

As a breakdown of services, the greatest proportion of Group revenue currently originates from the provision of Experience, XaaS and Transformationservices (26%, 27% and 36% respectively). Intelligence and Automation, whilst currently a smaller proportion of the Group's business, are significant potential growth areas with large client opportunities in the pipeline.

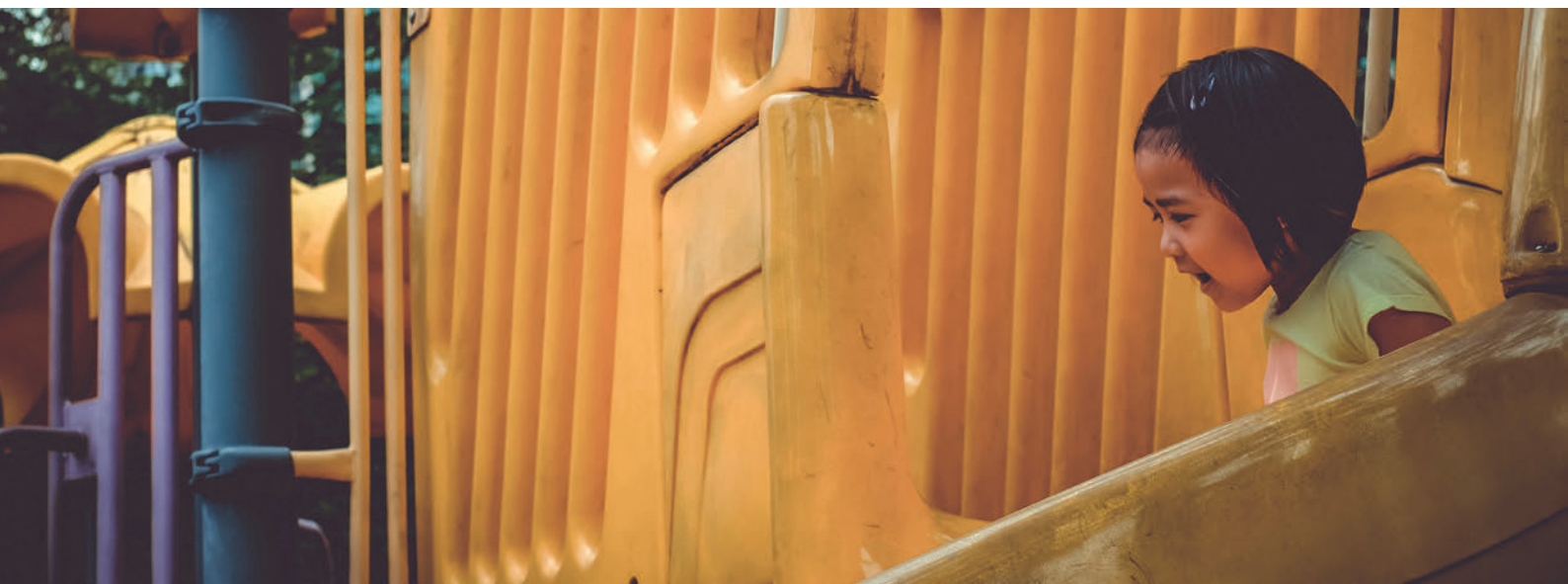
In the period we launched human+, a robotic process automation business that believes success is achieved through enabling and re-training the people central to its adoption. Human+ has worked closely with Blue Prism and Thoughtonomy (which was recently acquired by Blue Prism). The primary focus for human+ is the public and health sectors with post-period contract wins including UCL and NHS Wales.

## Performance against growth strategy: Acquisitions

Following Admission to trading on AIM on 4 December 2018 and the resulting completion of our target acquisitions, alongside the completion of three subsequent acquisitions during the year, the launch of human+ as a subsidiary of Notbinary, and the post-period acquisition of FutureGov, the Group now comprises:

- **Bene Agere:** an Oslo-based strategy and management consultancy;
- **Manifesto Digital:** an award-winning London-based digital experience agency;
- **Deeson:** A leading digital agency based in Canterbury and London;

## Chief Executive Officer's statement continued



- **Notbinary:** an award-winning London-based IT consultancy focused on digital transformation;
- **human+:** a specialist robotic process automation business and subsidiary of Notbinary;
- **Questers:** an award-winning provider of onshore and nearshore agile software development services, headquartered in Sofia, Bulgaria;
- **Greenshoot Labs:** a provider of enterprise digital solutions using applied AI and conversational interfaces, based in London; and
- **FutureGov:** a leader in digital service design for the public sector and health sector, based in London.

All acquisitions were completed in line with the Group's strategy and have added either entry into new sectors with growing market opportunity, such as conversational interfaces, or additional scale. All management teams have demonstrated their commitment to The Panoply's values and ethos. All are subject to the acquisition formula.

Also acquired in the period was D/SRUPTION, a digital transformation community, focused around a magazine, newsletter, research papers and events, in order to provide a marketing platform for The Panoply's Group companies. The D/SRUPTION's flagship event, the European summit, is scheduled for September 2019 and will see The Panoply leading a dedicated track

focused on the public sector and health as well as a workshop targeted at not for profits. Combined with whitepapers, round table dinners and advertisements, D/SRUPTION has already demonstrated that it has the capacity to provide a more powerful marketing umbrella for our Group companies than they would be able to create for themselves.

Our Group company, Greenshoot Labs, has released OpenDialog, an open source conversational management framework focused particularly on regulated industries in public sector, health, not for profits and the commercial sector, particularly financial services. Post period contract wins for Greenshoot Labs include the Defence Science and Technology Laboratory and global audit firm BDO.

We are particularly excited about the post period acquisition of FutureGov. Over more than a decade FutureGov has built an enviable reputation for the delivery of scaled digital transformation and organisational change across government organisations, saving money and improving outcomes for citizens at local and national level across health and public services. Digital transformation in the public sector follows a defined process from Discovery, where the suitability and need for a new service is assessed, through to Alpha where a proof of concept is created, then to Beta where a scaled full version is delivered and then to Live. Historically, FutureGov has had a reputation for Discovery and Alpha phases, typically ending their engagements there or partnering with third

party organisations for the Beta and Live phases. On the other hand, NotBinary has typically succeeded in winning engagements from the Alpha phase onwards. By combining the sales efforts of the two, we now have an end to end proposition that is a credible alternative to the large systems integrators, and we will look to further develop this into single holistic offering where appropriate this deal is a game changer that cements our public sector and health and we are hopeful that it leads to considerable future success.

### **Performance against growth strategy: The Panoply multiplier effect**

Whilst the businesses under The Panoply umbrella have been working in tandem and with the ethos of The Panoply for a limited period, and for some only a number of weeks, we are already beginning to see signs of success from their collaborative efforts.

Since IPO the Group has won numerous new collaborative projects, including work with Food Standards Agency, Cancer Research UK and Young Epilepsy along with Norway based BBL Digital.

### **Outlook**

The board and I are delighted with the progress the team has made since listing and believe these maiden results have begun to demonstrate the success of our model, philosophy and the strength of the market opportunity.

Based on these strong results and the opportunities we see ahead of us, we made the decision to invest further in our new service lines, particularly in the fast-growing areas of robotic process automation, applied artificial intelligence and conversational interfaces, with an emphasis on regulated industries.

These investments, together with the cost of now being a listed company, will impact the Group's EBITDA in the first half of the year, leaving it lower than the pro forma interim results announced in December 2018. However, the strong ongoing performance of the Group businesses, contracts won post period end and the growing pipeline of opportunity underpins the Board's confidence in achieving market expectations for the year as a whole. In line with the Board's confidence for the second half FY20, the Company makes no changes to its full year guidance and in line with our Admission Document reiterate our intention to pay a dividend following the conclusion of the results for the financial year ended 31 March 2020.

We are excited about the year ahead and to continue delivering on our vision to build a 21st Century provider to solve our clients' 21st Century problems. The digital transformation journey for many organisations remains at the earliest stages and we are increasingly well placed to help clients on those journeys, and as a result deliver over the year and continue to create value for all our stakeholders.

**Neal Gandhi**  
Chief Executive Officer  
30 August 2019

# Financial Review



In our Admission Document we reported financial information on a pro forma basis. This showed the results of the Group as if The Panoply had owned Manifesto Digital Limited, Not Binary Limited, Questers Global Group Limited and Bene Agere Norden AS throughout the reported periods. The information was prepared in this way in order to provide investors with a clearer picture of the performance of the entities on a combined basis.

These maiden full year results have been prepared on a statutory basis. As such they only reflect the revenue and profits of the entities above since the date of acquisition on 4 December 2018 as well as including the results of Deeson Group Holdings Limited, iDisrupted Limited and Greenshoot Labs Limited from the date of acquisition.

In order to compare the results of the Group with the Admission Document and our interim results, we have also prepared certain pro forma information for the year to 31 March 2019 which is set out on page 21. The pro forma numbers are prepared on a similar basis to those numbers included in the Admission Document, on the assumption that Manifesto Digital Limited, Not Binary Limited, Questers Global Group Limited and Bene Agere Norden AS were owned for the full period and Deeson Group Holdings Limited, iDisrupted Limited and Greenshoot Labs Limited from the date of acquisition.

## Statutory results

Statutory revenue for the year was £8.2m (2018: £Nil) reflecting the initial acquisitions completing on 4 December 2018 and the three subsequent acquisitions completing prior to 31 March 2019. Adjusted EBITDA prior to exceptional items was £0.4m (2018: loss £0.3m), operating loss of £1.7m (2018: loss £0.5m) and the loss after tax was £1.7m (2018: loss £0.5m).

Negative operating cash flows of £1.2m are a reflection of the exceptional costs relating to the acquisitions and the IPO totalling £1.4m. There were other significant cash movements during the period including the £5m placing completed in December 2018, £7.0m taken over from subsidiaries acquired in the year as well as £5.6m cash paid out as part of the acquisitions to vendors.

The acquisitions have resulted in the recognition of £20.6m of goodwill and £5.2m of intangible assets on the Consolidated Statement of Financial Position.

The Group's cash position was strong at the end of the period with £5.7m (2018: £0.1m) on the statement of financial position reflecting the oversubscribed placing at the IPO which raised gross proceeds of £5m. Post year-end we completed the acquisition of FutureGov which included the payment of consideration including cash and ordinary shares. In order to help fund the acquisition The Panoply entered into a three year £5m revolving credit facility with HSBC (the

'RCF Facility') pursuant to which £3.55m was drawn down to pay a proportion of the cash consideration. The undrawn facility is available to use for further acquisitions or working capital.

As at 31 May 2019, assuming all payments in connection with the acquisition of FutureGov had been made as at that date, the Group retained cash reserves of approximately £4.75m.

### Key financials and non-financial indicators

There is no data for 2018 to take into consideration for meaningful comparison as a result of the acquisitions and the formation of the Group only taking place on 4 December 2018.

#### (i) Key financial indicators

The main key financial indicators are revenue growth, gross profit growth, Adjusted EBITDA, debtor's day current ratio, cash balance and earnings per share.

Revenue is at £8.2m (2018: £Nil), Gross profit £3.3m (2018: £nil), Adjusted EBITDA £0.4m (2018: loss £0.3m),

Current ratio is healthy at 2.4 (2018:2.0), Cash £5.7m (2018: £0.1m) and loss per share is 9.2 pence (2018: loss 4.2 pence).

Adjusted EBITDA is one of the alternative performance measures used in the day-to-day management of the business to aid comparisons with peer group companies, manage banking

covenants (from June 2019) and provide a reference point for assessing our operational cash generation. It eliminates items arising from portfolio investment and divestment decisions, and from changes to capital structure. Such items arise from events which are non-recurring or intermittent, and while they may generate substantial income statement amounts, do not relate to the ongoing operational performance that underpins long-term value generation.

Another alternative performance measure that the management monitor, is the quarterly management report for revenue by type of services.

#### The following are the definitions for the different types of services:

##### Revenue by type of service

**1. Experience** – using customer-centred insight in the design and creation of digital products and services centred on the needs of the people that use them. Helping organisations plan and improve the experience of their customers and initiating the projects and programmes that will transform this at scale.

**2. XaaS** – providing access to the talent, platforms and methodologies that allow organisations to scale innovation and realise efficiency, repeatability and reliability in their core operations. This is underpinned by key technology capabilities such as Amazon Web Services, Microsoft Azure, Google Cloud Platform and Acquia.

## Financial Review continued



**3. Intelligence** – enabling intelligent business through helping organisations to gather, analyse, interpret and make decisions based on their data. From straightforward business intelligence and management information through to machine learning, artificial intelligence and predictive and prescriptive analysis.

**4. Transformation** – partnering with organisations to help them increase their digital maturity and become truly digital businesses. This can involve the replacement of legacy platforms, the introduction of new working methodologies and the complete reinvention of products services and business models.

**5. Automation** – The Enlarged Group's automation services seek to enable business growth through the use of data in marketing to enable automated decision-making for communications and to drive efficiency through the mapping and automating of existing processes. In marketing, automation technology is used to interpret large volumes of data and deliver highly targeted communications across multiple channels, mapping data to customer segments based on previous interactions. Complex multi-faceted journeys can be managed through mapping the customer experience and linking this to these automated journeys. Using Robotic Process Automation

(RPA) existing business processes can be automated using a digital workforce freeing up staff from highly repetitive tasks.

Further information on how much revenue was generated for each service can be found in note 3.

### (ii) Non-financial key indicators

During the year, the main non-financial key indicators are number of collaborations within the Group, brand awareness measured by website visit and brand awareness from social media via Twitter and LinkedIn (Measured by referral from social media to Group website).

Number of collaborations within the Group for the year in 2019 is 8 (2018: Nil), website visits 6,508 (2018: 967) and brand awareness from social media a total of 658 (2018: 110).

## Pro forma results

The following table shows the results of the Group on a pro forma basis and reconciliation back to the statutory numbers.

### Pro forma financial information

	Unaudited			
	Mar-19 Statutory accounts	April-18 to Nov-18 Pre-acquisition results*	Mar-19 pro forma FY12m	Mar-18 pro forma FY12m
	£'000	£'000	£'000	£'000
Revenue	<b>8,152</b>	13,910	<b>22,062**</b>	15,564
Cost of sales	<b>(4,811)</b>	(8,169)	<b>(12,980)</b>	(9,955)
Gross profit	<b>3,341</b>	5,741	<b>9,082</b>	5,609
Administrative expenses	<b>(1,989)</b>	(2,852)	<b>(4,841)</b>	(2,731)
Central costs	<b>(974)</b>	-	<b>(974)</b>	(273)
Other income	<b>24</b>	173	<b>197</b>	93
Adjusted EBITDA	<b>402</b>	3,062	<b>3,464**</b>	2,698

\* This shows the unaudited results for the four subsidiaries acquired at IPO from 1 April 2018 to 4 December 2018.

\*\* Revenue of £621,000 and an Adjusted EBITDA loss of £89,000 relate to Deeson Group Holdings Limited, iDisrupted Limited and Greenshoot Labs Limited. This reflects the results of these businesses between acquisition and 31 March 2019.

## Financial Review continued



On a pro forma basis the Group has seen significant growth in both revenue and Adjusted EBITDA during the year. Revenue has increased by 42% from £15.6m to £22.1m. 4% of this growth related to the three acquisitions completed after the IPO with the remaining 38% being organic growth. Adjusted EBITDA has increased from £2.7m to £3.5m.

This growth has been driven largely by our established businesses operating across the Experience, and Transformation service lines. We have made investment into the Automation and Intelligence service lines with the incorporation of human+ and through the acquisition of Greenshoot Labs in the latter part of the financial period. As a result, we expect these lines to grow in the coming year.

We also monitor revenue across Commercial, NGO and Government and we have seen significant growth in our government sector business, which accounted for 33% (2018: 13%) of pro forma revenue in the year. We expect this to increase further following the acquisition of FutureGov in June 2019.

Whilst we have seen a rise in Adjusted EBITDA margins (excluding central costs) from 19% to 20% in the current year, including central costs the Adjusted EBITDA margin has fallen from 17% to 16%. Central costs were £0.97m in the period. In FY2020 the Group will see this rise with the impact of a full year of an enlarged cost base, a reflection of the key recruitment costs of being an AIM quoted company. Going forward, it is not anticipated that significant increases to the cost base are needed in order to scale.

We expect to see a reduction in Adjusted EBITDA margin in the first half of the current year as a result of the additional central costs and investments made into new service lines as set out above.

Because of the 15 month period reported in the Admission Document, this year it has been difficult to show certain information on a like for like basis. In following periods, we intend to show full details of revenue split by services and sector.



### Additional consideration

As a result of the strong trading during the period and growth in three of the four businesses acquired at IPO, a total of £10.9m is payable as earn out consideration in ordinary shares in the Group. 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 maximum total number of shares to be issued therefore in respect of results during the period is 14,665,516 which reduces to 11,423,665 based on the closing share price as at 28 August 2019. The ordinary share consideration is payable over the next twenty-four months 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.

The earn out period on the initial four acquisitions runs until the results to 31 March 2020 and we therefore expect further adjustments subject to performance during the current year.

**Oliver Rigby**

Chief Financial Officer  
30 August 2019

# Our Purpose

## People

- Promote emotional, physical and financial wellbeing
- Ensure equality of opportunity throughout the group

*Investing in the wellbeing of our workforce*

## Communities

- Empower vulnerable communities through tech
- Invest in a pipeline of diverse talent
- Tackle educational inequality and provide access to the tech industry

*Equipping our communities with futureproof skills*

## Planet

- Measure and minimise our footprint
- Advocate for green internet services
- Operate as a carbon neutral business

*Building a sustainable tech industry*

We're in an era of unprecedented change where the very fabric of society is being challenged. From climate change to social mobility, to mass automation, we want to do the right thing for our people, our communities and our environment.

We want to leave the world a better place than how we found it. That means we are putting in place ambitious strategies and targets to ensure that we are operating consciously with purpose at the heart of every decision we make. We understand that there is a lot of work to do, but we have built a diverse team of socially conscious individuals who all believe that doing good should not come as an afterthought to doing well.

## Equipping our communities with future-proof skills

At The Panoply, we are assembled for innovation. Our businesses are ambitious, brave and, through technology, are changing the working landscape. We are conscious of the impact that technology is having on the communities we work with and understand that innovation is not always good for everyone. That is why we are dedicated to safeguarding the future for people who may become displaced by technology.

We will invest in the future workforce to give them skills they will need to thrive in a changing workplace. Our focus areas for our community investment work will be to **empower vulnerable communities through technology** and to **provide access to opportunity and employment for diverse talent**.

### Giving 1% of profits

In 2018/19 we pledged £50k to seed-fund our community investment programmes. Each year going forward, we will donate 1% of our pre-tax profits to invest in future-proof skills in the communities in which our employees live and work. Leveraging the success of the business to achieve social good, we will donate a portion of our profits to charitable projects which are aligned to our purpose. This pledge will help to ensure that the Group's philanthropic giving keeps pace with the growth of the business.

We will distribute strategic grants to fund programmes in areas and locations where we can add additional value through our core business functions, namely; products & services and time & expertise. The remainder of the community investment budget will be dedicated to supporting our employees with their philanthropic passions and ambitions.

### Giving 1% of time

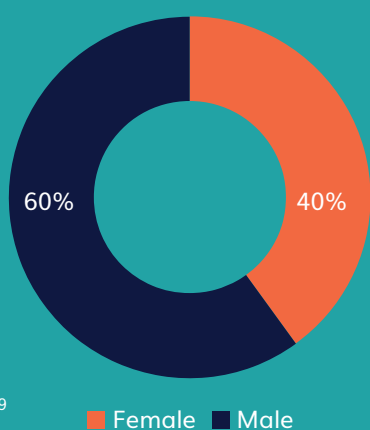
At The Panoply, we believe in the power of people to transform their communities. We want to inspire our workforce to engage with, and improve their communities in whichever way that makes the most sense for them; using their skills, experience and time to make a significant positive impact.

Our employee efforts will reflect the Group's commitment to future-proof skills, by applying their skills and knowledge to create change and deliver impact where it's needed most.

We encourage our staff to donate 1% of their time to purpose driven activities. That means that our employee volunteer programmes gives full-time staff an annual benefit of at least 16 paid hours for community engagement. To help people use their hours we organise a Community Action Day each year, assembling the entire global workforce to do something amazing.

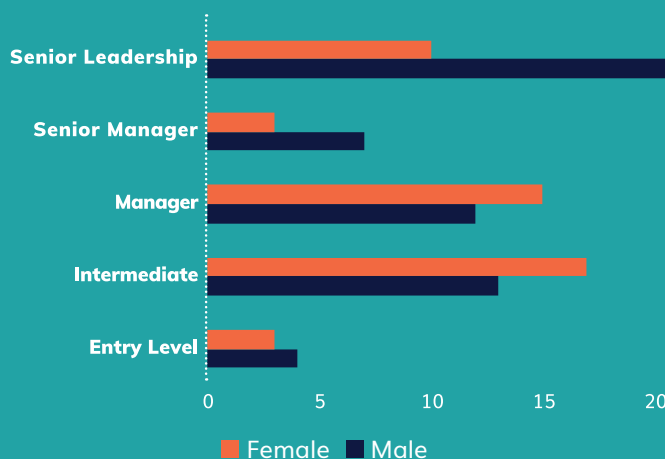
# Our Purpose continued

**Gender split**



Data taken from 2019 Baseline Survey

**Gender split based on seniority**



## Investing in the wellbeing of our workforce

### Equality of opportunity

We recognise the enormous value in a diverse workforce and are working hard to ensure that we remain inclusive of people from different backgrounds with varying perspectives, skills and experiences. We will proactively seek to create diverse teams through explicit and visible inclusivity commitments and by actively pursuing under-represented talent.

We will regularly assess how we are doing in terms of diversity and inclusion and report annually on our company make-up. We will use the findings to make meaningful, data-informed action which supports a workforce that is inclusive of talent from all backgrounds.

### 2019 Baseline Diversity Report

Following our baseline survey we have committed to the following targets for the next twelve months:

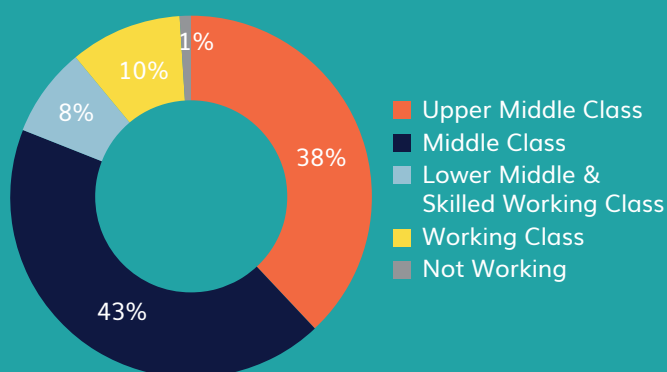
- To increase representation of people from BME backgrounds to 20%
- To increase female representation in senior roles to 37% and increase female representation of board directors to 30%
- To increase representation of those from less privileged class backgrounds to 24%
- To increase representation of those with a disability to 5%

In order to help us achieve our targets we have made the following commitments for the year ahead:

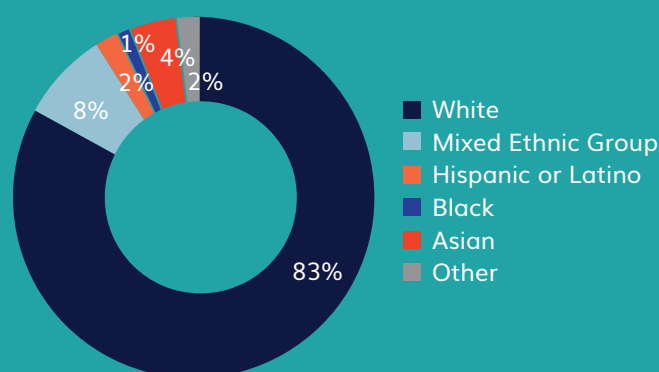
- To deliver unconscious bias training for all hiring managers
- To ensure that the interview process is consistent and objective
- To build diversity training into the onboarding process
- To create networking opportunities for under-represented Groups within the business
- To invest in a pipeline of diverse talent through partnerships and volunteering

We will, by design, remove unfairness, inequality and biases from the business.

### Socio-economic class background



### Ethnic background (UK only)



#### 2020 Targets

Increase female representation for senior roles to

**37%**

To increase representation of those from less privileged backgrounds\*\* to

**24%**

Increase representation of people from BME backgrounds\* to

**20%**

To increase representation of people with a disability

**5%**

#### Employee wellbeing

At The Panoply we understand that creating a healthy, happy and satisfied workforce is key to our success and we are working hard to ensure the financial, physical and mental wellbeing of our teams.

Each office within the Group pays above the living wage to every employee and delivers a programme of culturally relevant wellbeing initiatives. We are investing in dedicated mental health first aid provision across the Group and promote genuine flexible working policies.

We will be tracking the impact of our work in this area by measuring churn and distributing employee satisfaction surveys throughout the year.

\* UK only

\*\* working and non-working class backgrounds according to the NS-SEC

# Our Purpose continued

## Building a sustainable tech industry

### Carbon Neutrality

As a service driven technology business The Panoply is a low energy user. In this first year of our operation we have collected our Scope 1 and 2 emissions covering electricity, gas and district heating across the Group. The data shows that we are a very low user with a carbon intensity of just 0.089 tCO<sub>2</sub>e for the year.

Regardless of this, we are determined to minimise our impact on the environment as much as possible. We will retrospectively offset our carbon emissions, adding an extra 5% onto our footprint to allow for any inaccuracies or unreported data.

Over the next year we will be switching our energy suppliers to renewable energy and working to encourage our clients and suppliers to seek low carbon options also. We will expand the coverage of our carbon reporting to cover business travel and look to further develop this Scope 3 reporting over time.

	Actual	Pro Forma	Actual	Pro Forma	Actual	Pro Forma	Actual	Pro Forma	Actual	Pro Forma
Carbon Emissions (tCO <sub>2</sub> e)	Group	Group	UK	UK	Norway	Norway	Bulgaria	Bulgaria	Remote	Remote
<b>Scope 1</b>										
Gas	2.97	6.64	2.97	6.64	0	0	0	0	0	0
<b>Total fuel cost (£)</b>	<b>573</b>	<b>5,088</b>	<b>573</b>	<b>5,088</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Scope 2 (location-based)</b>										
Purchased district heating gross (location-based)	2.33	6.98	0	0	2.33	6.98	0.00	0	0	0
Purchased electricity (location-based)	15.48	40.69	5.92	12.94	5.13	15.38	2.22	7.54	2.21	4.83
<b>Total electricity and heating cost (£)</b>	<b>10,397</b>	<b>27,330</b>	<b>3,003</b>	<b>7,960</b>	<b>1,758</b>	<b>5,274</b>	<b>4,516</b>	<b>10,891</b>	<b>1,120</b>	<b>3,205</b>
<b>Total (Scope 1 and Scope 2 location-based) CO<sub>2</sub>e (tCO<sub>2</sub>e)</b>										
	<b>20.77</b>	<b>54.31</b>	8.89	19.58	7.46	22.37	2.22	7.54	2.21	4.83
<b>Total (Scope 1 and Scope 2 location-based) cost (£)</b>										
	<b>10,970</b>	<b>32,418</b>	3,576	13,048	1,758	5,274	4,516	10,891	1,120	3,205
<b>Carbon Intensity (tCO<sub>2</sub>e)</b>										
Per employee (FTE)	<b>0.27</b>	<b>0.23</b>								

#### Notes

Defra 2018 data used alongside GHG Protocol, on an organisational boundary basis

1 Currency conversion rates August 2018

Bulgaria - 2.187

Norway - 10.808

<https://www.xe.com/currencytables/?from=EUR&date=2018-08-12>

2 Norway (Bene Agere) - we occupy 2.2% of an office block and our charges and electricity relate to this proportion

3 Our UK remote workers are based in various locations either at home or in shared office space. We have applied our average UK CO<sub>2</sub>e/FTE figure to this calculation

4 For carbon offsetting we add an extra 5% to the total to account for any omissions in the data

5 Carbon intensity figure is based on our tCO<sub>2</sub>e/FTE basis for the whole year

6 Actual figures represent the period post-acquisition of each business. Pro forma amounts represent the full-year consumption.



# Risk and Risk Management

## Principal risks and uncertainties

The Group is affected by a number of risks and uncertainties, not all of which are wholly within its control as they relate to the wider macroeconomic and legislative environment within which the Group operates. In addition, we have seen caution evident in some of our target markets due to the uncertainty surrounding Brexit.

The Board has overall responsibility for the Group's system of internal control and for reviewing its effectiveness. Responsibility for implementing sound and effective systems of internal control has been delegated by the Board to senior management. The purpose of the system of internal control is to manage and mitigate rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable, but not absolute, assurance against material misstatement or loss.

The Directors have established an organisational structure with clear operating procedures, lines of responsibility and delegated authority. There are clear procedures for capital investment appraisal and approval, contract risk appraisal and financial reporting within a comprehensive financial planning and accounting framework.

The Group's risk register is reviewed on a quarterly basis for additions, changes and mitigation strategies. This review is overseen by the Company Secretary, who ensures the appropriate level of action and reports by exception to the Board every six months.

Given the size of the Group it is not considered necessary to establish an internal audit function.

The key financial risks of the Group are detailed in Note 24 in Notes to the Consolidated Financial Statements. The key non-financial risks that the Group faces are listed below.

## Non-financial risks

The key operational risk the Group faces is the general economic outlook. The Group has chosen to invest in a sector that has shown resilience through the economic cycle; however, there is no guarantee that this can continue and, should there be a reduction in demand in this sector, then revenues, margin, profitability and cash flow could all be affected adversely.

This following list highlights the key risks and uncertainties that the Group can seek to mitigate by a choice of appropriate strategies; however, this list is not intended to be exhaustive.

## Dilution risk from acquisitions

The Group has made a number of acquisitions which could result in the issue and allotment of new Ordinary Shares to the selling shareholders. Any such future issue and allotment of new Ordinary Shares will have a dilutive effect on the shareholding of investors. The Group is transparent about the dilution and updates shareholders as soon as possible with regards to the further issue of shares.

## Future Acquisitions

The Enlarged Group's strategy envisages that the Company will make acquisitions of other companies (domestically and internationally). There can be no guarantee that the Company will successfully identify any companies or businesses nor that it will be able to complete an acquisition where an opportunity has been identified and, as a result, resources may be expended on investigative work and due diligence which does not result in the completion of the acquisition.

In addition, although it is the Company's intention, where appropriate, to issue Ordinary Shares as consideration for the acquisition of businesses after Admission, sellers of businesses may not be prepared to accept this form of consideration.

The consideration payable to the sellers of companies that the Company acquires going forward is likely to include the issue and allotment of new Ordinary Shares. Any such issue and allotment of new Ordinary Shares will be dilutive to the shareholders.

The Directors will only pursue acquisition opportunities that it believes will be earnings enhancing to shareholders.

## Technology risk

The market in which the Group operates has the potential for significant technological change. The Enlarged Group's business is dependent on the ability to pick appropriate technology partners to help deliver outcomes and solutions to clients. A failure to maintain relationships with and identify appropriate technology partners could affect both the potential profitability and saleability of the Enlarged Group's product and services offering. The management team keep up to date with changes in the technology landscape and continually assess the threats or opportunities provided by these changes.



### Key resources

The Enlarged Group places substantial reliance upon the efforts and the abilities of the Directors, its senior management and executive management teams. While the Enlarged Group has entered into contractual arrangements with each of these individuals with the aim of securing their services, the retention of their services cannot be guaranteed. The loss of the services of any of these individuals could have a material adverse effect on the Enlarged Group's business, operations, revenues and prospects.

The Group continues to seek to mitigate these risks through the continued strengthening of middle management in the key areas of finance, operations and technology and through the use of bonuses and employee options to incentivise and reward key staff.

### Contractual liabilities

In instances where the Group's services or products fail to meet agreed timescales or standards there is a risk that the Group will be exposed to claims for contractual liabilities as a result of failure.

The Group seeks to mitigate these risks through the following methods:

- contractual reviews prior to execution by legal advisers where the contract is material and differs from the Group's standard terms and conditions;
- where products or services are being resold, the Group seeks to take no additional risk by simply seeking to back terms and conditions from its suppliers; and
- only accepting a level of contractual liability which is commensurate with insurance policies and the value of the contract.
- risks and risk management.

### Legacy liabilities

As part of the acquisition process of any business, the Group ensures significant due diligence is undertaken on the target. This process includes both internal due diligence and due diligence carried out by external experts. There can be no guarantee that the due diligence performed will identify all issues existing within a target company at the point of acquisition. To mitigate this risk, the Board ensures that suitable warranties are given by vendors of the acquired businesses. There can be no guarantee, however, that such warranties will be sufficient to provide full recompense for any losses suffered by the Company as a result of such issues.

### Malicious activity and data protection

The Group operates in the technology sector and as a result has information assets that could be compromised, disrupted or lost as a result of malicious activity.

The Group operates protective equipment to defend against malicious attacks and has staff policies in place to enforce good practice on data security.

# Corporate Governance

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## Board of Directors



### **Mark William Smith, aged 64, Non-Executive Chairman**

Mark has held several senior roles in creative and innovative communication businesses. He began his career as a chartered accountant at Touche Ross & Co. (Deloitte). He then spent 30 years at Chime Communications, which was acquired by Providence Private Equity in 2015.

Mark is currently chairman of Holiday Extras, a market leader in the provision of online ancillary travel services, a position which he has held for 15 years. He is also a non-executive director at The Dods Group, an AIM listed intelligence, media, training and events company, operating in over 50 countries.



### **Neal Narendra Gandhi, aged 51, Co-Founder and Chief Executive Officer**

Neal is a serial tech entrepreneur having co-founded four companies that exited successfully with a combined value of £117m. He co-founded his first company at the age of 21 and, under the brand name of Jungle.com, that company went on to be sold to GUS for £37m. In 1996 he co-founded Xplora and sold it to Nasdaq-listed USWeb in 1998.

Neal then co-founded Attenda, a managed services consultancy which went on to be sold for £72m; one part to Telecity Plc and the other to Darwin Private Equity. In 2006 he founded QuickStart Global, an off-shore IT service provider, which grew rapidly, and in 2010 was listed in the Sunday Times Tech-Track 100 at number 3, his second company in that list with Attenda having been listed at number 2 in 2001.



### **Oliver James Rigby, aged 38, Co-Founder and Chief Financial Officer**

Oliver qualified as an accountant with MRI Moores Rowland LLP in 2006 before spending six years as an adviser in corporate finance with Daniel Stewart and Deloitte. Oliver acted as a Nominated Adviser to the AIM Market of the London Stock Exchange and was one of their youngest Qualified Executives.

Prior to co-founding The Panoply, Oliver set up Growth Company FD Limited in 2012 to provide part time CFO and corporate finance support to growing businesses. He has worked with clients across a range of sectors and sizes including AIM listed Magnolia Petroleum Plc and privately owned Uplands Retail Limited which has a turnover of over £60m.



**Christopher Paul Sweetland, aged 64,  
Non-Executive Director**

Chris qualified as a chartered accountant with KPMG before spending 9 years overseas in a variety of financial roles with PepsiCo Inc. In 1989, when he was CFO for the Central Europe Beverages Division, he was recruited by WPP to be part of their small central team.

Chris retired from his role as WPP Deputy Group Finance Director in 2016 having spent 27 years helping build the company and having been involved in all aspects of operations, investor relations and the many acquisitions that built that Group. Chris also represented WPP on the boards of a number of companies both in the UK and overseas.



**Isabel Jane Kelly, aged 53,  
Non-Executive Director**

Isabel is the founder of Profit with Purpose, a social purpose consultancy working with companies and nonprofits. She is also a 'Resident Expert' at the Skoll Centre, Said Business School, Oxford University, where she is researching the organisational structures used by businesses to deliver social impact.

In 2002 Marc Benioff, CEO of Salesforce.com, hired Isabel to establish the Salesforce Foundation internationally (now Salesforce.org). For 12 years she grew and led an international team delivering technology, grants and programmes in 110 countries, as well as generating revenue of \$12m to fund the work. Isabel worked at Oxfam and Amnesty International for 12 years prior to joining Salesforce.

# Corporate Governance Report

The Panoply Holdings plc is committed to operating proper standards of good corporate governance and has established a corporate governance model based on the key principles of the Quoted Companies Alliance Corporate Governance Code ("QCA Code"). The following outlines how the Company addresses the ten broad governing principles defined in the QCA Code. The Non-Executive Chairman is responsible for corporate governance and the overall leadership of the Board and ensuring its effectiveness.

The Panoply Holdings plc operates a business model and growth strategy that promotes the generation of shareholder value through the growth and retention of recurring revenue streams. The company promotes professionalism, openness, honesty and integrity between its customers, staff, shareholders and suppliers.

## Principle 1 – Establish a strategy and business model which promote long-term value for shareholders.

The Panoply is a digitally native technology services company designed for the "fourth industrial revolution", where technological disruption has become widespread across all sectors.

The Panoply was founded in 2016 with the aim of identifying and acquiring best-of-breed specialist information technology and innovation consulting businesses across Europe to form regional clusters of group companies positioned to deliver services that help clients digitally transform their businesses for the automation age.

In the last two and half years, The Panoply has identified and met numerous potential target companies and has completed eight acquisitions.

Unlike many buy and build models that have preceded The Panoply, the Directors are focused on creating an agile, decentralised group where employees join a culture of autonomy, purpose, collaboration and innovation. The Directors believe that this decentralised model with shared values will allow Group Companies to collaborate, providing clients with innovation and rapid delivery of services.

The Panoply has developed an efficient, formulaic approach for acquiring companies. With an extensive acquisition pipeline, the Directors intend to continue to supplement the organic growth of existing Enlarged Group Companies through the addition of complementary companies in each regional cluster. It is the Directors' intention to acquire between five and seven companies per regional cluster, in order to achieve a capability set across complementary key emerging technologies including:

- Digital Strategy;
- Service Design/Customer Experience;
- User Experience Design/User Interface/Interaction Design;
- Software Development;
- Systems Integration;
- Cybersecurity;
- Cloud Transformation;
- Data Analytics/Science; and
- Managed Services.

## Key Strengths

The Directors believe that the Enlarged Group's key strengths include:

- **Significant market opportunity** – independent research house, International Data Corporation (IDC), estimates that the market for digital transformation services in EMEA will rise from \$45 billion in 2017 to \$82 billion by 2021.
- **Group platform** – The Panoply provides a platform for companies which join the Enlarged Group to accelerate their organic growth through cross-selling, leveraging The Panoply brand, network, listed status and balance sheet.
- **Alignment of interests** – The Panoply's Acquisition Formula involves a significant proportion of the consideration for an acquisition being issued in Ordinary Shares thereby ensuring alignment of interests with existing shareholders.
- **Decentralised operating model** – The Panoply's operating model allows companies within The Panoply Group to continue to remain entrepreneurial and creative, unstifled by bureaucracy;
  - Central control is provided by a non-executive director appointed by the Board to the board of each Panoply Group Company to provide governance as well as guidance and oversight on growth strategy and collaboration with other Panoply Group Companies;
  - The benefits of this model to clients are better outcomes, faster execution and lower cost for higher quality work.
- **Profitable and cash-generative** – the Enlarged Group is profitable, cash generative and only intends to make accretive acquisitions going-forward.
- **Focused growth strategy**
  - The Panoply's Acquisition Formula is designed to attract ambitious companies, confident in their ability to grow profitably and rewards cross-selling and collaboration;
  - The Panoply's management has an extensive network to help identify, attract and execute future acquisitions.
- **Experienced Management and Board with proven track record** – The Panoply is managed by highly experienced executive and non-executive directors combining strong sector, public company and international mergers and acquisitions expertise with a track record of building, growing and exiting services companies.

## Principle 2 – Seek to understand and meet shareholder needs and expectations.

The Panoply proactively engages with its shareholders and potential shareholders alike. This is through a series of mechanisms:

- **Formal announcements** – as a London Stock Exchange (LSE) AIM listed company, we make all statutory announcements through the LSE's regulatory news service (RNS). A feed is maintained on our investor area (see below). The Panoply reports formally to shareholders by the publication of its annual and half-yearly financial statements.
- **Analyst and investor presentations** – the Executive Directors present the half-yearly and annual results to institutional investors, analysts and the media. The presentations are available on the investor section of the website.
- **AGM** – Notification of the date of the AGM is sent to shareholders at least 21 working days in advance of the meeting. Details are set out in the Notice of Meeting. The Directors (and the external auditor) are available at the AGM to answer questions, both during the course of the meeting, and informally afterwards. All details, can be found on the Investor Announcements and the Investor Documents pages.
- **News releases** – in addition to statutory announcements, we use RNS Reach to present regular business news and updates to shareholders. We also have a full news service available on The Panoply website.
- **Interactive sessions** – The Panoply's Executive Directors arrange regular (six monthly) face to face sessions with any interested shareholders or potential shareholders, and are also available for updates at any point in the year. See contact details below.
- **Investor focused micro-site** – we maintain a full section on the main Panoply website for investors. This includes the Financial Calendar and real-time RNS announcements; the latest Investor Documents, presentations and reports; share information and share dealing interactive feeds; this corporate governance statement; a full list of investor related contacts.
- **LSE Profile** – we also maintain a profile on the London Stock Exchange Issuer services website.
- **Investor Email** – we also manage an investor email account for any direct queries – [investors@thepanoply.com](mailto:investors@thepanoply.com).

Contact with major shareholders is principally maintained by the Executive Directors, who ensure that their views are communicated to the Board as a whole. The Chair is also available to discuss governance and other matters directly with major shareholders. At every Board meeting, the Board is provided with the latest brokers' reports and a summary of the contents of any meetings with shareholders. The Board considers that the provision of these documents is a practical and efficient way for both the Chair and Senior Independent Director to be informed of major shareholders' opinions on governance and strategy and to understand any shareholder issues and concerns.

If you would like to know more about The Panoply as a shareholder, or potential shareholder, please contact us through our investors email address and we will put you in touch with one of our Executive Directors.

## Principle 3 – Take into account wider stakeholder and social responsibilities and their implications for long-term success.

Please see further details in the Purpose Section of our Annual Report & Financial Statements (page 24).

## Principle 4 – Embed effective risk management, considering both opportunities and threats, throughout the organisation.

Risk management activity is overseen by the Chief Executive Officer and Chief Financial Officer, with the support of the Executive Management Team.

Our framework enables us to remain vigilant to all known and emerging risks and opportunities. Effective risk management supports informed decision making; enables us to minimise impact from unforeseen internal or external events; and allows us to fully exploit emerging opportunities. Our objectives for risk management are to:

- Identify, measure, control and report on business risk that may undermine the achievement of objectives, both strategically and operationally, through appropriate analysis and assessment criteria
- Effectively allocate effort and resources for the management of key and emerging risks
- Build an accurate picture at the highest level of the key risks facing our business, and use this information to drive business improvements in a considered and coordinated way
- Support and develop our reputation as a well governed and trusted organisation
- Minimise costs and drive efficiencies in the way that pervasive risk is controlled across the business
- Identify weaknesses in, and opportunities to improve, our business processes

### Risk Registers

At the Operational level, a risk register is maintained within every business of the Group. Risks are recorded and managed within as required and are reviewed regularly by the management of each business.

At a central level, there is a single central risk register for Group Significant risks, which records the top risks to the business.

Risk registers are reviewed on a quarterly basis which supports the escalation of any risks with a high residual impact, or potentially pervasive risks, to a higher level risk register as appropriate.

# Corporate Governance Report

continued

## Risk Appetite

The Board determines the amount and type of risk that The Panoply is willing to take on in pursuit of its strategic objectives. The Board's appetite for risk is influenced by various key factors including (but not limited to) the overall economic, regulatory and operational landscape in which we operate.

The Executive Management Team advise the Board of these key influences which enables the Board to adjust the amount of risk that The Panoply takes on. Risk tolerance may, by business choice, differ in different parts of the company.

## Review and Assurance

Risk registers are updated as and when required. A full review is undertaken quarterly. The highest rated risks are presented to the Board every quarter by the CEO. Every six months the Board is presented with the detailed risk registers for each line of business.

## Principle 5 – Maintain the Board as a well-functioning, balanced team led by the Chair.

The PLC Board ("the Board") is responsible for the Company's corporate governance systems and processes that support good decision making.

The Non-Executive Directors, Mark Smith (Chair), Isabel Kelly and Chris Sweetland are considered independent of management and free from any business or other relationships that could materially interfere with the exercise of their independent judgement. Both Mark Smith and Chris Sweetland own shares in The Panoply and all three Non-Executive Directors hold options, however this is not considered to alter their independent status.

## Director's Commitment to The Panoply

The Directors acknowledge the importance of the principles set out in the QCA Code.

Our Non-executive Directors have committed in their letters of appointment to attend all reasonable board and committee meetings in addition to being reasonably available at other times for The Panoply business. Our Executive Directors have entered into employment contracts which require them to attend all board and committee (of which they are a member) meetings.

The Non-Executive Directors meet at least once a year without the Executive Directors present. All Directors submit to re-election each year at the Annual General Meeting ("AGM") of the Company.

The Board meets at least four times each year with additional meetings when circumstances and urgent business dictate. At each meeting the Board reviews a schedule of reserved matters including trading performance, financial strength, strategy (including investment and acquisition opportunities), risk management, controls, compliance, reports to shareholders and succession management.

The Directors have established two committees of its Board, namely the Audit, Risk and AIM Rules Compliance Committee and the Remuneration Committee.

The Audit, Risk and AIM Rules Compliance Committee is chaired by Chris Sweetland and has primary responsibility for monitoring the quality of internal controls, ensuring that the financial performance of the Company is properly measured and reported on and reviewing reports from the Company's auditors relating to the Enlarged Group's accounting and internal controls, in all cases having due regard to the interests of Shareholders. The Audit, Risk and AIM Rules Compliance Committee meets at least twice a year. Mark Smith is the other member of the Audit, Risk and AIM Rules Compliance Committee. Oliver Rigby, CFO, attends Audit, Risk and AIM Rules Compliance Committee meetings by invitation.

The Remuneration Committee is chaired by Isabel Kelly, and reviews the performance of the Executive Directors and determines their terms and conditions of service, including their remuneration and the grant of options, having due regard to the interests of Shareholders. The Remuneration Committee meet at least once a year. Mark Smith is the other member of the Remuneration Committee.

The Remuneration Committee also considers Board policy in relation to the remuneration of the Chairman of the Board. Non-Executive Director remuneration is a matter for the Chairman and the executive members of the Board. No Director is involved in any decisions as to their own remuneration or benefits.

## Principle 6 – Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities.

The Board members and their relevant experience and skills are detailed on pages 34 to 35. The Non-Executive Chairman believes that, as a whole, the Board has a suitable mix of skills and competencies covering all essential disciplines bringing a balanced perspective that is beneficial both strategically and operationally and will enable the Company to deliver its strategy. The Board consists of two executive director and three non-executive directors, all of whom are independent. The nature of the Company's business requires the Directors to keep their skillset up to date. Updates to the Board on regulatory matters are given by Company's professional advisers when appropriate.

In addition to the support provided by the Company's retained professional advisers (Nominated Advisor, lawyers, auditor and M&A advisor), external consultants have been engaged to advise on a number of matters including tax planning and market research. External advisers attend Board meetings or committee meetings as invited by the Non-Executive Chairman to report and/or discuss specific matters relevant to the Company.

## Principle 7 – Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement.

### Board performance effectiveness process

The Chairman is responsible for the regular evaluation of the Board's performance and that of its committees and individual Directors.



### Succession planning and Board appointments

The Remuneration Committee meet as and when necessary to consider the appointment of new executive and non-executive directors, although the Board as a whole take responsibility for succession planning. Board members all have appropriate notice periods so that if a Board member indicates his/her intention to step down, there would be sufficient time to appoint a replacement, whether internal or external.

The Company's Articles of Association require that one-third of the Directors must stand for re-election by shareholders annually in rotation and that any new Directors appointed by the Board during the relevant year must stand for election at the annual general meeting immediately following their appointment. Any Directors who are not employed by the Company or holding executive office who have served on the Board for at least nine years will be subject to annual re-election.

Board appointments are made after consultation with advisers including the Nominated Advisor who undertakes due diligence on all new potential Board candidates.

### Principle 8 – Promote a corporate culture that is based on ethical values and behaviours.

The Board recognises that core values provide a framework which influences every level of the Group. One of the Group's four key values is "conscious". This means treating all our stakeholders in equal balance.

See further details on our behaviours in the Purpose section.

### Principle 9 – Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board.

On behalf of the Board, the Managing Director of the trading business of subsidiaries has overall responsibility for managing the day to day operations of that entity and the Board as a whole is responsible for monitoring performance against the Company's goals and objectives. The individual Board members' specific responsibilities, contributions and skills are set out on pages 34 to 35.

The Board has established two standing Committees, the Audit, Risk and AIM Rules and Compliance Committee (Audit Committee) and the Remuneration Committee. Membership of both the Audit Committee and the Remuneration Committee during the year under review was exclusively Non-Executive.

### Principle 10 – Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders.

The Company maintains a regular dialogue with key stakeholders including shareholders to enable interested parties to make informed decisions about the Group and its performance.

Historical annual reports and notices of general meetings can be found in the Financial Reports section of the Group's website.

The Board discloses the results of Annual General Meetings and these can be found in the Regulatory News section of the website.

The Audit Committee meets at least twice a year, although the Company's Auditors or any member of the Audit Committee may request a meeting at any time, should they consider that one is necessary. The role of the Audit Committee is to make recommendations to the directors and shareholders, in relation to the appointment, re-appointment and removal of the Company's External Auditors and to approve their remuneration and terms of engagement. Prior to the commencement of each annual or interim audit, the Audit Committee will discuss and agree the nature and scope of the audit with the External Auditors and in discussion with them, will monitor the integrity of the financial statements of the Group and approve any formal announcements relating to the Company's financial performance.

The Audit Committee develops and implements policies on the engagement of the External Auditors to supply non-audit services and will report to the Directors, identifying any matters where the Audit Committee considers that action or improvement is needed, making recommendations as to the steps to be taken.

The Audit Committee is authorised by the Board to investigate any activity within its terms of reference and may seek information it requires from any employee of the Company. The Audit Committee may seek outside professional advice at the cost of the Company, in order to secure any relevant experience or expertise it considers necessary to fulfil its duties.

The terms of reference of the Remuneration Committee and its report can be found in Remuneration Report.

# Remuneration Report

## Remuneration Committee

The Remuneration Committee determines, on behalf of the Board, the Group's policy for executive remuneration and the individual remuneration packages for the Executive Directors. In setting the Group's remuneration policy, the Remuneration Committee considers a number of factors, including the following:

- salaries and benefits available to Executive Directors of comparable companies;
- the need to attract and retain Executives of an appropriate calibre; and
- the need to ensure continued commitment of Executives to the Group's success through appropriate incentive schemes.

The Committee meets at least once a year.

## Remuneration of Executive Directors

The remuneration packages comprise the following components:

- **Base salary**  
The Remuneration Committee sets the base salary by reference to responsibilities and the skills, knowledge and experience of the individual.
- **Bonus scheme and other benefits**  
There is no annual bonus scheme or other benefits in place currently.
- **Share Incentive Schemes**  
An EMI and unapproved option scheme were implemented in the reported period and options were awarded to each of the Executive Directors.
- **Other benefits**  
Private medical and life cover for employees including the directors will be provided in the following financial year.

## Remuneration of Non-Executive Directors

The fees paid to the Non-Executive Directors are determined by the Board. They are not entitled to receive any bonus or other benefits but did receive unapproved share options at the time of their appointment. Non-Executive Directors' letters of appointment are on a three-month rolling basis.

## Directors' remuneration

Details of individual Directors' emoluments for the year (excluding employer's National Insurance contributions) are as follows:

	Salary and fees paid or receivable £'000	Pension £'000	Share Option £'000	2019 total £'000	2018 total £'000
<b>Non-Executive</b>					
Mark Smith (appointed 18 October 2018)	17	–	4	<b>21</b>	–
Christopher Sweetland (appointed 18 October 2018)	12	–	2	<b>14</b>	–
Isabel Kelly (appointed 18 October 2018)	10	–	2	<b>12</b>	–
<b>Executive</b>					
Neal Gandhi (appointed 20 December 2016)	128	4	16	<b>148</b>	45
Oliver Rigby (appointed 20 December 2016)	129	5	16	<b>150</b>	99
Total	296	9	40	<b>345</b>	144

## Directors' interests in shares

The interests of the Directors in the Ordinary Shares of the Company at 31 March 2019.

Name of Director	31-Mar 2019 Number	31-Mar 2018 Number
Christopher Paul Sweetland	30,000	–
Isabel Kelly	–	–
Mark William Smith	122,000	–
Neal Gandhi	9,786,884	3,000
Oliver Rigby	5,124,930	3,000
	<b>15,063,814</b>	6,000

## Directors' interests in share options

The directors have been granted options over the shares of the Company as follows:

	01-Apr-18	Granted in the year	Lapsed during the year	Type	31-Mar-19	Exercise price	Date when Exercisable
Christopher Paul Sweetland	–	20,300	–	Unapproved scheme	20,300	74p	31/03/21
Christopher Paul Sweetland	–	20,300	–	Unapproved scheme	20,300	74p	31/03/22
Christopher Paul Sweetland	–	20,302	–	Unapproved scheme	20,302	74p	31/03/23
Isabel Jane Kelly	–	20,300	–	Unapproved scheme	20,300	74p	31/03/21
Isabel Jane Kelly	–	20,300	–	Unapproved scheme	20,300	74p	31/03/22
Isabel Jane Kelly	–	20,302	–	Unapproved scheme	20,302	74p	31/03/23
Mark William Smith	–	33,834	–	Unapproved scheme	33,834	74p	31/03/21
Mark William Smith	–	33,834	–	Unapproved scheme	33,834	74p	31/03/22
Mark William Smith	–	33,836	–	Unapproved scheme	33,836	74p	31/03/23
Neal Gandhi	–	135,338	–	EMI scheme	135,338	74p	31/03/21
Neal Gandhi	–	135,338	–	EMI scheme	135,338	74p	31/03/22
Neal Gandhi	–	135,340	–	EMI scheme	135,340	74p	31/03/23
Oliver Rigby	–	135,338	–	EMI scheme	135,338	74p	31/03/21
Oliver Rigby	–	135,338	–	EMI scheme	135,338	74p	31/03/22
Oliver Rigby	–	135,340	–	EMI scheme	135,340	74p	31/03/23

By order of the Board

### Isabel Kelly

Chairman, Remuneration Committee  
30 August 2019

# The Audit, Risk and AIM Rules Compliance Committee

During the year The Audit, Risk and AIM Rules Compliance Committee ("the Committee") comprised Christopher Sweetland and Mark Smith. Both members are independent Non-Executive Directors and details of their skills, experience and qualifications set out on pages 34 to 35. The Chief Financial Officer and the Group Financial Controller attend the meetings. The Committee will also invite divisional leaders and specialists relevant and external auditors to the Committee's agenda if appropriate.

## Main responsibilities

The terms of reference for the Committee are based on the Guidance on Audit Committees issued by the Financial Reporting Council. The main responsibilities of the Committee are summarised below:

- review the integrity of the financial statements of the Group and any formal announcements relating to the Group's financial performance
- review the Group's internal controls established to identify, assess, manage and monitor risks, and receive reports from management on the effectiveness of the systems it has established, and the conclusions of any testing performed by internal audit and the external auditor
- make recommendations to the Board in relation to the appointment of the external auditor and approve the remuneration and terms of engagement of the external auditor
- assess the independence, objectivity and effectiveness of the external auditor and develop and implement policy on the engagement of the external auditor to supply non-audit services
- review the integrity of the statement in the Annual Report on being fair, balanced and understandable, as required under the Companies Act 2006

## Summary of activities in 2019

In 2019, the Committee's core work programme focused on a number of significant issues and other accounting judgements where the Committee believed the highest level of judgement was required and with the highest potential impact on the Group's financial statements. There were two meetings held, from the date of inception of the Committee (December 2018) to March 2019.

## Financial reporting

The Committee reviewed and evaluated the appropriateness of the interim and annual financial statements (including the announcements thereof to the London Stock Exchange) with both management and the external auditor, including:

- at the Board's request, whether the Annual Report and Financial Statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy

- the clarity of disclosures and compliance with financial reporting standards and relevant financial and governance
- discussing the critical accounting policies and use of assumptions and estimates, as noted on pages 61 to 67 of this Annual Report and Financial Statements, and concluding that the estimates, judgements and assumptions used were reasonable based on the information available and had been used appropriately in applying the Group's accounting policies
- reviewing the going concern and viability of the Group over the longer term as part of its assessment of the Group's risks

The Committee is able to question management at both Group and business unit levels to gain further insight into the issues addressed in these reports. The key significant financial reporting issues and other accounting judgements are set below and further explained on pages 66 to 67 under section critical accounting judgements and key sources of estimation uncertainty.

## Significant accounting judgements

- **Revenue and margin recognition**  
The Committee from time to time discuss about revenue recognition within the Group whether they are aligning to IFRS 15. This includes finding out any challenges subsidiaries may have in implementing IFRS 15 in their finance framework and accounts.
- **Carrying value of goodwill and other intangibles**  
The judgement largely relates to the assumptions underlying the value in use of the cash-generating units, primarily the macroeconomic assumptions (such as discount rates) underpinning the valuation process. The Committee received reports from external advisers who prepared reports setting out the allocation of the purchase price between goodwill and other intangibles. The Committee also received reports from management outlining the impairment model and the assumptions used; in addition, the external auditor provided detailed written reports in this area.
- **Going concern**  
In order to satisfy itself that the Group has adequate resources to continue in operation for the foreseeable future and that there are no material uncertainties that could lead to significant doubt as to the Group's ability to continue as a going concern, the Committee considered the Group's budgets and forecasts, cash position (both existing and projected), bank facilities and covenants.
- **Deferred tax assets**  
The Committee reviewed the Group's considerations on future profitability to evaluate the judgement that it is probable the deferred tax assets are recoverable.

## External auditor independence and effectiveness

The Committee will carry out a formal review each year, from 2019 onwards to assess the independence and effectiveness of the external auditor, Nexia Smith and Williamson (NSW). The Committee has satisfied itself as to NSW's independence.

### **Christopher Sweetland**

Chairman of the Audit, Risk and AIM Rules and Compliance Committee  
30 August 2019

# Directors' Report

The Directors present their Annual Report on the affairs of the Group, together with the Financial Statements and Auditor's report, for the year ended 31 March 2019.

## Principal activities

The principal activity of the Group is the provision of digitally native technology services to clients within the commercial, government and non-government organisations (NGO) sectors. Further information can be found in the Strategic Report on pages 1 to 31.

## General information

The Panoply Holdings Plc is a public limited company listed on the AIM market of the London Stock Exchange on 4 December 2018 and is incorporated and domiciled in the UK. The Company's registered number is 10533096.

## Corporate governance

The statement on corporate governance on pages 36 to 39 is included in the Directors' Report by way of reference.

## Results and dividends

The Group's loss on ordinary activities after taxation was £1.7m (2018: loss £0.5m). The audited financial statements of the Group are set out on pages 53 to 98. The Directors do not propose a dividend for the year ended 31 March 2019 (2018: £Nil).

## Strategic review

The information satisfying the strategic review requirements is set out in this report on pages 1 to 31.

## Going concern

The Group had cash balances of £5.7m at 31 March 2019.

In December 2018, the Group was listed on AIM, raised funds of £5m and acquired 4 profitable companies. These 4 companies are generating healthy cashflows and this has been further supported by further acquisitions in the year and after the year end. The Group has entered 2020 with a strong order book on the back of consistently positive trading throughout 2019.

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 continue to adopt the going concern basis in preparing the financial statements.

## Directors

The present membership of the Board is as follows:

Mark Smith, Non-Executive Chairman  
Chris Sweetland, Non-Executive Director  
Isabel Kelly, Non-Executive Director  
Oliver Rigby, Chief Financial Officer  
Neal Gandhi, Chief Executive Officer

The names and biographical details of the current Directors of the Company are given on pages 34 to 35. During the year under review, all Non-Executive Directors were independent of management and any business or other relationships which could interfere with the exercise of their independent judgement.

Details of Directors' interests in the Company's shares, service contracts and remuneration are set out in the Directors' Remuneration Report on pages 40 to 41.

## Post-balance sheet events

Details of post-balance sheet events are given in Note 25.

## Political donation

The Group has not made any political donations during the year.

## Financial risk management and objectives

Details of financial risk management and objectives are contained in Note 24 to the Consolidated Financial Statements.

## Awareness of relevant audit information

Each of the Directors who held office at the date of approval of this Directors' Report confirms that, so far as they are aware:

- there is no relevant audit information of which the Auditor is unaware; and
- the Directors have taken all the steps they ought to have taken to make themselves aware of any relevant audit information and to establish that the Auditor is aware of that information.

## Annual General Meeting

The Annual General Meeting will be held in London on 30 September 2019 at 11:00am. Notice of the Annual General Meeting will be sent to shareholders on 5 September 2019.

## Independent Auditor

Nexia Smith & Williamson was appointed as Auditor to the Group on 12 September 2018. There are no contractual obligations in place that restrict our choice of statutory Auditor.

By order of the Board

**Oliver Rigby**  
Company Secretary  
30 August 2019

# Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the Group and Company financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Company financial statements, as applied in accordance with the provisions of the Companies Act 2006. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the Group and of the profit or loss of the Group for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs and UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions, disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for ensuring that the Directors' Report and the Strategic Report, in addition to any other information included in the Annual Report and Financial Statements, is prepared in accordance with United Kingdom company law. They are also responsible for ensuring that the Annual Report & Financial Statements include information required by the AIM Rules.

Legislation in the United Kingdom governing the preparation and dissemination of the financial statements and other information included in annual reports may differ from legislation in other jurisdictions.



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# Independent Auditor's Report to the members of The Panoply Holdings Plc

## Opinion

We have audited the financial statements of The Panoply Holdings plc (the 'Company') and its subsidiaries (the 'Group') for the year ended 31 March 2019 which comprise the Consolidated Income Statement, the Consolidated and Company Statements of Financial Position, the Consolidated and Company Statements of Changes in Equity, the Consolidated and Company Statements of Cashflows and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Company's affairs as at 31 March 2019 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to SME listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

## Key audit matters

We identified the key audit matters described below as those which were most significant in the audit of the financial statements of the current period. Key audit matters include the most significant assessed risks of material misstatement, including those risks that had the greatest effect on our overall audit strategy, the allocation of resources in the audit and the direction of the efforts of the audit team.

In addressing these matters, we have performed the procedures below which were designed to address the matters in the context of the financial statements as a whole and in forming our opinion thereon. Consequently, we do not provide a separate opinion on these individual matters.

Key audit matter	Description of risk	How the matter was addressed in the audit and key observations arising with respect to that risk
Business combinations accounting – Group	<p>The Group has a business model based on acquiring businesses and during the period, seven acquisitions have taken place.</p> <p>There is a risk that the values and allocations of intangible assets and goodwill recognised are not in accordance with International Financial Reporting Standard (IFRS) 3 'Business combinations'.</p>	<p>We focused on this area due to the high level of judgements and estimates necessary to perform valuations of separately identifiable intangible assets arising from the acquisition of a business.</p> <p>As part of our procedures we:</p> <ul style="list-style-type: none"> <li>• Obtained the business combination calculations for each acquisition and checked the mathematical accuracy of these. We confirmed the basis of support for judgements used by management.</li> <li>• Used our internal valuations team to assess the valuation models prepared in respect of each acquisition, including the basis and methodology adopted for identifying separate intangibles distinct from goodwill and the fair value of contingent consideration recognised.</li> <li>• Checked the appropriateness of discount factors applied.</li> <li>• Considered the overall valuation of intangible assets identified relative to similar companies in the industry.</li> <li>• Agreed the calculation of residual goodwill based on the consideration payable and identifiable assets and liabilities.</li> <li>• Reviewed acquisition costs to ensure these have been expensed within the Income Statement in line with IFRS 3.</li> <li>• Considered the appropriateness of the of the useful lives applied to the intangible assets identified.</li> </ul>

# Independent Auditor's Report to the members of The Panoply Holdings Plc continued

Key audit matter	Description of risk	How the matter was addressed in the audit and key observations arising with respect to that risk
Fair Value of contingent consideration – Group and Company	<p>The Share Purchase Agreements (SPAs) contain clauses for contingent consideration and clawback provisions based on the acquired entities performance over the first two to four years of acquisition.</p> <p>Management are required to apply judgement to determine the fair value of the consideration payable, in accordance with IFRS 3.</p>	<p>We challenged the inputs and assumptions used to determine the fair value of the contingent consideration payable at acquisition and subsequently at the reporting date.</p> <p>As part of our procedures we:</p> <ul style="list-style-type: none"> <li>• Reviewed the Share Purchase Agreements ('SPAs') to obtain an understanding of consideration payable.</li> <li>• Reviewed and challenged management's forecasts of future results which underpins how the contingent consideration is calculated.</li> <li>• Compared historical forecasts against actual results and corroborated management's assertions where reasonably practicable.</li> <li>• Checked the appropriateness of discount factors applied.</li> <li>• Assessed if any of the contingent consideration should be treated as employee benefits given that some of the vendors have been retained in the business.</li> </ul>
Revenue – Group	<p>The Group's activities include the provision of business IT management, design, implementation and support services. These services have multiple deliverables and can be a fixed or variable price. A number of contracts are expected to span the year end and acquisition dates.</p> <p>Judgement will be involved in determining the levels of revenue to be recognised in line with IFRS 15 'Revenue recognition', particularly for contracts which span the year end and acquisition dates.</p>	<p>As part of our procedures we:</p> <ul style="list-style-type: none"> <li>• Gained an understanding of the design and implementation of controls over revenue recognition which have been designed by the Group to prevent and detect fraud and errors in revenue recognition.</li> <li>• Performed tests of detail on the different revenue streams starting tests from invoice and separately from contracts.</li> <li>• Reviewed terms of major contracts and assessed the accounting for each revenue stream for compliance with IFRS 15.</li> <li>• Perform cut off testing around the subsidiary acquisition dates and the year end to determine if revenue is recognised in the correct period.</li> </ul>

## Materiality

The materiality for the Group financial statements as a whole was set at £160,000. This has been determined with reference to the benchmark of the Group's revenue, which we consider to be one of the principal considerations for members of the Company in assessing the performance of the Group. Materiality represents 2% of revenue as presented on the face of the Consolidated Income Statement.

The materiality for the Company financial statements as a whole was set at £104,000. This has been determined with reference to the benchmark of the Company's assets, which we consider to be an appropriate measure as the Company exists only as a holding company for the Group and carries on no trade in its own right. Materiality represents 0.3% of total assets as presented on the face of the Company's Statement of Financial Position.

## An overview of the scope of our audit

Of the Group's thirteen reporting components, seven were subject to audit for group reporting purposes. The seven components covered: 99% of group revenue, 90% of group loss before tax and 100% of group net assets.

For the remaining components, we performed analysis at a group level to re-examine our assessment that there were no significant risks of material misstatement within these.

One of the seven components subject to audit for group reporting purposes is based in Norway and its audit was carried out by a component auditor in Norway. We held a telephone meeting with the component auditor in Norway as part of planning and discussed the component auditor's risk assessments and directed their planned audit approach. In addition to this meeting, we sent detailed instructions to the component audit teams and reviewed their key audit working papers.

## Other information

The other information comprises the information included in the Annual Report and Financial Statements, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

## Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

## Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the Company and their environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

## Responsibilities of Directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 45, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal controls as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

## Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

# Independent Auditor's Report to the members of The Panoply Holdings Plc continued

## Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### Stephen Drew

Senior Statutory Auditor, for and on behalf of  
Nexia Smith & Williamson  
Statutory Auditor  
Chartered Accountants

25 Moorgate  
London  
EC2R 6AY  
2 September 2019

# Consolidated Income Statement

for the year ended 31 March 2019

	Note	2019 £'000	2018 £'000
<b>Revenue</b>	3	<b>8,152</b>	–
Cost of sales		<b>(4,811)</b>	–
<b>Gross profit</b>		<b>3,341</b>	–
Administrative expenses		<b>(4,992)</b>	(480)
Other income		<b>24</b>	–
<b>Operating (loss)</b>	4	<b>(1,627)</b>	(480)
Adjusted EBITDA		<b>402</b>	(273)
Amortisation of intangible assets	10	<b>(339)</b>	–
Depreciation	12	<b>(45)</b>	–
Loss on fair value movement contingent consideration	19	<b>(54)</b>	–
Share-based payments	5	<b>(239)</b>	–
Exceptional items – costs directly attributable to the business combination and listing	4	<b>(1,352)</b>	(207)
<b>Operating (loss)</b>		<b>(1,627)</b>	(480)
Finance income		<b>5</b>	–
Finance costs		<b>(14)</b>	–
<b>Net finance expense</b>		<b>(9)</b>	–
<b>Loss before taxation</b>		<b>(1,636)</b>	(480)
Taxation	6	<b>(41)</b>	–
<b>Loss for the period</b>		<b>(1,677)</b>	(480)
<b>Other comprehensive income</b>			
Exchange differences on translation of foreign operations		<b>(38)</b>	–
Total comprehensive loss for the period		<b>(1,715)</b>	(480)
<b>Loss per share</b>			
Basic and fully diluted	7	<b>(9.22)p</b>	(4.17)p

The accompanying accounting policies and notes on pages 60 to 98 are an integral part of these Consolidated Financial Statements.

# Consolidated Statement of Financial Position

as at 31 March 2019

	Note	31 March 2019 £'000	31 March 2018 £'000
<b>Non-current assets</b>			
Goodwill	9	20,585	–
Intangible assets	10	5,214	–
Property, plant and equipment	12	280	–
Deferred tax asset	21	14	–
Total non-current assets		26,093	–
<b>Current assets</b>			
Trade and other receivables	14	3,918	7
Contract asset	17	232	–
Other taxes and social security costs	18	–	34
Cash and cash equivalents	15	5,650	126
Total current assets		9,800	167
<b>Total assets</b>		<b>35,893</b>	<b>167</b>
<b>Current liabilities</b>			
Trade and other payables	16	(2,210)	(154)
Other taxes and social security costs	18	(1,539)	(3)
Deferred and contingent consideration	19	(3,270)	–
Contract liability	17	(406)	–
Total current liabilities		(7,425)	(157)
<b>Non-current liabilities</b>			
Deferred tax liability	21	(925)	–
Deferred and contingent consideration	19	(8,292)	–
Total non-current liabilities		(9,217)	–
<b>Total liabilities</b>		<b>(16,642)</b>	<b>(157)</b>
<b>Net assets</b>		<b>19,251</b>	<b>10</b>
<b>Equity</b>			
Share capital	20	423	–
Share premium account	20	20,779	490
Capital redemption reserve	20	5	–
Other reserves	20	201	–
Retained earnings		(2,157)	(480)
<b>Total equity</b>		<b>19,251</b>	<b>10</b>

These financial statements were approved and authorised for issue by the Board of Directors on 30 August 2019. Signed on behalf of the Board of Directors by:

Oliver Rigby  
Director

Neal Gandhi  
Director

The accompanying accounting policies and notes on pages 60 to 98 form an integral part of these financial statements.



# Consolidated Statement of Changes in Equity

for the year ended 31 March 2019

	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Foreign Exchange reserve £'000	Share option reserve £'000	Retained earnings £'000	Total £'000
<b>At 1 April 2017</b>	–	–	–	–	–	–	–
Loss and total comprehensive loss for the period	–	–	–	–	–	(480)	(480)
<b>Transactions with owners</b>							
Shares issued	–	500	–	–	–	–	500
Share issue costs	–	(10)	–	–	–	–	(10)
<b>Equity at 31 March 2018</b>	–	490	–	–	–	(480)	10

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

The accompanying accounting policies and notes on pages 60 to 98 form an integral part of these financial statements.

# Consolidated Statement of Cash Flow

for the year ended 31 March 2019

	Note	2019 £'000	2018 £'000
<b>Cash flows from operating activities</b>			
Loss before taxation		<b>(1,636)</b>	(480)
Adjustments for:			
Depreciation	12	<b>45</b>	–
Amortisation	10	<b>339</b>	–
Share-based payments	5	<b>239</b>	–
Loss on disposal of property, plant and equipment		<b>2</b>	–
Foreign exchange losses		<b>7</b>	–
Net finance expense		<b>9</b>	–
Movement in fair value contingent consideration		<b>54</b>	–
		<b>(941)</b>	(480)
<b>Working capital adjustments:</b>			
Decrease in trade and other receivables		<b>384</b>	(41)
Decrease in trade payables, accruals and contract liability		<b>(650)</b>	157
Cash (consumed by) operations		<b>(1,207)</b>	(364)
<b>Tax received/(paid)</b>		<b>27</b>	–
<b>Cash flows from investing activities</b>			
Acquisition of subsidiaries (paid)	8	<b>(5,613)</b>	–
Acquisition of subsidiary cash inherited from acquisition	8	<b>6,978</b>	–
Purchase of property, plant and equipment	12	<b>(33)</b>	–
Interest received		<b>5</b>	–
Net cash generated from investing activities		<b>1,337</b>	–
<b>Cash flows from financing activities</b>			
Issue of ordinary share capital		<b>5,659</b>	500
Cost relating to the issue of shares		<b>(254)</b>	(10)
Repayment of borrowings		<b>(24)</b>	–
Finance costs		<b>(14)</b>	–
Net cash generated from financing activities		<b>5,367</b>	490
<b>Net increase in cash</b>		<b>5,524</b>	126
Cash at bank and in hand at beginning of period		<b>126</b>	0
<b>Cash at bank and in hand at end of period</b>	15	<b>5,650</b>	126
Comprising:			
Cash at bank and in hand	15	<b>5,650</b>	126

The accompanying accounting policies and notes on pages 60 to 98 form an integral part of these financial statements.

# Company Statement of Financial Position

for the year ended 31 March 2019

	Note	31 March 2019 £'000	31 March 2018 £'000
<b>Non-current assets</b>			
Investments	11	32,499	–
Total non-current assets		32,499	–
<b>Current assets</b>			
Trade and other receivables	14	21	7
Other taxes and social security costs	18	137	34
Amounts owed by Group undertakings	22	628	–
Cash and cash equivalents	15	2,762	126
Total current assets		3,548	167
<b>Total assets</b>		<b>36,047</b>	167
<b>Current liabilities</b>			
Trade and other payables	16	(310)	(154)
Other taxes and social security costs	18	(19)	(3)
Deferred and contingent consideration	19	(3,270)	–
Total current liabilities		(3,599)	(157)
<b>Non-current liabilities</b>			
Deferred and contingent consideration	19	(8,292)	–
Total non-current liabilities		(8,292)	–
<b>Total liabilities</b>		<b>(11,891)</b>	(157)
<b>Net assets</b>		<b>24,156</b>	10
<b>Equity</b>			
Share capital	20	423	–
Share premium account	20	20,779	490
Capital redemption reserve	20	5	–
Other reserves	20	239	–
Retained earnings		2,710	(480)
<b>Total equity</b>		<b>24,156</b>	10

The Panopoly Holdings Plc has elected to take the exemption under section 408 of the Companies Act 2006 from presenting the company profit and loss account.

The company's profit for the year ended 31 March 2019 was £3.2m.

The financial statements were approved by the Board of Directors on 30 August 2019 and were signed on its behalf by:

**Oliver Rigby**  
Director

**Neal Gandhi**  
Director

The accompanying accounting policies and notes on pages 60 to 98 form an integral part of these financial statements.

# Company Statement of Changes in Equity

for the year ended 31 March 2019

	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Share option reserve £'000	Retained earnings £'000	Total £'000
<b>At 1 April 2017</b>	–	–	–	–	–	–
Loss and total comprehensive loss for the period	–	–	–	–	(480)	(480)
<b>Transactions with owners</b>						
Shares issued	–	500	–	–	–	500
Share issue costs	–	(10)	–	–	–	(10)
<b>Equity at 31 March 2018</b>	–	490	–	–	(480)	10
	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Share option reserve £'000	Retained earnings £'000	Total £'000
<b>At 1 April 2018</b>	–	490	–	–	(480)	10
Profit and total comprehensive income for the period	–	–	–	–	3,190	3,190
<b>Transactions with owners</b>						
Share cancellation	(5)	–	5	–	–	–
Shares issued	428	20,543	–	–	–	20,971
Share issue costs	–	(254)	–	–	–	(254)
Share-based payments	–	–	–	239	–	239
<b>Equity at 31 March 2019</b>	<b>423</b>	<b>20,779</b>	<b>5</b>	<b>239</b>	<b>2,710</b>	<b>24,156</b>

The accompanying accounting policies and notes on pages 60 to 98 form an integral part of these financial statements.

# Company Statement of Cash Flow

for the year ended 31 March 2019

	Note	2019 £'000	2018 £'000
<b>Cash flows from operating activities</b>			
Profit/(loss) before taxation		<b>3,190</b>	(480)
Adjustments for:			
Dividends received		<b>(5,438)</b>	–
Share-based payments	5.5	<b>173</b>	–
Net finance expense		<b>3</b>	–
Movement in fair value contingent consideration	19	<b>54</b>	–
		<b>(2,018)</b>	(480)
<b>Working capital adjustments:</b>			
(Decrease) in trade and other receivables		<b>(745)</b>	(41)
Increase in trade payables, accruals and contract liability		<b>172</b>	157
Cash (consumed by) operations		<b>(2,591)</b>	(364)
<b>Tax received/(paid)</b>		–	–
<b>Cash flows from investing activities</b>			
Acquisition of subsidiaries (paid)	8	<b>(5,613)</b>	–
Dividends received		<b>5,438</b>	–
Net cash used in investing activities		<b>(175)</b>	–
<b>Cash flows from financing activities</b>			
Issue of ordinary share capital		<b>5,659</b>	500
Cost relating to the issue of shares		<b>(254)</b>	(10)
Finance costs		<b>(3)</b>	–
Net cash generated from financing activities		<b>5,402</b>	490
<b>Net increase in cash</b>		<b>2,636</b>	126
Cash at bank and in hand at beginning of period		<b>126</b>	0
<b>Cash at bank and in hand at end of period</b>	15	<b>2,762</b>	126
Comprising:			
Cash at bank and in hand		<b>2,762</b>	126

The accompanying accounting policies and notes on pages 60 to 98 form an integral part of these financial statements.

# Notes to the Consolidated Financial Statements

## 1. General information

The Panopoly 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, 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.

### 1.1 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. These are the Group's first financial statements prepared in accordance with IFRS (see note 26 for explanation of the transition to IFRS).

As detailed further in the Directors' Report, 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.

The financial statements include the financial results of the following subsidiaries (incorporated in the UK unless otherwise stated) from the date of acquisition:

- Bene Agere Norden AS (incorporated in Norway) – acquired on 4 December 2018.
- Manifesto Digital Limited – acquired on 4 December 2018.
- Not Binary Limited – acquired on 4 December 2018.
- Questers Global Group Limited – acquired on 4 December 2018.
- Deeson Group Limited – acquired on 17 December 2018.
- iDisrupted Limited – acquired on 11 January 2019.
- Greenshoot Labs Limited – acquired on 11 February 2019.

Further details of the above acquisitions can be found in Note 8 – Business Combination.

### 1.2 New IFRS accounting standards adopted in the year

The following standards, amendments and interpretations are new and effective for the year ended 31 March 2019 and have been adopted. None of the pronouncements had a material impact on the Group's consolidated results, assets or liabilities.

- IFRS 9 Financial Instruments (effective 1 January 2018)  
The Group has adopted IFRS 9 retrospectively from 1 April 2017.
- IFRS 15 Revenue from Contracts with Customers (effective 1 January 2018)

The Group has adopted IFRS 15 retrospectively from 1 April 2017, utilising the following practical expedients:

- The Group has elected to not restate contracts that begin and end within the same annual accounting period. The standard has not had a material impact on the Group or Company. In applying this practical expedient, there are no issues in relating to the disclosure of consideration from contracts with customers where consideration is not included in the transaction price.
- The Group will not disclose information about the aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied, when either of the following conditions are met:
  - The original expected duration of the underlying contract is one year or less.
  - The entity recognises revenue from the satisfaction of the performance obligation in accordance with paragraph B16 of IFRS. Consequently, no disclosure is necessary.
  - For time and material contracts, the Group has a right to consideration from a customer in an amount that corresponds directly with the value of the entity's performance completed to date. The Group will recognise revenue at the amount to which the entity has a right to invoice.

### 1.3 New standards and interpretations of existing standards that are not yet effective and have not been adopted early by the Group

The following standards and interpretations, which are endorsed by the EU, have not been early adopted by the Group and will be adopted in future accounting periods:

- IFRS 16 Leases (effective 1 February 2019).

IFRS 16, covering the accounting of leases, will replace IAS 17 and associated interpretations. It introduces a standard accounting model for lessees. As a result, lessees are obliged to recognise assets and liabilities for all leases unless the term is less than twelve months, or the underlying asset has a low value. The lessee recognises an asset reflecting its right to use the underlying leased object. It also recognises a lease liability reflecting its obligation to make lease payment. The impact of IFRS 16 on The Panoply is currently still under review and not yet finalised. The main impact is most likely to be around property leases, of which the Group currently has two.

The ongoing assessment indicates that the current rental charge will be replaced with a combination of depreciation from the asset and an interest charge from the liability. This is likely to result in a material change to the Consolidated Statement of Financial Position and a material change to the presentation of amounts within the Consolidated Statement of Comprehensive Income.

Management currently anticipates that IFRS 16 will be adopted in the Group's accounting policies in accordance with the standard's effective date.

## 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 2019. 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.

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.

# Notes to the Consolidated Financial Statements continued

## 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 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, within services such as XaaS and Intelligence and small percentage of performance within Experience, 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, with services within XaaS, 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 IFRS 15, 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.

## d) Foreign currencies

### Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The Consolidated Financial Statements are presented in pounds sterling, which is the Company's functional and presentation currency and the Group's presentation currency.

### Transactions and balances

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the Statement of Financial Position date. All exchange differences are recognised in the Consolidated Income Statement.

As at the reporting date, the assets and liabilities of overseas subsidiaries are translated into pounds Sterling at the rate of exchange applicable at the reporting date and their Income Statements are translated at the average exchange rates for the period. The exchange differences arising from the retranslation of foreign operations are taken directly to foreign exchange reserve.

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss. Translation differences on goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the rates of exchange at the reporting date. Currency translation differences arising are transferred to the Group's foreign exchange reserve and are recognised in the income statement on disposal of the underlying investment.



### e) Property, plant and equipment

Property, plant and equipment are stated at cost, net of depreciation and any provision for impairment.

The gain or loss arising on the disposal of an asset is determined as the difference between the disposal proceeds and the carrying amount of the asset and is recognised in the Consolidated Income Statement.

Depreciation is calculated on a straight-line basis so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Leasehold improvements	3 – 10 years (depending on the length of the lease)
Fixtures and fittings	4 – 5 years
Computer equipment	3 – 5 years

Useful economic lives and estimated residual values are reviewed annually and adjusted as appropriate.

### f) 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 2019:

- 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.

### g) Other intangible assets

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable software products controlled by the Group are recognised as intangible assets when the following criteria are met:

- It is technically feasible to complete the software product so that it will be available for use;
- Management intends to complete the software product and use or sell it;
- There is an ability to use or sell the software product;
- It can be demonstrated how the software product will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use or sell the software product is available; and
- The expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion or relevant overheads. Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in subsequent periods.

Computer software development costs recognised as assets are amortised over their estimated useful lives, which does not exceed 3 years.

### h) Impairment testing of goodwill

Impairment reviews are tested at cash generating unit (“CGU”) level. Goodwill is allocated to those CGUs that are expected to benefit from synergies of the related business combination. During the year, the each acquired entity is equivalent to one CGU.

Impairment reviews are carried out using multi-year cash flow projections from the approved budgets of the Group. These are discounted using a weighted average cost of capital (WACC) specific to each CGU. The internal rate of return for each CGU reflects the time value of money and the nature and risks of the CGU. Cash flows are estimated over a maximum of five years and a terminal value.

An impairment loss is recognised for the amount by which the carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use based on an internal discounted cash flow evaluation. Impairment losses are credited to the carrying amount of the relevant goodwill.

# Notes to the Consolidated Financial Statements continued

## i) Investment in subsidiaries and impairment

Subsidiaries are entities that are directly or indirectly controlled by the Company. Control exists where the Company has the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities. The investment in the Company's subsidiaries is recorded at cost less provisions for impairment. Carrying values are reviewed for impairment annually to determine if there is any indication that any of the investments might be impaired. The Company uses forecast cash flow information and estimates of future growth to assess whether investments are impaired.

If the results of operations in a future period are adverse to the estimates used for impairment testing, an impairment may be triggered at that point.

## j) Taxation

Current tax is the tax currently payable based on taxable profit for the year. Deferred income taxes are calculated using the liability method on temporary differences. Deferred tax is generally provided on the difference between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill, nor on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit.

In addition, tax losses available to be carried forward as well as other income tax credits to the Group are assessed for recognition as deferred tax assets. Deferred tax liabilities are provided in full, with no discounting. Deferred tax assets are recognised to the extent that it is probable that the underlying deductible temporary differences will be able to be offset against future taxable profit. Current and deferred tax assets and liabilities are calculated at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the reporting date.

Changes in deferred tax assets or liabilities are recognised as a component of tax expense in the Consolidated Income Statement, except where they relate to items that are charged or credited directly to equity, in which case the related deferred tax is also charged or credited directly to equity.

## k) Financial instruments

Financial assets and financial liabilities are recognised in the Statement of Financial Position when the Group becomes a party to the contractual provisions of the instrument.

### Financial assets

The Group classifies its financial assets as follows:

#### Amortised cost

These assets arise principally from the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest. They are initially recognised at the transaction price that is directly attributable to their acquisition or issue and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions for trade receivables and contract assets are recognised based on the simplified approach within IFRS 9 using the lifetime expected credit losses. During this process the probability of the non-payment of the trade receivables and contract assets is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net, such provisions are recorded in a separate provision account with the loss being recognised within administration expenses in the Consolidated Income Statement. On confirmation that the trade receivable and contract assets will not be collectable, the gross carrying value of the asset is written off against the associated provision.

Impairment provisions for loans to related parties are recognised based on a forward-looking expected credit loss model. The methodology used to determine the amount of the provision is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. For those where the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income are recognised. For those for which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short term highly liquid investments with original maturities of three months or less.

### Financial liabilities and equity

Financial liabilities and equity instruments issued by the Group are classified in accordance with the substance of the contractual arrangements entered and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences

a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs.

Bank borrowings are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest-bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the Consolidated Statement of Financial Position. For the purposes of each financial liability, interest expense includes initial transaction costs and any premium payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

Trade payables and other short-term monetary liabilities, which are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

The effective interest rate method is a method of calculating the amortised cost of a financial asset or liability and allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash flows through the expected life of the financial asset or liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

### Fair value on contingent consideration

Contingent consideration is classified either as equity or as a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value, with changes in fair value recognised through profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

## l) Employee benefits

### Share-based payments – equity-settled

All material share-based payment arrangements are recognised in the financial statements. All goods and services received in exchange for the grant of any share-based remuneration are measured at their fair values. Fair values of employee services are indirectly determined by reference to the fair value of the share options awarded. Their value is appraised at the grant date and excludes the impact of non-market vesting conditions (for example, profitability and sales growth targets).

All share-based remuneration is ultimately recognised as an expense in the Consolidated Income Statement with a corresponding credit to "share option reserve". If vesting periods or other non-market vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates.

Any cumulative adjustment prior to vesting is recognised in the current period. No adjustment is made to any expense recognised in prior periods if share options ultimately exercised are different to that estimated on vesting.

Upon exercise of share options, the proceeds received, net of attributable transaction costs, are credited to share capital and share premium.

The fair value for the share-based payment is measured using the Black Scholes model.

## m) Pensions

Contributions to defined contribution schemes are charged to the Consolidated Income Statement as they become payable in accordance with the rules of the scheme. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the Consolidated Statement of Financial Position.

## n) Presentation of results

In some instances, Alternative Performance Measures (APMs) such as adjusted EBITDA (refer to finance review section) are used by the Group to provide 'adjusted' results. This is because Management are of the view that these APMs provide a more meaningful basis on which to analyse business performance and is consistent with the way that financial performance is measured by Management and reported to the Board.

Adjusted EBITDA is a non-IFRS measure, defined as the Group's operating profit before expensing depreciation of tangible fixed assets, amortisation, exceptional items, impairment, gain or loss on fair value movement contingent consideration and share-based payments.

## o) Leases

Operating lease payments are recognised as an expense in the Consolidated Income Statement on a straight-line basis over the lease term. The benefit of any lease incentives is recognised as a reduction in rental expense on a straight-line basis over the life of the lease.

# Notes to the Consolidated Financial Statements continued

## p) Grant income

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are generally recognised in the Consolidated Income Statement on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Judgement is applied in assessing when there is reasonable assurance the grant conditions have been complied with and that the grant money will be received.

## q) Research and development

Research and development expenditure is recognised in the Consolidated Income Statement as an expense until it can be demonstrated that the conditions for capitalisation under IAS 38 'Intangible Assets' apply. The criteria for capitalisation include demonstration that the project is technically and commercially feasible, the Group has sufficient resources to complete development and the asset will generate probable future economic benefit.

During the year, research and development costs are within Administrative expenses and are not identifiable with its own subheading. The allocation of the administrative costs that relates to research and development for the Group is carried out annually at the point of assessing for R&D tax credit relief as part of the tax work.

The Group is benefiting from small, medium enterprises for R&D tax credits, since it has less than 500 employees, and as an investor in R&D, will derive benefit from this scheme.

## r) Critical accounting judgements and key sources of estimation uncertainty

### Critical judgements:

#### 1. Revenue recognition

The main judgements are:

- Deciding what are the performance obligations in a contract
- Deciding whether the contract should be measured over time or at a point in time
- The cost to complete contracts to determine the percentage completion

Under IFRS 15, measurement and recognition of revenue required the Group to make judgements and estimates. In particular, there are a large number of contracts within the business which may require significant contract interpretation to determine the appropriate accounts such as whether promised goods and services specified in an arrangement are distinct performance obligations and based on the contract terms, whether the performance obligation should be recognised at a point in time or over time (refer to Note 3.2).

#### 2. Cash generating units (CGUs)

IFRS 3 Business combination requires the management to assess the CGU as part of purchase price allocation process. The board uses their judgement in deciding the number of CGU per entity acquired during the year. CGU is defined as the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The board determines the number of CGU by ascertaining the number of main income stream generating from an entity. Each entity acquired during the year, was deemed as one CGU. There are a total of 7 GCUs as a result from the business combination in 2019. (2018: Nil).

#### 3. Intangible assets from acquisition

Acquiring a business entity would include purchasing its intangible assets even when there were no intangible assets on its Statement of Financial Position. The board uses judgement in identifying the types of intangible assets as a result of business combination. During the year the board identified several intangibles such as customer list, brand, client database and software. Details of intangible assets identified on acquisitions are in notes 8 and 10.

### Key source of estimation uncertainty:

#### 1. Valuation of intangible assets

Intangible assets (2019: £5,214k, 2018: £Nil) are non-physical assets which have been obtained as part of an acquisition and which have an identifiable future economic benefit to the Group at the point of acquisition. Each intangible asset is valued at acquisition by measuring the future discounted cash flows over a range of two to ten-year period from the date of acquisition, depending on class. For example, 'customer list' uses assumptions such as using the average retention rate, revenue growth over the prior three to five-year period. All future cash flows are discounted using a WACC, based on the internal rate of return for each asset, calculated over its useful economic life.

## 2. Impairment of goodwill

Impairment of goodwill requires an estimate of whether there is an impairment indicator. The key estimate for the carrying value of CGU is the cash flows associated with the CGU and the WACC. Each of the CGU held by the Group is measured regularly to ensure that they generate discounted positive cash flows.

The Group determines CGUs are impaired on at least an annual basis. This requires an estimation of the 'value in use' of the cash-generating units to which the intangible value is allocated. Estimating a value in use amount requires management to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Where there is indication of impairment, the goodwill is impaired by a charge to the consolidated income statement. The key area of uncertainty is the revenue growth. Management perform sensitivity analysis to ascertain the level of growth rate that will start to impair the goodwill on a yearly basis. Further explanation is included in Note 9 – Goodwill and impairment.

### 3. Measuring the fair value of contingent consideration

The fair value of contingent deferred consideration is determined by reference to the future EBITDA of the acquired business and applying the contingent deferred consideration formula as specified in the asset or share purchase agreement and discounting the net present value of the future cash flows. The total fair value of consideration for the businesses acquired during the year was £32m and the goodwill was calculated as £21m. The range of contingent consideration in the current period was £Nil to £12m; further details are included in Note 8.

## 3. Segment reporting

The Board of Directors has been identified as the chief operating decisions-maker. With the acquisitions and the formation of the Group which only taking place from 4 December 2018, the Board of Directors consider that the operating segments are currently still under review and as a result the Group has not presented all of the disclosures required under IFRS 8 "Operating Segments". In future once the Board has determined the operating segments, the appropriate accounting policy will be implemented in line with IFRS 8.

Currently the Board of Directors monitors revenue by service, sectors and geographical market.

### 3.1.1 Revenue by service

Included in revenues arising from 'Transformation' service are revenues of £1.3m (2018: £Nil) which arose from the Group's largest customer. Included in revenues arising from the 'Automation' service are revenues of £1.1m (2018: £Nil) which arose from the Group's largest customer in this segment. They represent revenues from one customer of the Group which contributed 10% or more of the Group's revenues.

	2019 £'000	2018 £'000
Experience	2,324	–
XaaS	1,697	–
Transformation	2,870	–
Automation	1,162	–
Intelligence	99	–
Total Revenue	8,152	–

### 3.1.2 Revenue customers by geographical market

	2019 £'000	2018 £'000
United Kingdom	6,511	–
EU	28	–
Norway	769	–
Switzerland	552	–
USA	291	–
Other	1	–
Total Revenue	8,152	–

# Notes to the Consolidated Financial Statements continued

## 3.1.3 Revenue by sectors

	2019 £'000	2018 £'000
Commercial	2,871	–
Government	3,050	–
NGO	2,231	–
Total Revenue	8,152	–

## 3.2 Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of goods and services over time and at a point in time in the following service line:

Year ended 31 March 2019	Experience £'000	XaaS £'000	Trans- formation £'000	Automation £'000	Intelligence £'000	Adjust- ments <sup>(1)</sup> & Eliminations £'000	Total £'000
External revenue	2,324	1,697	2,870	1,162	99	–	8,152
Inter-segment revenue	12	21	27	–	–	(60)	–
<b>Total revenues</b>	<b>2,336</b>	<b>1,718</b>	<b>2,897</b>	<b>1,162</b>	<b>99</b>	<b>(60)</b>	<b>8,152</b>
Recognised at a point in time	59	1,690	–	–	19	–	1,768
Recognised over time	2,277	28	2,897	1,162	80	(60)	6,384
<b>Total revenue</b>	<b>2,336</b>	<b>1,718</b>	<b>2,897</b>	<b>1,162</b>	<b>99</b>	<b>(60)</b>	<b>8,152</b>

<sup>(1)</sup> Inter-segment revenues are eliminated on consolidation and reflected in the adjustments and eliminations column.

## 4. Operating loss

	2019 £'000	2018 £'000
Operating loss is stated after charging:		
Depreciation of property, plant & equipment	45	–
Amortisation of intangible assets	339	–
Employee costs – (see note 5.2)	4,346	69
Exceptional items: costs directly attributable to the business combination and listing (see note 4.1)	1,352	207
Disposal of fixed assets	2	–
Loss on fair value movement contingent consideration	54	–
Share-based payments – (see note 5.5)	239	–
Operating lease rentals	245	–

### 4.1 Exceptional items: costs directly attributable to the business combination and listing/IPO:

	2019 £'000	2018 £'000
Acquisition costs business combination	473	–
Listing costs	879	207
	<b>1,352</b>	<b>207</b>

## 4.2 Auditor's remuneration

	2019 £'000	2018 £'000
Fees payable to the company's auditors and its associates for the audit of parent company and consolidated financial statements	106	8
Fees payable to Company's auditors and its associates for the audit of company's subsidiaries	16	–
Fees payable to Company's auditors and its associates for other services:		
Audit-related assurance services	29	–
Other assurance services	335	–
Tax compliance and other tax advisory services	23	–
	<b>509</b>	8

## 5. Employee costs

### 5.1 Directors and employees

The average number of staff employed by the Group during the financial year is 77 (2018: 2) as follows:

	2019	2018
Consultant*	37	–
Administrative staff**	34	–
Management	6	2
Total	<b>77</b>	2

\* Consultant are consultants employed by Questers solely for clients' projects.

\*\* Administrative role also participate in income generating activities, sales and marketing.

Employee numbers are stated including Directors.

### 5.2 Employee remuneration

	2019 £'000	2018 £'000
Wages and salaries	3,807	65
Pension contributions	87	–
Share-based payments	133	–
Social security costs	281	4
Other benefits	38	–
Total	<b>4,346</b>	69

### 5.3 Key management personnel

Number of key personnel for the parent company.

	2019	2018
Total	<b>5</b>	2

Note: the total number for the Group key personnel is 18 (2018:2) comprising Directors of the parent company and the Directors of the principal operating companies.

# Notes to the Consolidated Financial Statements continued

## 5.4 Key management emolument

Emolument for the key management personnel for the parent company.

	2019 £'000	2018 £'000
Wages and salaries	296	145
Pension contributions	9	–
Share-based payments	40	–
Social security costs	28	7
<b>Total</b>	<b>373</b>	<b>152</b>

The total emolument for the Group key personnel for the year:

	2019 £'000	2018 £'000
Wages and salaries	757	145
Pension contributions	41	–
Share-based payments	77	–
Social security costs	56	7
<b>Total</b>	<b>931</b>	<b>152</b>

The aggregate of remuneration of the highest paid director (including Employer NI) of the Company was £164k (2018: £101k). The highest pension defined benefit received by a director during the year was £5k (2018: £Nil). The full breakdown of other benefits including the defined benefit pension schemes are further detailed in remuneration report.

Details of individual Directors' emoluments for the year (including employer's National Insurance ("NI") contributions) are as follows:

	Fees and salaries		Employer's NI		Other benefits (refer to remuneration report)		Total	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000	2019 £'000	2018 £'000	2019 £'000	2018 £'000
<b>Non-Executive</b>								
Chris Sweetland	12	–	1	–	2	–	15	–
Mark Smith	17	–	2	–	4	–	23	–
Isabel Kelly	10	–	1	–	2	–	13	–
<b>Executive</b>								
Neal Gandhi	128	45	16	5	20	–	164	50
Oliver Rigby	129	99	8	2	21	–	158	101
<b>Total</b>	<b>296</b>	<b>144</b>	<b>28</b>	<b>7</b>	<b>49</b>	<b>–</b>	<b>373</b>	<b>151</b>



## 5.5 Share-based payments

### (i) Share option plans for employees

The Company has an HMRC-approved EMI share option scheme for certain staff and senior management. There is also an unapproved share option scheme in place which is used where the individuals do not fall under the rules of the approved scheme.

	2019 Number of options	2019 Weighted average exercise price	2018 Number of options	2018 Weighted average exercise price
Outstanding at 1 April	–	–	–	–
Granted	<b>3,680,119</b>	<b>74p</b>	–	–
Forfeited	–	–	–	–
Exercised	–	–	–	–
Outstanding at 31 March	<b>3,680,119</b>	<b>74p</b>	–	–
Weighted average remaining contractual useful life		<b>9.35 years</b>		

### (ii) Non-employee share options

The total non-employee share options are:

	2019 Number of options	2019 Weighted average exercise price	2018 Number of options	2018 Weighted average exercise price
Outstanding at 1 April	–	–	–	–
Granted	<b>247,669</b>	<b>74p</b>	–	–
Forfeited	–	–	–	–
Exercised	–	–	–	–
Outstanding at 31 March	<b>247,669</b>	<b>74p</b>	–	–

The estimated fair value of the share options was calculated by applying a Black Scholes valuation model. The model inputs for the options granted in 2019 were as follows:

Exercise price	£0.74
Share price at grant date	£0.74
Risk-free interest rate	0.87%
Expected volatility <sup>1</sup>	48.80%
Dividend yield	0.00%
Contractual life of option (years)	10

The total share-based payments expense included in the consolidated income statement is:

	2019 £'000	2018 £'000
Share options to employees	<b>133</b>	–
Share options to non-employees	<b>106</b>	–
Total	<b>239</b>	–

<sup>1</sup> The expected price volatility is based on the historical volatility (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information.

# Notes to the Consolidated Financial Statements continued

The total share-based payments expense relating to Directors of the Company:

	2019 £'000	2018 £'000
Share options	40	–
Total	40	–

The total share-based payments expense relating to key personnel of the Group:

	2019 £'000	2018 £'000
Share options	77	–
Total	77	–

## 6. Taxation

	2019 £'000	2018 £'000
<b>Current tax</b>		
UK corporation tax for the period at 19% (2018: 19%)	(121)	–
Overseas current tax charge on income for the year	(1)	–
<b>Total current tax</b>	<b>(122)</b>	–
<b>Deferred tax</b>		
Current year	81	–
<b>Total deferred tax</b>	<b>81</b>	–
<b>Total tax charge</b>	<b>(41)</b>	–

During 2019 a deferred tax credit of £64k (2018: £Nil) was attributable to deferred tax on intangible assets acquired as part of business combination and £17k due to accelerated timing differences from fixed asset acquired from business combination. For further deferred tax information – see Note 21.

The relationship between expected tax expense based on the effective tax rate of the Group of 3% (2018: Nil%) and the tax expense recognised in the Consolidated Income Statement can be reconciled as follows:

	2019 £'000	2018 £'000
Loss for the year before tax:	(1,636)	(480)
Tax rate	19%	19%
Expected tax credit	311	91
Principal differences due to:		
Fixed asset differences	(14)	–
Expenses not deductible for tax purposes	(376)	(22)
Additional deduction for R&D expenditure	98	–
Difference in tax rates	(8)	–
Movement in deferred tax rates	(13)	–
Deferred tax asset not recognised	(103)	(69)
Deferred tax credit on intangible assets arising on business combinations	64	–
	<b>(41)</b>	–

## 7. Earnings per share

	2019 £'000	2018 £'000
Loss attributable to ordinary shareholders	<b>(1,677)</b>	(480)
	<b>Number</b>	<b>Number</b>
Weighted average number of Ordinary Shares in issue, basic	<b>18,186,006</b>	11,506,280
Basic and diluted loss per share	<b>(9.22)p</b>	(4.17)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 (see note 5) and share purchase agreements (see note 8) 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.

## 8. Business combinations

During the year the Company completed seven acquisitions. The summary of the acquisitions are shown below.

### Summary

Business combination summary as at 31 March 2019	Note	Bene Agere £'000	Manifesto £'000	Notbinary £'000	Questers £'000	Deeson £'000	iDisrupted £'000	Green shoot Labs £'000	Total £'000
<b>Date of acquisition</b>	11	04-Dec-18	04-Dec-18	04-Dec-18	04-Dec-18	17-Dec-18	11-Jan-19	11-Feb-19	
<b>Consideration payable</b>		Cash & Shares	Cash & Shares	Cash & Shares	Cash & Shares	Cash & Shares	Shares	Cash & Shares	
<b>% acquired</b>	11	100%	100%	100%	100%	100%	100%	100%	
<b>Acquisition related costs</b>	4	67	64	47	70	68	74	74	464
Intangible assets acquired on acquisition	10	273	1,579	2,073	819	455	240	114	5,553
Net assets		627	2,949	1,278	(232)	1,860	(190)	3	6,295
<b>Total identifiable net assets acquired at fair value</b>	8 (iv)	<b>900</b>	<b>4,528</b>	<b>3,351</b>	<b>587</b>	<b>2,315</b>	<b>50</b>	<b>117</b>	<b>11,848</b>
Cash		–	1,843	1,813	175	1,782	–	–	5,613
Cash (deferred consideration)		690	–	–	–	–	–	23	713
Shares (including contingent deferred consideration)		2,055	8,777	9,825	3,404	1,772	50	224	26,107
<b>Total fair value consideration</b>	8 (iv)	<b>2,745</b>	<b>10,620</b>	<b>11,638</b>	<b>3,579</b>	<b>3,554</b>	<b>50</b>	<b>247</b>	<b>32,433</b>
<b>Goodwill</b>	8 (iv)	<b>1,845</b>	<b>6,092</b>	<b>8,287</b>	<b>2,992</b>	<b>1,239</b>	<b>–</b>	<b>130</b>	<b>20,585</b>
<b>Cash flow</b>									
Acquisition of business (net of cash acquired)		728	(135)	(73)	(75)	237	(11)	(19)	652
Acquisition of business (net of cash acquired) during the year	8 (iii)	1,418	(135)	(73)	(75)	237	(11)	4	1,365
Acquisition of business (net of cash acquired) post March 19	8 (iii)	(690)						(23)	(713)

# Notes to the Consolidated Financial Statements continued

## (i) Revenue and profit/(loss) if acquired from 1 April 2018

The consolidated pro-forma revenue and profit/(loss) for the year ended 31 March 2019, had the acquisitions occurred on 1 April 2018 are shown below. These amounts have been calculated using the subsidiary's results adjusted for:

- differences in the accounting policies between the Group and the subsidiary; and
- the additional depreciation and amortisation that would have been charged, assuming the fair value adjustments to property, plant and equipment and intangible assets had applied from 1 April 2018, together with the consequential tax effects.

Revenue	Acquisition to 31.03.19 £000	(from 1 April 2018) FY 12m £000
Bene Agere	769	2,222
Not Binary	3,117	7,614
Questers	1,689	5,900
Manifesto Digital	1,956	5,704
Deeson	567	1,830
iDisrupted	19	176
Greenshoot Labs	35	179
	<b>8,152</b>	23,625

Profit/(loss) before tax	Acquisition to 31.03.19 £000	(from 1 April 2018) FY 12m £000
Bene Agere	97	509
Not Binary	1,023	2,183
Questers	34	339
Manifesto Digital	131	1,176
Deeson	155	164
iDisrupted	(118)	(202)
Greenshoot Labs	(31)	(143)
	<b>1,291</b>	4,026

## (ii) Cashflows from investing activities – acquisition of subsidiaries

The cash paid for acquiring the companies and the cash inherited are summarised as follows:

Paid during the year

Entity	Cash paid for acquisition of subsidiaries £'000	Cash inherited from acquisition £'000
Bene Agere	Paid post year end (see below)	1,418
Not Binary	1,813	1,740
Questers	175	100
Manifesto Digital	1,843	1,708
Deeson	1,782	2,019
iDisrupted	–	(11)
Greenshoot Labs	Paid post year end (see below)	4
<b>Total</b>	<b>5,613</b>	<b>6,978</b>

Paid post year end:

Entity	Cash paid for acquisition of subsidiaries £'000
Bene Agere	690
Greenshoot Labs	23
<b>Total</b>	<b>713</b>

### (iii) Business combination explained by entity

#### a. Bene Agere

On 4 December 2018 the Company acquired the entire issued share capital of Bene Agere for an initial consideration of £2.8m being £1.9m shares plus the value of the net current asset of Bene Agere at completion date (approximately £0.7m), payable in cash. Further contingent deferred consideration may be payable, in shares, dependent upon the performance of Bene Agere post-acquisition. Similarly, there may be a partial or full clawback of the initial share consideration in the event of underperformance of Bene Agere post acquisition. The contingent deferred consideration or clawback will be determined by reference to the forecast EBITDA for financial year end 2019 and 2020 of the acquired business and applying the contingent deferred consideration formula as specified in the share purchase agreement.

IFRS 3 requires that consideration to be measured at fair value. The total consideration (before calculating its fair value) of £2.8m is further analysed based on the timing of the consideration payments and an estimation of the contingent consideration likely payable as at the transaction date to work out the fair value (net present value) of the consideration as at the transaction date using cost of debt 5.2% for calculating cash consideration and completion shares using WACC of 12.3%. The fair value of the total consideration is calculated to be £2.7m.

At 31 March 2019, the actual EBITDA for the year and the fair value forecast EBITDA for March 2020 are assessed to be higher than the total EBITDA forecast calculated at completion date. The estimated total consideration was calculated at £2.8m, a debit of £56k has been recognised in the statement of total comprehensive income in respect of the movement on the deferred contingent consideration liability.

Bene Agere, incorporated in 2012, is a Norwegian boutique strategy and management consultancy with a focus on digital transformation. The Company has been working in digital transformation for many years, starting with early digitalised industries like retail banking and telecoms, and more recently expanding into a wide range of companies and other industries. All members of the senior management team, responsible for strategic direction, technical development and day-to-day operations of Bene Agere, have been retained within the business post-acquisition.

The reason for the acquisition was to increase and provide the Group with an initial foothold in the Scandinavian market and as a management consultancy business it complements the other subsidiaries within the Group.

Bene Agere	Book cost £'000	Fair value adjustments £'000	Fair value £'000
<b>Intangibles</b>			
Brand	–	80	80
Customer lists	–	193	193
<b>Tangible assets</b>			
Property, plant and equipment	–	–	–
<b>Current assets</b>			
Trade and other receivables	354	–	354
Cash and cash equivalents	1,418	–	1,418
<b>Current liabilities</b>			
Trade and other liabilities	(1,084)	–	(1,084)
<b>Non-current liabilities</b>			
Deferred tax	–	(61)	(61)
<b>Net assets</b>	<b>688</b>	<b>212</b>	<b>900</b>

# Notes to the Consolidated Financial Statements continued

<b>Bene Agere</b>	<b>Book cost £'000</b>	<b>Fair value adjustments £'000</b>	<b>Fair value £'000</b>
Cash (paid in April 2019)			690
Share issued (Contingent to performance until FY2020)			1,932
Contingent consideration (Equity)			123
Fair value of total consideration			2,745
<b>Goodwill</b>			<b>1,845</b>

Acquisition-related costs of £67k that were not directly attributable to the issue of shares are included in exceptional expenses in Consolidated Income Statement and in operating cash flows in the Statement of Cash Flows.

The trade and other receivables are all considered recoverable. The goodwill is related to assemble workforce and the high profitability of the acquired business. It will not be deductible for tax purposes.

## b. Not binary

On 4 December 2018 the Company acquired the entire issued share capital of Not binary for an initial consideration of £14m being £3.3m shares plus the value of the net current asset of Not binary at completion date (approximately £1.8m), payable in cash and estimated deferred contingent consideration. Further deferred contingent consideration may be payable, in shares, dependent upon the performance of Not binary post-acquisition. Similarly, there may be a partial or full clawback of the initial share consideration in the event of underperformance of Not binary post acquisition. The deferred contingent consideration or clawback will be determined by reference to the forecast EBITDA for financial year end 2019 and March 2020 of the acquired business and applying the deferred contingent consideration formula as specified in the share purchase agreement.

IFRS 3 requires that consideration to be measured at fair value. The total consideration (before calculating its fair value) of £14m is further analysed based on the timing of the consideration payments and an estimation of the contingent consideration likely payable as at the transaction date to work out the fair value (net present value) of the consideration as at the transaction date using cost of debt of 5.2% for calculating cash consideration and WACC of 20% for calculating completion shares. The fair value of the total consideration is calculated to be £11.6m.

At 31 March 2019, the actual EBITDA for the year and the fair value forecast EBITDA for March 2020 are assessed to be lower than the total EBITDA forecast calculated at completion date. The estimated total consideration was calculated at £10.8m, a credit of £0.8m has been recognised in the Consolidated Income Statement in respect of the movement on the deferred contingent consideration liability.

Not binary, founded in 2017, based in UK is a digital services company working with clients to turn organisations into modern digital businesses. Not Binary is trusted by the government, academics and clients in the financial and industrial sectors to design and implement digital change based on modern cloud platforms. Not Binary serves organisations that are typically looking to exploit the efficiencies and opportunities of cloud technology, digital business models and agile methodologies. Alongside cloud technology, Not binary uses automation, data and AI to enable digital change. All members of the senior management team responsible for the strategic direction, technical development and day-to-day operations of Not binary, have been retained within the business post-acquisition.

The reason for the acquisition was to increase the Group's market share within the digital change and transformation sectors as well as being a complementary business to the other subsidiaries within the Group.

	Book cost £'000	Fair value adjustments £'000	Fair value £'000
<b>Notbinary</b>			
<b>Intangibles</b>			
Brand	–	275	275
Customer lists	–	1,798	1,798
<b>Current assets</b>			
Trade and other receivables	1,020	–	1,020
Cash and cash equivalents	1,740	–	1,740
<b>Current liabilities</b>			
Trade and other liabilities	(1,127)	–	(1,127)
<b>Non-current liabilities</b>			
Deferred tax	–	(355)	(355)
<b>Net assets</b>	<b>1,633</b>	<b>1,718</b>	<b>3,351</b>
Cash			1,813
Share issued (Contingent to performance until FY2020)			3,330
Contingent consideration (Equity)			6,495
Fair value of total consideration			11,638
<b>Goodwill</b>			<b>8,287</b>

Acquisition-related costs of £47k that were not directly attributable to the issue of shares are included in exceptional expenses in Consolidated Income Statement and in operating cash flows in the Statement of Cash Flows.

The trade and other receivables are all considered recoverable. The goodwill is related to assemble workforce and the high profitability of the acquired business. It will not be deductible for tax purposes.

### c. Questers

On 4 December 2018 the Company acquired the entire issued share capital of Questers for an initial total consideration of £4m being £3.2m shares plus a fixed cash payment of £0.18m, payable in cash and an estimated deferred contingent consideration. Further contingent deferred consideration may be payable, in shares, dependent upon the performance of Questers post-acquisition. Similarly, there may be a partial or full clawback of the initial share consideration in the event of underperformance of Questers post acquisition. The contingent deferred consideration or clawback will be determined by reference to the forecast EBITDA for financial year end 2019 and March 2020 of the acquired business and applying the contingent deferred consideration formula as specified in the share purchase agreement.

IFRS 3 requires that consideration to be measured at fair value. The total consideration (before calculating its fair value) of £4m is further analysed based on the timing of the consideration payments and an estimation of the contingent consideration likely payable as at the transaction date to work out the fair value (net present value) of the consideration as at the transaction date using cost of debt 5.2% for calculating cash consideration and WACC of 14.6% for completion shares. The fair value of the total consideration is calculated to be £3.6m.

At 31 March 2019, the actual EBITDA for the year and the fair value forecast EBITDA for March 2020 are assessed to be higher than the total EBITDA forecast calculated at completion date. The estimated consideration was £4.1m, a debit of £0.52m has been recognised in the Consolidated Statement of Income in respect of the movement on the deferred consideration liability. Questers, founded in 2012, provides dedicated highly skilled IT teams from its technology campus in Sofia, Bulgaria, a leading European talent pool, to businesses located in Europe and the United States. The Questers business model is simple and transparent while adding value to client technical capability by providing infrastructure and office facilities, recruitment and talent acquisition capacity, human resources and performance management of remote teams. This enables clients to access a high-quality technical talent pool without a detailed understanding of the local talent market. All members of the senior management team responsible for the strategic direction, technical development and day-to-day operations of Questers, have been retained within the business post-acquisition.

The reason for the acquisition was to increase the Group's resourcing capability, allowing other Group companies to access a high-quality talent pool.

# Notes to the Consolidated Financial Statements continued

Questers	Book cost £'000	Fair value adjustments £'000	Fair value £'000
<b>Intangibles</b>			
Brand	–	248	248
Customer lists	–	571	571
Software applications	18	(18)	–
<b>Tangible assets</b>			
Property, plant and equipment	16	–	16
<b>Current assets</b>			
Inventories	3	–	3
Trade and other receivables	831	(9)	822
Cash and cash equivalents	100	–	100
<b>Current liabilities</b>			
Trade and other liabilities	(1,030)	–	(1,030)
<b>Non-current liabilities</b>			
Deferred tax	–	(143)	(143)
<b>Net assets</b>	<b>(62)</b>	<b>649</b>	<b>587</b>
Cash			175
Share issued (Contingent to performance until FY2020)			3,168
Contingent consideration (Equity)			236
Fair value of total consideration			3,579
<b>Goodwill</b>			<b>2,992</b>

Acquisition-related costs of £70k that were not directly attributable to the issue of shares are included in exceptional expenses in Consolidated Income Statement and in operating cash flows in the Statement of Cash Flows.

The trade and other receivables were assessed that £9k was unrecoverable at the completion date. The goodwill is related to assemble workforce and the high profitability of the acquired business. It will not be deductible for tax purposes.

## d. Manifesto

On 4 December 2018 the Company acquired the entire issued share capital of Manifesto for an initial total consideration of £11.7m being £4.3m shares plus the value of net current assets of Manifesto at completion date and estimated deferred contingent consideration. The value of the net current assets was payable in cash totalling £1.8m and non-contingent shares of £1.2m. Further deferred contingent consideration may be payable, in shares, dependent upon the performance of Manifesto post-acquisition. Similarly, there may be a partial or full clawback of the initial share consideration in the event of underperformance of Manifesto post acquisition. The deferred contingent consideration or clawback will be determined by reference to the forecast EBITDA for financial year end 2019 and March 2020 of Manifesto and also Deeson (refer to 8e) and applying the deferred contingent consideration formula as specified in the share purchase agreement.

IFRS 3 requires that consideration to be measured at fair value. The total consideration (before calculating its fair value) of £11.7m is further analysed based on the timing of the consideration payments and an estimation of the contingent consideration likely payable as at the transaction date to work out the fair value (net present value) of the consideration as at the transaction date using cost of debt 5.2% for calculating cash consideration and WACC of 12.3% for completion shares. The fair value of the total consideration was calculated to be £10.6m.

At 31 March 2019, the actual EBITDA for the year and the fair value forecast EBITDA for March 2020 are assessed to be higher than the total EBITDA forecast calculated at completion date. The estimated consideration is £10.9m, a debit of £0.3m has been recognised in the statement of total comprehensive income in respect of the movement on the deferred contingent consideration liability.

Manifesto, founded in 2011, is a multi-award-winning, top 100 UK digital experience agency based in London. It provides user-centred services focused on creative design, as well as on the technical build and integration of digital products and services, particularly in terms of



content management and marketing automation. All members of the senior management team responsible for the strategic direction, technical development and day-to-day operations of Manifesto, have been retained within the business post-acquisition.

The reason for the acquisition was to increase the Group's creative design and digital experience offering and it complements the other subsidiaries within the Group.

<b>Manifesto</b>	<b>Book cost £'000</b>	<b>Fair value adjustments £'000</b>	<b>Fair value £'000</b>
<b>Intangibles</b>			
Brand	–	202	202
Customer lists	–	1,375	1,375
Software applications	2	–	2
<b>Tangible assets</b>			
Property, plant and equipment	248	–	248
<b>Current assets</b>			
Trade and other receivables	1,880	–	1,880
Cash and cash equivalents	1,708	–	1,708
<b>Current liabilities</b>			
Trade and other liabilities	(612)	–	(612)
<b>Non-current liabilities</b>			
Deferred tax	–	(275)	(275)
<b>Net assets</b>	<b>3,226</b>	<b>1,302</b>	<b>4,528</b>
Cash			1,843
Non contingent equity			1,200
Share issued (Contingent to performance until FY2020)			4,281
Contingent consideration (Equity)			3,296
Fair value of total consideration			10,620
<b>Goodwill</b>			<b>6,092</b>

Acquisition-related costs of £64k that were not directly attributable to the issue of shares are included in exceptional expenses in Consolidated Income Statement and in operating cash flows in the Statement of Cash Flows.

The trade and other receivables are all considered recoverable. The goodwill is related to assemble workforce and the high profitability of the acquired business. It will not be deductible for tax purposes.

#### e. Deeson

On 17 December 2018 the Company acquired the entire issued share capital of Deeson for an initial total consideration of £3.6m being £1.3m shares plus the value of the net current asset of Deeson at completion date and estimated deferred contingent consideration. The value of the net current assets was payable in cash totalling £1.8m and non-contingent shares of £0.15m. Further deferred contingent consideration of between clawback of initial shares and £0.6m may be payable, in shares, dependent upon the performance of Deeson post-acquisition. Similarly, there may be a partial or full clawback of the initial share consideration (excluding £150,000) in the event of underperformance of Deeson post acquisition. The deferred contingent consideration or clawback will be determined by reference to the forecast EBITDA for the 12 months ending 30 September 2019 and 31 September 2020 of the acquired business and applying the contingent deferred consideration formula as specified in the share purchase agreement. The total consideration is capped at £3.6m.

IFRS 3 requires that consideration to be measured at fair value. The total consideration (before calculating its fair value) of £3.6m is further analysed based on the timing of the consideration payments and an estimation of the contingent consideration likely payable as at the transaction date to work out the fair value (net present value) of the consideration as at the transaction date using cost of debt 5.2% for calculating cash consideration and WACC of 14.8% for completion shares. The fair value of the total consideration was calculated to be £3.5m.

# Notes to the Consolidated Financial Statements continued

At 31 March 2019, the actual EBITDA for the year and the fair value forecast EBITDA for September 2020 are assessed to be lower than the total EBITDA forecast calculated at completion date. The estimated consideration is £3.5m, a credit of £38k has been recognised in the Consolidated Statement of Income in respect of the movement on the deferred contingent consideration liability.

Deeson, based in UK is a digital agency specialising in high profile content-managed websites and digital products. The Acquisition will be integrated into Manifesto, an existing Group company, adding scale and providing a strong foothold in complementary verticals. Deeson has built a strong position in the media and culture industries, with clients including ITV, Robbie Williams, Royal Collection Trust and the Imperial War Museums. All members of the senior management team responsible for the strategic direction, technical development and day-to-day operations of Deeson, have been retained within the business post-acquisition.

The reason for the acquisition was to increase the Group's creative design and digital experience offering and complements the other subsidiaries within the Group.

<b>Deeson</b>	<b>Book cost £'000</b>	<b>Fair value adjustments £'000</b>	<b>Fair value £'000</b>
<b>Intangibles</b>			
Brand	–	60	60
Customer lists	–	395	395
<b>Tangible assets</b>			
Property, plant and equipment	29	–	29
<b>Current assets</b>			
Trade and other receivables	291	–	291
Cash and cash equivalents	2,019	–	2,019
<b>Current liabilities</b>			
Trade and other liabilities	(394)	–	(394)
<b>Non-current liabilities</b>			
Deferred tax	(5)	(80)	(85)
<b>Net assets</b>	<b>1,940</b>	<b>375</b>	<b>2,315</b>
Cash			1,782
Non contingent equity			150
Share issued (Contingent to performance until September 2020)			1,200
Contingent consideration (Equity)			422
Fair value of total consideration			3,554
<b>Goodwill</b>			<b>1,239</b>

Acquisition-related costs of £68k that were not directly attributable to the issue of shares are included in exceptional expenses in Consolidated Income Statement and in operating cash flows in the Statement of Cash Flows.

The trade and other receivables are all considered recoverable. The goodwill is related to assemble workforce and the high profitability of the acquired business. It will not be deductible for tax purposes.

## f. iDisrupted

On 11 January 2019 the Company acquired the entire issued share capital of iDisrupted for an initial total consideration of £50k shares. Further deferred contingent consideration may be payable, in shares, dependent upon the performance of iDisrupted post-acquisition. Similarly, there may be a partial or full clawback of the initial share consideration in the event of underperformance of iDisrupted post acquisition. The deferred contingent consideration or clawback will be determined by reference to the forecast EBITDA for the financial year ending 31 March 2020, 2021, 2022 and 2023 of the acquired business and applying the contingent deferred consideration formula as specified in the share purchase agreement.

IFRS 3 requires that consideration to be measured at fair value. The total consideration of £50k of shares were issued on day one of the transaction day and as such there is no discounting to net present value to be considered.

At 31 March 2019, the actual EBITDA for the year and the fair value forecast EBITDA for March 2021. The estimated consideration was £50k, with no movement on the deferred contingent consideration liability.

iDisrupted, founded in 2015, based in UK, publishes content on websites/magazines in the technology industry and provide collaborative membership in technology space through activities like events, talks and seminars. The Panoply Holdings has acquired iDisrupted with the intention for it to become a key marketing platform for its Group companies. Going forward, Group companies will be able to leverage content, sponsorship and advertising opportunities at limited or no cost. In order to preserve integrity and to maintain the high level of quality content it currently creates, iDisrupted will retain editorial independence.

	Book cost £'000	Fair value adjustments £'000	Fair value £'000
<b>iDisrupted</b>			
<b>Intangibles</b>			
Customer lists	–	4	4
Brand	–	186	186
Database	–	50	50
<b>Current assets</b>			
Trade and other receivables	72	–	72
Cash and cash equivalents	–	–	–
<b>Current liabilities</b>			
Trade and other liabilities	(195)	–	(195)
<b>Non-current liabilities</b>			
Loan	(24)	–	(24)
Deferred tax	–	(43)	(43)
<b>Net assets</b>	<b>(147)</b>	<b>197</b>	<b>50</b>
Shares issued (Contingent to performance until 2023)			50
Fair value of total consideration			50
<b>Goodwill</b>			<b>–</b>

The trade and other receivables are all considered recoverable.

Acquisition-related costs of £74k that were not directly attributable to the issue of shares are included in exceptional expenses in Consolidated Income Statement and in operating cash flows in the Statement of Cash Flows.

### g. Greenshoot Labs

On 11 February 2019 the Company acquired the entire issued share capital of Greenshoot Labs for an initial total consideration of £0.4m being the value of the net current asset of Greenshoot Labs at completion date (approximately £23k), payable in cash and estimated deferred contingent consideration. Further deferred contingent consideration may be payable, in shares, dependent upon the performance of Greenshoot Labs post-acquisition. The deferred contingent consideration will be determined by reference to the forecast EBITDA for financial year end 2019 and March 2020 of the acquired business and applying the contingent deferred consideration formula as specified in the share purchase agreement.

IFRS 3 requires that consideration to be measured at fair value. The total consideration (before calculating its fair value) of £0.4m is further analysed based on the timing of the consideration payments and an estimation of the contingent consideration likely payable as at the transaction date to work out the fair value (net present value) of the consideration as at the transaction date using cost of debt 5.2% for calculating cash consideration and WACC of 20% for completion shares. The fair value of the total consideration is calculated to be £0.2m.

At 31 March 2019, the actual EBITDA for the year and the fair value forecast EBITDA for March 2021. The estimated consideration is calculated at £0.2m, a debit of £7k has been recognised in the Consolidated Statement of Income in respect of the movement on the deferred contingent consideration liability.

Greenshoot Labs founded in 2017 based in UK is a provider of enterprise digital solutions using applied Artificial Intelligence ("AI") and conversational interfaces. Greenshoot Labs is the creator of OpenDialog, an open source framework for building enterprise automation services using applied AI and conversational interfaces. All members of the senior management team responsible for the strategic direction, technical development and day-to-day operations of Greenshoot Labs, have been retained within the business post-acquisition.

# Notes to the Consolidated Financial Statements continued

The reason for the acquisition was to provide the Group with capability in the AI and conversational interfaces sector.

<b>Greenshoot Labs</b>	<b>Book cost £'000</b>	<b>Fair value adjustments £'000</b>	<b>Fair value £'000</b>
<b>Intangibles</b>			
Brand	–	–	–
Customer lists	–	64	64
Software (own IP)	–	50	50
<b>Tangible assets</b>			
Property, plant and equipment	1	–	1
<b>Current assets</b>			
Trade and other receivables	34	–	34
Cash and cash equivalents	4	–	4
<b>Current liabilities</b>			
Trade and other liabilities	(14)	–	(14)
<b>Non-current liabilities</b>			
Deferred tax	–	(22)	(22)
<b>Net assets</b>	<b>25</b>	<b>92</b>	<b>117</b>
Cash (paid in April 2019)			23
Contingent consideration (Equity)			224
Fair value of total consideration			247
<b>Goodwill</b>			<b>130</b>

Acquisition-related costs of £74k that were not directly attributable to the issue of shares are included in exceptional expenses in Consolidated Income Statement and in operating cash flows in the Statement of Cash Flows.

The trade and other receivables are all considered recoverable. The goodwill is attributable to the high profitability of the acquired business. It will not be deductible for tax purposes.

## 8.1 Acquisitions post year end

The Panoply Holdings Plc acquired the entire issued share capital of FutureGov, a leader in digital service design for the public sector and health sector on the 11 June 2019. The initial consideration for the Acquisition was £11.8m, satisfied through the payment of circa £6m cash and the issue of 6,612,397 new ordinary shares in The Panoply. In addition, The Panoply also procured, on Completion, the repayment of loan notes issued by FutureGov to certain shareholders with a principal amount totalling £500,000 by FutureGov (the "Loan Notes").

Subject to the future EBITDA performance of FutureGov (based on EBITDA) during the 15 month period 1 January 2019 to 31 March 2020 (annualised) and 12 month period from 1 April 2020 to 31 March 2021, in addition to the Initial Consideration, the shareholders of FutureGov will be entitled to receive deferred earn-out consideration, of which 96% will be payable by the allotment and issue of shares in The Panoply ("Panoply Shares") and 4% in cash following the agreement of the relevant EBITDA calculations at the end of each of those financial periods. The number of Panoply Shares to be allotted and issued shall be calculated by dividing the earn-out price payable by a price per share in The Panoply which is the greater of 83.125 pence and the volume-weighted average mid-market price over the 30 business days prior to the issue of the relevant Panoply Shares. Any Panoply Shares allotted and issued by way of deferred consideration will be allotted and issued as follows:

- in four equal tranches over a 24-month period following the determination of the accounts in respect of the financial year ending 31 March 2019 and the publication of the Group's results for the same period; and
- in four equal tranches over a 24-month period following the determination of the accounts in respect of the financial year ending 31 March 2020 and the publication of the Group's results for the same period.

The total consideration payable by The Panoply in respect of the Acquisition is capped at a maximum of £21m.

All Panoply Shares allotted and issued under the SPA (including the shares issued as part of the Initial Consideration) are subject to customary lock-in arrangements and subject to claw-back by The Panoply if FutureGov's EBITDA decreases over the 2 year earn-out period.

The acquisition will significantly increase the Group revenue originating from the health and public sectors. 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.

Acquisition-related costs of £9k that were not directly attributable to the issue of shares are included in exceptional expenses in Consolidated Income Statement and in operating cash flows in the Statement of Cash Flows.

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

FutureGov Limited, company registration number 06472420 is incorporated in England and Wales. Its registered office is 20 St Thomas Street, Runway East (Second Floor), London, United Kingdom, SE1 9RG.

## 9. Goodwill and impairment

	Cost £'000	Accumulated impairment losses £'000	Carrying amount £'000
As at 1 April 2018	–	–	–
On acquisitions	<b>20,585</b>	–	20,585
As at 31 March 2019	<b>20,585</b>	–	20,585

When acquiring the entities during the year, the management concluded that there were seven cash generating units (CGU). One CGU for each entity.

### Impairment tests for goodwill

The value of CGUs is assessed according to the projected performance of the business. This is done by using discounted cash flow model 5 year and a terminal value, and reasonable growth rates and discount factors to determine the net present value of the investment.

Each year, management compares the resulting cash flow projections by CGU to the carrying value of goodwill. Any material variance in this calculation results in an impairment charge to the Consolidated Income Statement. The following table sets out the key assumptions for those CGUs that have significant goodwill allocated to them. Based on the impairment review carried out at the end of 31 March 2019, the management believe that the projection of cash flow from the CGUs exceeded the carrying value of the goodwill.

	Bene Agere	Not Binary	Questers	Manifesto	Deeson
Revenue (% annual growth rate)	15%	10%	10%	10%	5%
Pre-tax discount rate (%)	17.5%	17.5%	17.5%	17.5%	17.5%
Terminal multiplier	7	7	7	7	7

### Sensitivity analysis:

Management concluded that the key factor for sensitivity analysis is the growth rate (revenue). The discount factor is assumed to be easily determined by way of the known risk of the market and the cost of debt which is based on the credit facility from HSBC at 2.5% plus LIBOR. If the existing annual revenue for each entity fall or increase by the following growth rate shown in the table below, a CGU goodwill impairment is considered:

	Bene Agere	Not Binary	Questers	Manifesto	Deeson
Revenue (% annual growth rate)	(8%)	(1%)	5%	1%	(10%)

# Notes to the Consolidated Financial Statements continued

## 10. Intangible assets

Intangible assets are non-physical assets which have been obtained as part of an acquisition or research and development activities, such as innovations, introduction and improvement of products and procedures to improve existing or new products. All intangible assets have an identifiable future economic benefit to the Group at the point the costs are incurred. Customer lists and brands are amortised over a maximum period of six years from the date of acquisition.

Intangible assets	Brand £'000	Customer Lists £'000	Data base £'000	Software (IP) £'000	Software £'000	Total £'000
<b>Cost</b>						
At 20 December 2016 and 1 April 2018	–	–	–	–	–	–
Additions	–	–	–	–	–	–
Acquired on acquisition	1,051	4,400	50	50	2	5,553
<b>At 31 March 2019</b>	<b>1,051</b>	<b>4,400</b>	<b>50</b>	<b>50</b>	<b>2</b>	<b>5,553</b>
<b>Accumulated amortisation</b>						
At 20 December 2016 and 1 April 2018	–	–	–	–	–	–
Charge for the year	73	263	2	1	–	339
<b>At 31 March 2019</b>	<b>73</b>	<b>263</b>	<b>2</b>	<b>1</b>	<b>–</b>	<b>339</b>
<b>Impairment</b>						
At 20 December 2016 and 1 April 2018	–	–	–	–	–	–
At 31 March 2019	–	–	–	–	–	–
<b>Carrying amount</b>						
<b>At 31 March 2019</b>	<b>978</b>	<b>4,137</b>	<b>48</b>	<b>49</b>	<b>2</b>	<b>5,214</b>
At 31 March 2018	–	–	–	–	–	–

Included within the Group's intangible assets is:

	Useful life	March 2019 £'000	March 2018 £'000
Bene Agere – Brand	5 years	80	–
Bene Agere – Customer list	3 years	193	–
Not binary Ltd – Brand	5 years	275	–
Not binary Ltd – Customer list	5 years	1,798	–
Questers Resource Ltd – Brand	5 years	248	–
Questers Resource Ltd – Customer list	5 years	571	–
Manifesto Ltd – Brand	5 years	202	–
Manifesto Ltd – Customer list	6 years	1,375	–
Manifesto Ltd – software (domain)	3 years	2	–
Deeson Ltd – Brand	5 years	60	–
Deeson Ltd – Customer list	6 years	395	–
iDisrupted Ltd – Brand	2 years	186	–
iDisrupted Ltd – Customer list	5 years	4	–
iDisrupted Ltd – Database	5 years	50	–
Greenshoot Labs Ltd – Customer list	5 years	64	–
Greenshoot Labs Ltd – Software (Tech IP)	10 years	50	–
		<b>5,553</b>	–

## 11. Investment in subsidiaries

	Total £'000
<b>Cost</b>	
At 20 December 2016 and 1 April 2018	–
Additions	32,499
Disposals	–
<b>At 31 March 2019</b>	<b>32,499</b>
<b>Amounts written off</b>	
At 20 December 2016 and 1 April 2018	–
Written off during the year	–
<b>At 31 March 2019</b>	–
<b>Net book value</b>	
<b>At 31 March 2019</b>	<b>32,499</b>
At 31 March 2018	–

# Notes to the Consolidated Financial Statements continued

At 31 March 2019, the Company had the following subsidiaries:

Companies	Country of incorporation	Registered address	Principal activity	% shareholding
Bene Agere Norden AS	Norway	Postboks 573 Sentrum O105 Oslo	Strategic and management consultancy with a focus on digital transformation	100%
Not Binary Limited	England & Wales	141-143 Shoreditch High Street, London, E1 6JE	Digital service consultancy mainly in transformation, software development, data and automation	100%
Manifesto Digital Limited	England & Wales	141-143 Shoreditch High Street, London, E1 6JE	Digital experience agency	100%
Manifesto Digital Pty Limited	Australia	Manifesto Australia 7 Winton Street Warrawee NSW 2074	Digital experience agency	100% <sup>1</sup>
Questers Global Group Limited	England & Wales	141-143 Shoreditch High Street, London, E1 6JE	Holding company	100% <sup>2</sup>
Questers Resourcing Limited	England & Wales	141-143 Shoreditch High Street, London, E1 6JE	Provides dedicated highly skilled IT teams from its technology centre in Sofia, Bulgaria, a leading European talent pool, to businesses located in Europe and worldwide	100%
Questers Bulgaria EOOD	Bulgaria	Sofia, 17 H. Ibsen Str., fl.5 BG175406553	Bulgaria, a leading European talent pool, to businesses located in Europe and worldwide	100%
Questers Techpark RS Limited	Serbia	Beograd-Zemun Živka petrovića 52 11080 Beograd-Zemun	Dormant	100%
Deeson Group Holdings Limited	England & Wales	27 Castle Street, Canterbury, Kent, CT1 2PX	Holding company	100%
Deeson Group Limited	England & Wales	27 Castle Street, Canterbury, Kent, CT1 2PX	Digital experience agency	100%
iDisrupted Limited	England & Wales	Platform, New Station Street, Leeds, LS1 4JB	Publish content on websites/magazines in the technology industry and provide collaborative membership in technology space	100%
Greenshoot Labs Limited	England & Wales	27 Castle Street, Canterbury, Kent, CT1 2PX	IT development mainly in conversational interfaces and AI	100%
Human Plus Limited	England & Wales	141-143 Shoreditch High Street, London, England, E1 6JE	IT focus in Robotic Process automation (RPA).	100% <sup>3</sup>

<sup>1</sup> Manifesto Digital UK owns 100% Manifesto Australia

<sup>2</sup> Questers Global Group Limited fully own Questers Resourcing Limited, Questers Techpark and Questers Bulgaria

<sup>3</sup> Started trading from 1 April 2019



## 12. Property, plant and equipment

	IT equipment £'000	Fixtures & Fittings £'000	Leasehold Improvements £'000	Total £'000
<b>Cost of assets</b>				
At 20 December 2016 and 1 April 2018	–	–	–	–
Acquisition of subsidiaries	67	43	185	295
Additions	25	8	–	33
Disposals	(46)	(1)	–	(47)
<b>At 31 March 2019</b>	<b>46</b>	<b>50</b>	<b>185</b>	<b>281</b>
<b>Depreciation</b>				
At 20 December 2016 and 1 April 2018	–	–	–	–
Charge for the year	14	8	23	45
Disposal	(44)	–	–	(44)
<b>At 31 March 2019</b>	<b>(30)</b>	<b>8</b>	<b>23</b>	<b>1</b>
<b>Net book value</b>				
<b>At 31 March 2019</b>	<b>76</b>	<b>42</b>	<b>162</b>	<b>280</b>
At 31 March 2018	–	–	–	–

## 13. Leases

### 13.1 Operating leases

The Group's minimum non-cancellable lease payments relate to properties as follows:

Properties	Due within 1 year £'000	Due between 1 and 5 years £'000	Due after more than 5 years £'000	Total £'000
<b>At 31 March 2019</b>	<b>564</b>	<b>1,007</b>	–	<b>1,571</b>
At 31 March 2018	–	–	–	–

## 14. Trade and other receivables

Group	2019 £'000	2018 £'000
Trade receivables	3,426	7
Prepayments	176	–
Other receivables	316	–
Trade and other receivables	3,918	7

Trade receivables at the reporting date comprise amounts receivable from the provision of the Group's products and services.

The average credit period taken on the provision of these services is 56 days (2018: Nil days).

At 31 March 2019 trade receivables amounting to £3.4m (2018: £Nil) net of the provision of bad debt.

The breakdown of the trade receivables by currency is explained under financial instrument section.

# Notes to the Consolidated Financial Statements continued

Trade receivables are non-interest bearing and generally have a 30-day payment term. The age of trade receivables before impairment is as follows:

	2019 £'000	2018 £'000
Not yet due	2,310	–
Past due 1-30 days	718	–
Past due 31-60 days	242	–
Past due 61-90 days	10	–
Past due 91-120 days	246	–
Past due 121+ days	–	–
Trade receivables before impairment	3,526	–
Provision for bad debt	(100)	–
Trade receivables as at March	3,426	–

Loss rates are calculated based on actual credit losses over the past three years and adjusted to reflect differences between the historical credit losses and the Group's view of the economic conditions over the expected lives of the receivables. The Group's provision for the loss allowance is £100k (2018: £Nil).

Company	£'000	£'000
Trade receivables	–	6
Other receivables	21	1
Trade and other receivables	21	7

## 15. Cash and cash equivalents

Group	2019 £'000	2018 £'000
Cash at bank and in hand	5,650	126

Cash balances are held with a small number of counterparties, with high credit rating. There were no borrowing facilities in place at 31 March 2019.

Company	2019 £'000	2018 £'000
Cash at bank and in hand	2,762	126

The directors consider that the carrying amount of these assets is a reasonable approximation of their fair value. The credit risk on liquid funds is limited because the counterparty is a bank with a high credit rating.

## 16. Trade and other payables

### 16.1 Current

Group	2019 £'000	2018 £'000
Trade payables	1,061	121
Accruals and other payables	1,149	33
Total	2,210	154

<b>Company</b>	<b>2019 £'000</b>	<b>2018 £'000</b>
Trade payables	57	121
Accruals and other payables	253	33
Total current liabilities	310	154

## 16.2 Non-current

<b>Group</b>	<b>2019 £'000</b>	<b>2018 £'000</b>
Deferred and contingent consideration on acquisition of subsidiaries (Note 19)	8,292	–
Deferred tax (Note 21)	925	–
Total non-current liabilities	9,217	–

<b>Company</b>	<b>2019 £'000</b>	<b>2018 £'000</b>
Deferred consideration on acquisition of subsidiaries (Note 19)	8,292	–
Total non-current liabilities	8,292	–

## 17. Assets and liabilities related to contracts with customers

All revenue relates to contracts with customers. The Group have a number of contracts where it receives payments from customers based on a billing schedule. 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.

<b>Group</b>	<b>2019 £'000</b>	<b>2018 £'000</b>
Opening balance	–	–
Current contract asset	232	–
Loss allowance	–	–
Total contract asset	232	–

<b>Group</b>	<b>2019 £'000</b>	<b>2018 £'000</b>
Opening balance	–	–
Contract liability	406	–
Total contract liability	406	–

All contract assets and contract liabilities movements are from business combinations in the year.

### Revenue recognised in relation to contract liabilities

The following table shows how much of the revenue recognised in the current reporting period relates to carried-forward contract liabilities and how much relates to performance obligations that were satisfied in a prior year:

<b>Group</b>	<b>2019 £'000</b>	<b>2018 £'000</b>
Revenue recognised that was included in the contract liability taken over on acquisition	126	–
Revenue recognised from performance obligations satisfied in previous periods	–	–

### Unsatisfied long-term contracts

The majority customer contracts for the Group as at 31 March 2019 are 12 months or less. Long term contracts with unsatisfied performance obligations as at 31 March 2019 is £486k (2018: £Nil). Management expects that 92 % (£450k) of transaction price allocated to long-term contract as of 31 March 2019 will be recognised as revenue in the financial year 2020.

# Notes to the Consolidated Financial Statements continued

## 18. Other taxes and social security costs

<b>Group</b>	<b>2019</b>	<b>2018</b>
<b>Current Liability</b>	<b>£'000</b>	<b>£'000</b>
Corporation tax	609	–
VAT	573	–
Other taxes and social security costs	357	3
<b>Total</b>	<b>1,539</b>	<b>3</b>
	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
<b>Current Asset</b>		
VAT	–	34
<b>Total</b>	<b>–</b>	<b>34</b>

### Company

During the year the Company has current tax liability and current tax asset as shown below:

<b>Current Liability</b>	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Other taxes and social security costs	19	3
<b>Total</b>	<b>19</b>	<b>3</b>

### Company

<b>Current Asset</b>	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
VAT	137	34
<b>Total</b>	<b>137</b>	<b>34</b>

## 19. Gain/loss on the fair value movement of deferred and contingent consideration

The consideration payment of the acquired businesses includes deferred consideration, in the form of equity payment, contingent upon certain results being achieved over relevant periods.

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Initial fair value on acquisition for deferred contingent consideration	10,795	–
Movement on fair value contingent consideration	54	–
Fair value at 31 March	10,849	–
Deferred consideration measured at amortised cost	713	–
<b>Total</b>	<b>11,562</b>	<b>–</b>
Deferred and contingent consideration as at 31 March:		
Deferred and contingent consideration due more than one year	3,270	–
Deferred and contingent consideration due more than one year	8,292	–
<b>As at 31 March</b>	<b>11,562</b>	<b>–</b>

The fair value movement resulted from the fair value of the actual EBITDA to what was initially forecasted as part of the consideration. This is further explained in Note 8 (iii). The contingent consideration more than one year has a range of years due from 31 March 2021 to 31 March 2023.

## 20. Share capital and reserves

Share capital and reserves comprise of the following categories:

- Share capital: The nominal value of shares in issue.
- Share premium: The excess of the value received for shares issued over their nominal value less transaction costs and amounts used to fund bonus issues.
- Capital redemption reserve: The nominal value of shares cancelled.
- Foreign exchange reserve: Cumulative gains or losses recognised on retranslation of overseas operations.
- Share option reserve: The cumulative charge recognised under international financial reporting standards less amounts exercised.
- Retained earnings: Cumulative gains or losses not recognised elsewhere.

Shares issued and fully paid

	2019 £'000	2018 £'000
Beginning of year	–	–
Issued during year	423	–
Shares issued and fully paid	423	–

Share capital allotted, called up and fully paid

	2019	2018
Ordinary shares of £0.01p each		
At 31 March	42,295,147	10,500

Movement in ordinary shares	Number of shares thousands	Par value £'000	Share premium £000	Total £000
Opening balance 1 April 2018	10.5	–	490	490
Share issue during the year (between May 18 to November 18)	13.8	–	660	660
Bonus shares (October 18 and November 18)	15,502	155	(155)	–
Share cancellation (October 18)	(481)	(5)	–	(5)
Shares at placing (IPO) (December 18)	6,757	68	4,932	5,000
Acquisition of subsidiaries (between December 18 to January 2019)	20,493	205	15,106	15,311
Less transaction costs arising on share issues		–	(254)	(254)
As at 31 March 2019	42,295	423	20,779	21,202

Bonus shares were issued twice during the year. The first bonus shares were issued on the 16 October 2018 (480:1) totalling 5,472, and on the 23 November 2018 (2:1) totalling 10,030. Share price at placing was at 74 pence. The share price with reference to acquisition of subsidiaries ranging from 74 pence to 87.5 pence.

# Notes to the Consolidated Financial Statements continued

## 21. Deferred tax

### Deferred tax liability

Accelerated capital allowances and intangible assets arising from acquisition of subsidiaries:

	2019 £'000	2018 £'000
As at 1 April	–	–
Deferred tax arising from acquisition of subsidiaries	989	–
Movement in income statement for the year	(64)	–
As at 31 March	925	–

Deferred tax is recognised at 17% (2018: 17%).

### Deferred tax asset

Accelerated capital allowances:

	2019 £'000	2018 £'000
As at 1 April	–	–
Deferred tax arising on acquisition of subsidiaries	(3)	–
Movement in income statement for the year	17	–
As at 31 March	14	–

	2019 £'000	2018 £'000
<b>Tax losses</b>		
Unused tax losses for which no deferred tax asset has been recognised	1,500	304
Potential tax benefit available for offset against future profits in the jurisdiction in which the loss arises.	533	109

## 22. Ultimate controlling party and related party transactions

In the opinion of the Directors there is no ultimate controlling party. All other transactions and balances with related parties, which are presented for the Group and the Company, are detailed below.

### Transactions with subsidiaries

#### (i) Transaction Company (to and from) subsidiaries:

Transactions with subsidiaries comprise sale and purchase of services in the ordinary course of business at normal commercial terms. Total income accrued in the Company as a result of management fee was £365k (2018: £Nil). During the year the Company received £5m dividends from its subsidiaries (refer to Company statement of cash flow). There was also purchases totalling £2k (2018: £Nil). Intercompany loan to subsidiaries for the year was £263k (2018: £Nil).

Balances outstanding at 31 March 2019 and 2018 in respect of the transactions between Company and its subsidiaries are shown below:

	2019 £'000	2018 £'000
<b>Outstanding balances between Company and subsidiaries</b>		
Other receivables from Group companies	365	–
Intercompany loans*	263	–
Total	628	–

\* Intercompany loans were for subsidiaries towards the end of March 2019. These are repayable on demand. The Board will assess the repayable terms such as interest, and event of default requirement in the next financial year.

In addition the Company owed £8k (2019: £Nil) to a subsidiary which is included within trade payables.

#### (ii) Transaction amongst subsidiaries:

Transactions with subsidiaries comprise sale and purchase of services in the ordinary course of business at normal commercial terms. Total intercompany sales excluding to parent Company were £58k (2018: £Nil).

### Transactions with Directors

Details of Directors' interests in the Company's shares, service contracts and remuneration are set out in the report of the Board to the members on Remuneration report on pages 40 and 41.

During the year ending 31 March 2019 the Group paid Growth Company FD Limited (a company controlled by Oliver Rigby) consulting fees totalling £62,664 (2018: £79,000) which have been included within directors' remuneration. Neal Gandhi received a director's loan for £50k from its subsidiary, Questers Resourcing Limited which was outstanding as at 31 March 2019.

During the period the Group acquired Not Binary Limited. Neal Gandhi and Oliver Rigby owned shares in Not Binary Limited totalling 5 per cent and 1 per cent respectively. The fair value of deferred contingent consideration shares due to the directors is valued at £342k (£143k being deferred consideration less than one year and £199k due from 31 March 2021 to 31 March 2022). During the period the Group acquired Questers Global Group Limited. Neal Gandhi owned shares in Questers Global Group Limited totalling 46.2 per cent. The fair value of deferred contingent consideration shares due to the him is valued at £350k (£350k being deferred consideration due from 31 March 2021 to 31 March 2023).

## 23. Financial instruments

In common with other businesses, the Group is exposed to risks that arise from its use of financial instruments. This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them. The significant accounting policies regarding financial instruments are disclosed in Note 2.

### Principal financial instruments

The principal financial instruments used by the Group, from which financial instrument risk arises, are as follows:

- Trade and other receivables
- Cash and cash equivalents
- Trade and other payables

The book values of the financial instruments (excluding equity shares) used by the Group, from which financial risk arises, are as follows:

#### Group

	2019 £'000	2018 £'000
<b>Financial assets at amortised cost*</b>		
Trade receivables	3,426	6
Prepayments and other receivables	492	1
Contract asset	232	–
Cash and cash equivalent	5,650	126
As at 31 March	9,800	133

Financial assets at amortised cost include the following debt investments:

	2019 £'000	2018 £'000
Loans to related parties	50	–
Loans to key management personnel	–	–
As at 31 March	50	–

\*The fair value of financial assets carried at amortised cost approximates to the carrying amounts because of the short maturity of these instruments.

	2019 £'000	2018 £'000
<b>Financial liabilities at amortised cost less than one year</b>		
Trade payables	1,061	121
Other payables	660	1
Accruals	489	32
Deferred consideration	713	–
As at 31 March	2,923	154

# Notes to the Consolidated Financial Statements continued

## Company

	2019 £'000	2018 £'000
<b>Financial liabilities at amortised cost due on demand or within 1 year</b>		
Trade payables	57	121
Accruals and other payables	253	33
Deferred consideration	713	–
As at 31 March	<b>1,023</b>	154

## Fair value measurement

Financial instruments in the category “fair value through profit or loss” are measured in the Consolidated Statement of Financial Position at fair value. Fair values of financial instruments are recognised and measured of measurements are disclosed by level of the following fair value measurement hierarchy:

- Level 1 – Quoted prices (unadjusted) in an active market for identical assets or liabilities
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for assets or liability, either directly (that is, as prices) or indirectly (that is, derived from prices)
- Level 3 – Inputs for asset or liability that are not based on observable market data (that is unobservable inputs)

The following table presents the Group's assets and liabilities that are measured at fair value at 31 March 2019:

	2019			2018		
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
Contingent consideration (See below)	–	–	<b>10,849</b>	–	–	–

Reconciliation for level 3 is shown below:

	2019 £'000	2018 £'000
Opening balance	–	–
Additions	<b>10,795</b>	–
Fair value movement deferred contingent consideration (reflect in Consolidated Statement of Income)	<b>54</b>	–
Deferred contingent consideration (See Note 19)	<b>10,849</b>	–

## 24. Risk management

The Group finances its activities through equity and bank financing. No speculative treasury transactions are undertaken, and no derivative contracts were entered into. Financial assets and liabilities include those assets and liabilities of a financial nature, namely cash and borrowings. The Group is exposed to a variety of financial risks arising from its operating activities, which are monitored by the Directors and are reported in the principal risks and uncertainties contained within the Strategic Report on pages 30 and 31.



## 24.1 Cash and liquidity risk

The Group seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. The Group policy throughout the year has been to ensure continuity of funding by a combination available bank facility and the issue of equity. The following table shows the contractual maturities of financial liabilities measured at amortised cost.

Contractual maturities of financial liabilities at 31 March 2019:

	Group			Company		
	6 months or less £'000	6 to 12 months £'000	Total contractual cash flows £'000	6 months or less £'000	6 to 12 months £'000	Total contractual cash flows £'000
Trade and other payables	2,152	58	2,210	255	55	310
Deferred consideration (Note 19)	713	–	713	713	–	713
	2,865	58	2,923	968	55	1,023

Contractual maturities of financial liabilities at 31 March 2018:

	Group			Company		
	6 months or less £'000	6 to 12 months £'000	Total contractual cash flows £'000	6 months or less £'000	6 to 12 months £'000	Total contractual cash flows £'000
Trade and other payables	154	–	154	154	–	154

## 24.2 Capital risk management

The Group's policy on capital structure is to maintain a level of gross cash available, which the Board considers to be adequate to fund a range of potential EBITDA movements, taken from a series of business projections and scenarios. Based on these business projections, the Board believes it has sufficient cash resources at its disposal to pursue its chosen strategy of maximising shareholder returns from its customer base.

The Group manages its capital to ensure that trading entities in the Group will be able to continue as going concerns, while maximising the returns to shareholders through the organisation of cash and equity balances. The capital structure of the Group consists of cash at bank and in hand and equity attributable to equity holders of the parent, comprising issued share capital, reserves and retained earnings as disclosed in the Consolidated Statement of Changes in Equity on page 55.

The Directors seek to promote recurring revenues to a wide range of business customers, to reduce the risks associated with fluctuations in the UK economy and to increase the long-term value to customers and shareholders.

The declaration and payment by the Group of any future dividends on the Ordinary Shares and the amount will depend on the results of the Group's operations, its financial condition, cash requirements, future prospects, profits available for distribution and other factors deemed to be relevant at the time.

In line with the Board's confidence for the second half of March 2020 and in line with the Admission Document, the Directors envisage that the Group will pay dividends following the conclusion of the results for the financial year ended 31 March 2020.

The Board will regularly review the appropriateness of its dividend policy.

In order to maintain or adjust the capital structure, the Group may adjust the amount of any pay-outs to the shareholders, return capital to the shareholders, issue new shares and make borrowings or sell assets to reduce debt.

## 24.3 Credit risk

The Group's policy is to monitor trade and other receivables and avoid significant concentrations of credit risk. The principal credit risk arises from trade receivables. Aged receivables reports are reviewed monthly as a minimum. The credit control function follows a policy of sending reminder letters that start once an invoice is over 30 days overdue. These culminate in a legal letter with the threat of legal action. In a limited number of cases, legal action has been pursued. An aged analysis of receivables is shown in Note 14 to the financial statements.

# Notes to the Consolidated Financial Statements continued

To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- internal credit rating
- external credit rating (as far as available) for example using local Trade register
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the trade debtors' ability to meet its obligations
- any significant changes in the trade debtors' parent company and its ultimate control party
- significant changes in the expected performance and behaviour of the trade debtors, including changes in the payment status of trade debtors in the group and changes in their operating results

In line with IFRS 9, the Group assesses the credit risk balances at each reporting date, to assess whether the credit risk on a financial instrument has increased significantly since initial recognition. The simplified approach has been applied to measure the loss allowance at an amount equal to the lifetime expected credit loss (ECL) at initial recognition and throughout its life. The credit risk is assessed by reviewing the contract income amount compared to the amount subsequently recovered. The Group does not identify specific concentrations of credit risk with regards to trade and other receivables, as the amounts recognised represent a large number of receivables from various customers, including some government authorities. Assessment of the average expected credit loss across the group is deemed to be nil over a period of 36 months to 31 March 2019 with the exception of Questers. The bad debt provision as at 31 March 2019 was assessed to be £0.1m. Trade receivables are stated net of an impairment for estimated irrecoverable amounts of £3.4m (2018: £Nil). This impairment has been determined by reference to known issues. Write-offs are made when the irrecoverable amount becomes certain. During the year £0.2m of bad debt was written off against the provision which relates to pre-acquisition of Questers. The Group's main risk relates to trade receivables which are stated net of the provisions above. No collateral is held as security against these debtors and the carrying value represents the fair value.

The expected loss rates are based on the payment profiles of sales over a period of 36 months before 31 March 2018 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The group has identified that the GDP and the unemployment rate of the countries in which it sells its goods and services are the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

## 24.4 Foreign currency risk

The Group's main foreign currency risk is the short-term risk associated with accounts receivable and payable denominated in currencies that are not the subsidiaries functional currency. The risk arises on the difference in the exchange rate between the time invoices are raised/received and the time invoices are settled/paid. For sales denominated in foreign currencies the Group will try to ensure that the purchases associated with the sale will be in the same currency. Most monetary assets and liabilities of the Group were denominated in pound sterling except for the following currency in the table below, and which are included in the financial statements at the sterling value based on the exchange rate ruling at the Statement of Financial Position date.

Sensitivity analysis in foreign exchange rates show an increase or decrease by 10% with all other variables held constant, the net assets attributable to shareholders would increase or decrease by approximately £208k (2018: £Nil).

The maximum exposure to foreign currency risk for the Group trade receivables at the reporting date was:

	2019 £'000	2018 £'000
Norwegian Krone (NOK)	230	–
European Union currency (EUR)	–	–
Australian Dollar (AUD)	–	–
As at 31 March	230	–

The maximum exposure to foreign currency risk for Group cash and cash equivalent at the reporting date by was:

	2019 £'000	2018 £'000
European Union currency (EUR)	15	–
Norwegian Krone (NOK)	1,064	–
Australian Dollar (AUD)	56	–
Bulgarian Lev (BGN)	38	–
Serbian Dinar (RSD)	1	–
United States of America Dollar (USD)	21	–
As at 31 March	<b>1,195</b>	–

The maximum exposure to foreign currency risk for the Group trade and other payables at the reporting date was:

	2019 £'000	2018 £'000
NOK	336	–
AUD	3	–
RSD	1	–
BGN	310	–
As at 31 March	<b>650</b>	–

## 25. Post-balance sheet events

Human Plus Limited, a subsidiary of Notbinary, started trading from 1 April 2019. The company specialises in robotic process automation (RPA).

The Panoply Holdings Plc acquired FutureGov on the 11 June 2019 and further details are disclosed in note 8.1.

The Panoply has entered into a three year £5m revolving credit facility with HSBC (the "RCF Facility") pursuant to which £3.55m has already been drawn down now to pay a proportion of the cash consideration payable pursuant to the FutureGov acquisition. 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 interest rate is LIBOR + margin 2.5%.

## 26. First-time adoption of IFRS

These are the Group's first Consolidated Financial Statements prepared in accordance with International Financial Reporting Standards (IFRS). The date of transition to IFRS is 1 April 2018.

The Group's IFRS accounting policies presented in note 1 have been applied in preparing the financial statements for the year ended 31 March 2019, the comparative information and the opening statement of financial position at the date of transition.

The Group has applied *IFRS 1 First-time Adoption of International Financial Reporting Standards* in preparing these first IFRS consolidated financial statements. At the point of transition, The Panoply Holdings Plc was a single trading entity with no subsidiaries, reporting under FRS 102. Therefore, the effects of the transition to IFRS presented in this section relates to the parent company only. There is no impact on equity, total comprehensive income and reported cash flows at the point of transition to IFRS.

### 26.1 First-time adoption exemptions applied

Upon transition, IFRS 1 permits certain exemptions from full retrospective application. The exemptions adopted by the Group are set out below:

- The Group has used estimates under IFRS that are consistent with those applied under previous GAAP unless there is objective evidence those estimates were in error.

# Notes to the Consolidated Financial Statements continued

## 26.2 Presentation differences

Certain presentation differences between previous GAAP and IFRS have no impact on reported profit or total equity.

Some line items are described differently (renamed) under IFRS compared to previous GAAP, although the assets and liabilities included in these line items are unaffected. These line items are as follows (with previous GAAP descriptions in brackets):

- Trade and other receivables ('Other debtors')
- Other taxes ('VAT receivable')
- Trade and other payables ('Trade creditors' and 'Other creditors') \*
- Other taxes and social security costs ('Other creditors') \*

\* Under previous GAAP, the Group did not present the line item 'Trade and Other Payables'. 'Trade and other payables' were presented as 'Trade creditors' and 'Other creditors' which included other taxes and social security costs. Under IFRS, the other taxes and social security costs are included in a separate line item, 'Other taxes and social security costs'.

## 27. Non-cash investing & financing activities

Non-cash investing & financing activities disclosed are:

- Partial settlement of a business combination through the issue of shares – refer to Business combination note 8
- Deferred settlement of a business combination through the issue of shares – refer to Business combination note 8

# Directors, Secretary and Advisers

## Directors

**Mark Smith**  
Non-Executive Chairman

**Chris Sweetland**  
Non-Executive Director

**Isabel Kelly**  
Non-Executive Director

**Neal Gandhi**  
Chief Executive Officer

**Oliver Rigby**  
Chief Financial Officer

## Secretary

Oliver Rigby

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