

Altitude Group plc

("Altitude", the "Company" or the "Group")

UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022

Altitude Group plc (AIM: ALT), the operator of a leading marketplace for the global promotional products industry, is pleased to announce its unaudited interim results for the six months to 30 September 2022 ("HY23").

As reported on 22 November 2022, the Group delivered on its strategy experiencing continued robust trading via expansion of its Services and Merchanting programmes and, as a result of the strong underlying business performance, the Board announced that the Group is on track to achieve record year-end results.

Financial Highlights

- Group revenues increased by 29.3% to £7.7 million (HY22: £5.9 million)
- Services revenue grew by 36.5% reflecting the strong performance of our AIM network
- Merchanting revenue grew by 22.8% reflective of new signings and onboarding of high-quality affiliates
- Gross profit increased 39.5% to £3.9 million (HY22: £2.8 million)
- Gross margin of 51.4% (HY22: 47.7%) is reflective of blended revenues across the Group's programmes
- Group adjusted operating profit* increased in HY23 by 50.5% to £0.76 million (HY22: £0.51 million)
 - At constant currencies the group delivered growth of 26.2%
 - HY23 profitability growth achieved without the benefit of the HY22 £0.50 million of US Government Employee Retention Credit
 - Adjusted operating profit* before central costs increased 28.9% to £1.50 million (HY22: £1.17 million)
- Adjusted basic earnings per share** increased by 145% to 0.44 pence (HY22: 0.18 pence)
- Net operating cash flow before exceptional items increased by £1.60 million to £0.44 million inflow (HY22: outflow of £1.16 million)
- The Group's balance sheet remains strong and working capital movements are within seasonal expectations
- Group credit facility of \$0.7 million (HY22: \$nil) remains undrawn with a cash position of £0.81 million (HY22: £0.75 million)

* *Operating profit before share-based payment charges, amortisation of intangible assets, depreciation of tangible assets and exceptional charges*

** *Adjusted basic earnings per share from continuing operations is calculated using profit after tax but before share-based payment charges, amortisation of acquired intangible assets and exceptional charges with the weighted average number of equity voting shares in issue*

Highlights & Key Corporate Developments

Strong HY23 underlying business performance across key Services and Merchanting programmes

Technology:

The Group's technology and teams are built for scalable growth and our agile approach in technology development has proven beneficial delivering:

- The platform is geared for scalability and is attracting high-value, high quality users
- The Group recently signed a new partnership agreement with United Franchise Group ("UFG") to provide technology solutions to its promotional product franchise division Fully Promoted
- 524 distributors adopting the AIM Tech Suite for search and order creation, a 10% increase from FY 2022
- The launch of 2,658 unique webstores to date

Services:

- 36.5% growth in Services revenue in HY23 driven by a combination of increased activity and throughput revenue, additional upsell into the AIM membership and favourable exchange rates
- Excellent AIM member in-network preferred partner sales during the period, driving underlying growth of 31% through the Groups preferred partner network, sharply higher than the ASI reported distributor growth of c13%

Merchanting:

- Merchanting programmes have shown strong growth from the solid platform built from FY22
- An additional c. \$6 million in new expected annualised revenue within the Group’s core Merchanting programmes, proven to be commercially attractive and gaining traction across both AIM Capital Solutions (“ACS”) and our adjacent market programme

Group:

- The Group benefits from an advantageous exchange rate and has not experienced any negative impact to date from the current macro-economic turbulence
- The Board remains cognisant of the macro-economic uncertainty and the potential impact on the business although remains cautiously optimistic
- Continued robust growth anticipated into second half of the year with new partner agreements signed across all key programmes and a growing new business pipeline

Nichole Stella, Group CEO of Altitude, said:

“In the first six-months of the current financial year, the Group experienced a robust performance across key Services and Merchanting programmes showing significant growth on the same period last year. The continued strong, consistent, and upward momentum in the performance of the business in both revenue and profit growth demonstrates the Group’s ability to execute on its strategy. Based on the performance in the year to date, the Board was pleased to announce on 22 November 2022 that the Group is on track to achieve record year-end results. With continued focus on scaling the business and a healthy new business pipeline, the Group is well placed for accelerated future growth, and the Board is confident in the long-term success of the business and its positive outlook for the future.”

Enquiries:**Altitude Group plc**

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Chief Executive's statement

Interim results for the 6 months ended 30 September 2022

It's been a great first half to the financial year for the Group, posting gains across all Services and Merchancing programmes. The success across the entire Group has been powered by the talented and passionate Altitude team, with our continued investment in culture, team, technology and scalability throughout the pandemic and beyond, proving to have been successful.

Our continued focus on execution resulted in an overall Group revenue increase of 29.3% to £7.7 million (HY22: £5.9m) and an adjusted operating profit* increase of 50.5% to £0.76 million (HY22: £0.51 million***).

The Group's prior investments in a flexible technology platform and business infrastructure has delivered a powerful foundation and an immediate springboard to scalable future growth in both revenue and profit. Given our investment in technology and talent, we are confident in our ability to scale the business. Our Services and Merchancing programmes both have strong business development pipelines and, the Group has continued to expand with new partner agreements signed across all key programmes.

Who We Are

Altitude is a technology company and has developed an industry specific marketplace which provides various design tools, applications, and web site pop-up stores for promotional product distributors and suppliers. We have developed a robust e-commerce enabled and scalable trading platform that facilitates the execution of both offline and online promotional product transactions. This gives us the ability to generate revenue based on the transactional throughput both inside and outside our platform. The Group's technology combined with an experienced team and proven service offerings delivers in-industry scalable growth opportunities and expansion into adjacent markets. We deliver products and services in two distinct areas - Services and Merchancing. Services is comprised of technology and software applications, membership subscriptions, preferred partner programmes, and marketing services programmes. Our Merchancing programmes include our affiliate programme, ACS and our adjacent market programme, where the Group is the principal in the sale of promotional products.

What We Do

We deliver Services to our members, affiliates and preferred partners that helps them to drive sales growth, increase cost savings and improve their efficiency and ease of doing business. Our Merchancing teams drive scalable growth on sales, ensuring we have the right products available for fulfilling our customers' needs, effective and seamless processing of orders and tight working capital management.

Services

In addition to our marketplace platform, the Group delivers highly sought-after business benefits to members and affiliates such as:

- Preferred Partner pricing benefits
- Freight programmes and shipping discounts
- Community & networking opportunities
- Education & professional development
- Expanded marketing services, products and tools

The Group derives subscription fee revenue from providing a broad range of services to distributors including supplier relations services, negotiated group discounts, events and exhibitions, catalogues, artwork services and marketing programmes.

In HY23, the Group achieved Global AIM membership of 2,425 (HY22: 2,200) with average US distributor revenue of c.\$1.3 million pa (HY22: c.\$1.1 million) and aggregate member revenue rising to c.\$2.8 billion per self-certification (HY22: \$2.6 billion).

We continue to enjoy strong relationships with our key partners and have retained 100% of them throughout HY23.

Our Services revenue showed strong growth in HY23, growing by 36.5%, reflecting a robust performance across our AIM network and growth in sales across our preferred partners.

Merchancing

Affiliate Programme / AIM Capital Solutions

The Group recruits high-calibre sales professionals to affiliate with the Group via its ACS programme which:

- Enables Affiliates to focus on sales activities, which is their skillset, and to become part of a corporate business driving growth and profitability, which is our skillset, which helps them exceed their stand-alone potential
- Full utilisation of technology is both advantageous and mandatory
- Provides scalable expansion and growth back to the Group

Our strategic approach in agile technology development, creating collaborative environments, engaging culture and core capabilities in the promotional product industry have made this programme attractive to high-caliber, respected distributor sales professionals. In the period the Group's Merchandising revenue grew by 22.8% reflective of new signings and onboarding of high-quality affiliates. With a strategic focus on high-caliber sales professionals, the Group added over \$5 million in expected annualised revenue in HY23 within the ACS division.

Adjacent Markets

The Group continues to expand services into adjacent markets to offer its services in the education sector by delivering our comprehensive technology stack, increasing our marketplace and e-commerce solutions, and by the constant upgrade of our supply chain and merchandising capabilities in this non-competing adjacent market. In HY23 the Group further developed this adjacent market by adding 3 new partners and investing in strengthening its pipeline, programmes and services. The Group anticipates continued growth in this sector and also looks to additional adjacent markets such as print, uniform and signage industries to drive growth.

Technology

In 2020, we instituted an agile approach, not only across our technology development but across the business as a whole. This approach, embracing collaboration and continuous improvement, has allowed us to future-proof our tech stack, be deliberately innovative, and scale the business while building a culture of trust and engagement across our preferred partners, members, and affiliate communities.

Altitude's technology platforms continue to be the centre of all the Group's activities on both the Services and Merchandising segments of the business. The Group continues to invest in its platforms to ensure we drive efficiency, data insights and best-in-industry integrations and systems. Throughout HY23 there has been a core focus on driving efficiencies for both users and internal processes in line with increasing usage and volumes of orders being processed through the AIM Tech Suite and ACS platforms. Multiple Supplier Partner integrations are now live providing real-time passage of data between Members using the technology and industry Suppliers systems; syncing product inventory, orders, and statuses to provide enhanced visibility and reduced manual efforts across the supply chain. The launch of the AIM Tech upgraded e-commerce platform is underway with the first pop-up store having recently been launched providing a retail experience to meet the needs of Members' corporate clients online purchasing requirements.

Usage continues to rise and the Group has recently signed an agreement with UFG to provide technology solutions to its promotional product franchise division, Fully Promoted. This new partnership is anticipated to grow our user base by c.5%.

Additionally, member adoption and usage of Altitude's technology solutions continues to grow with 524 distributors adopting the AIM Tech Suite for search and order creation, a 10% increase from 476 in FY 2022 and there are 2,658 unique websites live to date.

Financial Results

Group revenue for the period increased by £1.7m to £7.7m (HY22: £5.9m), an increase of 29.3%.

Services have grown by £1.0m, driven from increased levels of network activity and throughput outstripping published market data from ASI Central, which reported c.13% average quarter on quarter growth. Upsell activities into the AIM membership has also provided additive year on year underlying growth.

Ongoing delivery of our strategic growth initiatives within Merchandising have contributed to an additional £0.7m in revenue. Growth in the number of ACS affiliates and adjacent market partners expecting to contribute c.\$6m annualised sales has been achieved during HY23, with a continued strong pipeline anticipating further growth into the second half of FY23 and leading into FY24.

Gross profit increased by £1.1m, or 39.5%, to £3.9m (HY22: £2.8m), with gross margin increasing to 51.4% (HY22: 47.7%) reflecting stronger throughput impact from Partner revenues driven from both Services and Merchandising activity.

Administration expenses before share-based payments, amortisation of intangible assets, depreciation of tangible assets and exceptional charges increased to £3.2m (HY22: £2.3m). At constant currency costs have increased by £0.65m with £0.5m of the increase attributed to the US Government Employee Retention Credit secured in HY22 in recognition of retention of labour under COVID-19 impacted conditions. Without this benefit, costs have marginally increased by £0.15m with the return to growth activities in line with our strategic initiatives.

Adjusted operating profit* increased by 50.5% to £0.8m (HY22: £0.5m) and the loss before taxation fell by 67.9% to £0.1m (HY22: loss £0.4m).

Basic and diluted loss per share improved by 0.32p to 0.10p (HY22: loss 0.42p).

Net operating cash flow before exceptional items increased by £1.6m to a £0.4m inflow (HY22: outflow £1.2m) as a reflection of more normalised working capital movements compared to HY22 where the activity levels were returning from a period of lower activity due to COVID-19 lockdowns. Net cash outflow from investing activities was £0.4m (HY22: £0.4m outflow), primarily comprising capitalised software development costs. Net cash outflows from financing activities of £0.1m were mainly comprised of lease repayments and interest. The prior period activities of a £0.1m outflow includes a credit for issue of shares for cash (net of expenses).

Total net cash outflow was £0.2m (HY22: £1.5m outflow). The bank facility of \$0.7m, secured in FY22, was put in place to fund short term working capital fluctuations as a result of our growth in Merchanting. The facility is currently undrawn owing to a stronger than expected performance in Services.

Management has carried out a review of the Key Performance Indicators applicable to the Group with reference to external market sentiment and internal incentive schemes. More details can be found in Note 5.

** Operating profit before share-based payment charges, amortisation of intangible assets, depreciation of tangible assets and exceptional charges*

Outlook

In the first six-months of the current financial year, the Group experienced a robust performance across key Services and Merchanting programmes showing significant growth on the same period last year. The continued strong, consistent, and upward momentum in the performance of the business in both revenue and profit growth demonstrates the Group's ability to execute on its strategy. Based on the performance in the year to date, the Board was pleased to announce on 22 November 2022 that the Group is on track to achieve record year-end results. With continued focus on scaling the business and a healthy new business pipeline, the Group is well placed for accelerated future growth, and the Board is confident in the long-term success of the business and its positive outlook for the future.

Nichole Stella
Chief Executive Officer
28 November 2022

Consolidated income statement for the six months ended 30 September 2022

		Unaudited	Audited	Unaudited
		6 months	12 months	6 months
	Note	30 Sep	31 Mar	30 Sep
		2022	2022	2021
		£'000	£'000	£'000
Revenue	3	7,666	11,936	5,928
Cost of sales		(3,723)	(5,786)	(3,102)
Gross profit		3,943	6,150	2,826
Administrative expenses before share based payment charges, depreciation amortisation and exceptional expenses		(3,180)	(5,083)	(2,319)
Operating profit before share based payment charges, depreciation, amortisation and exceptional charges		763	1,067	507
Share based payment charges		(231)	127	(360)
Depreciation and amortisation		(562)	(1,044)	(518)
Exceptional charges		(76)	(234)	-
Total administrative expenses		(4,049)	(6,234)	(3,197)
Operating loss		(106)	(84)	(371)
Finance expenses		(27)	(73)	(43)
Loss before taxation		(133)	(157)	(414)
Taxation		60	254	114
Profit / (loss) attributable to the equity shareholders of the Company		(73)	97	(300)
Profit / (loss) per ordinary share attributable to the equity shareholders of the Company :				
— Basic and diluted (pence)	4	(0.10p)	0.14p	(0.42p)

Consolidated statement of changes in equity for the six months ended 30 September 2022

	Share Capital £'000	Share Premium £'000	Retained Earnings £'000	Foreign Exchange Translation Reserve £'000	Total £'000
At 1 April 2021	282	20,151	(11,932)	(712)	7,789
Loss for the period attributable to equity shareholders	-	-	(300)	-	(300)
Foreign exchange differences	-	-	-	219	219
Total comprehensive loss	-	-	(300)	219	(81)
Transactions with owners recorded directly in equity:					
Shares issued for cash	1	43	-	-	44
Share based payment charges	-	-	360	-	360
Total transactions with owners	1	43	360	-	404
At 30 September 2021	283	20,194	(11,872)	(493)	8,112
Profit for the period attributable to equity shareholders	-	-	397	-	397
Foreign exchange differences	-	-	-	83	83
Total comprehensive income	-	-	397	83	480
Transactions with owners recorded directly in equity:					
Shares issued for cash	-	-	-	-	-
Share based payment credit	-	-	(487)	-	(487)
Total transactions with owners	-	-	(487)	-	(487)
At 31 March 2022	283	20,194	(11,962)	(410)	8,105
Loss for the period attributable to equity shareholders	-	-	(73)	-	(73)
Foreign exchange differences	-	-	-	1,225	1,225
Total comprehensive income	-	-	(73)	1,225	1,152
Transactions with owners recorded directly in equity:					
Shares issued for cash	-	-	-	-	-
Share based payment charges	-	-	231	-	231
Total transactions with owners	-	-	231	-	231
At 30 September 2022	283	20,194	(11,804)	815	9,488

Consolidated balance sheet as at 30 September 2022

	Unaudited 6 months 30 Sep 2022 £'000	Audited 12 months 31 Mar 2022 £'000	Unaudited 6 months 30 Sep 2021 £'000
ASSETS			
Non-current assets			
Property, plant & equipment	137	139	91
Right of use assets	667	606	738
Intangibles	2,614	2,477	2,431
Goodwill	3,219	2,781	2,668
Deferred tax	467	436	428
Total non-current assets	7,104	6,439	6,356
Current assets			
Inventory	93	29	18
Trade and other receivables	4,654	3,875	3,790
Corporation tax receivable	59	42	154
Cash and cash equivalents	814	902	754
Total current assets	5,620	4,848	4,716
Total assets	12,724	11,287	11,072
LIABILITIES			
Non-current liabilities	(895)	(900)	(976)
Total non-current liabilities	(895)	(900)	(976)
Current liabilities			
Trade and other payables	(2,341)	(2,282)	(1,984)
Total current liabilities	(2,341)	(2,282)	(1,984)
Total liabilities	(3,236)	(3,182)	(2,960)
Net assets	9,488	8,105	8,112
EQUITY			
Called up share capital	283	283	283
Share premium	20,194	20,194	20,194
Retained earnings	(10,989)	(12,372)	(12,365)
Total equity attributable to equity holders of the parent	9,488	8,105	8,112

Consolidated cash flow statement for the six months ended 30 September 2022

	Unaudited 6 months 30 Sep 2022 £'000	Audited 12 months 31 Mar 2022 £'000	Unaudited 6 months 30 Sep 2021 £'000
Operating profit / (loss) for the period	(106)	(84)	(371)
Amortisation of intangible assets	450	845	421
Depreciation	112	199	97
Share based payment (credit) /charge	231	(127)	360
Exceptional items	76	234	-
Operating cash flow before changes in working capital	763	1,067	507
Movement in Inventory	(55)	(29)	(18)
Movement in trade and other receivables	(175)	(1,398)	(1,425)
Movement in trade and other payables	(90)	(101)	(226)
Changes in working capital	(320)	(1,528)	(1,669)
Net cash flow from operating activities before exceptional items	443	(461)	(1,162)
Exceptional items	(76)	(179)	-
Net cash flow from operating activities after exceptional items	367	(640)	(1,162)
Income tax received	-	413	182
Net cash flow from operating activities	367	(227)	(980)
Cash flows from investing activities			
Purchase of tangible assets	(46)	(64)	(66)
Purchase of intangible assets	(345)	(788)	(352)
Net cash flow from investing activities	(391)	(852)	(418)
Cash flows from financing activities			
Repayment of lease borrowings	(105)	(135)	(95)
Lease interest paid	(25)	(52)	(27)
Other interest paid	(6)	(21)	(16)
Issue of shares for cash (net of expenses)	-	44	44
Net cash flow from financing activities	(136)	(164)	(94)
Net increase/(decrease) in cash and cash equivalents	(160)	(1,243)	(1,492)
Cash and cash equivalents at the beginning of the period	902	2,095	2,095
Effect of foreign exchange rate changes on cash and cash equivalents	72	50	151
Net (decrease)/increase in cash and cash equivalents	(160)	(1,243)	(1,492)
Cash and cash equivalents at the end of the period	814	902	754

Notes to the half yearly financial information

1. Basis of preparation

This consolidated half yearly financial information for the half year ended 30 September 2022 has been prepared in accordance with the AIM rules and applying the accounting policies and presentation that were applied in the preparation of the Group's published consolidated financial statements for the period ended 31 March 2022. The Group's accounting policies are based on the recognition and measurement principles of UK-adopted international accounting standards. The financial information is presented in Sterling and has been rounded to the nearest thousand (£000).

The consolidated half yearly report was approved by the Board of directors on 28 November 2022.

The financial information contained in the interim report has not been reviewed or audited, and does not constitute statutory accounts for the purpose of Section 434 of the Companies Act 2006, and does not include all of the information or disclosures required and should therefore be read in conjunction with the Group's 2020/21 consolidated financial statements, which have been prepared in accordance with UK-adopted international accounting standards. The financial information relating to the period ended 31 March 2022 is an extract from the latest published financial statements on which the auditor gave an unmodified report that did not contain statements under Section 498 (2) or (3) of the Companies Act 2006 and which have been filed with the Registrar of Companies.

2. Accounting policies

The condensed, consolidated financial statements in this half-yearly financial report for the six months ended 30 September 2022 have been prepared in accordance with the AIM Rules for Companies and on a basis consistent with the accounting policies and methods of computation consistent with those set out in the Annual Report and financial statements for the period ended 31 March 2022, except as described below. The Group has chosen not to adopt IAS 34 'Interim Financial Statements' in preparing these interim financial statements and therefore the Interim financial information is not in full compliance with International Financial Reporting Standards.

In preparing the condensed, consolidated financial statements, management are required to make accounting assumptions and estimates. The assumptions and estimation methods are consistent with those applied to the Annual Report and financial statements for the period ended 31 March 2022. Additionally, the principal risks and uncertainties that may have a material impact on activities and results of the Group remain materially unchanged from those described in that Annual Report. The financial statements have been prepared on a going concern basis. The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the strategic report and Chairman's statement in the Annual Report and financial statements for the period ended 31 March 2022.

The Financial Reporting Council issued "Going Concern and Liquidity Risk: Guidance for Directors of UK Companies" in 2009, and "Guidance on the Going Concern Basis of Accounting and Reporting on Solvency and Liquidity Risks" in 2016. The Directors have considered these when preparing the interim financial statements.

The current economic conditions have created uncertainty particularly over the level of demand for the Group's products and services and over the availability of finance which the directors are mindful of. The Board is confident that the Group has sufficient liquidity to trade through to more normalised trading conditions. The interim financial statements have therefore been prepared on a going concern basis. The directors have taken steps to ensure that they believe the going concern basis of preparation remains appropriate. The key conditions are summarised below:

- The Directors have prepared cash flow forecasts extending to November 2023. These show that the Group has sufficient funds available to meet its trading requirements.
- The Group's year to date financial performance has been factored into the cash flow forecasts.
- The Group has an unutilised financing facility in place of \$0.7m which provides additional comfort and headroom to the cash forecasts. We expect that with future additional growth this facility can be increased to support any excess working capital requirements.
- The Directors have considered the position of the individual trading companies in the Group to ensure that these companies are also in a position to continue to meet their obligations as they fall due.
- There are not believed to be any contingent liabilities which could result in a significant impact on the business if they were to crystallise.

Based on the above indications and assumptions, the Directors believe that it remains appropriate to prepare the interim financial statements on a going concern basis. However, the impact of COVID-19 and macro-economic factors could still possibly result in revenue and resulting cash inflows that are less and later than modelled potentially creating a need to secure additional funding. The Directors consider that such a severe, yet plausible scenario indicates the existence of a material uncertainty which

may cast significant doubt on the Group and company's ability to continue as a going concern. Notwithstanding that these factors represent a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern, the Board has a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For these reasons, they continue to adopt the going concern basis in preparing the Annual Report and Accounts. The interim financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

Revenue recognition

The Group has a number of different revenue streams which are described below.

Services Revenue

Includes a range of member and member-related revenues as well as legacy software license revenue.

Member subscription revenues

AIM distributor members pay a monthly subscription fee for basic membership which confers immediate access to a range of commercial benefits at no additional cost to the member. Members may elect to upgrade their membership to access a range of enhanced services provided by AIM in exchange for an increased monthly subscription fee. Subscription revenues are recognised on a monthly basis over the membership period.

Other discretionary services

Certain other services are made available to AIM members on a discretionary usage basis such as artwork processing services, catalogues and merchandise boxes. These revenues are recognised upon performance of the service or delivery of the product. For example, catalogue and merchandise box revenues are recognised on dispatch of the products to members.

Events and exhibitions revenues

AIM promotes and arranges events for AIM members and groups of supplier customers to meet and build relationships. Revenue from these events is recognised once the performance obligations have been satisfied, typically on completion of an event or exhibition.

Preferred Partner revenues

AIM provides services to vendors within the promotional products industry whereby preferred partners are actively promoted to AIM members via a variety of methods including utilising the AIM technology platform, webinars, email communications and quarterly publications. Revenues are variable and depend on the value of purchases made and services utilised by the AIM members from preferred partners. Revenue is recognised over time by reference to the value of transactions in the period. Payment for AIM's marketing services is made by preferred partner customers on a calendar quarter or annual basis. Revenue is recognised to the extent that it is highly probable that it will not reverse based on historic fact pattern and latest market information.

Software and technology services revenues

Revenues in respect of software product licences and associated maintenance and support services are recognised evenly over the period to which they relate. An element of technology services revenue is dependent on the value of orders processed via the Group's technology platforms. Revenue is accrued based on the value of underlying transactions and the relevant contractual arrangements with the customer. Revenue is constrained to the extent that it is highly probable that it will not reverse.

Merchandising revenues

Merchandising revenues arise when group companies contract with customers to supply promotional products. The sale of promotional products, with the related costs of goods supplied, freight and selling commission are recognised on the shipment of goods. The Directors accept that the technical transfer of risks and rewards to the customer occur on delivery of the goods which are usually delivered between 2 to 5 days of shipment. The Directors use a proxy of the shipment date as the trigger for recognising revenue. The Group sources products directly through its network of preferred partners, which it sells to AIM members and adjacent markets, where such sales do not conflict with the interest of either suppliers or the AIM membership.

3. Segmental Performance

The chief operating decision maker has been identified as the Board of Directors and the segmental analysis is presented in the Group's internal reporting to the Board. At 30 September 2022, the Group has two operating segments, North America, and the United Kingdom.

To demonstrate the evolving nature of the Group's operations an additional analysis presenting 'Service' and 'Merchandising' is shown. Service revenues are derived from servicing our AIM membership base and generating throughput with our contracted Preferred Partners. Merchandising revenues are from the sale of promotional products.

	Unaudited 6 months 30 Sep 2022 £'000	Unaudited 6 months 30 Sep 2022 £'000	Unaudited 6 months 30 Sep 2022 £'000	Unaudited 6 months 30 Sep 2022 £'000
	Group	North America	UK and Europe	Central
Services				
Turnover	3,850	3,179	671	-
Cost of Sales	(250)	(222)	(28)	-
Gross Profit	3,600	2,957	643	-
Merchandising				
Turnover	3,816	3,816	-	-
Cost of Sales	(3,473)	(3,473)	-	-
Gross Profit	343	343	-	-
Group				
Turnover	7,666	6,995	671	-
Cost of Sales	(3,723)	(3,695)	(28)	-
Gross Profit	3,943	3,300	643	-
Adjusted* Operating Profit/(Loss)	763	1,312	190	(739)
Share-based payment charges	(231)	-	-	(231)
Depreciation	(112)	(82)	(30)	-
Amortisation	(450)	(84)	(366)	-
Exceptional charges	(76)	-	(66)	(10)
Finance charges	(27)	(21)	(6)	-
Segmental profit before income tax	(133)	1,125	(278)	(980)

* Operating profit before share-based payment charges, amortisation of intangible assets, depreciation of tangible assets and exceptional charges

	Unaudited 6 months 30-Sep-21 £'000	Unaudited 6 months 30-Sep-21 £'000	Unaudited 6 months 30-Sep-21 £'000	Unaudited 6 months 30-Sep-21 £'000
	Group	North America	UK and Europe	Central
Services				
Turnover	2,821	2,224	597	-
Cost of Sales	(219)	(187)	(32)	-
Gross Profit	2,602	2,037	565	-
Merchanting				
Turnover	3,107	3,107	-	-
Cost of Sales	(2,883)	(2,883)	-	-
Gross Profit	224	224	-	-
Group				
Turnover	5,928	5,331	597	-
Cost of Sales	(3,102)	(3,070)	(32)	-
Gross Profit	2,826	2,261	565	-
Adjusted* Operating Profit/(Loss)	507	1,036	129	(658)
Share-based payment charges	(360)	-	-	(360)
Depreciation	(97)	(69)	(28)	-
Amortisation	(421)	(78)	(343)	-
Exceptional charges	-	-	-	-
Finance charges	(43)	(24)	(19)	-
Segmental profit before income tax	(414)	865	(261)	(1,018)

* Operating profit before share-based payment charges, amortisation of intangible assets, depreciation of tangible assets and exceptional charges

4. Basic and diluted earnings per share

The calculation of earnings per ordinary share is based on the profit or loss for the period divided by the weighted average number of equity voting shares in issue.

	Unaudited 6 months 30-Sep-22	Audited* 12 months 31-Mar-22	Unaudited 6 months 30-Sep-21
Profit / (loss) attributable to the equity shareholders of the Company:			
Continuing operations (£000)	(73)	97	(300)
Weighted average number of shares (number '000)	70,778	70,657	70,657
Fully diluted weighted average number of shares (number '000)	71,236	70,957	72,907
Basic and diluted profit / (loss) per ordinary share (pence)			
Continuing operations	(0.10)	0.14	(0.42)
Adjusted profit / (loss) per ordinary share (pence) on continuing operations			
Continuing operations (£000)	(73)	97	(300)
add back:			
Share based payments	231	(127)	360
Amortisation on acquired intangibles	75	134	66
Exceptional charges	76	234	-
Adjusted earnings	309	338	126
Adjusted basic and diluted earnings per ordinary share (pence) on continuing operations	0.44	0.48	0.18

**Calculation of adjusted profit was amended to add back amortisation on acquired intangibles compared to the previous presentation that added back depreciation and amortisation. See key performance indicators for further explanation.*

Share options that could potentially dilute basic earnings per share in the future were not included in the calculation of diluted earnings per share because they are antidilutive for the six months ended 30 September 2022.

5. Key performance indicators

The Group's key performance indicators have been updated to align with external market sentiment including incentives for the Executive and Senior Management.

	Unaudited 6 months 30 Sep 2022 £'000	Audited 12 months 31 Mar 2022 £'000	Unaudited 6 months 30 Sep 2021 £'000
Revenue	7,666	11,936	5,928
Gross Profit	3,943	6,150	2,826
Adjusted EBITDA*	763	1,067	507
Statutory loss before tax	(133)	(157)	(414)
Adjusted profit before tax**	249	84	12
Gross Margin (per cent.)	51.4%	51.5%	47.7%
Adjusted basic earnings per share (pence)***	0.44	0.48	0.18

**Operating profit before share-based payment charges, amortisation of intangible assets, depreciation of tangible assets and exceptional charges. 'Adjusted EBITDA' is a consistent measure used to show the performance of the revenue generating activities and the related costs involved in the delivery of revenue for the current year.*

***Adjusted profit before tax is profit before tax adjusted for share based charges, exceptional costs and amortisation on acquired intangibles. This metric is introduced to review the performance of the underlying business including depreciation and amortisation of development costs and is aligned with the principle of underlying total shareholder return.*

**** Basic adjusted earnings per share from continuing operations is calculated using profit after tax but before share-based payment charges, amortisation of acquired intangible assets and exceptional charges with the weighted average number of equity voting shares in issue. This provides a metric that is used when evaluating shareholder return combined with the underlying performance of the business.*